

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

**FINANCIAL STATEMENTS**

31 December 2015

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

## **FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

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

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**Board of Directors**

Frixos Savvides – Chairman  
Kamel Abu Nahl – Deputy Chairman  
Mehran Eftekhari  
Chris Georgiades  
Stavros Stavrou  
Kyriakos Kazamias  
Christos Christodoulou

**Chief Executive Officer**

Christos Christodoulou

**Secretary**

Cyproservus Co. Limited

**Registered Office**

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

**Legal Advisors**

Chrysses Demetriades & Co. LLC

**Independent Auditors**

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

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

### **A MESSAGE FROM THE CHAIRMAN**

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Trust International Insurance Company (Cyprus) Ltd experienced another successful year despite the continuing uncertainty of the economy. It gives me a great pleasure in reporting these results and achievements of the Company for the year 2015, by which we gain financial and business strength to invest in future growth.

In implementing our vision and strategy we rely and thank our Holding Company “Nest Investments (Holdings) Ltd”, 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.

#### **Economy**

Due to the ongoing recession in the economy and the impact from the bailout, we had to take the necessary measures to secure our unchanged strategic ambition of sustainable profitable growth.

Through the implementation of tough austerity measures for restructuring the economy, Cyprus has achieved to exit the economic adjustment programme and this steady progress is anticipated to have a positive effect on our business. We are entering 2016, with greater determination to succeed and with confidence for the future prospects for our business.

#### **Financial results**

The Company’s net earned premiums from continuing operations rose to €19.150.017 comparing to €17.857.422 in 2014, representing an increase of 7% from last year. The net profit for the year was €5.579.332, which is €2.045.625 higher than last year’s profit of €3.533.707. The main reason for the increase in the net profit is the increase in the net earned premium and the profit from the sale of investments. The net profit after tax of €5.579.332 compared to €3.336.898 in 2014 was a great achievement.

#### **Solvency II**

The Company has implemented a number of actions in cooperation with our Board and Parent, in order to reinforce its capital adequacy under the new regulatory regime for insurance companies, Solvency II, which was implemented in the European Union on 1 January 2016. Amongst these actions were the exchange of certain assets that carried high risk charges, a capital injection and the transfer of the reinsurance activities to another group entity.

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.

#### **Reinsurance Activities**

Our Reinsurance activities are ceded to highly rated and credible reinsurers for the benefit of our Direct Insurance Group. In order to manage this portfolio through a rated entity as well as using the company’s capital more efficiently due to Solvency II adoption, on 31 December 2015 the portfolio of reinsurance business retained by the Company, was assigned to the Group Company Trust International Insurance and Reinsurance Company B.S.C Trust Re, A- rated by both Standard and Poor’s and AM Best.

**Trust International Insurance Company (Cyprus) Limited**  
**A MESSAGE FROM THE CHAIRMAN (continued)**

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**Local Direct Insurance Activities**

I am pleased to report that the Company had a successful year with regards to expansion and market share. The growth for the year was 8% and its market share rose to 7%.

**Corporate Governance**

Since the initiation of our operations, the Company applies strong governance and transparent reporting through established Board Committees, which have oversight responsibility over the internal functions of Compliance, Risk, Audit and Actuarial. Corporate Governance practices were enriched and enhanced through risk based Internal Audits that cover all areas of operations and Company locations. The implementation of the corporate governance and practices of risk assessment has contributed significantly to the company's growth and success.

**Future Outlook**

We anticipate that the Cyprus Local Operations are going 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 and our Group Companies will continue to provide all the support we need to achieve our goals.

The Board and the Executive team have been following an action plan to safeguard the Company from the anticipated indirect threats, such as increased credit risk and fraudulent claims. At the same time due to the Company's risk processes which have been adopted from inception, we are set up and ready to deal effectively with a number of possible scenarios. Furthermore, our high solvency ratio allows the Company to continue pursuing its ambitious plans in expanding the business.

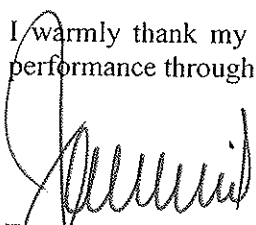
Innovations are fueling our growth and help us to appeal to the next generation of customer and retain our already loyal customers with the security they expect from us.

We strongly believe that Trust International Insurance Company (Cyprus) Ltd is poised for growth and future success. Building on our strong performance in 2015, the Company remains focused towards increasing its market share and creating a balanced portfolio that will allow for even better underwriting results and higher profitability.

The year 2015 will be remembered by us as the transition year, as the Company moved to its new headquarters situated at the entrance of Nicosia. With this significant investment, the shareholders have shown their trust and devotion not only to the country and the economy, but also to the hard work of everyone involved.

We are ready to manage both the opportunities and the challenges ahead. Trust is committed to building a brighter future for us all.

I warmly thank my fellow board members, the executive team and the staff for their excellent performance throughout the year.

  
**Frixos Savvides**  
Chairman

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

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

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I am pleased to report that the year of 2015 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 8% our Direct Insurance Operations. Our financial results, summarized in this report were satisfactory, 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 insurance operations from August 2009 under a new management and structure, the Company has been the fastest-growing Insurance and reinsurance entity based in Cyprus.

#### **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 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.

The Company during 2015 operated from two locations:

1. **The Amman Regional Office**, which 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. In order to manage this portfolio through a rated entity as well using the company's capital more efficiently due to Solvency II adoption, on 31 December 2015 the portfolio of reinsurance business retained by the Company, was assigned to the Group Company Trust International Insurance and Reinsurance Company B.S.C Trust Re, A- rated by both Standard and Poor's and AM Best.
2. **Cyprus Local Operations – Direct Insurance** has marked 8% growth comparing to 2014, achieving its ambitious budget plans. Our Company offers a wide range of insurance products to cover personal lines, commercial and industrial risks. We employ 96 dedicated staff and managers and our sales force is comprised of 185 experienced Brokers.

During 2015 the Company enhanced its corporate governance processes by upgrading its procedure manuals, automating its operating systems and upgrading its ERM procedures. 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 a 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.

#### **Our Competitive Advantage**

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

- Strategy
- Actuarial and Risk Management

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

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

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- Human Resources and Training
- Information Technology

Through Corporate Services, the parent company provides the necessary tools to support our requirements. Our shareholders' financial strength and Insurance knowhow in combination with the Company's strong financial position and its highly motivated team of professional staff 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, as well as proper risk and asset management, in order to maintain a Solvency ratio that will render the Company the "Insurer of choice".
- **Leadership position:** Maintain our leading position of "Top 5" 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.
- **Human Resources:** Achieve employee engagement for operational excellence, work force effectiveness, develop future leaders and capitalise on their ability to create professional relations.
- **Technology:** Through technology upgrades of the production systems to increase the effectiveness of the Business Intelligence (for MIS) and customer service through the CRM system; for accurate efficient and low administration cost operational excellence.

#### **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 2016 and for the subsequent years.

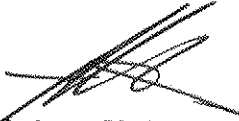
In closing, I would like to express my sincere gratitude to our Holding Company and the Directors for their devotion and commitment to the success of the Company, their constant contribution and availability to immediately deal with all issues arising; to Nest Investments (Holdings) Ltd that have greatly 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.

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

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

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



**Christos Christodoulou**  
**Chief Executive Officer**

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

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

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The Board of Directors submits to the shareholders its Report together with the audited financial statements for the year ended 31 December 2015.

#### **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 during 2015 was carrying out insurance/ reinsurance business as well as providing related consultancy services to other group companies on ad-hoc basis. On 31 December 2015 the business of the Company's branch in Jordan, was assigned to another Group Company while the remaining assets and liabilities were distributed as a dividend to the Company's parent.

#### **Branches**

The Company operates from Cyprus and up to 31 December 2015, it was engaged in reinsurance operations through the support of a branch in Amman, Jordan. As at 31 December 2015 the business of the Company's branch in Jordan, was assigned to another Group Company.

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

The Company's gross written premium from the continuing operations was €23.613.947 in 2015 compared to €22.866.790 in 2014 (note 3). The increase of 3% is due to the growth of the direct insurance activities by 8% whereas the reinsurance activities decreased. The gross written premium from the discontinued operations was €46.719.367 in 2015 compared to €45.373.918 in 2014.

Gross incurred claims from the continuing operations increased from €10.630.988 in 2014 to €13.325.859 in 2015 whereas Net incurred claims increased from €10.155.003 in 2014 to €11.296.880 in 2015. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 59% in 2015 compared to 50% in 2014 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 59% in 2015 comparing to 57% in 2014. A significant part of the increase in the loss ratios in 2015 is due to the increase in the IBNR/IBNER reserves.

The net profit for the year from the continuing operations is €3.697.229 as compared to €1.833.297 for 2014. The main reason for the increase in the profit 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 and administrative expenses. The net profit for the year from the discontinued operations is €1.882.103 as compared to €1.503.601 for 2014. The return on equity for 2015 is 18% and 12% for 2014.

The Company's net technical reserves from the continuing operations stand at €19.124.828 as at 31 December 2015 as compared to €15.783.316 as at 31 December 2014. Included in the reserves is a Loss adjustment Reserve of €272.625 (2014: Nil) and Net IBNR/IBNER reserves of €1.880.750 (2014: €992.208).

The Bank and Cash balances increased to €14.417.239 as at 31 December 2015 from €11.251.758 as at 31 December 2014.

Shareholders' equity amounts to €20.080.301 as at 31 December 2015 comparing to €28.323.368 as at 31 December 2014. The movement which is shown in the Statement of changes in equity, is mainly affected by the dividend payment, the increase in the share capital and the net profit for the year.

According to the latest official statistics of the Insurance Association of Cyprus, the Company retains a share of 6,66% of the Cypriot general insurance market sector (2014: 6,11%) and ranked fourth between the general business insurance companies excluding medical premiums written by life insurance companies.

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

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

#### **Dividends**

As at 31 December 2015 the Company declared and fully paid an interim dividend of €15.067.603 to its sole shareholder Nest Investments (Holdings) Ltd. The dividend was paid by distributing the remaining assets and liabilities of its Jordan branch following the transfer of its operations to a related party. The Board of Directors does not propose the payment of a final dividend for 2015 (2014: nil) (€0,91 per share).

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

The Company is exposed to a variety of risks, the most important of which are insurance risk, changes in 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. Information relating to these risks is disclosed in note 23 of the financial statements.

#### **Share capital**

On 22 September 2015 by an ordinary resolution, the issued share capital of the company was converted from US\$12.000.000 divided into 12.000.000 shares of US\$1 each, to €10.643.960 divided into 10.643.960 shares of €1 each. On 7 December 2015 a resolution was passed for the issue and allotment of €6.000.000 divided into 6.000.000 shares of €1 each to the Sole Shareholder Nest Investments (Holdings) Ltd.

The parent company has provided a confirmation that the credit balance of €1.040.385 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 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 2015 the Board of Directors held five meetings and on three occasions the meeting was preceded by a meeting of the Nomination & Remuneration Committee (N&RC), Audit Committee (AC) and Risk Committee (RC).

#### **Board Composition**

| <b>Name</b>            | <b>Position</b>   | <b>Committee Role</b>  |
|------------------------|---|--|
| Frixos Savvides        | Chairman  | N&RC Committee - Chairman<br>Investment Committee - Chairman                           |
| Kamel Abu Nahl         | Deputy Chairman   | N&RC Committee - Member  |
| Mehran Eftekhari       | Group Finance and Corporate Services Director, Director | N&RC Committee - Member<br>Investment Committee - Member                               |
| Chris Georgiades       | Director  | Audit Committee - Member<br>Risk Committee - Chairman                                  |
| Stavros Stavrou        | Director  | Audit Committee - Chairman<br>Risk Committee - Member<br>Investment Committee - Member |
| Kyriakos Kazamias      | Director  | Audit Committee - Member<br>Risk Committee - Member                                    |
| Christos Christodoulou | Chief Executive Officer, Director                       | Investment Committee - Member  |

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

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

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

##### ***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.

##### ***Kamel Abu Nahl – Deputy Chairman***

Mr. Kamel Abu Nahl's 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 is currently the Chairman for Trust International Insurance & Reinsurance Company B.S.C (C) Trust Re as well as the Chairman and CEO of Trust Holdings Ltd.

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

Mr. Mehran Eftekhari is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as holder of Diploma in Company Direction with the UK Institute of Directors. He 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.

##### ***Chris Georgiades – Director***

Mr. Chris Georgiades has an extensive experience of corporate and commercial legal matters, particularly in relation to business acquisitions and corporate reorganizations, joint ventures, shareholder disputes, 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.

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

Mr. Kyriakos Kazamias is an MSc. graduate of Berlin Hochschule für Ökonomie (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) as well as Diploma in Company Direction with the UK Institute of Directors. 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.

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

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

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

#### **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 Board of Directors, aim to provide support and effective control of the Company, and are as follows:

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

- Stavros Stavrou - Chairman
- Chris Georgiades
- Kyriakos Kazamias

Secretary: Evi Kazamia

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

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

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

Secretary: Mufid Sukkar

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

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

- Chris Georgiades - Chairman
- Stavros Stavrou
- Kyriakos Kazamias

Secretary: Andreas Stylianou

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.

#### ***Investment Committee:***

- Frixos Savvides - Chairman
- Mehran Eftekhari
- Stavros Stavrou
- Christos Christodoulou
- Christos Patsalides

Secretary: Elena Pantzopoulou

The Investment Committee is a functional Committee, which assists the Board to formulate an investment policy and to implement and monitor an investment strategy.

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

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

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

#### **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 inception and have therefore established a Board of Directors and the relevant Board Committees which serve as a useful tool in the oversight of the Company. 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 were provided through the Nest Group Corporate Services until April 2015, when a full time Internal Auditor was recruited by the Company, in order to set up its own Internal Audit Department.

All the reports of the Internal Audit are presented to the Audit Committee where they are discussed and approved.

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

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

#### **Independent Auditors**

The independent auditors of the Company Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. The auditors for the year 2016 will be appointed at the Annual General Meeting.

#### **BY ORDER OF THE BOARD**



**Cyproservus Co. Limited**

CYPROSERVUS CO. LIMITED

Secretary

Limassol

16 March 2016



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## **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") on pages 17 to 64, which comprise the statement of financial position as at 31 December 2015, 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 2015, 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.

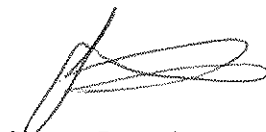
### **Report on Other Legal Requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2015, 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 14 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 2014 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  
16 March 2016

# Trust International Insurance Company (Cyprus) Limited

## INCOME STATEMENT

for the year ended 31 December 2015

|  | Notes | 2015<br>€    | 2014<br>€<br><i>Restated<br/>and<br/>represented</i> |
|--|-------|--------------|--|
| <b>Continuing operations</b>   |       |              |  |
| Gross earned premiums  | 3     | 22.744.402   | 21.214.296   |
| Reinsurers' share of gross earned premiums                           | 3     | (3.594.385)  | (3.356.873)  |
| Net earned premiums  |       | 19.150.017   | 17.857.423   |
| Fee and commission income  |       | 2.638.855    | 2.292.408  |
| Deferred acquisition costs   | 3     | 163.486      | 188.588  |
| Deferred acquisition income  | 3     | (61.777)     | (187.862)  |
| Investment income  |       | 138.813      | 89.719   |
| Other income from insurance operations                               |       | 31.791       | 124.156  |
| Total revenue from continuing insurance operations                   |       | 22.061.185   | 20.364.432   |
| Gross insurance claims paid  | 17    | (9.334.710)  | (8.522.610)  |
| Reinsurers' share of gross insurance claims paid                     | 17    | 572.679      | 237.463  |
| Gross change in insurance contracts liabilities                      | 17    | (3.991.149)  | (2.108.378)  |
| Reinsurers' share of gross change in insurance contracts liabilities | 17    | 1.456.300    | 238.522  |
| Change in provision for premium deficiency reserve                   | 17    | 8.573        | -  |
| Change in provision for loss adjustment reserve                      | 17    | (272.625)    | -  |
| Commission expense, direct expenses and discounts                    |       | (5.432.718)  | (5.295.644)  |
| Administrative expenses for insurance operations                     | 4     | (4.552.933)  | (3.927.816)  |
| Finance costs  |       | (166.125)    | (150.724)  |
| Total expenses for continuing insurance operations                   |       | (21.712.708) | (19.529.187)   |
| Net revenue from continuing insurance operations                     |       | 348.477      | 835.245  |
| Other income   | 5     | 3.468.888    | 1.302.729  |
| Other operating and administrative expenses                          | 5     | (120.136)    | (107.868)  |
| Profit from continuing operating activities before income tax        | 6     | 3.697.229    | 2.030.106  |
| Income tax   | 6     | -            | (196.809)  |
|  |       | 3.697.229    | 1.833.297  |
| <b>Discontinued operations</b>                                       |       |              |  |
| Profit after tax from discontinued operations                        | 7     | 1.882.103    | 1.503.601  |
| Net profit for the year  |       | 5.579.332    | 3.336.898  |

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

for the year ended 31 December 2015

|  | 2015<br>€          | 2014<br>€<br><i>Restated</i> |
|--|--------------------|------------------------------|
| Net profit for the year  | <u>5.579.332</u>   | <u>3.336.898</u>             |
| Other comprehensive income   |                    |                              |
| <i>Other comprehensive income to be reclassified in the income statement in subsequent periods</i>     |                    |                              |
| Net (losses) / gains on available-for-sale investments   | (1.038.646)        | 1.019.499                    |
| Transfer to the income statement on sale   | (2.617.463)        | (992.178)                    |
| Exchange differences on translation to presentation currency   | -                  | 1.723.614                    |
|  | <u>(3.656.109)</u> | <u>1.750.935</u>             |
| <i>Other comprehensive income not to be reclassified in the income statement in subsequent periods</i> |                    |                              |
| Revaluation of land and buildings  | -                  | 471.949                      |
| Other comprehensive (expense)/ income after tax  | <u>(3.656.109)</u> | <u>2.222.884</u>             |
| Total comprehensive income for the year after tax  | <u>1.923.223</u>   | <u>5.559.782</u>             |

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

|   | Notes | 31/12/2015<br>€ | 31/12/2014<br>€<br><i>Restated</i> | 1/1/2014<br>€<br><i>Restated</i> |
|---|-------|-----------------|------------------------------------|----------------------------------|
| <b>ASSETS</b>                                       |       |                 |                                    |                                  |
| <b>Non-current assets</b>                           |       |                 |                                    |                                  |
| Property and equipment                              | 8     | 6.481.252       | 11.362.329                         | 5.644.727                        |
| Intangible assets                                   | 9     | 451.579         | 638.571                            | 668.468                          |
| Investment properties                               | 10    | 5.554.897       | -                                  | -                                |
| Deferred tax assets                                 |       | -               | -                                  | 196.809                          |
|   |       | 12.487.728      | 12.000.900                         | 6.510.004                        |
| <b>Current assets</b>                               |       |                 |                                    |                                  |
| Available-for-sale investments                      | 11a   | 2.592.034       | 8.595.711                          | 9.433.565                        |
| Investments at fair value through profit or loss    | 11b   | 29.725          | 43.476                             | 34.376                           |
| Reinsurers' share of insurance contract liabilities | 17    | 3.460.813       | 39.868.181                         | 32.624.937                       |
| Deferred acquisition costs                          | 3     | 2.126.000       | 1.962.514                          | 1.773.926                        |
| Reinsurers' current accounts                        |       | -               | 3.036.362                          | 1.753.212                        |
| Receivables from related companies                  | 18    | 3.137.786       | 18.857.252                         | 13.407.644                       |
| Premiums receivable                                 |       | 8.155.197       | 11.939.581                         | 10.968.479                       |
| Other debtors and prepayments                       | 13    | 712.799         | 4.366.381                          | 631.172                          |
| Cash and cash equivalents                           | 14    | 14.417.239      | 11.251.758                         | 8.642.494                        |
|   |       | 34.631.593      | 99.921.216                         | 79.269.805                       |
| <b>TOTAL ASSETS</b>                                 |       | 47.119.321      | 111.922.116                        | 85.779.809                       |
| <b>EQUITY AND LIABILITIES</b>                       |       |                 |                                    |                                  |
| <b>Equity</b>                                       |       |                 |                                    |                                  |
| Share capital                                       | 15    | 16.643.960      | 8.223.684                          | 8.223.684                        |
| Equity contribution from parent                     | 15    | 1.040.385       | 1.040.385                          | 1.040.385                        |
| Available for sale reserve                          |       | (1.237)         | (600.300)                          | (627.621)                        |
| Property revaluation reserve                        |       | -               | 3.701.291                          | 3.229.342                        |
| Foreign currency translation reserve                |       | -               | 790.355                            | (933.259)                        |
| Retained earnings                                   |       | 2.397.193       | 14.859.621                         | 11.522.723                       |
| <b>Total equity</b>                                 |       | 20.080.301      | 28.015.036                         | 22.455.254                       |
| <b>Non-current liabilities</b>                      |       |                 |                                    |                                  |
| Income received in advance                          |       | -               | 1.874.085                          | 1.402.994                        |
| Loans and borrowings                                | 20    | 1.758.708       | 2.546.041                          | -                                |
|   |       | 1.758.708       | 4.420.126                          | 1.402.994                        |
| <b>Current liabilities</b>                          |       |                 |                                    |                                  |
| Insurance contract liabilities                      | 17    | 22.585.641      | 55.773.075                         | 45.660.719                       |
| Deferred acquisition income                         | 3     | 370.109         | 308.332                            | 120.470                          |
| Reinsurers' current accounts                        |       | 101.316         | 7.806.806                          | 7.112.232                        |
| Payables to related companies                       | 18    | -               | 6.178.878                          | 2.392.615                        |
| Other creditors and accrued expenses                | 19    | 1.809.432       | 8.934.907                          | 6.635.525                        |
| Loans and borrowings                                | 20    | 413.814         | 484.956                            | -                                |
|   |       | 25.280.312      | 79.486.954                         | 61.921.561                       |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |       | 47.119.321      | 111.922.116                        | 85.779.809                       |

Mehran Eftekhari

- Director

Christos Christodoulou

- Director/Chief Executive Officer

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

|  | Share<br>Capital<br>€ | Equity<br>contribution<br>from parent<br>€ | Available for<br>sale reserve<br>€ | Property<br>revaluation<br>reserve<br>€ | Foreign<br>currency<br>translation<br>reserve<br>€ | Retained<br>earnings<br>€ | Total<br>€   |
|--|-----------------------|--|------------------------------------|---|--|---------------------------|--------------|
| <b>Restated balance<br/>1 January 2014<br/>(Note 2.4)</b>        | 8,223,684             | 1,040,385                                  | (627,621)                          | 3,229,342                               | (933,259)  | 11,522,723                | 22,455,254   |
| Profit for the year  | -                     | -  | -                                  | -                                       | -  | 3,336,898                 | 3,336,898    |
| Other comprehensive<br>income after tax                          | -                     | -  | 27,321                             | 471,949                                 | 1,723,614  | -                         | 2,222,884    |
| <b>Total comprehensive<br/>income for the year</b>               | -                     | -  | 27,321                             | 471,949                                 | 1,723,614  | 3,336,898                 | 5,559,782    |
| <b>Restated balance<br/>31 December 2014</b>                     | 8,223,684             | 1,040,385                                  | (600,300)                          | 3,701,291                               | 790,355  | 14,859,621                | 28,015,036   |
| Profit for the year  | -                     | -  | -                                  | -                                       | -  | 5,579,332                 | 5,579,332    |
| Other comprehensive<br>(expense)/income<br>after tax             | -                     | -  | (3,656,109)                        | (3,701,291)                             | -  | 3,701,291                 | (3,656,109)  |
| <b>Total comprehensive<br/>(expense)/income<br/>for the year</b> | -                     | -  | (3,656,109)                        | (3,701,291)                             | -  | 9,280,623                 | 1,923,223    |
| Issue of share capital   | 6,000,000             | -  | -                                  | -                                       | -  | -                         | 6,000,000    |
| Redenomination of share<br>capital from USD to Euro              | 2,420,276             | -  | -                                  | -                                       | -  | (2,420,276)               | -            |
| Assignment of Jordan<br>Branch business (Note7)                  | -                     | -  | 4,255,172                          | -                                       | -  | (4,255,172)               | -            |
| Dividends paid<br>(Note 7 & 16)                                  | -                     | -  | -                                  | -                                       | (790,335)  | (15,067,603)              | (15,857,938) |
| <b>At 31 December 2015</b>                                       | 16,643,960            | 1,040,385                                  | (1,237)                            | -                                       | -  | 2,397,193                 | 20,080,301   |

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 2014 and 2015 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 2012 and 2013 there was no such deemed distribution.

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

|  | Notes | 2015<br>€   | 2014<br>€<br><i>Restated</i> |
|--|-------|-------------|------------------------------|
| <b>Cash Flows from operating Activities</b>                                  |       |             |                              |
| Net profit before income tax from continuing operations                      |       | 3,697,229   | 2,030,106                    |
| Net profit before tax from discontinued operations                           |       | 1,882,103   | 1,503,601                    |
| Adjustments for:   |       |             |                              |
| Depreciation of property and equipment and amortisation of intangible assets |       | 591,667     | 499,335                      |
| Loss/ (profit) on disposal and write-offs of Equipment                       |       | 1,304       | (24,848)                     |
| Profit on sale of available-for-sale investments                             |       | (3,134,541) | (1,015,276)                  |
| Loss/ (gain) on investments at fair value through profit or loss             |       | 13,751      | (9,100)                      |
| Exchange differences   |       | -           | (491,863)                    |
|  |       | 3,051,513   | 2,491,955                    |
| Increase in premium receivable   |       | (850,121)   | (971,102)                    |
| Increase in deferred acquisition costs                                       |       | (163,486)   | (188,588)                    |
| Increase in deferred acquisition income                                      |       | 61,777      | 187,862                      |
| Increase in other debtors and prepayments                                    |       | (161,172)   | (3,735,209)                  |
| Increase in balances with related companies                                  |       | (2,859,978) | (1,663,345)                  |
| Decrease in reinsurers' current accounts                                     |       | (16,356)    | (588,576)                    |
| Increase in reinsurers' share of insurance contract liabilities              |       | (1,783,234) | (7,243,244)                  |
| Increase in deposits with banks  |       | (5,122,877) | (1,858,145)                  |
| Increase in insurance contract liabilities                                   |       | 5,124,746   | 10,112,356                   |
| Increase in other creditors and accrued expenses                             |       | 181,074     | 2,299,382                    |
| Increase in income received in advance                                       |       | -           | 471,091                      |
| Cash generated used in operations  |       | (5,589,627) | (3,177,518)                  |
| <b>Net cash flow used in operating activities</b>                            |       | (2,538,114) | (685,563)                    |
| <b>Cash flows from investing activities</b>                                  |       |             |                              |
| Purchase of property and equipment   |       | (1,159,109) | (5,443,898)                  |
| Purchase of computer software and other intangibles                          |       | (291,704)   | (259,140)                    |
| Proceeds from disposal of equipment  |       | 1,858       | 28,660                       |
| Proceeds from sale of investments  |       | 5,150,157   | 2,356,649                    |
| Purchase of investments  |       | (2,593,144) | -                            |
| Cash transferred as a result of discontinued operations                      |       | (2,501,529) | -                            |
| <b>Net cash flows used in investing activities</b>                           |       | (1,393,471) | (3,317,729)                  |
| <b>Cash flows from financing activities</b>                                  |       |             |                              |
| Proceeds from borrowings   |       | -           | 3,500,000                    |
| Repayment of borrowings  |       | (858,475)   | (469,003)                    |
| Issue of share capital   |       | 6,000,000   | -                            |
| <b>Net cash flows from financing activities</b>                              |       | 5,141,525   | 3,030,997                    |
| Net increase/ (decrease) in cash and cash equivalents                        |       | 1,209,940   | (972,495)                    |
| Exchange difference  |       | (3,167,336) | 1,723,614                    |
| Cash and cash equivalents at 1 January                                       |       | 8,227,592   | 7,476,473                    |
| <b>Cash and cash equivalents at 31 December</b>                              | 14    | 6,270,196   | 8,227,592                    |

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

### **1. Corporate information**

The financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 16 March 2016.

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

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

The Company is engaged in the general insurance business in Cyprus and up to 31 December 2015 also carried out, through its branch in Jordan ("ARO"), reinsurance business and provided related consultancy services to other group companies. As at 31 December 2015 the business of the Company's branch in Jordan, was assigned to another Group Company, while its remaining assets and liabilities have been distributed via an interim dividend paid in specie to the Company's parent.

### **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, investment properties and 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 Euro (€) and all amounts are rounded to the nearest euro, except where otherwise indicated.

On 31 December 2015, the Company decided to change the presentation currency of the Financial Statements from USD (\$) to Euro (€), that is the functional currency of the Company's continuing operations (Cyprus). The functional currency for the Company's discontinued operations (branch in Jordan) was 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 the Company as of 1 January 2015:

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. The adoption of those standards did not have a material impact on the financial statements or performance of the Company.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.1 Basis of preparation (continued)

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

- **IFRIC Interpretation 21: Levies**

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

#### Annual Improvements 2011-2013 Cycle

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, with earlier adoption permitted from 1 July 2014.

- **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself and thus this amendment is not relevant for the Group and its subsidiaries.

- **IFRS 13 Fair Value Measurement:** This amendment 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. The Company does not apply the portfolio exception of IFRS 13.

- **IAS 40 Investment Properties:** This amendment 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.

#### 2.2.2 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 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)**

- **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 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.
- **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 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 2015. 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.2 Changes in accounting policies and disclosures (continued)

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

- **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 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.

- **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 been endorsed by the EU.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 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 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 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.2 Changes in accounting policies and disclosures (continued)

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

- **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 16: Leases**  
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. These amendments have not yet been endorsed by the EU.
- **Amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses**  
The amendment addresses how to account for deferred tax assets related to debt instruments measured at fair value gives rise to a deductible temporary difference when the holder expects to recover the carrying amount of the asset by holding it to maturity and collecting all the contractual cash flows. IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued today clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. The amendment is effective for annual periods beginning on or after 1 January 2017.
- **Amendments to IAS 7: Disclosure initiative**  
The IASB added an initiative on disclosure to its work programme in 2013 to complement the work being done in the Conceptual Framework project. The initiative is, inter alia, made up of a number of smaller projects that aim at exploring opportunities to see how presentation and disclosure principles and requirements in existing standards can be improved short-term. Among them was a narrow scope project on IAS 7 Statement of Cash Flows to improve information provided to users of financial statements about an entity's financing activities and liquidity. The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements. These amendments are effective for annual periods beginning on or after 1 January 2017.

### 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:

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

### **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

#### **2.3 Significant judgments and estimates (continued)**

##### *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.

##### *Provision for bad and doubtful debts*

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

##### *Fair value of property and investment properties*

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

The Company carries its investment properties at fair value with changes in fair value being recognised in the statement of comprehensive income.

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 2015, 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

### **2.3 Significant judgments and estimates (continued)**

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 Change in accounting policy and prior year adjustment**

#### **2.4.1 Change in presentation currency from USD to Euro**

The financial statements are presented in Euro (€) and all amounts are rounded to the nearest euro, except where otherwise indicated.

On 31 December 2015, following the assignment of its Jordan Branch business, the Company decided to change the presentation currency of the financial statements from USD (\$) to Euro (€), that is the functional currency of the Company's continuing operations (Cyprus) in order to better reflect the underlying performance of the Company. The functional currency for the Company's discontinued operations (branch in Jordan) is the United States Dollar.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Statutory financial information included in the Company's financial statements for the year ended 31 December 2014 previously reported in USD has been restated into Euro using the procedures outlined below:

- Assets and liabilities denominated in non-Euro currencies were translated into Euro at the closing rates of exchange on the relevant balance sheet date;
- non-Euro income and expenditure were translated at the average monthly rates of exchange for the year.
- the cumulative Available for Sale and translation reserves have been restated on the basis that the Company has always reported in Euro. Share capital, share premium and the other reserves were translated at historic rates prevailing at the dates of the initial transactions

all exchange rates were extracted from the Group's underlying financial records.

#### **2.4.2 Deferred acquisition income**

During 2015, the Company identified that its deferred acquisition income was understated. The Company has proceeded in correcting this by recognising the additional required liability and adjusting accordingly its retained earnings.

The following table summarises the retrospective restatement and the adjustments made to the statement of financial position on the recognition of the additional liability for Deferred acquisition income.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.4 Change in accounting policy and prior year adjustment (continued)

#### 2.4.2 Deferred acquisition income (continued)

|   | <i>Retained<br/>earnings<br/>€</i> |
|---|------------------------------------|
| Balances at 1 January 2014, as previously reported                            | 11.643.193                         |
| Impact of the recognition of Deferred acquisition income                      | <u>(120.470)</u>                   |
| <b>Restated balances at 1 January 2014</b>                                    | <b><u>11.522.723</u></b>           |
| Balances at 31 December 2014, as previously reported                          | 15.167.953                         |
| Impact of the recognition of Deferred acquisition income at<br>1 January 2014 | (120.470)                          |
| Impact of the recognition of Deferred acquisition income<br>during 2014       | <u>(187.862)</u>                   |
| <b>Restated balances at 31 December 2014</b>                                  | <b><u>14.859.621</u></b>           |

The effects on the statement of comprehensive income were as follows:

|   | <i>For the year ended 31<br/>December</i> |                  |
|---|---|------------------|
|   | <i>2015</i>                               | <i>2014</i>      |
|   | <i>€</i>                                  | <i>€</i>         |
| Decrease in total comprehensive income for the year before<br>tax | <u>(61.777)</u>                           | <u>(187.862)</u> |
| Increase in deferred acquisition income liability                 | (370.109)                                 | (308.332)        |

### 2.5 Summary of significant accounting policies

#### 2.5.1 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.1 Revenue recognition (continued)

##### *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.

##### *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.

#### 2.5.2 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.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2015

#### **2.5 Summary of significant accounting policies (continued)**

##### **2.5.3 Deferred acquisition costs (DAC) and Deferred acquisition income (DAI)**

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.

The commission income on reinsurance premiums incurred during the financial period arising from the writing or renewing of insurance contracts, is deferred to the extent that these revenues are recoverable out of future premiums. All other commission income is recognised as a revenue when incurred.

DAC for general insurance and health products are amortised over the period in which the related revenues are earned.

DAI for general insurance products, are recognised over the period in which the related revenues are earned.

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 and DAI are also considered in the liability adequacy test for each reporting period.

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

##### **2.5.4 Insurance contract liabilities (general insurance and healthcare contract liabilities)**

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium, the provision for premium deficiency and the provision for loss adjustment. 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

### **2.5 Summary of significant accounting policies (continued)**

#### **2.5.4 Insurance contract liabilities (general insurance and healthcare contract liabilities) (continued)**

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.

#### **2.5.5 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.

##### *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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.5 Financial assets (continued)

##### *(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
- 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.

#### 2.5.6 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2015

### **2.5 Summary of significant accounting policies (continued)**

#### **2.5.6 Financial Liabilities (continued)**

##### *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.

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.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

#### **2.5 Summary of significant accounting policies (continued)**

##### **2.5.7 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.

##### **2.5.8 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.

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.

##### **2.5.9 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 2.5.5 have been met.

##### **2.5.10 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.

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

### **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2015**

#### **2.5 Summary of significant accounting policies (continued)**

##### **2.5.11 Derecognition of insurance payables**

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

##### **2.5.12 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.

##### **2.5.13 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.

##### **2.5.14 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.

##### **2.5.15 Foreign currencies**

On 31 December 2015, the Company decided to change the presentation currency of the Financial Statements from USD (\$) to Euro (€), that is the functional currency of the Company's continuing operations (Head Office in Cyprus) on 31 December 2015. The functional currency for the Company's discontinued operations (branch in Jordan) is the United States Dollar. For the purposes of the Company's financial statements, the assets and liabilities of the branch are translated into € 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).

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.16 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.

#### 2.5.17 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%      |

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.

#### 2.5.18 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 five years for computer software and 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.

#### 2.5.19 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 2.5 Significant accounting policies (continued)

#### 2.5.19 Income taxes (continued)

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.

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.

#### 2.5.20 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2015

### **2.5 Summary of significant accounting policies (continued)**

#### **2.5.20 Fair value measurement (continued)**

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

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.

#### **2.5.21 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.

#### **2.5.22 Discontinued operations**

The Company presents discontinued operations in a separate line in the income statement if a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Net profit from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax and gain or loss on measurement to fair value less cost to sell of a disposal group constituting a discontinued operation) and discontinued operations tax expense.

#### **2.5.23 Comparative information**

Comparatives have been represented for the results of the Company's branch in Amman, Jordan to present them as discontinued operations (Note7).

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 3. General insurance business

#### *Earned premium income and reinsurance premiums*

|  | 2015<br>€   | 2014<br>€<br><i>Restated and<br/>represented</i> |
|--|-------------|--|
| Total gross premiums   | 23.613.947  | 22.866.790                                       |
| Change in the provision for unearned premiums                | (869.545)   | (1.652.494)                                      |
| Gross earned premiums  | 22.744.402  | 21.214.296                                       |
| Total reinsurance premiums                                   | (3.921.319) | (3.981.380)                                      |
| Change in the provision for unearned reinsurance<br>Premiums | 326.934     | 624.507  |
| Earned reinsurance premiums                                  | (3.594.385) | (3.356.873)                                      |
| Net earned premiums  | 19.150.017  | 17.857.423                                       |

#### *Deferred acquisition costs*

|  | 2015<br>€   | 2014<br>€<br><i>Restated</i> |
|--|-------------|------------------------------|
| 1 January  | 1.962.514   | 1.773.926                    |
| Deferred acquisition costs for the year              | (4.699.840) | (4.551.974)                  |
| Acquisition costs charged to the income<br>statement | 4.863.326   | 4.740.562                    |
| 31 December  | 2.126.000   | 1.962.514                    |

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

#### *Deferred acquisition income*

|   | 2015<br>€ | 2014<br>€<br><i>Restated and<br/>represented</i> |
|---|-----------|--|
| 1 January   | 308.332   | 120.470  |
| Deferred acquisition income for the year              | (889.240) | (577.668)  |
| Commission income credited to the income<br>statement | 951.017   | 765.530  |
| 31 December   | 370.109   | 308.332  |

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

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 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:

2015

|  | <i>Accident and health class</i> | <i>Motor Vehicle liability class</i> | <i>Motor Vehicle, other classes</i> | <i>Ships, goods in transit and aircraft liability class</i> | <i>Fire and natural forces and other damage to property class</i> | <i>General liability class</i> | <i>Credit and guarantee</i> | <i>Miscellaneous financial loss, legal expenses and assistance class</i> | <i>Total 2015</i> |
|--|----------------------------------|--------------------------------------|-------------------------------------|---|---|--------------------------------|-----------------------------|--|-------------------|
|  | €                                | €                                    | €                                   | €   | €   | €                              | €                           | €  | €                 |
| Gross premiums written                               | 2.746.635                        | 11.171.968                           | 3.371.882                           | 115.471   | 4.818.493   | 2.634.358                      | -                           | 81.895   | 24.940.702        |
| Reinsurers' share of Gross premiums                  |                                  |                                      |                                     |   |   |                                |                             |  |                   |
| Written  | 102.866                          | 333.254                              | 83.156                              | 54.509  | 2.941.850   | 139.004                        | -                           | 36.775   | 3.691.415         |
| Gross earned premiums                                | 2.575.963                        | 10.967.526                           | 3.188.085                           | 106.296   | 4.532.700   | 2.436.283                      | -                           | 69.476   | 23.876.330        |
| Gross outstanding Claims                             | 291.724                          | 6.533.277                            | 2.437.076                           | 19.002  | 1.599.144   | 1.017.990                      | -                           | 5.000  | 11.902.763        |
| Gross claims Incurred                                | 1.649.181                        | 5.468.542                            | 3.228.492                           | 131.474   | 1.644.340   | 652.729                        | -                           | 8.835  | 12.803.593        |
| Gross claims Charges                                 | 1.598.794                        | 3.154.572                            | 2.535.051                           | 132.021   | 817.168   | 244.487                        | -                           | 3.835  | 8.485.929         |
| Gross operating expenses – other than commissions    | 549.771                          | 2.430.779                            | 735.986                             | 22.533  | 982.355   | 512.402                        | -                           | 16.631   | 5.250.458         |
| Commissions  | 312.019                          | 2.116.564                            | 1.044.627                           | 13.520  | 820.519   | 380.975                        | -                           | 11.616   | 4.699.840         |
| Reinsurers' share of insurance contracts liabilities | 2.400                            | 902.654                              | 47.035                              | 20.702  | 2.288.491   | 60.556                         | -                           | 20.477   | 3.342.315         |

2014

|  | <i>Accident and health class</i> | <i>Motor Vehicle liability class</i> | <i>Motor Vehicle, other classes</i> | <i>Ships, goods in transit and aircraft liability class</i> | <i>Fire and natural forces and other damage to property class</i> | <i>General liability class</i> | <i>Credit and guarantee</i> | <i>Miscellaneous financial loss, legal expenses and assistance class</i> | <i>Total 2014</i> |
|--|----------------------------------|--------------------------------------|-------------------------------------|---|---|--------------------------------|-----------------------------|--|-------------------|
|  | €                                | €                                    | €                                   | €   | €   | €                              | €                           | €  | €                 |
| 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   | 2.469.624                      | -                           | 34.471   | 21.722.339        |
| Gross outstanding Claims                             | 240.887                          | 4.219.307                            | 1.743.636                           | 19.549  | 751.972   | 609.741                        | -                           | -  | 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   | 417.541                        | -                           | 6.561  | 4.551.974         |
| Reinsurers' share of insurance contracts liabilities | 32.829                           | 238.902                              | 93.729                              | 13.589  | 1.208.217   | 39.461                         | -                           | 15.325   | 1.642.051         |

During the year 2015, 2.819 (2014: 2.687) claims were incurred relating to the motor vehicle liability class, of which 789 (2014: 675) were outstanding at 31 December 2015, and their average cost was €1.322 (2014: €1.496).

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 4. Administrative expenses for insurance operations

|   | 2015<br>€        | 2014<br>€<br><i>Restated and<br/>represented</i> |
|---|------------------|--|
| Salaries  | 2,358,587        | 2,038,329  |
| Employer's contributions                                | 250,204          | 220,318  |
| Retirement benefit plan costs                           | 83,267           | 68,698   |
| Other staff costs                                       | 127,724          | 96,011   |
|   | <u>2,819,782</u> | <u>2,423,356</u>                                 |
| Professional fees                                       | 78,786           | 34,004   |
| Selling and advertising costs                           | 310,464          | 221,736  |
| Rent expense for operating leases of land and buildings | 63,960           | 157,760  |
| Electricity, heating and water                          | 39,988           | 37,092   |
| Insurance, taxes and maintenance of building            | 57,586           | 28,725   |
| Maintenance of office equipment and consumables         | 65,315           | 40,167   |
| Computer expenses                                       | 128,031          | 77,169   |
| Printing and stationery                                 | 78,036           | 63,933   |
| Telephone expenses                                      | 56,061           | 51,266   |
| Postages and courier expenses                           | 16,225           | 17,550   |
| Subscriptions   | 18,524           | 14,531   |
| Entertainment expenses                                  | 31,661           | 28,299   |
| Travelling expenses                                     | 27,736           | 26,005   |
| Motor vehicle expenses                                  | 75,291           | 65,546   |
| Storage expenses  | 40,547           | 40,393   |
| Provision for doubtful debts                            | 21,748           | 88,618   |
| Depreciation of property and equipment                  | 248,895          | 170,178  |
| Amortisation of intangible assets                       | 263,665          | 287,468  |
| Other   | 14,285           | 8,435  |
| Relocation expenses                                     | 5,712            | 45,585   |
| Foreign exchange loss                                   | 90,635           | -  |
|   | <u>4,552,933</u> | <u>3,927,816</u>                                 |

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 2015 was 96 persons (31 December 2014: 82).

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

|  | 2015<br>€        | 2014<br>€<br><i>Restated and<br/>represented</i> |
|--|------------------|--|
| <b>Other income</b>  |                  |  |
| Dividend income  | 334,347          | 278,353  |
| Profit on sale of available-for-sale investments                         | 3,134,541        | 1,015,276  |
| Change in fair value of investments at fair value through profit or loss | -                | 9,100  |
|  | <u>3,468,888</u> | <u>1,302,729</u>                                 |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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

|   | 2015<br>€      | 2014<br>€<br><i>Restated<br/>and<br/>represent<br/>ed</i> |
|---|----------------|---|
| <b>Other operating and administrative expenses</b>                          |                |   |
| Directors' fees   | 62.850         | 62.850  |
| Loss on disposal and write-off of assets                                    | 1.650          | -   |
| Professional fees   | 40.959         | 44.668  |
| Special levy  | 350            | 350   |
| Immovable property tax  | 576            | -   |
| Change in fair value of investments at fair value through<br>profit or loss | 13.751         | -   |
|   | <u>120.136</u> | <u>107.868</u>  |

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

|  | 2015<br>€     | 2014<br>€     |
|--|---------------|---------------|
| Fees for the audit of the financial statements | 26.674        | 21.411        |
| Fees for other audit related services          | 8.536         | 8.029         |
| Fees for tax services                          | 1.190         | 1.190         |
| Fees for tax services – prior years            | 952           | -             |
|  | <u>37.352</u> | <u>30.630</u> |

### 6. Income tax

|   | 2015<br>€ | 2014<br>€      |
|---|-----------|----------------|
| <b>Income Statement</b>                               |           |                |
| <i>Deferred income tax</i>                            |           |                |
| Temporary differences of unutilised tax losses        | -         | 196.809        |
|   | <u>-</u>  | <u>196.809</u> |
| Income tax income as reported in the income statement | -         | 196.809        |

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

|  | 2015<br>€        | 2014<br>€        |
|--|------------------|------------------|
| Profit from operating activities before income tax | <u>3.697.229</u> | <u>2.030.106</u> |
| Tax at Cyprus statutory income tax rate 12,5%      | 462.154          | 253.763          |
| Tax effect of:                                     |                  |                  |
| Expenses not deductible                            | 81.393           | 59.938           |
| Intangible assets allowances                       | (42.606)         | (16.917)         |
| Profits not subject to Cyprus tax                  | (433.611)        | (162.841)        |
| Losses utilised during the year                    | (67.330)         | (133.943)        |
| Prior year tax adjustments                         | -                | 196.809          |
| Income tax for the year                            | <u>-</u>         | <u>196.809</u>   |

**Trust International Insurance Company (Cyprus) Limited****NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2015****6. Income tax (continued)**

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

**7. Profit from discontinued operations**

|  | 2015<br>€    | 2014<br>€    |
|--|--------------|--------------|
| Gross earned premiums  | 48.879.682   | 36.889.200   |
| Reinsurer's share of gross earned premiums                           | (48.879.682) | (36.889.200) |
| Net earned premiums  | -            | -            |
| Fee and commission income  | 10.861.163   | 8.532.478    |
| Other income from insurance operations                               | 151.551      | 124.956      |
| Total revenue from discontinued insurance operations                 | 11.012.714   | 8.657.434    |
| Gross insurance claims paid  | (19.341.207) | (11.777.251) |
| Reinsurers' share of gross insurance claims paid                     | 19.088.287   | 11.547.723   |
| Gross change in insurance contracts liabilities                      | (1.285.871)  | 2.133.235    |
| Reinsurers' share of gross change in insurance contracts liabilities | 1.251.235    | (2.104.503)  |
| Commission expense   | (10.861.163) | (8.532.478)  |
| Administrative expenses for insurance operations                     | (1.579.917)  | (1.519.722)  |
| Finance costs  | (11.936)     | (5.917)      |
| Total expenses for discontinued insurance operations                 | (12.740.572) | (10.258.913) |
| Net expenses from discontinued insurance operations                  | (1.727.858)  | (1.601.479)  |
| Other income   | 3.659.864    | 3.153.569    |
| Other operating and administrative expense                           | (49.903)     | (48.489)     |
| Profit after tax from discontinued operations                        | 1.882.103    | 1.503.601    |

Discontinued operations relate to the Company's branch in Amman, Jordan, the operations of which, at 31 December 2015, have been assigned to a related company while its remaining assets and liabilities have been distributed as an interim dividend paid in specie.

The assignment of the business of the Jordan Branch to a related party has been accounted for within equity as a transaction between entities under common control, by derecognising the net assets transferred at their carrying value against retained earnings.

Similarly the accumulated foreign currency translation reserve and the accumulated available for sale reserve relating to the transferred assets and liabilities, have also been transferred to retained earnings.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 8. Property and equipment

|  | <i>Property</i> | <i>Leasehold</i>    | <i>Motor</i>    | <i>Computer</i> | <i>Furniture</i> | <i>Total</i> |
|--|-----------------|---------------------|-----------------|-----------------|------------------|--------------|
|  | <i>€</i>        | <i>improvements</i> | <i>vehicles</i> | <i>hardware</i> | <i>equipment</i> | <i>€</i>     |
|  |                 | <i>€</i>            | <i>€</i>        | <i>€</i>        | <i>€</i>         | <i>€</i>     |
| <b>2015</b>                                      |                 |                     |                 |                 |                  |              |
| <b>Cost or Valuation</b>                         |                 |                     |                 |                 |                  |              |
| 1 January (as restated)                          | 10.846.362      | 141.607             | 492.087         | 370.508         | 527.655          | 12.378.219   |
| Revaluation                                      | -               | -                   | -               | -               | -                | -            |
| Additions  | 581.803         | 1.035               | 117.500         | 156.003         | 302.768          | 1.159.109    |
| Disposals and write-offs                         | (5.554.897)     | -                   | (4.500)         | (30.213)        | (5.452)          | (5.595.062)  |
| Disposals as a result of discontinued operations | -               | -                   | (237.638)       | (87.607)        | (217.259)        | (542.504)    |
| Exchange difference                              | -               | -                   | -               | -               | -                | -            |
| 31 December                                      | 5.873.268       | 142.642             | 367.449         | 408.691         | 607.712          | 7.399.762    |
| <b>Depreciation</b>                              |                 |                     |                 |                 |                  |              |
| 1 January (as restated)                          | -               | 120.383             | 285.129         | 295.695         | 314.683          | 1.015.890    |
| Revaluation                                      | -               | -                   | -               | -               | -                | -            |
| Charge for the year - continuing operations      | 73.065          | 18.478              | 44.580          | 57.592          | 55.180           | 248.895      |
| Charge for the year - discontinued operations    | -               | -                   | 27.329          | 6.716           | 15.530           | 49.575       |
| Disposals and write-offs                         | -               | -                   | (1.350)         | (30.213)        | (5.440)          | (37.003)     |
| Disposals as a result of discontinued operations | -               | -                   | (148.879)       | (79.850)        | (130.118)        | (358.847)    |
| Exchange difference                              | -               | -                   | -               | -               | -                | -            |
| 31 December                                      | 73.065          | 138.861             | 206.809         | 249.940         | 249.835          | 918.510      |
| <b>Net book value</b>                            |                 |                     |                 |                 |                  |              |
| 31 December                                      | 5.800.203       | 3.781               | 160.640         | 158.751         | 357.877          | 6.481.252    |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 8. Property and equipment (continued)

|                          | <i>Property</i> | <i>Leasehold</i>    | <i>Motor</i>    | <i>Computer</i> | <i>Furniture</i> | <i>Total</i> |
|--------------------------|-----------------|---------------------|-----------------|-----------------|------------------|--------------|
|                          | <i>€</i>        | <i>improvements</i> | <i>vehicles</i> | <i>hardware</i> | <i>equipment</i> |              |
|                          | <i>€</i>        | <i>€</i>            | <i>€</i>        | <i>€</i>        | <i>€</i>         | <i>€</i>     |
| <b>2014</b>              |                 |                     |                 |                 |                  |              |
| <b>Cost or Valuation</b> |                 |                     |                 |                 |                  |              |
| 1 January (as restated)  | 5,136,369       | 136,630             | 470,333         | 335,545         | 472,766          | 6,551,643    |
| Revaluation              | 418,528         | -                   | -               | -               | -                | 418,528      |
| Additions                | 5,291,465       | 4,977               | 83,826          | 28,353          | 35,277           | 5,443,898    |
| Disposals and write-offs | -               | -                   | (95,320)        | (5,996)         | -                | (101,316)    |
| Exchange difference      | -               | -                   | 33,248          | 12,606          | 19,612           | 65,466       |
| 31 December              | 10,846,362      | 141,607             | 492,087         | 370,508         | 527,655          | 12,378,219   |
| <b>Depreciation</b>      |                 |                     |                 |                 |                  |              |
| 1 January (as restated)  | -               | 102,164             | 303,914         | 246,269         | 254,569          | 906,916      |
| Revaluation              | (53,421)        | -                   | -               | -               | -                | (53,421)     |
| Charge for the year      | 53,421          | 18,219              | 52,010          | 39,516          | 46,566           | 209,732      |
| Disposals and write-offs | -               | -                   | (95,320)        | (2,184)         | -                | (97,504)     |
| Exchange difference      | -               | -                   | 24,525          | 12,094          | 13,548           | 50,167       |
| 31 December              | -               | 120,383             | 285,129         | 295,695         | 314,683          | 1,015,890    |
| <b>Net book value</b>    |                 |                     |                 |                 |                  |              |
| 31 December              | 10,846,362      | 21,224              | 206,958         | 74,813          | 212,972          | 11,362,329   |

All property is freehold and is shown at valuation carried out by independent qualified valuers at 31 December 2015 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 at 31 December 2015 was Nil (2014: €3,701,291). Any revaluation surplus is included in the property revaluation reserve. The historical cost of property amounts to €5,873,26 (2014: €7,649,302).

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 2015 would have amounted to €5,800,203 (2014: €7,318,62).

During 2015 the Company started using the new property acquired in 2014 in Cyprus as its Head Office. The same property was under construction as at 31 December 2014 and hence no depreciation was charged for 2014.

As at 31 December 2015 the Company exchanged the land and building used by its branch in Jordan at its fair value of €5,554,897 with investment properties in Cyprus of equivalent fair value (refer to Note 10).

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 9. Intangible assets

|  | <i>Computer<br/>software</i> | <i>Recruitment<br/>bonuses</i> | <i>Total</i> |
|--|------------------------------|--------------------------------|--------------|
|  | €                            | €                              | €            |
| <b>2015</b>                                      |                              |                                |              |
| <b>Cost</b>                                      |                              |                                |              |
| 1 January (as restated)                          | 512.709                      | 1.265.748                      | 1.778.457    |
| Additions  | 126.487                      | 165.217                        | 291.704      |
| Disposals as a result of discontinued operations | (389.971)                    | -                              | (389.971)    |
| 31 December                                      | 249.225                      | 1.430.965                      | 1.680.190    |
| <b>Depreciation</b>                              |                              |                                |              |
| 1 January (as restated)                          | 307.938                      | 831.948                        | 1.139.886    |
| Charge for the year for continuing operations    | 42.367                       | 221.298                        | 263.665      |
| Charge for the year from discontinued operations | 29.532                       | -                              | 29.532       |
| Disposals as a result of discontinued operations | (204.472)                    | -                              | (204.472)    |
| 31 December                                      | 175.365                      | 1.053.246                      | 1.228.611    |
| <b>Net book value</b>                            |                              |                                |              |
| 31 December                                      | 73.860                       | 377.719                        | 451.579      |
|  |                              |                                |              |
|  | <i>Computer<br/>software</i> | <i>Recruitment<br/>bonuses</i> | <i>Total</i> |
|  | €                            | €                              | €            |
| <b>2014</b>                                      |                              |                                |              |
| <b>Cost</b>                                      |                              |                                |              |
| 1 January (as restated)                          | 352.517                      | 1.145.849                      | 1.498.366    |
| Additions  | 139.241                      | 119.899                        | 259.140      |
| Exchange difference                              | 20.951                       | -                              | 20.951       |
| 31 December                                      | 512.709                      | 1.265.748                      | 1.778.457    |
| <b>Depreciation</b>                              |                              |                                |              |
| 1 January (as restated)                          | 246.054                      | 583.844                        | 829.898      |
| Charge for the year                              | 41.499                       | 248.104                        | 289.603      |
| Exchange difference                              | 20.385                       | -                              | 20.385       |
| 31 December                                      | 307.938                      | 831.948                        | 1.139.886    |
| <b>Net book value</b>                            |                              |                                |              |
| 31 December                                      | 204.771                      | 433.800                        | 638.571      |

**Trust International Insurance Company (Cyprus) Limited****NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2015****10. Investment properties**

|             | 2015<br>€ | 2014<br>€ |
|-------------|-----------|-----------|
| 1 January   | -         | -         |
| Additions   | 5,554,897 | -         |
| 31 December | 5,554,897 | -         |

As at 31 December 2015 the Company exchanged the land and building owned in Amman used by its branch in Jordan at its fair value of €5,554,897 with investment properties in Cyprus of equivalent fair value (refer to Note 8).

The investment properties comprise immovable property and land and are measured at fair value using open market value determined by independent professionally qualified valuers.

The investment properties comprise land in Asgata Limassol and offices in Neapolis Limassol.

**11. Investments***(a) Available for sale investments*

|   | 2015<br>€        | 2014<br>€<br><i>Restated</i> |
|---|------------------|------------------------------|
| <b>Equity shares</b>                          |                  |                              |
| Listed on the Cyprus Stock Exchange           | 214              | 238                          |
| Listed on the Qatar Stock Exchange (note (a)) | -                | 3,962,394                    |
| Listed on the Amman Stock Exchange (note (b)) | -                | 4,633,079                    |
|   | <u>214</u>       | <u>8,595,711</u>             |
| <b>Government bonds</b>                       |                  |                              |
| Listed on the German Stock Exchange           | 780,829          | -                            |
| Listed on the Austrian Stock Exchange         | 812,198          | -                            |
| Listed on the Finnish Stock Exchange          | 998,793          | -                            |
|   | <u>2,591,820</u> | <u>-</u>                     |
|   | <u>2,592,034</u> | <u>8,595,711</u>             |

Income from investments for the year amounted to €334,347 (2014: €278,353) and is included in 'Other income' in the income statement.

The movement for the years 2015 and 2014 respectively is summarised below:

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 11. Investments (continued)

|  | Cost<br>2015<br>€ | Interest<br>receivable<br>2015<br>€ | Revaluation<br>2015<br>€ | Carrying<br>amount<br>2015<br>€ | Carrying<br>amount<br>2014<br>€ |
|--|-------------------|-------------------------------------|--------------------------|---------------------------------|---------------------------------|
| <i>Equity shares and<br/>Government Bonds<br/>available for sale</i> |                   |                                     |                          |                                 |                                 |
| 1 January (as<br>restated)   | 9,361,667         | -                                   | (765,956)                | 8,595,711                       | 9,433,565                       |
| Additions  | 2,584,209         | -                                   | -                        | 2,584,209                       | -                               |
| Disposals  | (2,015,616)       | -                                   | (2,617,463)              | (4,633,079)                     | (2,333,551)                     |
| Disposals as a<br>result of<br>discontinued<br>operations            | (7,345,925)       | -                                   | 4,420,829                | (2,925,096)                     | -                               |
| Revaluation  | -                 | -                                   | (1,038,428)              | (1,038,428)                     | 1,019,498                       |
| Exchange<br>difference   | -                 | -                                   | -                        | -                               | 476,199                         |
| Interest receivable  | -                 | 8,717                               | -                        | 8,717                           | -                               |
| 31 December  | <u>2,584,335</u>  | <u>8,717</u>                        | <u>(1,018)</u>           | <u>2,592,034</u>                | <u>8,595,711</u>                |

### (b) Investments at fair value through profit or loss

|  | 2015<br>€     | 2014<br>€<br><i>Restated</i> |
|--|---------------|------------------------------|
| <b>Equity shares</b>                           |               |                              |
| Listed on the Cyprus Stock Exchange (note (c)) | <u>29,725</u> | <u>43,476</u>                |

#### Note (a)

This represented shares in a listed bank established in Qatar. The Company's parent, Nest Investment Holdings Ltd, has acquired this investment at its acquisition cost as at 31 December 2015.

#### Note (b)

This represented shares in an investment/brokerage company listed on the Amman Stock Exchange. The investment for 2014 was valued using an adjusted net asset value per share method (discounted for liquidity (level 3)).

#### 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 including shares in accordance with the relevant decrees issued by the Central Bank of Cyprus.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 11. Investments (continued)

Description of significant unobservable inputs to valuation:

|                 | <i>Valuation technique</i> | <i>Significant unobservable inputs</i> | <i>Discount factor</i> | <i>Sensitivity to the input to fair value (equity value/share at 31 December 2014)</i> |
|-----------------|----------------------------|--|------------------------|--|
| AFS investments | Cost method                | a. Illiquidity discount                | 13%                    | +5% (€1,52)/<br>-5% (€1,38)  |

#### *Fair value hierarchy*

As at 31 December 2015, the Company held the following financial instruments carried at fair value in the statement of financial position:

|  | <i>Level 1<br/>€</i> | <i>Level 2<br/>€</i> | <i>Level 3<br/>€</i> | <i>31 December<br/>€</i> |
|--|----------------------|----------------------|----------------------|--------------------------|
| <b>2015</b>                                      |                      |                      |                      |                          |
| Available for sale investments                   | 2.592.034            | -                    | -                    | 2.592.034                |
| Investments at fair value through profit or loss | 29.725               | -                    | -                    | 29.725                   |
|  | <i>Level 1<br/>€</i> | <i>Level 2<br/>€</i> | <i>Level 3<br/>€</i> | <i>31 December<br/>€</i> |
| <b>2014</b>                                      |                      |                      |                      |                          |
| Available for sale investments                   | 3.962.632            | -                    | 4.633.079            | 8.595.711                |
| Investments at fair value through profit or loss | 43.476               | -                    | -                    | 43.476                   |

### 12. Deposits with banks

| <i>Description</i> | <i>Maturity</i> | <i>Interest rate<br/>(per annum)</i> | <i>2015<br/>€</i> | <i>2014<br/>€<br/>Restated</i> |
|--------------------|-----------------|--------------------------------------|-------------------|--------------------------------|
| Current accounts   |                 | 0%-0,05%                             | 3.131.841         | 4.104.784                      |
| Term deposits      | 0-3 months      | 0%-1,50%                             | 3.023.704         | 3.917.874                      |
| Term deposits      | 4-6 months      | 0,12%-1,90%                          | 2.086.680         | 978.793                        |
| Term deposits      | 7-12 months     | 0,26%-2,15%                          | 6.060.363         | 2.045.373                      |
|                    |                 |                                      | <u>14.302.588</u> | <u>11.046.824</u>              |

An amount of €63.895 is blocked as security for letters of guarantee in favor of several beneficiaries relevant to offers for insurance services (2014: €9.463). For credit and counterparty risk exposure refer to note 23.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 13. Other debtors and prepayments

|  | 2015<br>€      | 2014<br>€<br><i>Restated</i> |
|--|----------------|------------------------------|
| Other debtors                                  | -              | 3.695.908                    |
| Prepayments and deposits                       | 379.797        | 344.250                      |
| Amounts receivable from Cyprus Hire Risk Pools | 177.572        | 192.966                      |
| Amounts receivable from Group Insurance Pools  | 155.430        | 133.257                      |
|  | <u>712.799</u> | <u>4.366.381</u>             |

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

### 14. Cash and cash equivalents

|   | 2015<br>€          | 2014<br>€<br><i>Restated</i> |
|---|--------------------|------------------------------|
| Cash with banks ( <i>Note 12</i> )                                  | 3.131.841          | 4.104.784                    |
| Term deposits with banks ( <i>Note 12</i> )                         | 11.170.747         | 6.942.040                    |
| Cash in hand  | <u>114.651</u>     | <u>204.934</u>               |
|   | 14.417.239         | 11.251.758                   |
| Deposits with original maturity of over 3 months ( <i>Note 12</i> ) | <u>(8.147.043)</u> | <u>(3.024.166)</u>           |
| Cash and cash equivalents as per the statement of cash flows        | <u>6.270.196</u>   | <u>8.227.592</u>             |

### 15. Share capital

|  | 2015<br>€         | 2014<br>€<br><i>Restated</i> |
|--|-------------------|------------------------------|
| <i>Authorised</i>  |                   |                              |
| 26.887.085 Shares of €1 each                                     | 26.887.085        | 26.887.085                   |
| <i>Issued and fully paid</i>                                     |                   |                              |
| 16.643.960 Shares of €1 each                                     | <u>16.643.960</u> | <u>8.223.684</u>             |
| 1 January  | 8.223.684         | 8.223.684                    |
| Increase in issued share capital                                 | 6.000.000         | -                            |
| Effect from the redenomination of share capital from USD to Euro | <u>2.420.276</u>  | <u>-</u>                     |
| 31 December  | <u>16.643.960</u> | <u>8.223.684</u>             |

### 16. Dividends

As at 31 December 2015 the Company declared and fully paid in specie an interim dividend of €15.067.603 (€0,91 per share) to its sole shareholder Nest Investments (Holdings) Ltd.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 17. General insurance contract liabilities

|  | <i>Insurance<br/>Contract<br/>Liabilities</i><br>€ | <i>2015<br/>Reinsurers'<br/>share of<br/>liabilities</i><br>€ | <i>Net<br/>liabilities</i><br>€ | <i>2014(Restated)<br/>Insurance<br/>Contract<br/>Liabilities</i><br>€ | <i>Reinsurers'<br/>share of<br/>liabilities</i><br>€ | <i>Net<br/>liabilities</i><br>€ |
|--|--|---|---------------------------------|---|--|---------------------------------|
| Provision for outstanding claims reported  | 9.861.602  | (1.887.695)   | 7.973.907                       | 19.731.752  | (13.282.574)   | 6.449.178                       |
| Provisions for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) | 2.122.900  | (242.150)   | 1.880.750                       | 992.208   | -  | 992.208                         |
| Total outstanding claims   | 11.984.502   | (2.129.845)   | 9.854.657                       | 20.723.960  | (13.282.574)   | 7.441.386                       |
| Provision for unearned premiums  | 10.323.514   | (1.330.968)   | 8.992.546                       | 35.035.542  | (26.585.607)   | 8.449.935                       |
| Provision for premium deficiency reserve   | 5.000  | -   | 5.000                           | 13.573  | -  | 13.573                          |
| Provision for loss adjustment reserve  | 272.625  | -   | 272.625                         | -   | -  | -                               |
| Total general insurance contract liabilities   | 22.585.641   | (3.460.813)   | 19.124.828                      | 55.773.075  | (39.868.181)   | 15.904.894                      |

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:

|   | <i>Insurance<br/>contract<br/>liabilities</i><br>€ | <i>2015<br/>Reinsurers'<br/>share of<br/>liabilities</i><br>€ | <i>Net<br/>liabilities</i><br>€ | <i>Insurance<br/>contract<br/>liabilities</i><br>€ | <i>2014(Restated)<br/>Reinsurers'<br/>share of<br/>liabilities</i><br>€ | <i>Net<br/>liabilities</i><br>€ |
|---|--|---|---------------------------------|--|---|---------------------------------|
| 1 January   | (20.723.960)                                       | 13.282.574  | (7.441.386)                     | (20.748.816)                                       | 15.148.555  | (5.600.261)                     |
| Provision for the year                                      | 18.049.022   | (9.611.717)   | 8.437.305                       | 21.172.915   | (16.645.943)  | 4.526.972                       |
| Claims paid during the year continuing operations           | 9.334.710  | (572.679)   | 8.762.031                       | 8.522.610  | (237.463)   | 8.285.147                       |
| Claims paid during the year discontinued operations         | 19.341.207   | (19.088.287)  | 252.920                         | 11.777.251   | (11.547.723)  | 229.528                         |
| Transfer of reserves as a result of discontinued operations | (14.016.477)                                       | 13.860.264  | (156.213)                       | -  | -   | -                               |
| 31 December   | 11.984.502   | (2.129.845)   | 9.854.657                       | 20.723.960   | (13.282.574)  | 7.441.386                       |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 17. General insurance contract liabilities (continued)

The provision for unearned premiums is analysed as follows:

|   | 2015                                  |   |                        | 2014(Restated)                        |   |                        |
|---|---------------------------------------|---|------------------------|---------------------------------------|---|------------------------|
|   | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> |
|   | €                                     | €                                       | €                      | €                                     | €                                       | €                      |
| 1 January   | 35.035.542                            | (26.585.607)                            | 8.449.935              | 24.898.330                            | (17.476.382)                            | 7.421.948              |
| Premiums written during the year continuing operations      | 23.613.947                            | (3.921.319)                             | 19.692.628             | 22.866.790                            | (3.981.380)                             | 18.885.410             |
| Premiums written during the year discontinued operations    | 46.719.367                            | (46.719.367)                            | -                      | 45.373.918                            | (45.373.918)                            | -                      |
| Premiums earned for the year Continuing operations          | (22.744.402)                          | 3.594.385                               | (19.150.017)           | (21.214.296)                          | 3.356.873                               | (17.857.423)           |
| Premiums earned for the year discontinued operations        | (48.879.682)                          | 48.879.682                              | -                      | (36.889.200)                          | 36.889.200                              | -                      |
| Transfer of reserves as a result of discontinued operations | (23.421.258)                          | 23.421.258                              | -                      | -                                     | -                                       | -                      |
| 31 December   | 10.323.514                            | (1.330.968)                             | 8.992.546              | 35.035.542                            | (26.585.607)                            | 8.449.935              |

The provision for premium deficiency is analysed as follows:

|                        | 2015                                  |   |                        | 2014(Restated)                        |   |                        |
|------------------------|---------------------------------------|---|------------------------|---------------------------------------|---|------------------------|
|                        | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> |
|                        | €                                     | €                                       | €                      | €                                     | €                                       | €                      |
| 1 January              | 13.573                                | -                                       | 13.573                 | 13.573                                | -                                       | 13.573                 |
| Provision for the year | (8.573)                               | -                                       | (8.573)                | -                                     | -                                       | -                      |
| 31 December            | 5.000                                 | -                                       | 5.000                  | 13.573                                | -                                       | 13.573                 |

The provision for loss adjustment is analysed as follows:

|                        | 2015                                  |   |                        | 2014(Restated)                        |   |                        |
|------------------------|---------------------------------------|---|------------------------|---------------------------------------|---|------------------------|
|                        | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> | <i>Insurance contract liabilities</i> | <i>Reinsurers' share of liabilities</i> | <i>Net liabilities</i> |
|                        | €                                     | €                                       | €                      | €                                     | €                                       | €                      |
| 1 January              | -                                     | -                                       | -                      | -                                     | -                                       | -                      |
| Provision for the year | 272.625                               | -                                       | 272.625                | -                                     | -                                       | -                      |
| 31 December            | 272.625                               | -                                       | 272.625                | -                                     | -                                       | -                      |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 18. Related party transactions

Balances due from/ (to) related parties as at 31 December 2015, were as follows:

|  | 2015<br>€   | 2014<br>Restated<br>€ |
|--|-------------|-----------------------|
| Premiums receivable from related companies | 839         | 3.800.617             |
| Premiums receivable from parent company    | 17.950      | 8.451                 |
| Premiums receivable from directors         | 5.400       | 1.797                 |
| Receivables from related companies         | 3.137.786   | 18.857.252            |
| Payables to related companies              | -           | 6.178.878             |
| Reinsurance payables to related companies  | (31.682)    | (9.593)               |
| Loans payable to related companies         | (2.172.522) | (3.030.997)           |

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

|   | 2015<br>€    | 2014<br>Restated<br>€ |
|---|--------------|-----------------------|
| Gross premiums ceded by related companies (discontinued operations) | 46.719.367   | 45.373.918            |
| Gross premiums ceded to related parties                             | (22.090)     | (7.191)               |
| Direct insurance premiums with directors                            | 7.573        | 26.517                |
| Direct insurance premiums with parent company                       | 7.428        | 6.906                 |
| Direct insurance premiums with related companies                    | 3.454        | 2.099                 |
| Rent, utilities and other expenses charged to parent company        | 23.440       | 24.278                |
| Internal audit fees charged by parent company                       | -            | (10.443)              |
| Other services/ expenses charged by parent company                  | (34.661)     | (3.503)               |
| Expenses charged by parent company (discontinued operations)        | (80.032)     | (139.984)             |
| Commissions paid to related companies (discontinued operations)     | (10.861.163) | (8.532.478)           |
| Claims paid to related companies (discontinued operations)          | (19.341.207) | (11.777.251)          |
| Proceeds from sale of investments to related company                | 5.150.157    | -                     |
| Proceeds from sale of investments to parent company                 | -            | 2.356.649             |
| Fees from related companies (discontinued operations)               | 3.148.653    | 2.745.733             |
| Interest on loans to related companies                              | (134.346)    | (132.033)             |

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

|   | 2015<br>€ | 2014<br>Restated<br>€ |
|---|-----------|-----------------------|
| <b>Directors</b>                                    |           |                       |
| Fees  | 62.850    | 62.850                |
| <b>Key management personnel</b>                     |           |                       |
| Salary and other short term benefits                | 490.294   | 446.072               |
| Employer's contributions for social insurance, etc. | 40.846    | 39.320                |
| Retirement benefit plan costs                       | 20.137    | 17.757                |
|   | 551.277   | 503.149               |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 18. Related party transactions (continued)

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

### 19. Other creditors and accrued expenses

|  | 2015             | 2014             |
|--|------------------|------------------|
|  |                  | <i>Restated</i>  |
|  | €                | €                |
| Amounts due to reinsurers for premium reserve retained | 680.708          | 652.712          |
| Amounts payable to Group Insurance pools/ funds        | 155.430          | 5.118.258        |
| Amounts due to claimants                               | 39.682           | 92.141           |
| Motor Insurers Fund                                    | 161.929          | 152.009          |
| Accrued expenses                                       | 481.628          | 643.307          |
| Other provisions and reserves                          | 90.055           | 1.017.845        |
| Other creditors  | 200.000          | 1.258.635        |
|  | <u>1.809.432</u> | <u>8.934.907</u> |

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.

### 20. Loans and borrowings

|   | 2015             | 2014             |
|---|------------------|------------------|
|   |                  | <i>Restated</i>  |
|   | €                | €                |
| <b>Current loans and borrowings</b>     |                  |                  |
| Loan from a related company             | <u>413.814</u>   | <u>484.956</u>   |
|   | 2015             | 2014             |
|   | €                | €                |
| <b>Non-current loans and borrowings</b> |                  |                  |
| Loan from a related company             | <u>1.758.708</u> | <u>2.546.041</u> |

#### *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 equal to three months Euribor plus 5% margin per annum.

### 21. 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 11 for disclosures in relation to the investments of the Company that are measured at fair value.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 22. 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:

|                                  | 2009 and<br>prior years | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | Total        |
|----------------------------------|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                                  | €                       | €           | €           | €           | €           | €           | €           | €            |
| Year of loss                     | 368.513                 | 1.934.923   | 3.909.886   | 5.660.911   | 8.295.674   | 8.736.041   | 9.984.901   | 38.890.849   |
| After a year                     | (3.715)                 | 307.599     | 317.977     | 498.355     | 568.013     | 1.389.391   | -           | 3.077.620    |
| After two<br>years               | 410                     | 74.563      | 121.869     | 201.649     | 255.493     | -           | -           | 653.984      |
| After three<br>years             | 2.613                   | 5.421       | 115.414     | 53.700      | -           | -           | -           | 177.148      |
| After four<br>years              | 1.412                   | 27.204      | (7.899)     | -           | -           | -           | -           | 20.717       |
| After five<br>years              | 4.000                   | (2.186)     | -           | -           | -           | -           | -           | 1.814        |
| Present<br>estimate for<br>claim | 373.233                 | 2.347.524   | 4.457.247   | 6.414.615   | 9.119.180   | 10.125.432  | 9.984.901   | 42.822.132   |
| Total payments                   | (357.233)               | (2.179.644) | (4.192.168) | (5.581.700) | (7.389.959) | (7.025.186) | (6.313.879) | (33.039.769) |
| Total<br>outstanding<br>claims   | 16.000                  | 167.880     | 265.079     | 832.915     | 1.729.221   | 3.100.246   | 3.671.022   | 9.782.363    |
| Share of<br>reinsurers           | -                       | -           | (47.377)    | (99.489)    | (242.672)   | (1.273.685) | (211.595)   | (1.874.818)  |
| Net liability                    | 16.000                  | 167.880     | 217.702     | 733.426     | 1.486.549   | 1.826.561   | 3.459.427   | 7.907.545    |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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

2014 (Restated)

|                               | 2009 and<br>prior years | 2010        | 2011        | 2012        | 2013        | 2014        | Total        |
|-------------------------------|-------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                               | €                       | €           | €           | €           | €           | €           | €            |
| Year of loss                  | 368.513                 | 1.934.923   | 3.909.886   | 5.660.911   | 8.295.674   | 8.736.041   | 28.905.948   |
| After a year                  | (3.715)                 | 307.599     | 317.977     | 498.355     | 568.013     | -           | 1.688.229    |
| After two years               | 410                     | 74.563      | 121.869     | 201.648     | -           | -           | 398.490      |
| After three years             | 2.613                   | 5.421       | 115.414     | -           | -           | -           | 123.448      |
| After four years              | 1.412                   | 27.204      | -           | -           | -           | -           | 28.616       |
| After five years              | 2.000                   | -           | -           | -           | -           | -           | 2.000        |
| Present estimate<br>for claim | 371.233                 | 2.349.710   | 4.465.146   | 6.360.914   | 8.863.687   | 8.736.041   | 31.146.731   |
| Total payments                | (357.233)               | (2.157.580) | (3.971.268) | (5.563.564) | (7.153.919) | (5.350.276) | (24.553.840) |
| Total outstanding<br>claims   | 14.000                  | 192.130     | 493.878     | 797.350     | 1.709.768   | 3.385.764   | 6.592.891    |
| Share of<br>reinsurers        | -                       | -           | (47.376)    | (73.635)    | (185.823)   | (366.711)   | (673.545)    |
| Net liability                 | 14.000                  | 192.130     | 446.502     | 723.715     | 1.523.945   | 3.019.053   | 5.919.346    |

### 23. 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 23. 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:

| <i>Changes in interest rates</i> | <i>Effect on the Company's<br/>net interest income</i> |
|----------------------------------|--|
| <b>2015</b>                      | €  |
| +0,5%                            | 31.757   |
| -0,5%                            | (31.757)   |
| <b>2014</b>                      |  |
| + 0,5%                           | 15.368   |
| - 0,5%                           | (15.368)   |

#### 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 EURO/USD exchange rates, as the Company's most significant exposure is in US Dollar (USD). As at 31 December 2014 the Company's most significant exposure was in Jordanian Dinars (JOD) and the most significant asset denominated in another currency was the investment in a listed bank in Qatar – refer to price risk below:

|      | <i>Changes in<br/>EURO/USD<br/>exchange rates<br/>2015</i> | <i>Changes in<br/>USD/JOD<br/>exchange rates<br/>2014</i> |
|------|--|---|
|      | <i>Effect on equity</i>                                    | <i>Effect on equity</i>                                   |
|      | €  | €   |
| + 5% | 292.280  | 231.654   |
| - 5% | (292.280)  | (231.654)   |
|      | <i>Effect on profit</i>                                    | <i>Effect on profit</i>                                   |
|      | €  | €   |
| + 5% | 292.280  | 371.001   |
| - 5% | (292.280)  | (371.001)   |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 23. 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 2015 and 31 December 2014.

|  | <i>Balances in<br/>United States<br/>Dollars</i> | <i>Balances in<br/>Euro</i> | <i>Balances<br/>in<br/>Jordanian<br/>Dinars</i> | <i>Balances in<br/>other<br/>currencies</i> | <i>Total</i>      |
|--|--|-----------------------------|---|---|-------------------|
| <i>31 December 2015</i>                                | €  | €                           | €   | €   | €                 |
| <b>Assets</b>  |  |                             |   |   |                   |
| Property and equipment                                 | -  | 6.481.252                   | -   | -   | 6.481.252         |
| Intangible assets                                      | -  | 451.579                     | -   | -   | 451.579           |
| Investment properties                                  | -  | 5.554.897                   | -   | -   | 5.554.897         |
| Investments  | -  | 2.621.759                   | -   | -   | 2.621.759         |
| Reinsurers' share of insurance<br>contract liabilities | 3.213.739  | 247.074                     | -   | -   | 3.460.813         |
| Deferred acquisition costs                             | -  | 2.126.000                   | -   | -   | 2.126.000         |
| Receivable from related companies                      | 3.123.670  | 14.116                      | -   | -   | 3.137.786         |
| Premiums receivable                                    | 5.746  | 8.149.451                   | -   | -   | 8.155.197         |
| Other debtors and prepayments                          | 155.430  | 557.369                     | -   | -   | 712.799           |
| Cash and cash equivalents                              | 191.788  | 14.225.451                  | -   | -   | 14.417.239        |
| <b>Total assets</b>                                    | <b>6.690.373</b>                                 | <b>40.428.948</b>           | <b>-</b>  | <b>-</b>                                    | <b>47.119.321</b> |
| <b>Liabilities</b>                                     |  |                             |   |   |                   |
| Insurance contract liabilities                         | -  | 22.585.641                  | -   | -   | 22.585.641        |
| Deferred acquisition income                            | -  | 370.109                     | -   | -   | 370.109           |
| Reinsurers current accounts                            | -  | 101.316                     | -   | -   | 101.316           |
| Other creditors and accrued<br>expenses                | 844.791  | 964.641                     | -   | -   | 1.809.432         |
| Loans and borrowings                                   | -  | 2.172.522                   | -   | -   | 2.172.522         |
| <b>Total liabilities</b>                               | <b>844.791</b>                                   | <b>26.194.229</b>           | <b>-</b>  | <b>-</b>                                    | <b>27.039.020</b> |
| <b>Net position</b>                                    | <b>5.845.582</b>                                 | <b>14.234.719</b>           | <b>-</b>  | <b>-</b>                                    | <b>20.080.301</b> |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 23. Risk management (continued)

#### Currency risk (continued)

#### Analysis of assets and liabilities by currency

|  | Balances in<br>United States<br>Dollars | Balances in<br>Euro | Balances<br>in<br>Jordanian<br>Dinars | Balances in<br>other<br>currencies | Total       |
|--|---|---------------------|---------------------------------------|------------------------------------|-------------|
| 31 December 2014(Restated)                             | €                                       | €                   | €                                     | €                                  | €           |
| <b>Assets</b>  |   |                     |                                       |                                    |             |
| Property and equipment                                 | -                                       | 5.630.426           | 5.731.903                             | -                                  | 11.362.329  |
| Intangible assets                                      | -                                       | 510.541             | 128.030                               | -                                  | 638.571     |
| Investments  | -                                       | 43.714              | 4.633.079                             | 3.962.394                          | 8.639.187   |
| Reinsurers' share of insurance<br>contract liabilities | 39.837.571                              | 30.610              | -                                     | -                                  | 39.868.181  |
| Deferred acquisition costs                             | -                                       | 1.962.514           | -                                     | -                                  | 1.962.514   |
| Reinsurers current accounts                            | 2.608.937                               | 303.928             | -                                     | 123.497                            | 3.036.362   |
| Receivable from related companies                      | 18.496.718                              | 555.784             | -                                     | (195.250)                          | 18.857.252  |
| Premiums receivable                                    | 4.639.654                               | 7.299.927           | -                                     | -                                  | 11.939.581  |
| Other debtors and prepayments                          | 3.834.083                               | 386.288             | 121.509                               | 24.501                             | 4.366.381   |
| Cash and cash equivalents                              | 2.396.686                               | 7.177.377           | 1.634.487                             | 43.208                             | 11.251.758  |
| <b>Total assets</b>                                    | 71.813.649                              | 23.901.109          | 12.249.008                            | 3.958.350                          | 111.922.116 |
| <b>Liabilities</b>                                     |   |                     |                                       |                                    |             |
| Income received in advance                             | 1.874.085                               | -                   | -                                     | -                                  | 1.874.085   |
| Insurance contract liabilities                         | 39.029.461                              | 16.743.614          | -                                     | -                                  | 55.773.075  |
| Deferred acquisition income                            | -                                       | 308.332             | -                                     | -                                  | 308.332     |
| Reinsurers current accounts                            | 7.286.904                               | 316.515             | -                                     | 203.387                            | 7.806.806   |
| Payables to related companies                          | 6.093.316                               | 174.824             | (38.137)                              | (51.125)                           | 6.178.878   |
| Other creditors and accrued<br>expenses                | 7.774.726                               | 836.575             | 234.050                               | 89.556                             | 8.934.907   |
| Loans and borrowings                                   | -                                       | 3.030.997           | -                                     | -                                  | 3.030.997   |
| <b>Total liabilities</b>                               | 62.058.492                              | 21.410.857          | 195.913                               | 241.818                            | 83.907.080  |
| <b>Net position</b>                                    | 9.755.157                               | 2.490.252           | 12.053.095                            | 3.716.532                          | 28.015.036  |

#### 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.

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 23. Risk management (continued)

| <i>Price risk (continued)</i>               | <i>Changes<br/>to the Index<br/>%</i> | <i>Effect on equity<br/>€</i> |
|---|---------------------------------------|-------------------------------|
| <b>2015</b>                                 |                                       |                               |
| German Austrian, Finnish Stock<br>Exchanges | +30                                   | 774.931                       |
| German Austrian, Finnish Stock<br>Exchanges | -30                                   | (774.931)                     |
| <b>2014(Restated)</b>                       |                                       |                               |
| Qatar Stock Exchange                        | +30                                   | 1.188.718                     |
| Qatar Stock Exchange                        | -30                                   | (1.188.718)                   |

For equity securities measured at fair value using valuation model based on non-observable inputs (Level 3), sensitivity analysis is presented in Note 11.

#### *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*

| <i>31 December 2015</i>              | <i>Within one<br/>year<br/>€</i> | <i>Over one<br/>year<br/>€</i> | <i>Total<br/>€</i> |
|--------------------------------------|----------------------------------|--------------------------------|--------------------|
| <b>Liabilities</b>                   |                                  |                                |                    |
| Insurance contract liabilities       | 22.385.732                       | 199.909                        | 22.585.641         |
| Deferred acquisition income          | 336.568                          | 33.541                         | 370.109            |
| Reinsurers current accounts          | 101.316                          | -                              | 101.316            |
| Other creditors and accrued expenses | 1.809.432                        | -                              | 1.809.432          |
| Loans and borrowings                 | 413.814                          | 1.758.708                      | 2.172.522          |
| <b>Total liabilities</b>             | <b>25.046.862</b>                | <b>1.992.158</b>               | <b>27.039.020</b>  |

# Trust International Insurance Company (Cyprus) Limited

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 23. Risk management (continued)

#### *Liquidity risk (continued)*

#### *Analysis of financial liabilities by contractual maturity*

|                                      | <i>Within one<br/>year</i> | <i>Over one<br/>year</i> | <i>Total</i>      |
|--------------------------------------|----------------------------|--------------------------|-------------------|
| <i>31 December 2014 (Restated)</i>   | <i>€</i>                   | <i>€</i>                 | <i>€</i>          |
| <b>Liabilities</b>                   |                            |                          |                   |
| Insurance contract liabilities       | 55.709.859                 | 63.216                   | 55.773.075        |
| Deferred acquisition income          | 291.541                    | 16.791                   | 308.332           |
| Reinsurers current accounts          | 7.806.806                  | -                        | 7.806.806         |
| Payable to related companies         | 6.178.878                  | -                        | 6.178.878         |
| Other creditors and accrued expenses | 8.934.907                  | -                        | 8.934.907         |
| Loans and borrowings                 | 484.956                    | 2.546.041                | 3.030.997         |
| <b>Total liabilities</b>             | <b>79.406.947</b>          | <b>2.626.048</b>         | <b>82.032.995</b> |

#### *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.

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:

|                                  |                  |                  |                  |             |                  |                   |
|----------------------------------|------------------|------------------|------------------|-------------|------------------|-------------------|
| <i>31 December 2015</i>          | <i>Aa2</i>       | <i>Caa2</i>      | <i>Caa3</i>      | <i>D-D+</i> | <i>Unrated</i>   | <i>Total</i>      |
|                                  | <i>€</i>         | <i>€</i>         | <i>€</i>         | <i>€</i>    | <i>€</i>         | <i>€</i>          |
| Deposits with banks<br>(Note 12) | 2.505.503        | 1.535.473        | 7.683.743        | -           | 2.577.869        | 14.302.588        |
| <b>Total</b>                     | <b>2.505.503</b> | <b>1.535.473</b> | <b>7.683.743</b> | <b>-</b>    | <b>2.577.869</b> | <b>14.302.588</b> |

|                                     |              |               |                  |             |                  |                   |
|-------------------------------------|--------------|---------------|------------------|-------------|------------------|-------------------|
| <i>31 December 2014</i>             | <i>Aa3</i>   | <i>B+</i>     | <i>Caa3</i>      | <i>D-D+</i> | <i>Unrated</i>   | <i>Total</i>      |
|                                     | <i>€</i>     | <i>€</i>      | <i>€</i>         | <i>€</i>    | <i>€</i>         | <i>€</i>          |
| Deposits with banks<br>(Note 12)    | -            | -             | 4.805.887        | -           | 6.240.937        | 11.046.824        |
| Current accounts with<br>reinsurers | 8.382        | 18.044        | -                | -           | 3.009.936        | 3.036.362         |
| <b>Total</b>                        | <b>8.382</b> | <b>18.044</b> | <b>4.805.887</b> | <b>-</b>    | <b>9.250.873</b> | <b>14.083.186</b> |

*Reinsurers' share of insurance contract liabilities (Note 17)*

**23. 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.

**24. 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.

As from 1 January 2016 a new regulatory framework, Solvency II, is in force in Cyprus. 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.

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 Company fully complies with the legal capital requirements set by the Superintendent of Insurance, during the reported accounting periods.

**25. Capital commitments**

At 31 December 2015 the Company had no commitments for capital expenditure (2014: €540.000).