Trust International Insurance Company (Cyprus) Limited

FINANCIAL STATEMENTS

31 December 2014

Contents

GENERAL INFORMATION

Board of Directors

Frixos Savvides - Chairman
Mehran Eftekhar
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, 2nd floor
3015 Limassol, Cyprus

Legal Advisors

Chrysses Demetriades & Co. Llc

Independent Auditors

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

A MESSAGE FROM THE CHAIRMAN

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.

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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.

- **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

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.

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.

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).

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).

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.

Board of Directors (continued)

Kyriakos Kazamias – Director
Mr. Kyriakos Kazamias is an MSc. graduate of Berlin Hochschule fur Okomomie (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 Efthekhar
- 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

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.

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

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
Fax: +357 22209998
ey.com

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.

Building a better
working world

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

	Notes	*2014* *US$*	*2013* *US$*
Gross earned premiums	3	82.631.784	76.675.019
Reinsurers' share of gross earned premiums	3	(57.495.044)	(56.610.911)
Net earned premiums		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		332.291	83.861
Total revenue from insurance operations		39.970.934	32.300.952
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		(208.943)	(31.782)
Total expenses for insurance operations		(38.625.451)	(34.191.875)
Net revenue / (expense) from insurance operations		1.345.483	(1.890.923)
Other income	5	5.944.256	4.567.472
Other operating and administrative expenses	5	(208.564)	(499.908)
Profit from operating activities before income tax	6	7.081.175	2.176.641
Income tax	6	(273.643)	273.643
Net profit for the year		6.807.532	2.450.284

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	2014 US$	2013 US$
Net profit for the year	6.807.532	2.450.284
Other comprehensive income		
Other comprehensive income to be reclassified in the income statement in subsequent periods		
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	(3.937.290)	1.231.788
	(4.003.632)	1.864.131
Other comprehensive income not to be reclassified in the income statement in subsequent periods		
Revaluation of land and buildings	579.412	(868.704)
Other comprehensive (expense)/ income after tax	(3.424.220)	995.427
Total comprehensive income for the year after tax	3.383.312	3.445.711

Trust International Insurance Company (Cyprus) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 US$	2013 US$
ASSETS			
Non-current assets			
Property and equipment	7	13.949.532	7.848.428
Intangible assets	8	783.974	929.438
Deferred tax assets		-	273.643
		14.733.506	9.051.509
Current assets			
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
		122.673.276	110.216.737
TOTAL ASSETS		137.406.782	119.268.246
EQUITY AND LIABILITIES			
Equity			
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
Total equity		34.772.599	31.389.287
Non-current liabilities			
Income received in advance		2.300.814	1.950.722
Loans and borrowings	17	3.125.775	-
		5.426.589	1.950.722
Current liabilities			
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	-
		97.207.594	85.928.237
TOTAL EQUITY AND LIABILITIES		137.406.782	119.268.246

Mehran Eftekhar - Director

Christos Christodoulou - Director/Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share Capital US$	*Equity contribution from parent* US$	*Available for sale reserve* US$	*Property revaluation reserve* US$	*Foreign currency translation reserve* US$	*Retained earnings* US$	*Total* US$
At 1 January 2013	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
At 31 December 2013	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
At 31 December 2014	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

	Notes	*2014* *US$*	*2013* *US$*
Cash Flows from Operating Activities			
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)
Cash generated from operations		3.648.054	3.719.620
Net cash flow from operating activities		3.648.054	3.719.620
Cash flows from investing activities			
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)
Net cash flows used in investing activities		(3.726.193)	(1.380.633)
Cash flows from financing activities			
Proceeds from borrowings		4.296.950	-
Repayment of borrowings		(575.795)	-
Net cash flows from financing activities		3.721.155	-
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
Cash and cash equivalents at 31 December	12	10.101.014	10.395.288

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, 2nd 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.

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".

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

2.2 Changes in accounting policies and disclosures (continued)

2.2.1 Application of new standards, interpretations and amendments to IFRS (continued)

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Involvement with Other Entities
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IFRIC Interpretation 21: Levies

The adoption of the above standards or interpretations didn't have any impact on the financial statements or performance of the Company.

2.2.2 Standards and interpretations that are issued but not yet effective

Up to the date of the approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU.

- **IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants**
The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has not yet been endorsed by the EU.

- **IAS 19 Employee benefits (Amended): Employee Contributions**
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **IFRS 9 Financial Instruments – Classification and measurement**
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
  The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU.

- **IFRS 14 Regulatory Deferral Accounts**
  The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU.

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU.

- **IAS 27 Separate Financial Statements (amended)**
  The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.

  - ➢ ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
  - ➢ ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - ➢ ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
  - ➢ ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
  - ➢ ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
  - ➢ ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - ➢ ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015.

  - ➢ ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - ➢ ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
  - ➢ ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 Standards and interpretations that are issued but not yet effective (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU.

➢ ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

➢ ***IFRS 7 Financial Instruments: Disclosures***: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

➢ ***IAS 19 Employee Benefits***: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

➢ ***IAS 34 Interim Financial Reporting:*** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**
  The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU.

- **IAS 1: Disclosure Initiative (Amendment)**
  The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU.

2.3 Significant judgments and estimates

The preparation of the financial statements in accordance with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Actual results may vary from these current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the income statement in the periods in which they become known.

The main assumptions and estimates concerning the future on the reporting date that pose a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year relate to:

Going concern
The Company's management has assessed the ability of the Company to continue as a going concern. In making this assessment, the Company's management has also considered the current economic situation in Cyprus and the potential impact this may have on the Company's operating environment and financial position.

The management have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Insurance business contracts
For the insurance business contracts, estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The estimation of the liabilities is based on past experience and market trends.

Fair value of investments
The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the company use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

Fair value of property
The Company's accounting policy for property held for own use requires that it is measured at fair value.

2.3 Significant judgments and estimates (continued)

Valuations are carried out by qualified valuers by applying valuation models recommended by the International Valuation Standards.
Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

In arriving at their estimates of market values as at 31 December 2014, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market, in estimating the market values of property.

Impairment of available-for-sale -investments
Available-for-sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. In such a case, the total loss previously recognised in equity is recognised in the income statement. The determination of what is significant or prolonged requires judgement by management. The factors which are evaluated include the expected volatility in share prices. In addition, impairment may be appropriate when there is evidence that significant adverse changes have taken place in the technological, market, economic or legal environment in which the investee operates.

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The Company's policy in place requires that a review for potential impairment is carried out. Such impairment review takes into account a number of factors such as the financial condition of the issuer, any breach of contract, the probability that the issuer will enter bankruptcy or other financial reorganisation, which involves a high degree of judgement.

Income taxes
The Company operates and is therefore subject to taxation in Cyprus. Estimates are required in determining the provision for taxes at the reporting date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

2.4 Summary of significant accounting policies

2.4.1 Revenue recognition

Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Fees and commission income
Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established.

2.4 Summary of significant accounting policies (continued)

2.4.1 Revenue recognition (continued)

Realised gains and losses
Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.4.2 Benefits, claims and expenses recognition

Gross benefits and claims
General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.4.3 Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

2.4 Summary of significant accounting policies (continued)

2.4.4 Insurance contract liabilities (general insurance and healthcare contract liabilities)

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with the relevant guidelines of the Superintendent of Insurance in Cyprus to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

2.4.5 Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.
Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.4 Summary of significant accounting policies (continued)

2.4.5 Financial assets (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; Or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in the income statement.

(b) Available-for-sale (AFS) financial investments

AFS investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.
After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement.

(c) Loans and receivables

This category is the most relevant to the Company and includes reinsurers' share of insurance contract liabilities and reinsurers' current accounts, receivables from related companies, premiums receivables, other debtors and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition of financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; Or

2.4 Summary of significant accounting policies (continued)

2.4.5 Financial assets (continued)

- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
  and either:
- The Company has transferred substantially all the risks and rewards of the asset; Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

2.4.6 Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Other financial liabilities

This is the category most relevant to the Company and includes loans and borrowings, insurance contract liabilities, reinsurer's current accounts, payable to related companies and other creditors. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

2.4 Summary of significant accounting policies (continued)

2.4.6 Financial Liabilities (continued)

(b) Other financial liabilities (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(c) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.4.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.4.8 Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

2.4 **Summary of significant accounting policies** (continued)

2.4.8 Reinsurance (continued)

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.4.9 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4.6 have been met.

2.4.10 Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

2.4.11 Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

2.4.12 Provisions for pending litigation or claims

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.4.13 Retirement benefits

The Company operates a defined contribution retirement plan that requires the payment of contributions to a separately administered fund (funded scheme). The cost of providing benefits under the defined contribution plan is recognised in the income statement on an accruals basis.

2.4.14 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash at banks and at hand and short term deposits with an original maturity of three months from the date of acquisition.

2.4 Summary of significant accounting policies (continued)

2.4.15 Foreign currencies

The Company's financial statements are presented in United States Dollars (US$), which is also the functional currency of its branch in Jordan, ARO. The functional currency of the Head Office in Cyprus is the Euro. For the purposes of the Company's financial statements, the assets and liabilities of the Head Office are translated into US$ at the rate of exchange prevailing at the reporting date and income and expenses are translated at exchange rates prevailing at the dates of the transactions or using an average rate of exchange, as appropriate. The exchange differences arising on translation are recognised in other comprehensive income.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Company's Head Office and ARO at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4.16 Leases – Company as a lessee

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.4.17 Property and equipment

Owner-occupied property is property held by the Company for use in the supply of services or for administrative purposes.
Owner-occupied property is initially measured at cost and subsequently measured at fair value. Valuations are carried out annually by independent qualified valuers. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to retained earnings.

The buildings are depreciated at an annual rate of 2%.

Equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on cost on a straight line basis over its estimated useful life, using the following annual rates:

Furniture and office equipment	10%/ 20%
Computer equipment	20%
Motor vehicles	15%
Leasehold improvements	25%

2.4 Significant accounting policies (continued)

2.4.17 Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4.18 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on cost on a straight-line basis over the estimated useful life of the assets, of 3 years for computer software and 5 years for recruitment bonuses. At each reporting date the carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. When the carrying values exceed the estimated recoverable amount, intangible assets are written down to their recoverable amount.

2.4.19 Income taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.4 Summary of significant accounting policies (continued)

2.4.19 Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.20 Fair value measurement

Depending on its adopted accounting policy, the Company measures certain financial instruments and certain non-financial assets such as properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 Summary of significant accounting policies (continued)

2.4.20 Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4.21 Defined contribution plan

The Company recognises obligations, in respect of the accounting period in the income statement. Any unpaid contributions at the reporting date are included as a liability.

3. General insurance business

Earned premium income and reinsurance premiums (Note 14)

	2014 *US$*	*2013* *US$*
Total gross premiums	91.026.281	74.198.886
Change in the provision for unearned premiums	(8.394.497)	2.476.133
Gross earned premiums	82.631.784	76.675.019
Total reinsurance premiums	(65.835.033)	(52.497.870)
Change in the provision for unearned reinsurance premiums	8.339.989	(4.113.041)
Earned reinsurance premiums	(57.495.044)	(56.610.911)
Net earned premiums	25.136.740	20.064.108

Deferred acquisition costs

	2014 *US$*	*2013* *US$*
1 January	2.466.467	2.149.673
Deferred acquisition costs for the year	(17.761.997)	(14.630.325)
Acquisition costs charged to the income statement	17.704.908	14.947.119
31 December	2.409.378	2.466.467

The change in deferred acquisition costs for the year is included in the income statement.

3. General insurance business (continued)

The following additional information is disclosed for direct business in Cyprus, in accordance with the Accounting Orders issued under section 87(2) of the Laws on Insurance Services and other Related issues:

2014

	Accident and health class €	*Motor Vehicle liability class* €	*Motor Vehicle, other classes* €	*Ships, goods in transit and aircraft liability class* €	*Fire and natural forces and other damage to property class* €	*General liability class* €	*Credit and guarantee* €	*Miscellaneous financial loss, legal expenses and assistance class* €	*Total 2013* €
Gross premiums written	2,105.294	10.623.281	3.120.389	108.410	4,286,986	2.764.741	-	56,704	23.065.805
Reinsurers' share of Gross premiums Written	82.464	352.553	77.353	68.984	2.548.802	666.854	-	26.773	3.823.783
Gross earned premiums	2.070.069	10.470.130	2.797.459	106.364	3,774,220	2.469.626	-	34,471	21.722.339
Gross outstanding Claims	240.887	4.219.307	1.743.636	19.549	751.972	609.748	-	-	7.585.099
Gross claims Incurred	1.336.373	4 983.160	2.282.317	5.326	843.592	414.852	-	-	9.865.620
Gross claims Charges	1.215.677	4.001.442	2.084.783	9.083	656.307	198.204	-	-	8.165.496
Gross operating expenses – other than commissions	394.919	2.201.703	649.604	19.693	820.028	507.014	-	10.788	4.603.749
Commissions	292.140	2.102.026	973.286	11.690	748.723	417.548	-	6.561	4.551.974
Reinsurers' share of insurance contracts liabilities	32.829	238.902	93.729	13.589	1.208.217	39.460	-	15.325	1.642.051

2013

	Accident and health class €	*Motor Vehicle liability class* €	*Motor Vehicle, other classes* €	*Ships, goods in transit and aircraft liability class* €	*Fire and natural forces and other damage to property class* €	*General liability class* €	*Credit and guarantee* €	*Miscellaneous financial loss, legal expenses and assistance class* €	*Total 2013* €
Gross premiums written	1.999.123	9.862.616	2.764.815	68.375	3.189.482	1 .514.021	-	14.414	19.412.846
Reinsurers' share of Gross premiums Written	126.734	254.881	50.718	35.895	1.452.045	56.601	-	1.601	1.978.475
Gross earned premiums	1.973.060	9.471.339	2.635.230	65.065	2.841.333	1.432 820	-	10.972	18.429.819
Gross outstanding Claims	120.192	3.237.588	1.546.102	23.306	564.687	393.100	-	-	5.884.975
Gross claims Incurred	1.146.618	4.346.222	2.670.101	12.134	692.537	312.857	-	-	9.180.469
Gross claims Charges	1.134.790	3.044.185	2.145.217	19.182	254.726	133.804	-	-	6.731.904
Gross operating expenses – other than commissions	387.145	2.107.181	595.507	12.969	627.589	283.721	-	2.828	4.016.940
Commissions	246.466	1.918.068	900.536	8.502	562.453	241.429	-	1.994	3.879.448
Reinsurers' share of insurance contracts liabilities	13 997	62.202	92.514	13.988	622 759	7.923	-	1 167	814 550

During the year 2014, 2.687 (2013: 2.368) claims were incurred relating to the motor vehicle liability class, of which 675 (2013: 584) were outstanding at 31 December 2014, and their average cost was €1.496 (2013: €1.475).

4. Administrative expenses for insurance operations

	2014 *US$*	*2013* *US$*
Salaries	3.870.456	3.331.146
Employer's contributions	304.475	237.368
Retirement benefit plan costs	91.636	77.431
Other staff costs	489.139	477.363
	4.755.706	4.123.308
Professional fees	82.849	139.387
Selling and advertising costs	317.611	508.850
Rent expense for operating leases of land and buildings	210.436	186.344
Electricity, heating and water	93.056	87.959
Insurance, taxes and maintenance of building	81.268	65.671
Maintenance of office equipment and consumables	59.702	43.882
Computer expenses	292.814	98.508
Printing and stationery	94.364	84.919
Telephone expenses	93.584	90.529
Postages and courier expenses	33.000	31.028
Subscriptions	23.601	23.976
Entertainment expenses	44.815	43.313
Travelling expenses	74.565	74.510
Motor vehicle expenses	101.382	75.324
Storage expenses	53.880	43.995
Provision for doubtful debts	118.208	49.237
Depreciation of property and equipment	273.914	268.668
Amortisation of intangible assets	386.302	355.478
Other	14.611	19.046
Relocation expenses	60.805	-
	7.266.473	6.413.932

Total staff costs for the year are included in "Administrative expenses for insurance operations" in the income statement.

The number of employees of the Company as at 31 December 2014 was 109 persons (31 December 2013: 99).

The Company operates since August 2011, a defined contribution retirement benefit plan covering all of its permanent employees in Cyprus. The plan is funded and is separately administered.

5. Other income and other operating and administrative expenses

Other income	*2014* *US$*	*2013* *US$*
Income from treaties (reinsurance business)	3.302.134	3.850.602
Management and consulting fee income from group companies	164.001	183.952
Fee income from Insurance Pool	159.383	222.828
Dividend income	748.051	295.220
Other income	171.127	14.870
Profit on disposal and write-off of assets	33.145	-
Profit on sale of available-for-sale investments	1.354.277	-
Change in fair value of investments at fair value through profit or loss	12.138	-
	5.944.256	4.567.472

5. Other income and other operating and administrative expenses (continued)

	2014 *US$*	*2013* *US$*
Other operating and administrative expenses		
Director's fees	83.836	84.250
Loss on disposal and write-off of assets	-	2.004
Professional fees	124.261	154.569
Special levy	467	470
Impairment of bank deposits, net of fair value of shares received in exchange (refer to note 10)	-	258.615
	208.564	499.908

Professional fees include fees (including taxes) of independent auditors of Ernst &Young, for audit and other professional services rendered to the Company as follows:

	2014 *US$*	*2013* *US$*
Fees for the audit of the financial statements	52.360	52.360
Fees for other audit related services	10.710	10.710
Fees for tax services	1.587	1.599
Fees for tax services – prior years	-	7.928
	64.657	72.597

6. Income tax

	2014 *US$*	*2013* *US$*
Income Statement		
Deferred income tax		
Temporary differences of unutilised tax losses	273.643	(273.643)
Income tax income as reported in the income statement	273.643	(273.643)

The reconciliation between income tax expense and profit before income tax, as estimated using the current tax rates, is set out below:

	2014 *US$*	*2013* *US$*
Profit from operating activities before income tax	7.081.175	2.176.641
Tax at Cyprus statutory income tax rate 12,5%	885.147	272.080
Tax effect of:		
Differences between overseas tax rates and Cyprus tax rates	(395.246)	(247.659)
Expenses not deductible	79.951	116.318
PPE and intangible assets allowances	(22.566)	(24.680)
Losses to be carried forward	-	(273.643)
Losses utilised during the year	(273.643)	(116.059)
Income tax for the year	273.643	(273.643)

6. Income tax (continued)

Corporate income in Cyprus is calculated at the rate of 12,5% on the taxable income of the year.

7. Property and equipment

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
2014						
Cost or Valuation						
1 January	7.141.607	189.971	653.951	466.542	657.334	9.109.405
Revaluation	513.827	-	-	-	-	513.827
Additions	6.496.332	6.109	102.913	34.809	43.310	6.683.473
Disposal and write-offs	-	-	(117.024)	(7.361)	-	(124.385)
Exchange difference	(835.687)	(22.230)	(35.704)	(39.117)	(52.842)	(985.580)
31 December	13.316.079	173.850	604.136	454.873	647.802	15.196.740
Depreciation						
1 January	-	142.049	422.563	342.412	353.953	1.260.977
Revaluation	(65.585)	-	-	-	-	(65.585)
Charge for the year	71.258	24.302	69.376	52.711	62.115	279.762
Disposals and write-offs	-	-	(117.024)	(2.681)	-	(119.705)
Exchange difference	(5.673)	(18.557)	(24.862)	(29.417)	(29.732)	(108.241)
31 December	-	147.794	350.053	363.025	386.336	1.247.208
Net book value						
31 December	13.316.079	26.056	254.083	91.848	261.466	13.949.532

7. Property and equipment (continued)

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
2013						
Cost or Valuation						
1 January	7.816.216	179.563	525.008	408.098	597.706	9.526.591
Revaluation	(1.002.627)	-	-	-	-	(1.002.627)
Additions	-	2.872	118.412	47.840	46.259	215.383
Disposal and write-offs	-	-	-	(1.058)	(3.288)	(4.346)
Exchange difference	328.018	7.536	10.531	11.662	16.657	374.404
31 December	7.141.607	189.971	653.951	466.542	657.334	9.109.405
Depreciation						
1 January	65.586	108.724	363.569	271.292	279.893	1.089.064
Revaluation	(133.923)	-	-	-	-	(133.923)
Charge for the year	63.382	27.796	51.809	62.787	62.894	268.668
Disposals and write-offs	-	-	-	(212)	(643)	(855)
Exchange difference	4.955	5.529	7.185	8.545	11.809	38.023
31 December	-	142.049	422.563	342.412	353.953	1.260.977
Net book value						
31 December	7.141.607	47.922	231.388	124.130	303.381	7.848.428

All property is freehold and is shown at valuation carried out by independent qualified valuers at 31 December 2014 in accordance to IFRS 13. Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The cumulative revaluation surplus amounted to US$4.853.658 (2013: US$4.274.246) and is included in the property revaluation reserve. The historical cost of property amounts to US$3.630.718.

All property is used for the Company's business purposes.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2014 would have amounted to US$3.147.519 (2013: US$3.187.785).

During 2014 the Company acquired a new property in Cyprus for its Head Office which is at 31 December 2014 under construction and in which no depreciation was charged for 2014. The property was financed by a loan (refer to Note 17).

8. Intangible assets

	Computer software	*Recruitment bonuses*	*Total*
	US$	*US$*	*US$*
2014			
Cost			
1 January	490.139	1.593.190	2.083.329
Additions	170.946	147.199	318.145
Exchange difference	(31.632)	(186.430)	(218.062)
31 December	629.453	1.553.959	2.183.412
Depreciation			
1 January	342.114	811.777	1.153.891
Charge for the year	55.356	330.946	386.302
Exchange difference	(19.415)	(121.340)	(140.755)
31 December	378.055	1.021.383	1.399.438
Net book value			
31 December	251.398	532.576	783.974

	Computer software	*Recruitment bonuses*	*Total*
	US$	*US$*	*US$*
2013			
Cost			
1 January	400.741	1.165.682	1.566.423
Additions	81.636	378.588	460.224
Exchange difference	7.762	48.920	56.682
31 December	490.139	1.593.190	2.083.329
Depreciation			
1 January	282.910	480.010	762.920
Charge for the year	54.322	301.156	355.478
Exchange difference	4.882	30.611	35.493
31 December	342.114	811.777	1.153.891
Net book value			
31 December	148.025	781.413	929.438

9. Investments

(a) Available for sale investments

	2014 *US$*	*2013* *US$*
Equity shares		
Listed on the Cyprus Stock Exchange	292	281
Listed on the Qatar Stock Exchange (note (a))	4.864.631	4.996.123
Listed on the Amman Stock Exchange (note (b))	5.688.031	8.120.025
	10.552.954	13.116.429

Income from investments amounted to US$748.051 (2013: US$295.220) and is included in "Other income" in the income statement. The movement for the years 2014 and 2013 respectively is summarised below:

	Cost	*Exchange differences*	*Revaluation*	*Carrying amount*	*Carrying amount*
	2014 *US$*	*2014* *US$*	*2014* *US$*	*2014* *US$*	*2013* *US$*
Equity shares available for sale					
1 January	13.917.292	(76.938)	(723.925)	13.116.429	11.716.705
Additions	-	-	-	-	425.354
Disposals	(1.957.331)	-	(1.317.980)	(3.275.311)	-
Revaluation	-	-	1.251.638	1.251.638	632.343
Exchange difference	-	(539.802)	-	(539.802)	342.027
31 December	11.959.961	(616.740)	(790.267)	10.552.954	13.116.429

(b) Investments at fair value through profit or loss

	2014 *US$*	*2013* *US$*
Equity shares		
Listed on the Cyprus Stock Exchange (note (c))	53.375	47.797

Note (a)
This represents shares in a listed bank established in Qatar. The Company's parent, Nest Investment Holdings Ltd, has committed to acquire this investment at its acquisition cost during the year 2015. On this basis, management's position is that the decline in fair value should not be recognised as an impairment loss, as the recoverable amount equals cost. The fair value is based on the quoted price on the Qatar Stock Exchange.

Note (b)
This represents shares in an investment/brokerage company listed on the Amman Stock Exchange. Management has prepared an analysis on the basis of which the market in Amman is not active for this particular instrument. The investment for 2013 and 2014 was valued using an adjusted net asset value per share method (discounted for liquidity (level 3)).

9. Investments (continued)

Note (c)
This represents shares in a listed bank, Bank of Cyprus, that were acquired as a result of the conversion of the Bank's deposits in accordance with the relevant decrees issued by the Central Bank of Cyprus and the final measures taken for the BoC restructuring (see Note 10). In 2013 as these shares were not listed, they have been valued using a Level 3 valuation methodology.

Description of significant unobservable inputs to valuation:

	Valuation technique	*Significant unobservable inputs*	*Discount factor*	*Sensitivity to the input to fair value (equity value/share)*
AFS investments	Cost method	a. Illiquidity discount	13%	+5% (US$1,87)/ -5% (US$1,69)

Fair value hierarchy

As at 31 December 2014, the Company held the following financial instruments carried at fair value in the statement of financial position:

2014	*Level 1 US$*	*Level 2 US$*	*Level 3 US$*	*31 December US$*
Available for sale investments	4.864.923	-	5.688.031	10.552.954
Investments at fair value through profit or loss	53.375	-	-	53.375

2013	*Level 1 US$*	*Level 2 US$*	*Level 3 US$*	*31 December US$*
Available for sale investments	4.996.404	-	8.120.025	13.116.429
Investments at fair value through profit or loss	-	-	47.797	47.797

During 2014 the shares of Bank of Cyprus were transferred from level 3 to level 1, as a result of their listing on the Cyprus Stock Exchange.

10. Deposits with banks

Description	*Maturity*	*Interest rate (per annum)*	*2014 US$*	*2013 US$*
Current accounts		0%-0,25%	5.039.443	5.480.214
Term deposits	0-3 months	0%-5%	4.809.974	4.744.629
Term deposits	4-6 months	2,2%-3,20%	1.201.664	652.759
Term deposits	7-12 months	2,90%-3,40%	2.485.407	944.225
			13.536.488	11.821.827

An amount of US$11.618 or €9.463 is blocked as security for letters of guarantee in favor of several beneficiaries relevant to offers for insurance services (2013: US$15.923 or €11.452). For credit and counterparty risk exposure refer to note 20 -Risk Management.

Impairment of bank deposits, net of fair value of shares received in exchange

As part of the restructuring of the Cyprus banking system, following the March 2013 decree between Cyprus and Eurogroup, the Central Bank of Cyprus issued on 21 April 2013 a decree relating to the conversion of deposits of insurance companies.

In accordance with the decree issued 27,5% of the deposits of the Company with Bank of Cyprus (BoC) were converted as follows:

	%	*€*	*US$*
Conversion to BoC shares (nominal value €1 each)	47,5%	202.214	281.159
New deposits with BoC	42,5%	180.929	251.564
Amount released	10,0%	42.571	59.190
Total	100,0%	425.714	591.913

The above amounts were calculated based on the Company's bank balances with the Bank of Cyprus dated 26 March 2013, which amounted to €1.548.051 (US$2.152.410).

As a result, the Company recognized in the income statement for the year 2013, a total loss of €258.615, of which US$225.524 deposits arose with Bank of Cyprus and US$33.091 deposits arose with Laiki bank.

11. Other debtors and prepayments

	2014 *US$*	*2013* *US$*
Other debtors	4.537.466	375.596
Prepayments and deposits	422.636	261.574
Amounts receivable from Cyprus Hire Risk Pools	236.904	208.663
Amounts receivable from Group Insurance Pools	163.600	31.748
Investment income receivable	25.698	24.251
	5.386.304	901.832

Other debtors and prepayments represent balances that are repayable during the normal course of the Company's operations and are interest-free.

12. Cash and cash equivalents

	2014 *US$*	*2013* *US$*
Cash with banks *(Note 10)*	5.039.443	5.480.214
Term deposits with banks *(Note 10)*	8.497.045	6.341.613
Cash in hand	251.597	170.445
	13.788.085	11.992.272
Deposits with original maturity of over 3 months *(Note 10)*	(3.687.071)	(1.596.984)
Cash and cash equivalents as per the statement of cash flows	10.101.014	10.395.288

13. Share capital

	2014		*2013*	
	Shares	*US$*	*Shares*	*US$*
Authorised				
12.000.000 Shares of US$1 each	12.000.000	12.000.000	12.000.000	12.000.000
Issued and fully paid				
12.000.000 Shares of US$1 each	12.000.000	12.000.000	12.000.000	12.000.000

Equity contribution from parent

The parent company has provided to the Company an amount of US$1.388.290 for the purposes of increasing the Company's capital in the future. This amount will not be called for payment and is considered subordinated to all liabilities of the Company.

14. General insurance contract liabilities

	2014 Insurance Contract Liabilities US$	2014 Reinsurers' share of liabilities US$	2014 Net liabilities US$	2013 Insurance Contract Liabilities US$	2013 Reinsurers' share of liabilities US$	2013 Net liabilities US$
Provision for outstanding claims reported	24.224.671	(16.307.016)	7.917.655	27.768.940	(21.062.551)	6.706.389
Provisions for claims incurred but not enough reported (IBNER)	776.674	-	776.674	697.491	-	697.491
Provisions for claims incurred but not reported (IBNR)	441.460	-	441.460	382.723	-	382.723
Total outstanding claims	25.442.805	(16.307.016)	9.135.789	28.849.154	(21.062.5510	7.786.603
Provision for unearned premiums	43.013.135	(32.639.150)	10.373.985	34.618.638	(24.299.161)	10.319.477
Provision for unexpired reserve	16.664	-	16.664	18.872	-	18.872
Total general insurance contract liabilities	68.472.604	(48.946.166)	19.526.438	63.486.664	(45.361.712)	18.124.952

The provisions for outstanding claims reported by policyholders, claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) are analysed as follows:

	2014 Insurance contract liabilities US$	2014 Reinsurers' share of liabilities US$	2014 Net liabilities US$	2013 Insurance contract liabilities US$	2013 Reinsurers' share of liabilities US$	2013 Net liabilities US$
1 January	(28.849.154)	21.062.551	(7.786.603)	(26.887.977)	22.088.206	(4.799.771)
Provision for the year	27.213.975	(21.649.308)	5.564.667	34.562.233	(31.165.746)	3.396.487
Claims paid during the year	27.077.984	(15.720.259)	11.357.725	21.174.898	(11.985.011)	9.189.887
31 December	25.442.805	(16.307.016)	9.135.789	28.849.154	(21.062.551)	7.786.603

14. General insurance contract liabilities (continued)

The provision for unearned premiums is analysed as follows:

	2014 Insurance contract liabilities US$	Reinsurers' share of liabilities US$	Net liabilities US$	*2013* Insurance contract liabilities US$	Reinsurers' share of liabilities US$	Net liabilities US$
1 January	34.618.638	(24.299.161)	10.319.477	37.094.771	(28.412.202)	8.682.569
Premiums written during the year	91.026.281	(65.835.033)	25.191.248	74.198.886	(52.497.870)	21.701.016
Premiums earned for the year	(82.631.784)	57.495.044	(25.136.740)	(76.675.019)	56.610.911	(20.064.108)
31 December	43.013.135	(32.639.150)	10.373.985	34.618.638	(24.299.161)	10.319.477

The provision for unexpired risks is analysed as follows:

	2014 Insurance contract liabilities US$	Reinsurers' share of liabilities US$	Net liabilities US$	*2013* Insurance contract liabilities US$	Reinsurers' share of liabilities US$	Net liabilities US$
1 January	18.872	-	18.872	18.112	-	18.112
Provision for the year	(2.208)	-	(2.208)	760	-	760
31 December	16.664	-	16.664	18.872	-	18.872

15. Related party transactions

Balances due from/ (to) related parties as at 31 December 2014, were as follows:

	2014 US$	*2013* US$
Premiums receivable from related companies	4.666.018	6.655.476
Premiums receivable from parent company	10.375	27.035
Premiums receivable from directors	2.207	8.255
Receivables from related companies	23.151.049	18.641.989
Payables to related companies	(7.585.808)	(3.326.692)
Reinsurance payables to related companies	(11.777)	-
Loans payable to related companies	(3.721.155)	-

Income/ (expenses) from related party transactions in the years ended 31 December, were as follows:

	2014 US$	*2013* US$
Gross premiums ceded by related companies	60.524.393	49.839.393
Gross premiums ceded to related parties	(9.593)	-
Direct insurance premiums with directors	35.371	29.678
Direct insurance premiums with parent company	9.212	11.325
Direct insurance premiums with related companies	2.800	1.705
Rent, utilities and other expenses charged to parent company	32.384	48.154
Internal audit fees charged by parent company	(13.930)	(52.916)
Other services/ expenses charged by parent company	(4.673)	(1.340)
Commissions paid to related companies	(11.381.473)	(9.515.334)
Claims paid to related companies	(15.709.675)	(12.129.239)
Fees from related companies	3.662.533	4.272.220

15. Related party transactions (continued)

The compensation of the Directors and key management personnel for the years ended 31 December was as follows:

	2014 US$	2013 US$
Directors		
Fees	83.836	84.250
Key management personnel		
Salary and other short term benefits	844.813	770.144
Employer 's contributions for social insurance, etc.	71.045	60.289
Retirement benefit plan costs	23.685	22.946
	939.543	853.379

The key management personnel comprise of the Chief Executive Officer, the Chief Operating Officers, the Financial Controller, the Business Development Manager, the Operations Manager and the Claims Manager.

16. Other creditors and accrued expenses

	2014 US$	2013 US$
Amounts due to reinsurers for premium reserve retained	801.335	563.774
Amounts payable to Group Insurance pools/ funds	6.283.685	5.560.388
Amounts due to claimants	113.122	335.010
Motor Insurers Fund	186.621	193.806
Accrued expenses	789.788	669.457
Other provisions and reserves	1.249.608	661.791
Other creditors	1.545.227	1.241.808
	10.969.386	9.226.034

Other creditors represent balances that are repayable during the normal course of the Company's operations and are interest-free, with the exception of premium reserve retained which bears an interest rate according to the terms of each treaty.

17. Loans and borrowings

	2014 US$	2013 US$
Current loans and borrowings		
Loan from a related company	595.380	-

	2014 US$	2013 US$
Non-current loans and borrowings		
Loan from a related company	3.125.775	-

Loan from a related company

The loan was obtained from a related company on 1 April 2014 to finance part of the purchase cost of the land and building in Nicosia acquired to be utilised as the Company's Head Office. The loan is repayable within 7 years after the date it was obtained. It bears an interest rate of three months Euribor plus 5% margin per annum.

18. Fair values of financial instruments

As the majority of the financial assets and financial liabilities are either short-term or are carried at fair value management is of the opinion that the fair value of financial instruments is approximately equal to their carrying amount at the reporting date. – see Note 9 for disclosures in relation to the investments of the Company that are measured at fair value.

19. General insurance contract liabilities – terms and conditions, assumptions and sensitivity of results

The Company is engaged in general insurance business in respect of the business classes mentioned in Note 3.

Risks under these policies usually cover a period of 12 months, with the exception of the travel and goods in transit business classes that cover shorter periods and the business class for contractors insuring all risks that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Company are calculated based on estimates by loss adjusters and facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on past experience and market trends and they take into consideration claims handling costs, inflation and claim numbers for each accident year. Also external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of certain court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The table below demonstrates the development of claims estimates over the last five years for direct business in Cyprus. In addition the reconciliation of these estimates with the total liability included in the statement of financial position of the current year is demonstrated below:

2014

	2008 and prior years	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Year of loss	192.211	303.325	2.375.505	4.800.167	6.949.900	10.184.599	10.725.237	35.530.944
After a year	(33.361)	15.968	377.639	390.381	611.830	697.350	-	2.059.807
After two years	(21.871)	503	91.541	149.618	247.564	-	-	467.355
After three years	-	3.208	6.655	141.694	-	-	-	151.557
After four years		1.733	33.399	-	-	-	-	35.132
After five years	-	2.456	-	-	-	-	-	2.456
Present estimate for claim	136.979	327.193	2.884.739	5.481.860	7.809.294	10.881.949	10.725.237	38.247.251
Total payments	(136.979)	(310.005)	(2.648.861)	(4.875.526)	(6.830.388)	(8.782.866)	(6.568.534)	(30.153.159)
Total outstanding claims	-	17.188	235.878	606.334	978.906	2.099.083	4.156.703	8.094.092
Share of reinsurers	-	-	-	(58.163)	(90.402)	(228.135)	(450.211)	(826.911)
Net liability	-	17.188	235.878	548.171	888.504	1.870.948	3.706.492	7.267.181

19. General insurance contract liabilities – terms and conditions, assumptions and sensitivity of results (continued)

2013

	2008 and prior years *US$*	*2009* *US$*	*2010* *US$*	*2011* *US$*	*2012* *US$*	*2013* *US$*	*Total* *US$*
Year of loss	192.211	343.523	2.690.317	5.436.306	7.870.930	11.534.305	28.067.592
After a year	(33.361)	18.083	427.686	442.115	692.913	-	1.547.436
After two years	(21.871)	570	103.672	169.446	-	-	251.817
After three years	-	3.634	7.537	-	-	-	11.171
After four years	-	1.963	-	-	-	-	1.963
Present estimate for claim	136.979	367.773	3.229.212	6.047.867	8.563.843	11.534.305	29.879.979
Total payments	(136.979)	(351.088)	(2.777.379)	(5.252.856)	(7.202.343)	(7.057.079)	(22.777.724)
Total outstanding claims	-	16.685	451.833	795.011	1.361.500	4.477.226	7.102.255
Share of reinsurers	-	-	-	(54.550)	(104.905)	(445.401)	(604.856)
Net liability	-	16.685	451.833	740.461	1.256.595	4.031.825	6.497.399

20. Risk management

The Company, in the ordinary course of business, is exposed to a variety of risks, the most important of which are insurance risk, fluctuations in the prices of investments, foreign exchange 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.

Insurance Risk

The risk of an insurance policy occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, by the severity and their evolution from one period to the next.

For the general insurance industry, the major risks are the results of major catastrophic events such as natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The exposure of the Company to insurance risks is also reduced by the following measures:

- Introduction of strict underwriting policies
- Strict review of all claims that occur
- Immediate assessment and processing of claims to minimise the possibility of negative development in the long run, and
- Use of effective reinsurance arrangements in order to limit exposure to catastrophic events.

Market risk

Market risk is the risk of loss arising from adverse movements in exchange rates, interest rates and security prices.

20. Risk management (continued)

Interest rate risk

Interest rate risk arises as a result of timing differences on the repricing of deposits and other investments and interest-bearing liabilities. The Company closely monitors interest rate movements and the repricing maturity structure of assets and liabilities which are subject to changes in interest rates or have fixed rates.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated. This difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to find the annual impact on earnings of any changes in interest rates for the next twelve months.

The table below indicates the effect on the Company's net interest income, over a one-year period, from reasonably possible changes in the interest rates:

Changes in interest rates	*Effect on the Company's net interest income*
2014	*US$*
+0,5%	20.500
-0,5%	(20.500)
2013	*US$*
+ 0,5%	24.745
- 0,5%	(24.745)

Currency risk

The risk of changes in currency rates occurs when the Company has an open currency position in any currency and is the risk of losses from adverse changes to the exchange rates. The table below indicates the effect on the Company's net profit and equity respectively, over a one-year period, from reasonably possible changes in the USD/JOD exchange rates, as the Company's most significant exposure is in Jordanian Dinars (JOD). The most significant asset denominated in a another currency is the investment in a listed bank in Qatar – refer to price risk below:

Changes in USD/JOD exchange rates	*2014 Effect on equity*	*2013 Effect on equity*
	US$	*US$*
+ 0,5%	284.402	406.002
- 0,5%	(284.402)	(406.002)
	Effect on profit US$	*Effect on profit US$*
+ 0,5%	455.478	457.754
- 0,5%	(455.478)	(457.754)

20. Risk management (continued)

Currency risk (continued)

Analysis of assets and liabilities by currency

The below table presents an analysis of the Company's assets and liabilities by currency as at 31 December 2014 and 31 December 2013.

31 December 2014	*Balances in United States Dollars*	*Balances in Euro*	*Balances in Jordanian Dinars*	*Balances in other currencies*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Assets					
Property and equipment	-	6.912.474	7.037.058	-	13.949.532
Intangible assets	-	626.791	157.183	-	783.974
Investments	-	53.667	5.688.031	4.864.631	10.606.329
Reinsurers' share of insurance contract liabilities	48.908.586	37.580	-	-	48.946.166
Deferred acquisition costs	-	2.409.378	-	-	2.409.378
Reinsurers current accounts	3.202.992	373.132	-	151.618	3.727.742
Receivable from related companies	22.708.421	682.336	-	(239.708)	23.151.049
Premiums receivable	5.696.103	8.962.120	-	-	14.658.223
Other debtors and prepayments	4.711.114	495.933	149.177	30.080	5.386.304
Cash and cash equivalents	2.938.401	8.789.979	2.006.659	53.046	13.788.085
Total assets	88.165.617	29.343.390	15.038.108	4.859.667	137.406.782
Liabilities					
Income received in advance	2.300.814	-	-	-	2.300.814
Insurance contract liabilities	47.916.469	20.556.135	-	-	68.472.604
Reinsurers current accounts	8.946.132	388.586	-	249.698	9.584.416
Payables to related companies	7.480.764	214.631	(46.821)	(62.766)	7.585.808
Other creditors and accrued expenses	9.545.031	1.027.063	287.343	109.949	10.969.386
Loans and borrowings	-	3.721.155	-	-	3.721.155
Total liabilities	76.189.210	25.907.570	240.522	296.881	102.634.183
Net position	11.976.407	3.435.820	14.797.586	4.562.786	34.772.599

20. Risk management (continued)

Currency risk (continued)

Analysis of assets and liabilities by currency

31 December 2013	*Balances in United States Dollars*	*Balances in Euro*	*Balances in Jordanian Dinars*	*Balances in other currencies*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Assets					
Property and equipment	-	510.381	7.338.047	-	7.848.428
Intangible assets	-	921.544	7.894	-	929.438
Investments	-	48.078	8.120.025	4.996.123	13.164.226
Deferred tax assets	-	273.643	-	-	273.643
Reinsurers' share of insurance contract liabilities	45.350.589	11.123	-	-	45.361.712
Deferred acquisition costs	-	2.466.467	-	-	2.466.467
Reinsurers current accounts	2.437.666	-	-	-	2.437.666
Receivable from related companies	18.421.219	220.770	-	-	18.641.989
Premiums receivable	6.915.516	8.434.737	-	-	15.250.573
Other debtors and prepayments	265.887	444.651	191.294	-	901.832
Cash and cash equivalents	2.349.160	7.727.178	1.902.076	13.858	11.992.272
Total assets	75.740.037	21.058.572	17.559.336	5.009.981	119.268.246
Liabilities					
Income received in advance	1.950.722	-	-	-	1.950.722
Insurance contract liabilities	44.438.152	19.048.512	-	-	63.486.664
Reinsurers current accounts	9.784.179	104.668	-	-	9.888.847
Payables to related companies	3.238.370	(16.007)	(30.349)	134.678	3.326.692
Other creditors and accrued expenses	7.657.682	1.164.411	314.579	89.359	9.226.034
Total liabilities	67.069.105	20.301.587	284.230	224.037	87.878.959
Net position	8.670.932	756.985	17.275.106	4.785.944	31.389.287

Price risk

Price risk is the risk of adverse movements in the market prices of equity shares.

Equity securities price risk

The risk of loss from changes in the price of equity shares, arises when there is an adverse change in the price of investments in equity securities held by the Company.

The Company monitors this risk on a regular basis, in order to ensure it remains within acceptable levels.

A change in the prices of equity securities classified as 'available for sale' affects equity (unless there is an impairment). The table below indicates how equity will be affected from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

20. Risk management (continued)

Price risk (continued)	*Changes to the Index %*	*Effect on equity US$*
2014		
Qatar Stock Exchange	+30	1.459.389
Qatar Stock Exchange	-30	(1.459.389)
2013		
Qatar Stock Exchange	+30	1.498.840
Qatar Stock Exchange	-30	(1.498.840)

For equity securities measured at fair value using valuation model based on non-observable inputs (Level 3), sensitivity analysis is presented in Note 9.

Liquidity risk

Liquidity risk is the risk that the Company will suffer losses as a result of their inability to fully meet payment obligations as and when they fall due. To manage this risk, the Company maintains at all times cash at bank and other highly liquid assets in order to prevent undue risk concentrations.

Analysis of financial liabilities by contractual maturity

31 December 2014	*Within one year* US$	*Over one year* US$	*Total* US$
Liabilities			
Insurance contract liabilities	68.394.994	77.610	68.472.604
Reinsurers current accounts	9.584.416	-	9.584.416
Payable to related companies	7.585.808	-	7.585.808
Other creditors and accrued expenses	10.969.386	-	10.969.386
Loans and borrowings	595.380	3.125.775	3.721.155
Total liabilities	97.129.984	3.203.385	100.333.369

20. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by contractual maturity

31 December 2013	*Within one year*	*Over one year*	*Total*
	US$	*US$*	*US$*
Liabilities			
Insurance contract liabilities	63.461.773	24.891	63.486.664
Reinsurers current accounts	9.888.847	-	9.888.847
Payable to related companies	3.326.692	-	3.326.692
Other creditors and accrued expenses	9.226.034	-	9.226.034
Total liabilities	85.903.346	24.891	85.928.237

Credit risk

Credit risk is the risk of failure by counterparties to perform under their contractual obligations.

The Company is transacting with a large number of clients, brokers and agents in order to achieve adequate diversification of credit risk.

Credit risk is further reduced as the Company monitors credit exposures on a regular basis and, when necessary, provides for any doubtful debts.

***Credit risk** (continued)*

The tables below present the maximum credit risk exposure arising from the various financial assets in accordance with their credit rating as determined by Moody's:

31 December 2014	*Aa3*	*B+*	*Caa3*	*D-D+*	*E*	*Unrated*	*Totc*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US:*
Deposits with banks (Note 10)	-	-	5.898.099	-	-	7.638.389	13.536.48
Current accounts with reinsurers	10.290	22.153	-	-	-	3.695.299	3.727.74
Total	10.290	22.153	5.898.099	-	-	11.333.688	17.264.23

31 December 2013	*Aa3*	*B++*	*C-Caa3*	*D-D+*	*E*	*Unrated*	*Totc*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US:*
Deposits with banks (Note 10)	-	-	3.060.536	2.529.632	1.851.509	4.380.150	11.821.82
Current accounts with reinsurers	10.816	2.971	-	-	-	2.423.879	2.437.66
Total	10.816	2.971	3.060.536	2.529.632	1.851.509	6.804.029	14.259.49

Reinsurers' share of insurance contract liabilities (Note 14)

20. Risk management (continued)

The Company places a lot of emphasis on its counterparty default risk for reinsurance and the following considerations are part of the reinsurance policy of the Company:

- Risk Distribution: Reinsurance is shared by a number of reinsurance companies in order to diversify the counterparty default risk for reinsurance and reduce the concentration risk. As a result there is no over-reliance on any one reinsurer over a predefined maximum level of exposure.
- Financial Strength Rating: Reinsurers are selected according to minimum credit ratings from S&P and AM Best, with adequate distribution over different credit rating bands. Reinsurers are selected subject to a satisfactory review of their financial status, their reinsurance arrangements and past performance.

Other risks

Operational risk

Operational risk is the inherent risk arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. The Company manages the operational risk through an operational environment in which there are standardized procedures and the transactions are agreed and monitored. The procedures are supported by periodical audits and continuing monitoring of insistences of operational risk in order to be assured that will not be repeated.

Regulatory risk

The Company's operations are supervised by the Superintendent of Insurance Companies. Legal and regulatory changes may be introduced in the future by the European Union operations and/or by the Superintendent, which may have a significant effect on the operations of the Company. Solvency II, the updated set of regulatory requirements for insurance firms which operate in the EU establishes a revised set of market consistent EU-wide capital requirements and risk managements standards and will be effective from 1 January 2016. Solvency II requirements are expected to have an impact on the capital requirements of the Company's insurance undertakings and its implementation involves more complex calculations of factor-based formulas, stress testing and financial models.

Intensity of competition

The Company faces intense competition in the markets in which it operates. Mainly, it derives from the insurance companies which are offering similar products and services.

Litigation risk

The Company may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Company and in the event that legal issues are not properly dealt with by the Company resulting in the cancellation of contracts with customers thus exposing the Company to legal actions against it.

Political and economic risk

External factors which are beyond the control of the Company, such as political and economic developments in Cyprus and overseas, may adversely affect the operations of the Company, its strategy and prospects. Such factors include changes in government policy, changes in European Union's policy, changes in consumer confidence and level of consumer spending, political instability or military conflict which affect Cyprus and/or other overseas areas and social developments.

21. Capital management

The adequacy of the Company's capital is monitored by the Superintendent of Insurance (Ministry of Finance) in order to ensure a minimum margin of solvency. The required minimum capital is determined in order to ensure the minimum solvency margin. The Company also maintains additional capital to support its business goal and to maximize its shareholder's value.

The Company manages its capital base annually, by assessing potential deficit between the current level and the required capital to support its work. Adjustments to current levels of capital may take place because of changes in economic conditions and the dangers that characterize the activities of the Company. To maintain the required capital the Company may adjust the amount of dividends paid to the parent company.

The minimum solvency margin required by the Insurance Legislation is calculated using a formula that contains variables for premiums, claims and reserves and amounted to US$8.142.106 or €6.632.000 for the year 2014 and US$7.551.262 or €5.431.000 for the year 2013.
The Company fully complies with the legal capital requirements set by the Superintendent of Insurance, during the reported accounting periods.

22. Capital commitments

At 31 December 2014 the Company had commitments for capital expenditure in relation to the completion of the property in Nicosia of approximately €540.000 or US$662.958 (2013 Nil).

23. 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.