

**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

---

<b>Contents</b>	<b>Page</b>
General Information	3
A message from the Chairman	4-5
A message from the Chief Executive Officer	6-8
Report of the Board of Directors	9-14
Independent Auditors' Report	15-16
Income Statement	17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22-64

---

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

---

**Board of Directors**

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

**Chief Executive Officer**

Christos Christodoulou

**Secretary**

Cyproservus Co. Limited

**Registered Office**

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

**Legal Advisors**

Chrysses Demetriades & Co. Llc

**Independent Auditors**

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

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

---

## **A MESSAGE FROM THE CHAIRMAN**

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)**

---

**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.

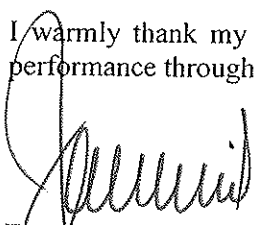
Innovations are fueling our growth and help us to appeal to the next generation of customer and retain our already loyal customers with the security they expect from us.

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**

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)**

- 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.

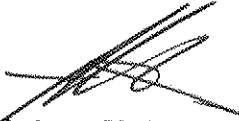
In closing, I would like to express my sincere gratitude to our Holding Company and the Directors for their devotion and commitment to the success of the Company, their constant contribution and availability to immediately deal with all issues arising; to Nest Investments (Holdings) Ltd that have greatly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

---

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**

---

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 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 Investment Committee - Member
Chris Georghiades	Director	Audit Committee - Member Risk Committee - Chairman
Stavros Stavrou	Director	Audit Committee - Chairman Risk Committee - Member Investment Committee - Member
Kyriakos Kazamias	Director	Audit Committee - Member 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)**

---

**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 Georghiades – Director***

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

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

Mr. Christos Christodoulou holds an HND, BSc and an MSc in Mechanical Engineering (Computer Controls) 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)**

---

**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**

---

## **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**



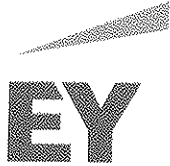
**Cyproservus Co. Limited**

CYPROSERVUS CO. LIMITED

Secretary

Limassol

16 March 2016



Building a better  
working world

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

Tel: +357 2220 9999  
Fax: +357 2220 9998  
ey.com

## Independent Auditor's Report

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

#### Report on the Financial Statements

We have audited the financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") on pages 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.

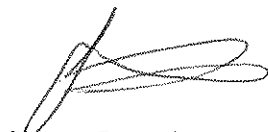
### **Report on Other Legal Requirements**

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 €	2014 € <i>Restated and 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 €	2014 € <i>Restated</i>
<b>Net profit for the year</b>	<u>5.579.332</u>	<u>3.336.898</u>
<b>Other comprehensive income</b>		
<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
<b>Other comprehensive (expense)/ income after tax</b>	<u>(3.656.109)</u>	<u>2.222.884</u>
<b>Total comprehensive income for the year after tax</b>	<u><u>1.923.223</u></u>	<u><u>5.559.782</u></u>

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31/12/2015 €	31/12/2014 € <i>Restated</i>	1/1/2014 € <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
		<u>12.487.728</u>	<u>12.000.900</u>	<u>6.510.004</u>
<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
		<u>34.631.593</u>	<u>99.921.216</u>	<u>79.269.805</u>
<b>TOTAL ASSETS</b>		<u>47.119.321</u>	<u>111.922.116</u>	<u>85.779.809</u>
<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>		<u>20.080.301</u>	<u>28.015.036</u>	<u>22.455.254</u>
<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	-
		<u>1.758.708</u>	<u>4.420.126</u>	<u>1.402.994</u>
<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	-
		<u>25.280.312</u>	<u>79.486.954</u>	<u>61.921.561</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>47.119.321</u>	<u>111.922.116</u>	<u>85.779.809</u>

Mehran Eftekhari

- Director

Christos Christodoulou

- Director/Chief Executive Officer

# Trust International Insurance Company (Cyprus) Limited

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share Capital €	Equity contribution from parent €	Available for sale reserve €	Property revaluation reserve €	Foreign currency translation reserve €	Retained earnings €	Total €
<b>Restated balance 1 January 2014 (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 income after tax	-	-	27,321	471,949	1,723,614	-	2,222,884
Total comprehensive income for the year	-	-	27,321	471,949	1,723,614	3,336,898	5,559,782
<b>Restated balance 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 (expense)/income after tax	-	-	(3,656,109)	(3,701,291)	-	3,701,291	(3,656,109)
Total comprehensive (expense)/income for the year	-	-	(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 capital from USD to Euro	2,420,276	-	-	-	-	(2,420,276)	-
Assignment of Jordan Branch business (Note7)	-	-	4,255,172	-	-	(4,255,172)	-
Dividends paid (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 €	2014 € <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.