

**Trust International Insurance Company  
(Cyprus) Limited**

**FINANCIAL STATEMENTS**

31 December 2014

# **Trust International Insurance Company (Cyprus) Limited**

## **FINANCIAL STATEMENTS**

**for the year ended 31 December 2014**

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# **Trust International Insurance Company (Cyprus) Limited**

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## **GENERAL INFORMATION**

### **Board of Directors**

Frixos Savvides - Chairman  
Mehran Eftekhari  
Kamel Abu Nahl  
Chris Georghiades  
Stavros Stavrou  
Kyriakos Kazamias  
Christos Christodoulou

### **Chief Executive Officer**

Christos Christodoulou

### **Secretary**

Cyproservus Co. Limited

### **Registered Office**

284 Archbishop Makarios III Avenue  
Fortuna Court Block B, 2<sup>nd</sup> floor  
3015 Limassol, Cyprus

### **Legal Advisors**

Chrysses Demetriades & Co. Llc

### **Independent Auditors**

Ernst & Young Cyprus Limited  
Certified Public Accountants and Registered Auditors  
Nicosia

# **Trust International Insurance Company (Cyprus) Limited**

## **A MESSAGE FROM THE CHAIRMAN**

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Trust International Insurance Company (Cyprus) Ltd experienced another successful year despite the uncertainty of the economy. It gives me a great pleasure in reporting these results and achievements of the Company for the year 2014, together with future plans.

In implementing our vision and strategy we rely and thank our Holding Company, Board members, organization leaders, employees and associates as they serve our customers and shareholders. Our Vision 'To lead through innovation and service excellence' is very challenging and motivating at the same time; it involves tireless efforts of self-improvement and vigilant managing of the Company's resources.

### **Reinsurance Activities**

Our Reinsurance activities are ceded to highly rated and credible reinsurers for the benefit of our Direct Insurance Group. We are very pleased to announce that our Reinsurance business has increased by 25% during 2014. The main factor has been the increased volume of business throughout our Direct Insurance Group Companies.

### **Direct Insurance Activities**

I am also pleased to report that the Company had a very successful year with regards to expansion and market share. The growth for the year was 19% and its market share rose to 6,11%. Considering that the inception of the operation was in August 2009, these results are extremely satisfactory. We are now considered as one of the leading Insurance entities in Cyprus.

### **Results**

The Company's net earned premiums rose to \$25.136.740 Representing an increase of 25% from last year. The net profit increased by \$4.35.248 from last year. The main reason for the increase in the net profit is the increase in the net earned premium and profit from the sale of investments. The net profit after tax of \$6.807.532 was a great achievement for which we thank the management and the staff.

### **ERM**

We have installed one of the most comprehensive Business Intelligence platforms, providing on-line MIS reports and alerts to Management and Directors, while our Corporate Governance practices were enriched and enhanced through risk based Internal Audits that cover all areas of operations and Company locations. Our extensive risk management processes cover the ERM cycle; this process is supervised by Nest Corporate Services.

### **Future Outlook**

Despite the developments in the Cyprus Financial Sector and the uncertain outlook for the Cyprus Financial Industry and Economy, we do not anticipate a negative effect on our business. On the contrary, Cyprus Local Operations are expected to be the alternative option for both Retail and Corporate clients. We are part of an international group carrying Insurance, Reinsurance, Broking, Real Estate, Banking and other licensed services. We have the full support of the parent in all respect. Our Group Companies will continue to provide all the support we need to achieve our goals.

Our insurance license in Cyprus comprising both Insurance and reinsurance activities provide us a balanced platform in retaining our profitability and positive cash flow.

With regards to the financial crisis that Cyprus has been facing: Our Company's assets are in their majority abroad, from the beginning of operations (1990) due to our overseas activities. Based on the above, the Company is not directly affected by the financial crisis.

## **Trust International Insurance Company (Cyprus) Limited**

### **A MESSAGE FROM THE CHAIRMAN (continued)**

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The Board and the Executive team have been following an action plan to safeguard the Company from the indirect threats anticipated, such as increased credit risk and fraudulent claims. At the same time due to the Company's risk policies that we have adopted from inception, we are set up and ready to deal effectively with a number of possible scenarios. Furthermore, our solvency ratio at 31/12/2014 was 373%. This fact allows the Company to continue pursuing its ambitious plans.

I am also pleased to report that during the year 2014 the Company acquired new property in Cyprus consisting of two plots of land and our Head Offices in Aglantzia.

#### **Solvency II**

The Company has agreed a number of actions with our Board and parent, in order to reinforce its capital adequacy under the new regulatory regime for insurance companies, Solvency II, which will be implemented in the European Union on 1 January 2016. Amongst these actions are the exchange of certain assets that bear high risk charges, a capital injection and the transfer of the reinsurance activities to another group entity during 2015. The Company aims to maintain a high solvency ratio under the new regime in order to retain its leading position in the Cyprus insurance market.

We strongly believe that Trust International Insurance Company (Cyprus) Ltd is poised for growth and future success. Building on our strong performance in 2014, the Company remains focused towards increasing the market share and creating a balanced portfolio that will allow for even better underwriting results and higher profitability.

I am proud to be the Chairman of this Organization and I am excited about what the future holds for Trust International Insurance Company (Cyprus) Ltd. I warmly thank my fellow board members, the executive team and the staff for their excellent performance throughout the year.

**Frixos Savvides**  
**Chairman**

# **Trust International Insurance Company (Cyprus) Limited**

## **A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER**

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I am pleased to report that the year of 2014 was another year of achievement for Trust International Insurance Company (Cyprus) Ltd. We started the year as a strong and stable company and managed to grow significantly by 19% in our Direct Operations, while our Reinsurance Operations grew by 25%. Our financial results, summarized in this report were strong, but what's more, we earned recognition for our achievements and market penetration.

### **Our Company**

Trust International Insurance Company (Cyprus) Ltd, established in 1990, is a member of the Nest Investments Holdings Ltd (Nest Group). Since carrying out its direct operations from August 2009 under a new management and structure, the Company has been the fastest-growing Insurance and reinsurance entity based in Cyprus.

The Company operates from two locations:

1. **The Amman Regional Office**, comprised of 27 qualified employees, provides support for Reinsurance and technical services for all Direct Insurance Companies of Nest Group. It also provides training and educational assistance as well as other corporate services to the same group.
2. **Cyprus Local Operations – Direct Insurance** has marked 19% growth comparing to 2013, achieving its very ambitious budget plans. Our Company offers a wide range of insurance products to cover personal lines, commercial and industrial risks. We employ 82 dedicated staff and managers and our sales force is comprised of 165 experienced Brokers.

During 2014 the Company enhanced its corporate governance practices by upgrading its procedure manuals, automating its systems and upgrading its ERM processes. Throughout the year we have also continued investing in technology; we have enhanced the Business Intelligence system for transparency and reliable and timely decision-making. Furthermore, we have implemented Customer Relationship Management (CRM) system in order to improve service quality. We have also continued investing in our human resources by implementing the competencies gained from our Investors in People accreditation. In addition to the above, during the year the Company acquired its new freehold Head Offices in Nicosia.

### **Our Competitive Advantage**

Nest Group provides a full range of Corporate Services to the Company in the following areas:

- Strategy & Planning
- Actuarial and Risk Management
- Internal Audit
- Human Resources and Training
- Information Technology

Through Corporate Services, the parent company provides the necessary tools to support our requirements. Our shareholders' financial strength supports the Company's ambitious plan: **to be a leading Insurance Company**. As a company we aim to provide highly reliable and high-quality of products and services to customers through the implementation of our key strategies:

- **Financial Stability:** Work within the prevalent regulatory financial framework by securing the necessary capital requirements from the shareholder, in order to maintain a solvency ratio that will render the Company the "Insurer of choice".
- **Leadership position:** Maintain our leading position in the Cyprus insurance market in terms of quality written business whilst maintaining a net combined ratio better than the industry.

## **Trust International Insurance Company (Cyprus) Limited**

### **A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (continued)**

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- **Stable business model:** Significantly enhance the quality of our business portfolio in terms of higher percentage of corporate and direct business, writing business with carefully selected clients and brokers and shift to a more balanced portfolio.
- **Innovation and market segmentation:** Develop a new range of specialized products and services to address specific market segments and co-exist alongside the traditional general products and services. Through innovation to differentiate and be better than the competition.
- **Evaluate new target markets:** Seek to expand the target market outside the confines of the Republic of Cyprus based on well-researched regions and justified feasibility studies.

#### **Cyprus Financial Crisis**

Our exposure to the financial crisis experienced in Cyprus is mitigated by our reinsurance activities 100% outside Cyprus. Furthermore our local exposure is minimal due to prudent risk management processes. We of course are vigilant and responsible towards the environment we operate in.

#### **Building on our Strengths**

The Company for the past six years has managed to establish itself as an Insurance Leader; a Company that is:

- Financially sound and strong with the backing of an even stronger and well-established Group, Nest Investments Holdings Ltd, with Insurance know-how and expertise.
- Dynamic and with high professional standards.
- Always providing excellent service, aiming to meet customers' expectations and is focusing on speedy settlement of claims.
- Sophisticated processes to support our vision and mission.

The above give us the confidence to continue pursuing our ambitious goals for 2015 and for the subsequent years.

#### **Solvency II**

Solvency II is the updated set of regulatory requirements for insurance companies which operate in the European Union, which establishes a revised set of market consistent EU-wide capital requirements and risk management standards and will be effective from 1 January 2016. The Company has been following an action plan, in cooperation with the Group Actuarial and Risk Department, for preparing for Solvency II. The Company aims to maintain a robust solvency ratio under the new regime, both under normal conditions and under stress test scenarios, which will enable the Company to attract quality business and maintain its leading position in the Cyprus insurance market.

In closing, I would like to express my sincere gratitude to our Holding Company and the Directors for their devotion and commitment to the success of the Company, their constant contribution and availability to immediately deal with all issues arising; to Nest Investments (Holdings) Ltd that have greatly assisted the Company to build its strategies together with systems and practices, that now, at this time of need, differentiates our Company from the competition; and finally, to all staff members for their commitment and passion towards achieving our goals.

Based on these synergies, our strong foundation and goals as well as our willingness to go above and beyond, we will continue our path towards a greater future.

**Christos Christodoulou**

**Chief Executive Officer**

# **Trust International Insurance Company (Cyprus) Limited**

## **REPORT OF THE BOARD OF DIRECTORS**

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The Board of Directors submits to the shareholders its Report together with the audited financial statements for the year ended 31 December 2014.

### **Principal activities**

Trust International Insurance Company (Cyprus) Limited (the "Company", "Trust") is a limited liability company incorporated in Cyprus on 5 December 1990 in accordance with the provisions of the Cyprus Companies Law Cap.113. The main activity of the Company is carrying out insurance/reinsurance business as well as providing related consultancy services to other group companies.

### *Operating environment of the Company*

Real economic activity continued to contract in 2014 with Gross Domestic Product (GDP) dropping by 2,3% compared with a 5,4% contraction the year before as per the Cyprus Statistical Service.

Whilst the performance in 2014 has been better than initially anticipated, unlike previous years the external sector had a negative contribution. An increase in imports and a decline in exports worsened the current account and led to a negative contribution of net exports to real economic activity. With respect to domestic demand, the decline in private consumption narrowed down, whilst at the same time investment activity had a positive contribution. Investment expenditures however, were driven by inventory adjustments and purchases of transport equipment. In the productive sectors, like previous years, economic activity was supported by tourism and by professional and business services.

In the labour market, the unemployment rate per Eurostat rose to 16,2% in 2014, up from 15,9% the year before. Total employment continued to contract, albeit at a much slower pace than in previous years. The contraction in employment was offset by a further fall in the labour force, such that the unemployment rate was not significantly affected in the year.

Consumer prices in the year dropped by 1,4% after a drop of 0,4% in the previous year as per the Cyprus Statistical Service. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain weak in the medium term.

In public finances, the fiscal adjustment effort continued and programme targets were comfortably surpassed. The primary balance turned significantly positive and the actual budget position of the government exactly balanced, which was one of the best fiscal performances in the eurozone for 2014. This was achieved primarily on the back of further consolidation measures and improved tax collection. Total expenditure remained on a declining path reflecting prudent budget execution.

Public debt rose to about 107% of GDP as per data published by the Ministry of Finance. It should be stated, however, that the debt to GDP ratio has been positively affected by the transition to a new European System of National and Regional Accounts.

The economy has proven quite resilient as evidenced by the better than expected performances in 2013 and 2014. The economy has also been more flexible than initially thought, as reflected in quantity and price adjustments. In accordance with the European Commission's EU Forecasts Winter 2015, growth is forecast to pick up gradually in 2015 and 2016. Private domestic demand is expected to pick up, especially given sustained lower energy prices. This will be reflected in the labour market, where unemployment is expected to gradually start to ease. Inflation is also expected to remain low, weighed down by the lower energy prices.

Economic activity may be hindered primarily because of a deepening recession in Russia and the steep devaluation of the rouble.



**Trust International Insurance Company (Cyprus) Limited**  
**REPORT OF THE BOARD OF DIRECTORS (continued)**

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**Principal activities (continued)**

*Operating environment of the Company (continued)*

Downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will improve liquidity conditions. Stronger demand in the euro area as a result of quantitative easing, low energy prices, the weaker euro and robust growth can provide positive impetus to economic activity in 2015.

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured.

The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed, of which €5,7 billion from the European Stability Mechanism and €428 million from the International Monetary Fund.

Agreement on the fifth review, however, has not been possible in the period since the review took place because the effective application of the foreclosure framework has not been achieved. A new foreclosure law was approved by the Cypriot Parliament in September 2014 aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans.

The implementation of the foreclosure law, however, has been suspended repeatedly on the basis that efforts and deliberations for the adoption of modern insolvency legislation have not been completed. The foreclosure law needs to be complemented by a modernised corporate and personal insolvency legal framework with the objective of facilitating debt restructuring for viable debtors. The new framework will also allow for the speedy liquidation of non-viable companies and for a fresh start for individuals without capacity to pay.

Staff teams from the European Commission, the European Central Bank and the International Monetary Fund visited Cyprus in January 2015 and discussed with the Cypriot authorities the progress under the economic reform programme. The teams took note of the progress achieved thus far and the challenges for the period ahead. The application of the foreclosure framework and the adoption of modern insolvency legislation remain key programme commitments obstructing the completion of the fifth review.

The Company's management has assessed whether any impairment allowances are deemed necessary for the Company's reinsurance, insurance and other receivables carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are, and concluded that none is necessary.

The Company's management and Directors are unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company. They believe nevertheless that they are taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment and therefore to continue as a going concern for the foreseeable future.

# **Trust International Insurance Company (Cyprus) Limited**

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

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### **Branches**

The Company operates from Cyprus and engages in reinsurance operations through support of a branch in Amman, Jordan.

### **Results, current position, development and performance**

The Company's gross written premium in 2014 was US\$91,026,281 compared to US\$74,198,886 in 2013. The increase is due to higher by 25% (2013: 5%) premium written by the Reinsurance operations whereas the Direct operations showed a growth of 19% (2013: 25%) comparing to the previous year. Net premium written in 2014 was US\$25,191,248 compared to US\$21,701,016 in 2013, which reflects the increase in premium retained from the Direct operations.

Gross incurred claims increased from US\$23,136,075 in 2013 to US\$23,671,635 in 2014 whereas Net incurred claims increased from US\$12,176,719 in 2013 to US\$12,706,911 in 2014. The increase is due to claims retained from the Direct operations. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 29% in 2014 compared to 30% in 2013 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 51% in 2014 comparing to 61% in 2013.

The net operating loss of US\$1,890,923 for the year 2013 turned into a net operating profit of US\$1,345,483 in 2014. The Gross Combined Ratio (Gross Claims and Commissions and Expenses) on Gross Earned Premium was 60% in 2014 and 58% in 2013. The Net Combined ratio on net earned premium was 105% in 2014 comparing to 119% in 2013.

The net profit for the year is US\$6,807,532 as compared to US\$2,450,284 for 2013. The main reason for the increase is the increase in net earned premium and the profit from the sale of investments, whereas there has been an increase in the net claims incurred, commissions and administrative expenses. The return on equity for 2014 is 20% and 8% for 2013.

The Company's gross technical reserves stand at US\$68,472,604 as at 31 December 2014 as compared to US\$63,486,664 as at 31 December 2013. The net technical reserves are US\$19,526,438 as at 31 December 2014 compared to US\$18,124,952 as at 31 December 2013, due to the increase in the retained reserves for the Direct operations. Included in the reserves is an Unexpired Risks Reserve of US\$16,664 (2013: US\$18,872) and IBNR/IBNER reserves of US\$1,218,134 (2013: US\$1,080,214).

The Bank and Cash balances increased to US\$13,788,085 as at 31 December 2014 from US\$11,992,272 as at 31 December 2013.

Shareholders' equity increased to US\$34,772,599 as at 31 December 2014 from US\$31,389,287 as at 31 December 2013, mainly as a result of the net profit for the year while on the contrary there was an increase in the foreign currency losses.

According to the latest official statistics of the Insurance Association of Cyprus, the Company retains a share of 6,11% of the Cypriot general insurance market sector (2013: 4,98%) and ranked fifth between the general business insurance companies excluding medical premiums written by life insurance companies.

### **Dividends**

The Company did not pay any dividend during the year. The Board of Directors does not propose the payment of a final dividend for 2014 (2013: nil).

## **Trust International Insurance Company (Cyprus) Limited**

### **REPORT OF THE BOARD OF DIRECTORS (continued)**

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#### **Main risks and uncertainties**

The Company is exposed to a variety of risks, the most important of which are insurance risk, changes on the prices of investments and interest rates, liquidity risk and credit risk. These risks are identified, measured and monitored through various control mechanisms in order to prevent undue risk concentrations. Detailed information relating to the Company's operating environment is disclosed in the relevant section of the Directors' report and risk management in note 20 to the financial statements respectively.

#### **Share capital**

The parent company has provided a confirmation that the credit balance of US\$1,388,290 due to them by the Company, will not be called for payment and is considered subordinated for the purposes of increasing the Company's capital.

#### **Events after the reporting date**

There were no material events after the reporting period which have a bearing on the understanding of the Financial Statements.

#### **Board of Directors**

##### **The Company's Board of Directors**

The Board of Directors consists of three distinct groups namely Shareholder Representatives, Executive Directors and Non-Executive Directors. The Board's role is to set the overall strategic direction, approve business plans and monitor the overall performance of the business against the approved plans, within a compliant framework of corporate governance and ethical principles.

During 2014 the Board of Directors held nine meetings and on four occasions the meeting was preceded by a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC).

# Trust International Insurance Company (Cyprus) Limited

## REPORT OF THE BOARD OF DIRECTORS (continued)

### Board of Directors (continued)

#### Board Composition

Name	Position	Committee Role
Frixos Savvides	Chairman	N&RC Committee - Chairman
Mehran Eftekhar	Group Finance and Corporate Services Director, Director	N&RC Committee - Member
Kamel Abu Nahl	Director	N&RC Committee - Member
Chris Georghiades	Director	Audit Committee - Member Risk Committee - Chairman
Stavros Stavrou	Director	Audit Committee - Chairman Risk Committee - Member
Kyriakos Kazamias	Director	Audit Committee - Member Risk Committee - Member
Christos Christodoulou	Chief Executive Officer, Director	-

#### *Frixos Savvides – Chairman*

Mr. Frixos Savvides a Chartered Accountant is a Fellow of the Institute of Chartered Accountants of England and Wales. He was the founder of the audit firm PKF Savvides and Partners in Cyprus and held the position of Managing Partner until 1999 when he became Minister of Health of the Republic of Cyprus. He held this office until 2003. Mr. Savvides is currently a senior independent business consultant and holds several Board positions.

#### *Mehran Eftekhar – Group Finance and Corporate Services Director, Director*

Mr. Mehran Eftekhar is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and has over 40 years of experience in the private sector of finance and corporate services. He serves as a non-executive Director of a number of Group companies. He is also Head of Group Corporate Services at parent company level.

#### *Kamel Abu Nahl – Director*

Mr. Kamel Abu Nahl is a director in the BOD. His work experience include Trust International Insurance Co. as an Assistant Underwriter, Brockbank (Lloyds) Syndicate (London) as an Underwriter, Property Underwriter for Trust International Insurance Co. He has been in the position of a Deputy CEO for Trust International Insurance Co. (Cyprus) Limited and currently is the Chairman for Trust International Insurance & Reinsurance Company B.S.C (C) Trust Re.

#### *Chris Georghiades – Director*

Mr. Chris Georghiades has extensive experience of corporate and commercial matters, particularly in relation to company and business acquisitions and sales of both public and private companies, joint ventures, shareholder disputes, corporate reorganizations, insolvency, banking and taxation. He also advises on construction law, sports law, aviation law and administrative law. He is an LLB graduate of Athens University and an LLM graduate of King's College of London.

#### *Stavros Stavrou – Director*

Mr. Stavros Stavrou, a Chartered Accountant, is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Internal Auditors. His work experience includes the positions of Group Finance and Administration Director of Holborn Investment Company Ltd and Managing Director in Oilinvest (Netherlands) BV Group of Companies. He is the Chairman and one of the founder shareholders of Oceanfleet Shipping Ltd. During his career he has served as a Director at a number of Companies, private and public.

## **Trust International Insurance Company (Cyprus) Limited**

### **REPORT OF THE BOARD OF DIRECTORS (continued)**

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#### **Board of Directors (continued)**

##### ***Kyriakos Kazamias – Director***

Mr. Kyriakos Kazamias is an MSc. graduate of Berlin Hochschule fur Okonomie (High School of Economics). He served as Chief Executive Officer of Limassol Cooperative Savings. For ten years he has been a member of the Parliamentary Committee of Finance and Budget. During the period 2004-2010 he was Member of the European Court of Auditors in Luxembourg. His contribution to the Cypriot economy has played an important role since he was the Minister of Finance.

##### ***Christos Christodoulou – Chief Executive Officer, Director***

Mr. Christos Christodoulou holds an HND, BSc and an MSc in Mechanical Engineering (Computer Controls). He has an extensive experience in corporate Management and Sales. He served the insurance industry for more than twenty years, both in General Business and Life Operations from the positions of Sales Manager, General Manager and Executive Director of both Life and General Business Insurance Companies in Cyprus and Greece.

#### **Board Committees**

The Board delegates certain responsibilities to committees. Any such committee must keep the Board apprised on a timely basis of actions and determinations.

The committees that have been successfully formed by the BOD, aim to provide support and effective control of the Company, and are as follows:

##### ***Audit Committee:***

- Stavros Stavrou - Chairman
- Chris Georgiades
- Kyriakos Kazamias

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control and the audit.

##### ***Nomination and Remuneration Committee:***

- Frixos Savvides - Chairman
- Mehran Eftekhari
- Kamel Abu Nahl

The N & R Committee's primary functions are to assess required and necessary competencies of board members, review Board succession plans, evaluate board's performance and make recommendations to the Board on executive remuneration and incentive policies, remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, pension arrangements and the remuneration framework for the directors.

##### ***Risk Committee:***

- Chris Georgiades - Chairman
- Stavros Stavrou
- Kyriakos Kazamias

# **Trust International Insurance Company (Cyprus) Limited**

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## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **Board of Directors (continued)**

The Risk committee assists the board in fulfilling its oversight responsibilities for the identification, analysis, assessment and management of all the risks which the Company faces in its operation and which may impact upon the assets and liabilities of the Company; in particular (without limitation) to assist in identifying those risks which may at first seem unlikely or even remote.

The Committee also monitors the compliance and anti-money laundering processes with the laws and regulations as well as the code of conduct.

### **Roles of Chairman and Chief Executive Officer**

The Company follows a policy of segregating the roles of the Chairman of the Board and the Chief Executive Officer (CEO).

The Chairman of the Board is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings.

The CEO is responsible for the executive leadership and operational management of the Company. The CEO is accountable to the Board for the development, recommendation of strategies, policies and the framework of controls.

### **Corporate Governance**

We have introduced the appropriate corporate governance practices from the very beginning and have therefore established a Board of Directors and the relevant Board Committees which serve as a useful tool in the running of our business. Trust Cyprus follows those rules and regulations in order to direct and manage our business effectively, in compliance with all the relevant local and international business laws that apply.

The Board Committees comprise of a fully functioning Risk Committee, Audit Committee and Nomination and Remuneration Committee suitably staffed by non-executive Directors having the appropriate background and experience and following their respective fully approved Charters of operation.

### **Risk Management**

- Monitoring the overall level of risk assumed by Trust Cyprus, analyzing risk in both a quantitative and qualitative manner, reviewing application effectiveness, monitoring the progress of critical actions agreed by the business and providing assurance;
- Preparing and presenting regular risk and control reports to Trust Cyprus Executive Management, and Committees (Risk Committee, Audit Committee etc).
- Developing Trust's control environment (i.e. policy framework, delegations of authority) and assisting areas of the business to determine and implement specific risk controls.
- Train staff, senior management on all aspects of risk management application and development of a risk culture through raising awareness of risk across the organization.

## **Trust International Insurance Company (Cyprus) Limited**

### **REPORT OF THE BOARD OF DIRECTORS (continued)**

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#### **Internal Audit**

The risk based Internal Audit services are provided through the Nest Group Corporate Services.

During 2014 the following projects/ risk based audits, as per the approved yearly plan were performed:

- Claims Department
- Risk Register
- Amman Regional Office (Risk Register)
- Work in progress follow up reports

All the final reports were presented to the Audit Committee where they were fully discussed and approved. All approved recommendations were included in the WIP/ Follow up reports and checked for compliance throughout the year; the completed recommendations were deleted and after every audit the new outstanding issues are included.

For 2015 the Company plans to recruit a full time internal auditor in order to set up its own Internal Audit Department.

#### **Independent Auditors**

The independent auditors of the Company Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution for their re-appointment and remuneration will be proposed at the Annual General Meeting.

**BY ORDER OF THE BOARD**



**Cyproservus Co. Limited**

Secretary  
Limassol  
22 April 2015



Building a better  
working world

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## Independent Auditor's Report

### To the Members of Trust International Insurance Company (Cyprus) Limited

#### Report on the Financial Statements

We have audited the financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") on pages 18 to 64, which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Trust International Insurance Company (Cyprus) Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.





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## **Report on Other Legal Requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2014, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from the examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 8 to 15 is consistent with the financial statements.

## **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Savvas Pentaris  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia  
22 April 2015

**Trust International Insurance Company (Cyprus) Limited****INCOME STATEMENT**

for the year ended 31 December 2014

	<i>Notes</i>	<i>2014 US\$</i>	<i>2013 US\$</i>
Gross earned premiums	3	82.631.784	76.675.019
Reinsurers' share of gross earned premiums	3	<u>(57.495.044)</u>	<u>(56.610.911)</u>
<b>Net earned premiums</b>		25.136.740	20.064.108
Fee and commission income		14.439.316	11.710.517
Deferred acquisition costs	3	(57.089)	316.794
Investment income		119.676	125.672
Other income from insurance operations		<u>332.291</u>	<u>83.861</u>
<b>Total revenue from insurance operations</b>		<u>39.970.934</u>	<u>32.300.952</u>
Gross insurance claims paid	14	(27.077.984)	(21.174.898)
Reinsurers' share of gross insurance claims paid	14	15.720.259	11.985.011
Gross change in insurance contracts liabilities	14	3.406.349	(1.961.177)
Reinsurers' share of gross change in insurance contracts liabilities	14	(4.755.535)	(1.025.655)
Change in provision for unexpired risks reserve	14	2.208	(760)
Commission expense, direct expenses and discounts		(18.445.332)	(15.568.682)
Administrative expenses for insurance operations	4	(7.266.473)	(6.413.932)
Finance costs		<u>(208.943)</u>	<u>(31.782)</u>
<b>Total expenses for insurance operations</b>		<u>(38.625.451)</u>	<u>(34.191.875)</u>
<b>Net revenue / (expense) from insurance operations</b>		1.345.483	(1.890.923)
Other income	5	5.944.256	4.567.472
Other operating and administrative expenses	5	<u>(208.564)</u>	<u>(499.908)</u>
<b>Profit from operating activities before income tax</b>	6	7.081.175	2.176.641
Income tax	6	<u>(273.643)</u>	<u>273.643</u>
<b>Net profit for the year</b>		<u>6.807.532</u>	<u>2.450.284</u>

**Trust International Insurance Company (Cyprus) Limited****STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2014

	2014 US\$	2013 US\$
<b>Net profit for the year</b>	<u>6.807.532</u>	<u>2.450.284</u>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified in the income statement in subsequent periods</i>		
Net gains on available-for-sale investments	1.251.638	632.343
Transfer to the income statement on sale	(1.317.980)	-
Exchange differences on translation to presentation currency	<u>(3.937.290)</u>	<u>1.231.788</u>
	(4.003.632)	1.864.131
<i>Other comprehensive income not to be reclassified in the income statement in subsequent periods</i>		
Revaluation of land and buildings	579.412	(868.704)
<b>Other comprehensive (expense)/ income after tax</b>	<u>(3.424.220)</u>	<u>995.427</u>
<b>Total comprehensive income for the year after tax</b>	<u>3.383.312</u>	<u>3.445.711</u>

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 US\$	2013 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	13,949,532	7,848,428
Intangible assets	8	783,974	929,438
Deferred tax assets		-	273,643
		<u>14,733,506</u>	<u>9,051,509</u>
<b>Current assets</b>			
Available-for-sale investments	9a	10,552,954	13,116,429
Investments at fair value through profit or loss	9b	53,375	47,797
Reinsurers' share of insurance contract liabilities	14	48,946,166	45,361,712
Deferred acquisition costs	3	2,409,378	2,466,467
Reinsurers' current accounts		3,727,742	2,437,666
Receivables from related companies	15	23,151,049	18,641,989
Premiums receivable		14,658,223	15,250,573
Other debtors and prepayments	11	5,386,304	901,832
Cash and cash equivalents	12	13,788,085	11,992,272
		<u>122,673,276</u>	<u>110,216,737</u>
<b>TOTAL ASSETS</b>		<u>137,406,782</u>	<u>119,268,246</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	12,000,000	12,000,000
Equity contribution from parent	13	1,388,290	1,388,290
Available for sale reserve		(790,267)	(723,925)
Property revaluation reserve		4,853,658	4,274,246
Foreign currency translation reserve		(3,860,244)	77,046
Retained earnings		21,181,162	14,373,630
<b>Total equity</b>		<u>34,772,599</u>	<u>31,389,287</u>
<b>Non-current liabilities</b>			
Income received in advance		2,300,814	1,950,722
Loans and borrowings	17	3,125,775	-
		<u>5,426,589</u>	<u>1,950,722</u>
<b>Current liabilities</b>			
Insurance contract liabilities	14	68,472,604	63,486,664
Reinsurers' current accounts		9,584,416	9,888,847
Payables to related companies	15	7,585,808	3,326,692
Other creditors and accrued expenses	16	10,969,386	9,226,034
Loans and borrowings	17	595,380	-
		<u>97,207,594</u>	<u>85,928,237</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>137,406,782</u>	<u>119,268,246</u>

Mehran Eftekhari - Director

Christos Christodoulou - Director/Chief Executive Officer

## Trust International Insurance Company (Cyprus) Limited

### STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	<i>Share Capital US\$</i>	<i>Equity contribution from parent US\$</i>	<i>Available for sale reserve US\$</i>	<i>Property revaluation reserve US\$</i>	<i>Foreign currency translation reserve US\$</i>	<i>Retained earnings US\$</i>	<i>Total US\$</i>
<b>At 1 January 2013</b>	12,000,000	1,388,290	(1,356,268)	5,142,950	(1,154,742)	11,923,346	27,943,576
Profit for the year	-	-	-	-	-	2,450,284	2,450,284
Other comprehensive (expense)/income after tax	-	-	632,343	(868,704)	1,231,788	-	995,427
Total comprehensive (expense)/income for the year	-	-	632,343	(868,704)	1,231,788	2,450,284	3,445,711
<b>At 31 December 2013</b>	12,000,000	1,388,290	(723,925)	4,274,246	77,046	14,373,630	31,389,287
Profit for the year	-	-	-	-	-	6,807,532	6,807,532
Other comprehensive (expense)/income after tax	-	-	(66,342)	579,412	(3,937,290)	-	(3,424,220)
Total comprehensive (expense)/income for the year	-	-	(66,342)	579,412	(3,937,290)	6,807,532	3,383,312
<b>At 31 December 2014</b>	12,000,000	1,388,290	(790,267)	4,853,658	(3,860,244)	21,181,162	34,772,599

As of 1 January 2003, companies which do not distribute at least 70% of their profits after tax, as defined by the Special Contribution for the defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% will be payable on such deemed dividend for the years 2013 and 2014 to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders. For the tax years 2011 and 2012 there was no such deemed distribution.

## Trust International Insurance Company (Cyprus) Limited

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>US\$</i>	<i>2013</i> <i>US\$</i>
<b>Cash Flows from Operating Activities</b>			
Net profit before income tax		7,081,175	2,176,641
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		660,216	624,146
(Profit)/ loss on disposal and write-offs of equipment		(33,145)	2,004
Profit on sale of available-for-sale investments		(1,354,277)	-
Gains on investments at fair value through profit or loss		(12,138)	-
Exchange differences		1,580,864	(466,235)
		7,922,695	2,336,556
Decrease/ (increase) in premium receivable		592,350	(5,867,575)
Decrease/ (increase) in deferred acquisition costs		57,089	(316,794)
(Increase)/ decrease in other debtors and prepayments		(4,484,472)	100,548
Increase in balances with related companies		(249,944)	(7,540,693)
(Decrease)/ increase in reinsurers' current accounts		(1,594,507)	6,304,654
(Increase)/ decrease in reinsurers' share of insurance contract liabilities		(3,584,454)	5,138,696
(Increase)/ decrease in deposits with banks		(2,090,087)	436,453
Increase/(decrease) in insurance contract liabilities		4,985,940	(514,196)
Increase in other creditors and accrued expenses		1,743,352	4,176,866
Increase/(decrease) in income received in advance		350,092	(534,895)
		3,648,054	3,719,620
<b>Cash generated from operations</b>		<b>3,648,054</b>	<b>3,719,620</b>
<b>Net cash flow from operating activities</b>		<b>3,648,054</b>	<b>3,719,620</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment		(6,683,473)	(215,383)
Purchase of computer software and other intangibles		(318,145)	(460,224)
Proceeds from disposal of equipment		37,825	1,487
Proceeds from sale of investments		3,237,600	-
Purchase of investments		-	(706,513)
		(3,726,193)	(1,380,633)
<b>Net cash flows used in investing activities</b>		<b>(3,726,193)</b>	<b>(1,380,633)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,296,950	-
Repayment of borrowings		(575,795)	-
		3,721,155	-
<b>Net cash flows from financing activities</b>		<b>3,721,155</b>	<b>-</b>
Net increase in cash and cash equivalents		3,643,016	2,338,987
Exchange difference		(3,937,290)	1,231,788
Cash and cash equivalents at 1 January		10,395,288	6,824,513
<b>Cash and cash equivalents at 31 December</b>	12	<b>10,101,014</b>	<b>10,395,288</b>

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 1. Corporate information

The financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 22 April 2015.

The Company was incorporated in Cyprus on 5 December 1990 as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and is a wholly owned subsidiary of Nest Investments Holdings Ltd.

The registered office of the Company is located at 284 Archbishop Makarios III Avenue, Fortuna Court Block B, 2<sup>nd</sup> floor, 3015 Limassol, Cyprus.

The Company is engaged in the general insurance business in Cyprus and carries out, through its branch in Jordan ("ARO"), reinsurance business and provides related consultancy services to other group companies.

#### *Operating environment of the Company*

Real economic activity continued to contract in 2014 with Gross Domestic Product (GDP) dropping by 2,3% compared with a 5,4% contraction the year before as per the Cyprus Statistical Service.

Whilst the performance in 2014 has been better than initially anticipated, unlike previous years the external sector had a negative contribution. An increase in imports and a decline in exports worsened the current account and led to a negative contribution of net exports to real economic activity. With respect to domestic demand, the decline in private consumption narrowed down, whilst at the same time investment activity had a positive contribution. Investment expenditures however, were driven by inventory adjustments and purchases of transport equipment. In the productive sectors, like previous years, economic activity was supported by tourism and by professional and business services.

In the labour market, the unemployment rate per Eurostat rose to 16,2% in 2014, up from 15,9% the year before. Total employment continued to contract, albeit at a much slower pace than in previous years. The contraction in employment was offset by a further fall in the labour force, such that the unemployment rate was not significantly affected in the year.

Consumer prices in the year dropped by 1,4% after a drop of 0,4% in the previous year as per the Cyprus Statistical Service. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain weak in the medium term.

In public finances, the fiscal adjustment effort continued and programme targets were comfortably surpassed. The primary balance turned significantly positive and the actual budget position of the government exactly balanced, which was one of the best fiscal performances in the eurozone for 2014. This was achieved primarily on the back of further consolidation measures and improved tax collection. Total expenditure remained on a declining path reflecting prudent budget execution.

Public debt rose to about 107% of GDP as per data published by the Ministry of Finance. It should be stated, however, that the debt to GDP ratio has been positively affected by the transition to a new European System of National and Regional Accounts.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 1. Corporate information (continued)

#### *Operating environment of the Company (continued)*

The economy has proven quite resilient as evidenced by the better than expected performances in 2013 and 2014. The economy has also been more flexible than initially thought, as reflected in quantity and price adjustments. In accordance with the European Commission's EU Forecasts Winter 2015, growth is forecast to pick up gradually in 2015 and 2016. Private domestic demand is expected to pick up, especially given sustained lower energy prices. This will be reflected in the labour market, where unemployment is expected to gradually start to ease. Inflation is also expected to remain low, weighed down by the lower energy prices.

Economic activity may be hindered primarily because of a deepening recession in Russia and the steep devaluation of the rouble.

Downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will improve liquidity conditions. Stronger demand in the euro area as a result of quantitative easing, low energy prices, the weaker euro and robust growth can provide positive impetus to economic activity in 2015.

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured.

The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed, of which €5,7 billion from the European Stability Mechanism and €428 million from the International Monetary Fund.

Agreement on the fifth review, however, has not been possible in the period since the review took place because the effective application of the foreclosure framework has not been achieved. A new foreclosure law was approved by the Cypriot Parliament in September 2014 aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans.

The implementation of the foreclosure law, however, has been suspended repeatedly on the basis that efforts and deliberations for the adoption of modern insolvency legislation have not been completed. The foreclosure law needs to be complemented by a modernised corporate and personal insolvency legal framework with the objective of facilitating debt restructuring for viable debtors. The new framework will also allow for the speedy liquidation of non-viable companies and for a fresh start for individuals without capacity to pay.

Staff teams from the European Commission, the European Central Bank and the International Monetary Fund visited Cyprus in January 2015 and discussed with the Cypriot authorities the progress under the economic reform programme. The teams took note of the progress achieved thus far and the challenges for the period ahead. The application of the foreclosure framework and the adoption of modern insolvency legislation remain key programme commitments obstructing the completion of the fifth review.

The Company's management has assessed whether any impairment allowances are deemed necessary for the Company's reinsurance, insurance and other receivables carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement".



# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 1. Corporate information (continued)

#### *Operating environment of the Company (continued)*

This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are, and concluded that none is necessary.

The Company's management and Directors are unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company. They believe nevertheless that they are taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment and therefore to continue as a going concern for the foreseeable future.

Further information in respect of the impact of the agreement and the banking sector's restructuring on the results and financial position of the Company are presented in Note 10 to the financial statements.

### 2.1 Basis of preparation

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared on a historical cost basis, except for own properties, investments classified as available-for-sale and at fair value through profit or loss, that have been measured at fair value.

#### **Functional and presentation currency of the financial statements**

The financial statements are presented in United States Dollars (US\$) which is the presentation currency of the Company. The functional currency for the Head Office in Cyprus is the Euro and the functional currency for the Company's branch in Jordan is the United States Dollar.

### 2.2 Changes in accounting policies and disclosures

#### **2.2.1 Application of new standards, interpretations and amendments to IFRS**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by Company as of 1 January 2014:

- IAS 27 Separate Financial Statements (Revised)
- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IFRS 10 Consolidated Financial Statements