Trust International Insurance Company (Cyprus) Limited

FINANCIAL STATEMENTS

31 December 2017

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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, 2nd floor
3015 Limassol, Cyprus

Legal Advisors

Chrysses Demetriades & Co. Llc

Independent Auditors

PricewaterhouseCoopers Limited
Chartered Accountants
Nicosia

A MESSAGE FROM THE CHAIRMAN

Trust International Insurance Company (Cyprus) Ltd has experienced another successful yet challenging year. It gives me a great pleasure in reporting these results and achievements of the Company for the year 2017, 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

Cyprus is on its way to recover from the recession. For the year 2017 a growth of about 3.2% is expected. Cyprus has managed to perform better than TROIKA had expected. Borrowing from the markets signified the confidence of the markets to our economy. At the same time, authorities are pressing ahead with plans to privatize state-owned assets to boost the public finances and growth.

There are still some downside risks to the growth projections that are associated with the following:

- The high levels of non- performing loans pose major risks to the stability of the banking system and to the outlook for the economy.
- Delays in the implementation of structural reforms agreed in the economic adjustment program (e.g. public administration, privatizations, health system)

Cyprus Insurance Premiums are still about 4% of GDP while in developed European States it is twice as much. As Cyprus is moving closer to Europe these numbers show the potential for growth. This potential will be enhanced if a solution to the Cyprus problem is achieved and /or oil and gas production is materialized.

Financial results

The Company’s net earned premiums rose to €23.092.210 compared to €21.292.095 in 2016, representing an increase of 8% from last year. The net profit for the year was €258.016, which is €693.237 lower than last year’s profit of €951.253. The reason for the difference relates mainly to increased claims and higher provision for doubtful debts, in light of the new collections directive implemented on 1st January 2018.

Solvency II

The Company has invested time and effort to prepare for Solvency II and has been successful in building the skills, knowledge and tools necessary to address the requirements that a general insurer must comply with under Solvency II (SII). The governance system of the Company has been SII compliant since the early stages of the Company. More technical requirements such as Pillar I and Pillar II exercises have been duly addressed and the ORSA exercise is a very valuable tool to the Board. The Solvency Coverage Ratio (SCR) of the Company is at the level set by the Board to reflect the Company’s desire for growth and risk appetite with respect to its investment strategy. We project future solvency positions and define our strategies for the future taking into consideration these projections and our overall plans for growth and profitability. We have initiated our investments reallocation strategy in the latter part of 2016 and through the formation of an Investment Committee we plan to remain on top of things related to investments, their risk profile and ensuing concentrations in light of our well defined risk appetite concerning the target SCR under a normal as well as stress scenarios.

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 our Company is going to be the best 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 fraudulent claims and increased credit risk, especially in light of the new collections directive. 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 and the experience we provide to them.

We strongly believe that Trust International Insurance Company (Cyprus) Ltd is poised for growth and future success. Building on our strong performance of 2017, 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.

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

I warmly thank my fellow board members, the executive team and the staff and the Company's brokers clients and associates, for the excellent performance throughout this challenging year.

Frixos Savvides
Chairman

I am pleased to report that the year of 2017 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 13% our gross written premium. 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 Group (the 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 entity based in Cyprus.

The Company has marked a growth of 13% comparing to 2016, achieving its ambitious budget plans. Our Company offers a wide range of insurance products to cover personal lines, commercial and industrial risks. We employ 102 dedicated staff and managers and our sales force is comprised of 185 experienced Brokers.

During 2017 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 reliability and timely decision-making. Furthermore, we have implemented new procedures for the collection of premiums in light of the new collections directive implemented on 1st January 2018. During the year the Company implemented a new Finance system and continued the preparations for implementing a new Insurance system, which is planned to be in force in 2019. Furthermore, in November 2017 the Company was awarded with the Platinum Employer of the Year award, by the Investors in People.

Solvency II

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

Our Competitive Advantage

Through Corporate Services, the Holding 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 our highly motivated team of professional staff, supports the Company's ambitious vision: **to be a leading Insurance Company** in Cyprus. As a company we aim to provide high quality and highly reliable products and services to customers through the implementation of our key strategies:

- **Financial Stability:** Work within the prevalent regulatory financial framework by securing the necessary capital requirements from the shareholder, in order to maintain a Solvency ratio that will render the Company the "Insurer of choice".

- **Leadership position**: Maintain our leading position 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 that will 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 2018 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; to all staff members for their commitment and passion towards achieving our goals and finally to our clients and brokers for their loyalty.

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

Christos Christodoulou
Chief Executive Officer

The Board of Directors s presents its report together with the audited financial statements of the Company for the year ended 31 December 2017.

Principal activities and nature of operations of the Company

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 principal activities of the Company, which are unchanged from last year, are carrying out insurance/ reinsurance business.

Review of developments, position and performance of the Company's business

The Company's gross written premium was €29.951.131 in 2017 compared to €26.480.033 in 2016 (note 3).

Gross incurred claims increased from €14.012.816 in 2016 to €15.532.327 in 2017 whereas Net incurred claims increased from €12.635.385 in 2016 to €14.846.041 in 2017. The Gross Loss Ratio (Gross Incurred Claims to Gross Earned Premium) was 53% in 2017 compared to 54% in 2016 and the Net Loss Ratio (Net Incurred Claims to Net Earned Premium) was 64% in 2017 comparing to 58% in 2016.

The net profit for the year is €258.016 as compared to €951.253 for 2016. The main reason for the decrease in the profit is the increase in net claims incurred and net commissions and administrative expenses, whereas on the other hand there has been an increase in net earned premium and investment income. The increase in administrative expenses is mainly because of an increase in provision for doubtful debts. The return on equity for 2017 is 1% and 5% for 2016.

The Company's net technical reserves stand at €26.737.317 as at 31 December 2017 as compared to €22.793.417 as at 31 December 2016. Included in the reserves is a Claims handling expense reserve of €448.487 (2016: €473.900) and Net IBNR/IBNER reserves of €2.874.595 (2016: €2.478.950).

The Bank and Cash balances increased slightly to €14.613.220 as at 31 December 2017 from €14.391.349 as at 31 December 2016 and the investments increased to €11.486.061 from €8.021.476 as at 31 December 2016.

Shareholders' equity amounts to €21.655.098 as at 31 December 2017 comparing to €21.093.899 as at 31 December 2016. The movement which is shown in the Statement of changes in equity, is mainly affected by the net profit for the year and revaluation gains.

According to the latest official statistics of the Insurance Association of Cyprus, the Company retains a share of 8.06% of the Cypriot general insurance market sector (2016: 7.37%) and ranked third between the general business insurance companies excluding medical premiums written by life insurance companies.

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in Notes 1, 2, 23 and 24 of the financial statements.

Principal risks and uncertainties (continued)

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016 and 2017. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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.

An increase in the net estimated outstanding claims position and IBNR provision of 1% (2016: 1%) would decrease the profit before tax by €162.830 (2016: €127.445).

The management has assessed its exposures in relation to the financial strength and processes of a participating reinsurer which is a related company (under common control) and has determined, taking into consideration legal and actuarial assessments that any adverse developments do not significantly impact the Company.

Use of financial instruments by the Company

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's risk management programme is described in the Board of Directors section below.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from its reinsurance treaties with respect to the US dollar. As at 31 December 2017, the Company's exposure to US Dollar amounted to €2.955.165 (2016: €5.729.866). The Company is not applying any hedge accounting for foreign exchange risk. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Price risk

The Company is exposed to equity securities and debt instruments price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities and debt instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's Board of Directors.

The Company's investments as at 31 December 2017 include equity securities which are publicly traded in European Stock Exchanges amounting to €599.406 (2016: €428.711), listed bonds amounting to €9.849.818 (2016: €6.577.340) and unlisted structured products of €1.036.837 (2016: €1.015.425). The Company does not apply any hedge accounting for price risk.

Cash flow interest rate risk

The Company's interest rate risk arises from interest-bearing assets and long-term borrowings. Interest-bearing assets and borrowings at variable rates expose the Company to cash flow interest rate risk.

Cash flow interest rate risk (continued)

At 31 December 2017, the Company's asset and liabilities which bore variable interest rates amounted to €3.944.468 (2016: €5.290.176) and nil (2016: €1.089.376) respectively. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The Company does not apply hedge accounting for cash flow interest rate risk.

Credit risk

Credit risk arises from deposits with banks and financial institutions, debt instruments, reinsurers' assets as well as credit exposures to agents and clients, including outstanding receivables and committed transactions.

For debt instruments the credit ratings of the issuers are reviewed and the limits set by the Board of Directors are observed. Reinsurers are selected according to minimum credit ratings and banks of a minimum rating are also selected, if an independent rating is available. For agents and clients where an independent rating is not available, management assesses the credit quality of the agent or client, taking into account its financial position, past experience and other factors. Individual credit terms are set based on the credit quality of the customer. The management has provided for expected losses from non-performance by these counterparties.

The Company's credit risk arises from premiums receivable amounting to €7.818.570 (2016: €7.884.556), receivables from related parties amounting to €1.472.427 (2016: €1.067.904), reinsurers assets amounting to €4.414.705 (2016: €4.033.526), bank balances amounting to €14.286.226 (2016: €14.104.783) and debt securities amounting to €10.886.655 (2016: €7.592.765). As of 31 December 2017, premiums receivable of €1.824.768 (2016: €974.016) were impaired and provided for. The amount of the provision was €713.989 as of 31 December 2017 (2016: €367.465). The individually impaired receivables mainly relate to agents and corporate clients, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered.

Liquidity risk

Management monitors the current liquidity position of the Company based on expected cash flows and expected revenue receipts. On a long-term basis, liquidity risk is defined based on the expected future cash flows at the time of entering into new credit facilities or leases and based on budgeted forecasts. Management believes that it is successful in managing the Company's liquidity risk.

Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

The Company's results for the year are set out on pages 18 and 19.

Dividends

The Company did not pay any dividend during the year. The Board of Directors does not propose the payment of a final dividend for 2017 (2016: Nil).

Share capital

On 10 May 2016 a resolution was passed for the issue and allotment of €1.040.385 divided into 1.040.385 shares of €1 each to the Sole Shareholder Nest Investments (Holdings) Ltd, to convert the equity contribution from the parent company into share capital. On 29 May 2017 a resolution was passed for the issue and allotment of €2.315.655 divided into 2.315.655 shares of €1 each to the Sole Shareholder Nest Investments (Holdings) Ltd, to capitalise part of the retained earnings.

Board of Directors

The members of the Board of Directors at 31 December 2017 and at the date of this report are shown in the table below. All of them were members of the Board throughout the year 2017. There were no significant changes in the assignment of responsibilities and remuneration of the 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 2017 the Board of Directors held seven 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 of Directors (continued)

Board Composition

Name	Position	Committee Role
Frixos Savvides	Chairman	N&RC Committee - Chairman Investment Committee - Chairman
Kamel Abu Nahl	Deputy Chairman	N&RC Committee - Member
Mehran Eftekhar	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

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 Eftekhar – Group Finance and Corporate Services Director, Director

Mr. Mehran Eftekhar is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as a Chartered Director and Fellow member 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 Group Finance and Corporate Services Director in the parent company.

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 and Managing Director of an International Group of Companies operating in the Oil industry. He is the Chairman and one of the founder shareholders of a shipping owning and management Group of Companies. During his career he has served and continues serving as a Director at a number of Companies, private and public, in the Financial, Banking, Reinsurance and Investment sectors.

Board of Directors (continued)

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

Christos Christodoulou – Chief Executive Officer, Director
Mr. Christos Christodoulou holds an HND, BSc and an MSc in Mechanical Engineering (Computer Controls). He is a Chartered Director with the UK Institute of Directors. He has an extensive experience in corporate Management and Sales. He has been serving the insurance industry for more than twenty years, both in General Business and Life Operations from the positions of Sales Manager, and later on as General Manager and Executive Director.

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: -

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

Nomination and Remuneration Committee:

• Frixos Savvides - Chairman
• Mehran Efthekhar
• Kamel Abu Nahl

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: Elena Pantzopoulou

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.

Board of Directors (continued)

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 Eftekhar
- 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.

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 the Company, 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 the Company’s Executive Management, and Committees (Risk Committee, Audit Committee etc).

- Developing the Company’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.

Board of Directors (continued)

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.

Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

The Company did not operate through any branches during the year.

Independent Auditors

The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Cyproservus Co. Limited

Secretary
Nicosia
18 July 2018

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 22 to 67 and comprise:

- the statement of financial position as at 31 December 2017;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

PricewaterhouseCoopers Ltd, PwC Central, 43 Demostheni Severi Avenue, CY-1080 Nicosia
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F:+357 - 22 555 001, www.pwc.com.cy

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Gross outstanding claims As at 31 December 2017 Gross outstanding claims amounted to €19.164.822, which constitute 53% of total liabilities in the financial statements. Accordingly, they represent the most significant liability class on the Company's statement of financial position. Detailed note disclosures on Gross outstanding claims are presented in Note 17. The accounting policies for Gross outstanding claims are included in Note 2.5 and information on critical accounting estimates and assumptions of Gross outstanding claims is disclosed in Note 2.3. The estimation of Gross outstanding claims, which include amongst others the IBNR reserve, involves complex and subjective judgements regarding the future development of claims. The estimation also depends on the actuarial methods performed in order to produce the final results.	The below procedures have been performed by the audit team: We performed testing of controls with respect to the reconciliation of open claims as per the accounting system to the insurance system. We performed testing of controls with respect to the approval of the initial claim reserve estimates with respect to notified claims. We performed testing of controls with respect to authorised signatories upon claim payment. With respect to the reserve for outstanding claims, we performed substantive tests of details by reviewing relevant documentation in support of the management estimate and considered the results of our legal circularisation. We also performed 'look back' procedures in order to compare prior year estimates against actual amounts at which these claims were settled during the year. With respect to IBNR reserving, we agreed the input data used by the management expert (Company actuary) to calculate IBNR reserves as disclosed in the actuarial report to our audit working papers. We traced the input data disclosed in the actuarial report to our audit working papers. Furthermore, we engaged actuarial experts from the PwC Network to assess the reasonableness of the methodologies and assumptions used by the management expert in the calculation of the IBNR reserves. The results of these procedures were satisfactory.
2. Gross Written Premiums During the year ended 31 December 2017 gross written premiums amounted to €29.951.131 (as	The below procedures have been performed by the audit team: We performed substantive tests of details on a selected sample of revenue transactions by

Key Audit Matter	How our audit addressed the Key Audit Matter
disclosed in Note 3 of the financial statements). The gross written premiums constitute the most significant item within the Company's income statement. The accounting policies for gross written premiums are included in Note 2.5.	tracing to supporting insurance policy contracts. We have tested via the use of Computer Assisted Audit Techniques that all production (premium) data was accurately transferred from the Company's insurance systems to the general ledger. Furthermore, we performed tests on cancelled policies shortly after the year-end to assess for reasonableness vis a vis analogous prior year cancellations (ie that cancellations were within the normal course of business). Finally, we considered whether the Company's disclosures in relation to gross written premium are in accordance with the relevant accounting requirements and appropriately presented in the financial statements. The results of these procedures were satisfactory.
3. Bad debt provision on premium debtors During the year ended 31 December 2017, bad debt provisions on premium debtors amounted to €713.989 as at the year-end (as disclosed in Note 24 of the financial statements). Bad debt provisions on agent balances constitute an area of heightened inherent risk due to the application of judgement in their determination as well as the potential impact of the new framework in place as from 1 January 2018 with respect to the collection of premiums from agents, pursuant to the Superintendent's Orders issued on 13 March 2017. The accounting policies for the estimation of bad debt provisions are included in Note 2.5, whereas Note 2.3 discloses this area as a significant estimate.	The below procedures have been performed by the audit team: We performed testing of controls with respect to the monitoring of the creditworthiness of agents. We performed testing of the system-generated report showing the ageing analysis used to monitor debtor balance ageing. We performed testing of the completeness of the list of terminated agents with reference to legal letters obtained from lawyers. We performed substantive tests of details to assess the recoverability of agent balances on the basis of supporting evidence, such as security in place, post-year end settlement, commission set-offs and restructuring agreements. The results of these procedures were satisfactory within the context of our materiality level.
4. Reinsurance arrangements effective during the year-ended 31 December 2017 As at 31 December 2017, the Company had an amount of €2.881.839 of reinsurer share of outstanding claims, as disclosed in Note 17 of the financial statements. A portion of these are with a group entity, which also acts as an	The below procedures have been performed by the audit team: We performed testing of controls with respect to the monthly independent review and approval of reinsurance calculation parameters. We reviewed reinsurance agreements in place and assessed the extent to which the

Key Audit Matter	How our audit addressed the Key Audit Matter
administrator for the Company's entire reinsurance programme through one of its subsidiaries (as disclosed in Note 18 of the financial statements). We focused on this area in light of the aforementioned magnitude of the amounts disclosed as reinsurers' share of outstanding claims and the inherent complexity of the reinsurance arrangements that were in place during the year-ended 31 December 2017.	Company's calculation of reinsurers' share of outstanding claims is consistent with the terms stipulated therein. We obtained and reviewed a relevant legal opinion confirming the Company's counter-parties within the Group-administered reinsurance programme. We obtained and reviewed management's assessment with respect to the Company's credit exposure to Group entities emanating from the reinsurance arrangements, as well as the Company's stress test in relation to capital requirements. We engaged an expert actuary to independently verify the methodology and assumptions used along with solvency calculations included therein. The results of these procedures were satisfactory.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Message from the Chairman, the Message from the Chief Executive Officer, the Additional Information and the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of the 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 8 September 2016 by the Board of Directors in respect of the audit for the year ended 31 December 2016. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 July 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors' Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 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.

The engagement partner on the audit resulting in this independent auditor's report is Mrs Androulla S Pittas.

Androulla S Pittas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

Nicosia, 18 July 2018

INCOME STATEMENT
for the year ended 31 December 2017

	Notes	*2017* *€*	*2016* *€*
Gross earned premiums	3	29.207.773	25.849.406
Reinsurers' share of gross earned premiums	3	(6.115.563)	(4.557.311)
Net earned premiums		23.092.210	21.292.095
Fee and commission income		3.224.236	2.850.750
Deferred acquisition costs	3	157.836	118.909
Deferred acquisition income	3	(106.809)	(14.508)
Investment income		163.874	122.588
Other income from insurance operations		192.605	67.411
Total revenue from insurance operations		26.723.952	24.437.245
Gross insurance claims paid	17	(12.088.457)	(10.276.366)
Reinsurers' share of gross insurance claims paid	17	780.916	530.807
Gross change in insurance contracts liabilities	17	(3.443.870)	(3.736.450)
Reinsurers' share of gross change in insurance contracts liabilities	17	(94.630)	846.624
Change in provision for unexpired risks reserve	17	-	5.000
Change in provision for claims handling expense reserve	17	25.413	(201.275)
Commission expense, direct expenses and discounts		(6.297.872)	(5.742.746)
Administrative expenses for insurance operations	4	(5.410.187)	(4.669.135)
Finance costs		(107.584)	(132.634)
Total expenses for insurance operations		(26.636.271)	(23.376.175)
Net revenue from insurance operations		87.681	1.061.070
Other income	5	499.732	163.814
Other operating and administrative expenses	5	(186.288)	(211.131)
Profit from operating activities before income tax	6	401.125	1.013.753
Income tax	6	(143.109)	(62.500)
Net profit for the year		258.016	951.253

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	2017	*2016*
	€	*€*
Net profit for the year	258.016	951.253
Other comprehensive income		
Other comprehensive income to be reclassified in the income statement in subsequent periods		
Net gains on available-for-sale investments	210.833	103.500
Transfer to the income statement on sale	(65.664)	(111.484)
	145.169	(7.984)
Other comprehensive income not to be reclassified in the income statement in subsequent periods		
Revaluation of land and buildings	160.099	70.329
Deferred income tax liabilities	(2.085)	-
	158.014	70.329
Other comprehensive income after tax	303.183	62.345
Total comprehensive income for the year after tax	561.199	1.013.598

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	*31/12/2017* *€*	*31/12/2016* *€*
ASSETS			
Non-current assets			
Property and equipment	8	6.651.234	6.449.010
Intangible assets	9	463.519	411.217
Investment properties	10	6.222.000	5.568.350
Non-current receivables	21	668.019	-
		14.004.772	12.428.577
Current assets			
Available-for-sale investments	11a	10.424.420	6.977.741
Investments at fair value through profit or loss	11b	1.061.641	1.043.735
Reinsurers' share of insurance contract liabilities	17	4.573.491	4.355.576
Deferred acquisition costs	3	2.402.745	2.244.909
Receivables from related companies	18	1.472.427	1.067.904
Premiums receivable		7.818.570	7.884.556
Other debtors and prepayments	13	1.249.266	1.178.007
Cash and bank balances	14	14.613.220	14.391.349
		43.615.780	39.143.777
TOTAL ASSETS		57.620.552	51.572.354
EQUITY AND LIABILITIES			
Equity			
Share capital	15	20.000.000	17.684.345
Available for sale reserve		135.948	(9.221)
Property revaluation reserve		228.343	70.329
Retained earnings		1.290.807	3.348.446
Total equity		21.655.098	21.093.899
Non-current liabilities			
Loans and borrowings	20	-	833.052
Deferred income tax liabilities	7	11.025	-
		11.025	833.052
Current liabilities			
Insurance contract liabilities	17	31.310.808	27.148.993
Deferred acquisition income	3	491.426	384.617
Reinsurers' current accounts		437.452	88.081
Payables to related companies	18	1.830.059	-
Other creditors and accrued expenses	19	1.884.684	1.767.388
Loans and borrowings	20	-	256.324
		35.954.429	29.645.403
TOTAL EQUITY AND LIABILITIES		57.620.552	51.572.354

Mehran Eftekhar - Director

Christos Christodoulou - Director/Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share Capital	*Equity contribution from parent*	*Available for sale reserve*	*Property revaluation reserve*	*Retained earnings*	*Total*
	€	*€*	*€*	*€*	*€*	*€*
1 January 2016	16.643.960	1.040.385	(1.237)	-	2.397.193	20.080.301
Profit for the year	-	-	-	-	951.253	951.253
Other comprehensive (expense)/income after tax	-	-	(7.984)	70.329	-	62.345
Total comprehensive (expense)/income for the year	-	-	(7.984)	70.329	951.253	1.013.598
Issue of share capital	1.040.385	(1.040.385)	-	-	-	-
31 December 2016	17.684.345	-	(9.221)	70.329	3.348.446	21.093.899
Profit for the year	-	-	-	-	258.016	258.016
Other comprehensive (expense)/income after tax	-	-	145.169	158.014	-	303.183
Total comprehensive (expense)/income for the year	-	-	145.169	158.014	258.016	561.199
Issue of share capital	2.315.655	-	-	-	(2.315.655)	-
At 31 December 2017	20.000.000	-	135.948	228.343	1.290.807	21.655.098

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of 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 will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes 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 special contribution for defence rate increased from 15% to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and was reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 €	2016 €
Cash flows from operating activities			
Net profit before income tax		401.125	1.013.753
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets	4	479.398	484.139
Profit on disposal of equipment	5	(4.260)	(6.725)
Write offs of property and equipment	8	-	3.900
Profit on sale of available-for-sale investments	5	(75.056)	(94.785)
Profit on disposal of investment properties	5	(20.000)	-
Loss on investments at fair value through profit or loss	11	236	35.991
Profit on investment properties fair value changes	10	(65.400)	(13.453)
		716.043	1.422.820
Decrease in premium receivable		65.986	270.641
Increase in deferred acquisition costs		(157.836)	(118.909)
Increase in deferred acquisition income		106.809	14.508
Increase in other debtors and prepayments		(71.259)	(465.208)
Decrease in balances with related companies		2.299.536	2.069.882
Increase/ (decrease) in reinsurers' current accounts		349.371	(13.235)
Increase in reinsurers' share of insurance contract liabilities		(217.915)	(894.763)
(Increase)/ decrease in deposits with banks		(4.034.370)	1.839.655
Increase in insurance contract liabilities		4.161.815	4.563.352
Increase/ (decrease) in other creditors and accrued expenses		117.296	(42.044)
Increase in non-current receivables		(668.019)	-
Cash generated from operations		1.951.414	7.223.879
Income tax paid		(134.169)	(62.500)
Net cash generated from operating activities		2.533.288	8.584.199
Cash flows from investing activities			
Purchase of property and equipment	8	(288.728)	(146.744)
Purchase of computer software and other intangibles	9	(285.097)	(200.862)
Proceeds from disposal of equipment		4.260	9.225
Proceeds from sale of investments		2.934.253	3.198.771
Purchase of investments	11	(6.178.849)	(8.547.678)
Purchase of investment properties		(1.442.250)	-
Net cash flows used in investing activities		(5.256.411)	(5.687.288)
Cash flows from financing activities			
Repayment of borrowings		(1.089.376)	(1.083.146)
Net cash flows used in financing activities		(1.089.376)	(1.083.146)
Net (decrease)/ increase in cash and cash equivalents		(3.812.499)	1.813.765
Cash and cash equivalents at 1 January		8.083.961	6.270.196
Cash and cash equivalents at 31 December	14	4.271.462	8.083.961

Non cash transactions

On 9 November 2017 the Company purchased investment properties at a cost of €4.600.000 from a related company (Note 18) and disposed investment properties to related companies with proceeds of €4.031.750 (Note 18). The actual cash flows of €1.442.250 for these transactions, which were paid to a related company (Note 18), are included in investing activities in the statement of cash flows above.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

1. General information

The financial statements of Trust International Insurance Company (Cyprus) Limited (the "Company") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 18 July 2018.

Country of incorporation

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

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

Principal activities

The Company is engaged in the general insurance business in Cyprus and reinsurance business.

Operating environment of the Company

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016 and 2017. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

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.

2.2 Changes in accounting policies and disclosures

2.2.1 Application of new standards, interpretations and amendments to IFRS

Adoption of new and revised IFRSs: During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company

2.2.2 Standards and interpretations that are issued but not yet effective

Up to the date of the approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- IFRS 9 “Financial Instruments”. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, however the Company is eligible and may utilize the temporary exemption option available for insurance companies and may therefore adopt IFRS9 for the annual period beginning on 1 January 2021 in order for the application of IFRS 9 to coincide with the application of the new accounting standard for insurance contracts that is expected to be issued. Key features of IFRS 9 are:

i. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

ii. Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

2.2 Changes in accounting policies and disclosures (continued)

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

iii. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.·

iv. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

v. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

vi. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The Company will defer the application of IFRS 9 as disclosed above and will continue to apply the existing financial instruments standard - IAS 39.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

2.2 Changes in accounting policies and disclosures (continued)

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

- IFRS 16"Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019) *. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Company is currently assessing the impact of the adoption of the above in its financial statements.

** Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.*

2.3 Significant judgments and estimates

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

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

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

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

Insurance business contracts
For the insurance business contracts, estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The estimation of the liability arising from claims on insurance contracts is the most critical accounting estimate made by the Company. The Company reviews every reported claim, and the estimated insurance liability is based on the facts of each claim, on prior years' experience and on other factors that are believed to be reasonable under the circumstances. The Company is liable for all insured events that have been reported during the term period of the contract even if the loss is discovered after the expiration of the contract term. As a result the Company estimates the claims incurred but not reported (IBNR). Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of IBNR in particular is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent until many years after the event that gave rise to the claims. The total IBNR is split between pure IBNR and IBNER. The Company monitors frequently the IBNR amount and its development and adjusts the amount accordingly. For further details refer to Note 23.

Reinsurers' share of insurance contract liabilities
The Company's reinsurance treaties are managed/ administered by a related company (Note 18). On the basis of a legal assessment performed, the Company has concluded that the related company is only acting as an agent and that therefore the legal counterparties for credit risk and regulatory purposes are the ultimate reinsurers (Note 24).

2.3 Significant judgments and estimates (continued)

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 less accumulated depreciation and impairment losses recognised at the date of revaluation, with changes being recorded in other comprehensive income.
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 2017, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market, in estimating the market values of property.

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

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

2.3 Significant judgments and estimates (continued)

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

There were no changes in accounting policies during the reporting period.

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.

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.

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.

2.5 Summary of significant accounting policies (continued)

2.5.3 Deferred acquisition costs (DAC) and Deferred acquisition income (DAI) (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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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.

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

AFS investments include equity investments and debt instruments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt instruments classified as AFS are non-derivatives that are either designated in this category if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term or not classified in any of the other categories.

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.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

2.5 Summary of significant accounting policies (continued)

2.5.5 Financial assets (continued)

(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 bank balances. 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 or payables 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 Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

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.

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 Company 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.

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

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

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 bank balances

Cash and bank balances includes cash and cash equivalents (which consist of cash at hand and short term deposits) as well as bank deposits with an original maturity of more than three months from the date of acquisition.

2.5.15 Foreign currencies

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

2.5 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.

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.

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 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

2.5.23 Investment property

Investment property, principally comprising land and office buildings, is held for long-term rental yields and is not occupied by the Company. Investment property is carried at fair value, representing open market value determined annually by external valuers.

2.5.24 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

3. General insurance business

Earned premium income and reinsurance premiums

	2017	*2016*
	€	*€*
Total gross written premiums	29.951.131	26.480.033
Change in the provision for unearned premiums	(743.358)	(630.627)
Gross earned premiums	29.207.773	25.849.406
Total reinsurance premiums	(6.428.108)	(4.605.450)
Change in the provision for unearned reinsurance Premiums	312.545	48.139
Earned reinsurance premiums	(6.115.563)	(4.557.311)
Net earned premiums	23.092.210	21.292.095

Deferred acquisition costs

	2017	*2016*
	€	*€*
1 January	2.244.909	2.126.000
Deferred acquisition costs for the year	(6.021.926)	(5.479.605)
Acquisition costs charged to the income statement	6.179.762	5.598.514
31 December	2.402.745	2.244.909

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

Deferred acquisition income

	2017	*2016*
	€	*€*
1 January	384.617	370.109
Deferred acquisition income for the year	(1.181.256)	(996.316)
Commission income credited to the income statement	1.288.065	1.010.824
31 December	491.426	384.617

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

4. Administrative expenses for insurance operations

	2017	*2016*
	€	*€*
Salaries	2.800.038	2.557.646
Social insurance costs	266.187	271.514
Provident fund contributions	107.918	93.977
Other staff costs	152.823	113.573
	3.326.966	3.036.710
Professional fees	127.862	73.363
Selling and advertising costs	242.111	247.101
Operating lease payments	63.450	64.730
Electricity, heating and water	43.686	38.661
Insurance, taxes and maintenance of building	50.699	53.421
Maintenance of office equipment and consumables	60.269	43.693
Computer expenses	216.468	153.709
Printing and stationery	74.960	78.864
Telephone expenses	56.326	56.553
Postages and courier expenses	14.717	14.171
Subscriptions	26.479	27.542
Entertainment expenses	33.805	35.480
Travelling expenses	23.525	16.759
Motor vehicle expenses	85.998	79.666
Storage expenses	51.886	48.088
Provision for doubtful debts	370.110	70.000
Depreciation of property and equipment	246.603	242.915
Amortisation of intangible assets	232.795	241.224
Other	61.472	12.554
Relocation expenses	-	2.917
Foreign exchange loss	-	31.014
	5.410.187	4.669.135

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

The average number of staff employed by the Company during 2017 was 101 (2016: 98).

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

	2017	*2016*
	€	*€*
Other income		
Dividend income from available-for-sale investments	9.613	20
Interest income from available-for-sale investments	325.403	48.831
Profit on sale of available-for-sale investments	75.056	94.785
Change in fair value of investment properties	65.400	13.453
Profit on disposal of property and equipment	4.260	6.725
Profit on disposal of investment properties	20.000	-
	499.732	163.814

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

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

	2017	*2016*
	€	*€*
Other operating and administrative expenses		
Directors' fees	83.808	107.800
Professional fees	55.890	45.248
Special levy	350	350
Immovable property tax	-	180
Capital gains tax	583	-
Change in fair value of investments at fair value through profit or loss	236	35.991
Investment portfolio fees	45.421	21.562
	186.288	211.131

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

	2017	*2016*
	€	*€*
Fees for the audit of the financial statements	27.187	30.135
Fees for other audit related services	25.585	11.305
Fees for tax services	1.428	1.428
Fees for other advisory services	2.797	9.044
	56.997	51.912

6. Income tax

	2017	*2016*
	€	*€*
Current tax		
Corporation tax – current year	75.000	62.500
Corporation tax – prior year	59.169	-
Total current tax	134.169	62.500
Deferred tax (Note 7)		
Temporary differences of revaluation gains	8.940	-
Total deferred tax	8.940	-
Income tax expense as reported in the income statement	143.109	62.500

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

6. Income tax (continued)

	2017	*2016*
	€	*€*
Profit from operating activities before income tax	401.125	1.013.753
Tax at Cyprus statutory income tax rate 12,5%	50.141	126.719
Tax effect of:		
Expenses not deductible for tax purposes	48.178	49.580
Income not subject to Cyprus tax	(23.319)	(111.573)
Losses utilised during the year	-	(7.607)
Additional tax	-	5.381
Prior year under provision	59.169	-
Deferred tax	8.940	-
Income tax for the year	143.109	62.500

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

7. Deferred income tax liabilities

The movement in deferred income tax liabilities during the year is as follows:

	Revaluation of land and buildings	*Fair value gains*	*Total*
		€	*€*
At 1 January 2017	-	-	-
Charged/(credited) to:			
Profit or loss (Note 6)	-	8.940	8.940
Other comprehensive income	2.085	-	2.085
At 31 December 2017	2.085	8.940	11.025

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

8. Property and equipment

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	€	*€*	*€*	*€*	*€*	*€*
2017						
Cost or Valuation						
1 January	5.946.182	148.397	411.099	442.263	629.994	7.577.935
Revaluation	(61.819)	-	-	-	-	(61.819)
Additions	155.637	1.800	70.780	34.149	26.362	288.728
Disposals and write-offs	-	-	(60.177)	-	-	(60.177)
31 December	6.040.000	150.197	421.702	476.412	656.356	7.744.667
Depreciation						
1 January	146.182	142.319	222.351	311.090	306.983	1.128.925
Revaluation	(221.918)	-	-	-	-	(221.918)
Charge for the year	75.736	3.392	56.610	53.786	57.079	246.603
Disposals and write-offs	-	-	(60.177)	-	-	(60.177)
31 December	-	145.711	218.784	364.876	364.062	1.093.433
Net book value						
31 December	6.040.000	4.486	202.918	111.536	292.294	6.651.234

	Property	*Leasehold improvements*	*Motor vehicles*	*Computer hardware*	*Furniture equipment*	*Total*
	€	*€*	*€*	*€*	*€*	*€*
2016						
Cost or Valuation						
1 January	5.873.268	142.642	367.449	408.691	607.712	7.399.762
Revaluation	70.329	-	-	-	-	70.329
Additions	6.485	5.755	78.650	33.572	22.282	146.744
Disposals and write-offs	(3.900)	-	(35.000)	-	-	(38.900)
31 December	5.946.182	148.397	411.099	442.263	629.994	7.577.935
Depreciation						
1 January	73.065	138.861	206.809	249.940	249.835	918.510
Charge for the year	73.117	3.458	48.042	61.150	57.148	242.915
Disposals and write-offs	-	-	(32.500)	-	-	(32.500)
31 December	146.182	142.319	222.351	311.090	306.983	1.128.925
Net book value						
31 December	5.800.000	6.078	188.748	131.173	323.011	6.449.010

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

8. Property and equipment (continued)

All property is freehold and is shown at valuation carried out by independent professionally qualified valuers at 31 December 2017 in accordance to IFRS 13. Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The cumulative revaluation surplus amounted to €160.099 (2016: €70.329) and is included in the property revaluation reserve. The historical cost of property amounts to €6.031.490 (2016: €5.875.853).

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 2017 would have amounted to €5.808.933 (2016: €5.729.619).

During 2015 the Company started using the new property acquired in 2014 in Cyprus as its Head Office. During 2017 the Company started using the new property acquired in 2017 in Cyprus as its Larnaca Branch.

The table below presents the valuation technique and key inputs used in the valuation of property:

Description	*Fair value hierarchy*	*Fair value at*		*Valuation technique*	*Unobservable inputs used in the determination of fair values*	
		31/12/2017 €	*31/12/2016 €*		*Input*	*Weighted average 2017*
Land and office building in Cyprus – Nicosia	Level 3	5.870.000	5.800.000	Market comparable approach	Adjusted price per square meter based on actual sales of similar properties	Land €2.400 per square meter, Building €1.497 per square meter
Office building in Cyprus - Larnaca	Level 3	170.000	-	Market comparable approach	Adjusted price per square meter based on actual sales of similar properties	Building €934 per square meter

Sensitivity
A change in the valuation price of the property affects equity (unless there is an impairment). An increase of 10% in the valuation price per square meter used by the valuer would increase the Company’s equity by €604.000 (2016: €581.430). A decrease of 10% in the valuation price per square meter used by the valuer would decrease the Company’s equity by €604.000 (2016: €578.830).

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

9. Intangible assets

	Computer software	*Recruitment bonuses*	*Total*
	€	€	€
2017			
Cost			
1 January	251.743	1.629.309	1.881.052
Additions	17.171	267.926	285.097
31 December	268.914	1.897.235	2.166.149
Depreciation			
1 January	208.748	1.261.087	1.469.835
Charge for the year	26.061	206.734	232.795
31 December	234.809	1.467.821	1.702.630
Net book value			
31 December	34.105	429.414	463.519

	Computer software	*Recruitment bonuses*	*Total*
	€	€	€
2016			
Cost			
1 January	249.225	1.430.965	1.680.190
Additions	2.518	198.344	200.862
31 December	251.743	1.629.309	1.881.052
Depreciation			
1 January	175.365	1.053.246	1.228.611
Charge for the year	33.383	207.841	241.224
31 December	208.748	1.261.087	1.469.835
Net book value			
31 December	42.995	368.222	411.217

10. Investment properties

	2017	*2016*
	€	€
1 January	5.568.350	5.554.897
Additions (Note 18)	4.600.000	-
Disposals (Note 18)	(4.011.750)	-
Change in fair value	65.400	13.453
31 December	6.222.000	5.568.350

The investment properties comprise offices and shops in Neapolis Limassol.

Certain properties (classified as level 2) are shown at valuation carried out by independent professionally qualified valuers at 31 December 2017 in accordance to IFRS 13. The fair value of

10. Investment properties (continued)

the properties is determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. Certain properties, which were acquired in November 2017 (classified as level 3) are shown at fair value determined by using the income capitalisation method.

If investment properties were valued under the cost model, their carrying amount would have amounted to €6.177.300 as at 31 December 2017 (2016: €5.554.897). There was no rental income from investment properties during 2017 (2016: Nil). No direct operating expenses were recognised in the income statement during 2017 (2016: Nil) relating to investment property that was unlet.

The table below presents the valuation technique and key inputs used in the valuation of property classified as level 3:

Description	*Fair value hierarchy*	*Fair value at*		*Valuation technique*	*Unobservable inputs used in the determination of fair values*	
		31/12/2017 €	*31/12/2016 €*		*Input*	*Rate 31/12/2017*
Shops in Cyprus - Limassol	Level 3	4.600.000	-	Income capitalisation approach	*Capitalisation rate*	6.25%

Sensitivity
A change in the valuation price of the investment properties affects the Company's income statement. An increase of 10% in the valuation price used would increase the Company's profit by €622.200 (2016: €556.835). A decrease of 10% in the valuation price used would decrease the Company's profit by €622.200 (2016: €502.835).

11. Investments

(a) Available for sale investments

	2017	*2016*
	€	*€*
Equity shares		
Listed on Cyprus Stock Exchange	290	248
Listed on Germany Stock Exchange	86.082	100.422
Listed on France Stock Exchange	392.477	299.731
Listed on Italy Stock Exchange	95.753	-
	574.602	400.401
Government bonds		
Listed	1.754.832	1.579.486
Corporate bonds		
Listed	8.094.986	4.997.854
	10.424.420	6.977.741

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

11. Investments (continued)

Income from investments for the year amounted to €335.016 (2016: €48.851) and is included in "Other income" in the income statement.

The movement for the years 2017 and 2016 respectively is summarised below:

	Cost 2017 €	*Interest receivable 2017 €*	*Revaluation 2017 €*	*Carrying amount 2017 €*	*Carrying amount 2016 €*
Equity shares, Government bonds and Corporate bonds Available for sale					
1 January	6.916.346	70.616	(9.221)	6.977.741	2.592.034
Additions	5.205.500	-	-	5.205.500	7.435.779
Disposals	(1.965.122)	-	(65.664)	(2.030.786)	(3.215.252)
Revaluation	-	-	210.833	210.833	103.281
Interest receivable	-	61.132	-	61.132	61.899
31 December	10.156.724	131.748	135.948	10.424.420	6.977.741

(b) Investments at fair value through profit or loss

	2017 €	2016 €
Equity shares		
Listed on Cyprus and United Kingdom Stock Exchange (note (a))	24.804	28.310
Structured products		
Unlisted (note (b))	1.036.837	1.015.425
	1.061.641	1.043.735

The movement for the years 2017 and 2016 respectively is summarised below:

	Cost 2017 €	*Interest receivable 2017 €*	*Fair value gains/ (losses) 2017 €*	*Carrying amount 2017 €*	*Carrying amount 2016 €*
Equity shares and Structured products at fair value through profit or loss					
1 January	1.252.214	-	(208.479)	1.043.735	29.725
Additions	900.000	-	-	900.000	1.050.000
Disposals	(900.000)		5.925	(894.075)	-
Fair value losses	-	-	(236)	(236)	(35.991)
Interest receivable	-	12.217	-	12.217	-

31 December	1.252.214	12.217	(202.790)	1.061.641	1.043.735

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

11. Investments (continued)

Note (a)
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.

Note (b)
These represent unlisted structured products which are linked to listed equities and which are converted into cash or equity shares upon redemption. The fair value of the structured products was derived from the prices of the underlying listed equities.

Fair value hierarchy

As at 31 December 2017, the Company held the following financial instruments carried at fair value in the statement of financial position:

2017	*Level 1* €	*Level 2* €	*Level 3* €	*31 December* €
Available for sale investments	10.424.420	-	-	10.424.420
Investments at fair value through profit or loss	24.804	1.036.837	-	1.061.641

2016	*Level 1* €	*Level 2* €	*Level 3* €	*31 December* €
Available for sale investments	6.977.741	-	-	6.977.741
Investments at fair value through profit or loss	28.310	1.015.425	-	1.043.735

12. Deposits with banks

Description	*Maturity*	*Interest rate (per annum)*	*2017* €	*2016* €
Current accounts		0%-0,02%	3.517.317	5.076.745
Term deposits	0-3 months	0,02%-1,60%	427.151	2.720.650
Term deposits	4-6 months	0,65%-1,85%	162.363	1.610.542
Term deposits	7-12 months	0,60%-2,10%	10.179.395	4.696.846
			14.286.226	14.104.783

An amount of €154.917 is blocked as security for letters of guarantee in favor of several beneficiaries relevant to offers for insurance services (2016: €107.487). For credit and counterparty risk exposure refer to note 24.

NOTES TO THE FINANCIAL STATEMENTS
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13. Other debtors and prepayments

	2017	*2016*
	€	*€*
Prepayments and deposits	300.312	394.753
Prepayments for the acquisition of software	463.371	390.010
Amounts receivable from Cyprus Hire Risk Pools	343.067	232.854
Amounts receivable from Group Insurance Pools	142.516	160.390
	1.249.266	1.178.007

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 bank balances

	2017	*2016*
	€	*€*
Cash with banks (Note 12)	3.517.317	5.076.745
Term deposits with banks (Note 12)	10.768.909	9.028.038
Cash in hand	326.994	286.566
	14.613.220	14.391.349
Deposits with original maturity of over 3 months (Note 12)	(10.341.758)	(6.307.388)
Cash and cash equivalents as per the statement of cash flows	4.271.462	8.083.961

15. Share capital

	2017	*2016*
	€	*€*
Authorised		
26.887.085 Shares of €1 each	26.887.085	26.887.085
Issued and fully paid		
20.000.000 Shares of €1 each	20.000.000	17.684.345
1 January	17.684.345	16.643.960
Increase in issued share capital	2.315.655	1.040.385
31 December	20.000.000	17.684.345

On 10 May 2016 a resolution was passed for the issue and allotment of €1.040.385 divided into 1.040.385 shares of €1 each to the Sole Shareholder Nest Investments (Holdings) Ltd, to convert the equity contribution from the parent company into share capital. On 29 May 2017 a resolution was passed for the issue and allotment of €2.315.655 divided into 2.315.655 shares of €1 each to the Sole Shareholder Nest Investments (Holdings) Ltd, to capitalise part of the retained earnings.

16. Dividends

The Company has not declared nor paid a dividend to its sole shareholder Nest Investments (Holdings) Ltd (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

17. General insurance contract liabilities

	2017			*2016*		
	Insurance Contract Liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance Contract Liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	€	*€*	*€*	*€*	*€*	*€*
Provision for outstanding claims reported	16.131.441	(2.723.053)	13.408.388	12.919.952	(2.654.419)	10.265.533
Provisions for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER)	3.033.381	(158.786)	2.874.595	2.801.000	(322.050)	2.478.950
Total outstanding claims	19.164.822	(2.881.839)	16.282.983	15.720.952	(2.976.469)	12.744.483
Provision for unearned premiums	11.697.499	(1.691.652)	10.005.847	10.954.141	(1.379.107)	9.575.034
Provision for unexpired risks reserve	-	-	-	-	-	-
Provision for claims handling eserve	448.487	-	448.487	473.900	-	473.900
Total general insurance contract liabilities	31.310.808	(4.573.491)	26.737.317	27.148.993	(4.355.576)	22.793.417

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:

	2017			*2016*		
	Insurance contract liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance contract liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	€	*€*	*€*	*€*	*€*	*€*
1 January	15.720.952	(2.976.469)	12.744.483	11.984.502	(2.129.845)	9.854.657
Incurred for the year	15.532.327	(686.286)	14.846.041	14.012.816	(1.377.422)	12.635.394
Claims paid during the year	(12.088.457)	780.916	(11.307.541)	(10.276.366)	530.807	(9.745.559)
31 December	19.164.822	(2.881.839)	16.282.983	15.720.952	(2.976.469)	12.744.483

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

17. General insurance contract liabilities (continued)

The provision for unearned premiums is analysed as follows:

	2017			*2016*		
	Insurance contract liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance contract liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	€	*€*	*€*	*€*	*€*	*€*
1 January	10.954.141	(1.379.107)	9.575.034	10.323.514	(1.330.968)	8.992.546
Premiums written during the year	29.951.131	(6.428.108)	23.523.023	26.480.033	(4.605.450)	21.874.583
Premiums earned for the year	(29.207.773)	6.115.563	(23.092.210)	(25.849.406)	4.557.311	(21.292.095)
31 December	11.697.499	(1.691.652)	10.005.847	10.954.141	(1.379.107)	9.575.034

The provision for unexpired risks is analysed as follows:

	2017			*2016*		
	Insurance contract liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance contract liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	€	*€*	*€*	*€*	*€*	*€*
1 January	-	-	-	5.000	-	5.000
Provision for the year	-	-	-	(5.000)	-	(5.000)
31 December	-	-	-	-	-	-

The provision for claims handling expense is analysed as follows:

	2017			*2016*		
	Insurance contract liabilities	*Reinsurers' share of liabilities*	*Net liabilities*	*Insurance contract liabilities*	*Reinsurers' share of liabilities*	*Net liabilities*
	€	*€*	*€*	*€*	*€*	*€*
1 January	473.900	-	473.900	272.625	-	272.625
Provision for the year	(25.413)	-	(25.413)	201.275	-	201.275
31 December	448.487	-	448.487	473.900	-	473.900

18. Related party transactions

The Company is controlled by Nest Investments (Holdings) Ltd, incorporated in Jersey, which owns 100% of the Company's shares. The Company's ultimate controlling party is Mr. Ghazi Abunahl.

The ultimate parent entity (which is the same as the parent entity), which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is Nest Investments (Holdings) Ltd, incorporated in Jersey, Channel Islands, and its consolidated financial statements are available at the website www.nestco.org.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

18. Related party transactions (continued)

Balances due from/ (to) related parties as at 31 December 2017, were as follows:

	2017 €	*2016* €
Premiums receivable from related companies: Common control entities	17.852	352
Premiums receivable from directors	1.217	2.320
Receivables from related companies: Parent entity	1.155.346	89.933
Receivables from related companies: Common control entities	317.081	977.971
Reinsurance payables to related company: Common control entities	(105.045)	420
Loan payable to related company: Common control entity (Note 20)	-	(1.089.376)
Payables to related companies: Common control entity	(1.830.059)	-
Reinsurers' share of insurance contract liabilities Common control entities	820.715	742.494

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

	2017 €	*2016* €
Gross premiums ceded to related companies: Common control entities	(120.180)	(32.737)
Reinsurance commission received from related companies: Common control entities	9.145	1.893
Claims recovered from related company: Common control entity	601	14.889
Direct insurance premiums with directors	17.095	20.812
Direct insurance premiums with related companies: Common control entities	55.476	34.780
Rent, utilities and other expenses charged to related company: Parent entity	25.545	22.560
Payroll and other expenses charged to related company: Common Control entity	48.119	49.526
Other services/ expenses charged by related company: Parent entity	(44.930)	(8.019)
Other services/ expenses charged by related companies: Common Control entities	(103.055)	(62.225)
Interest on loan to related company: Common control entity	(24.948)	(92.277)
Sale of investment properties to related companies (proceeds): Common control entities	4.031.750	-
Purchase of investment properties from related company (cost) : Common control entity	(4.600.000)	-
Payment to related company for exchange of investment properties: Parent entity	(1.442.250)	

The Company's reinsurance treaties are managed/ administered by a related company (common control entity). The management has assessed its exposures in relation to the financial strength and processes of a participating reinsurer which is a related company (under common control) and has determined, taking into consideration legal and actuarial assessments that any adverse developments do not significantly impact the Company.

NOTES TO THE FINANCIAL STATEMENTS
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18. Related party transactions (continued)

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

	2017	*2016*
	€	*€*
Directors		
Fees	83.808	107.800
Key management personnel		
Salaries and other short term benefits	605.394	460.008
Social insurance costs	35.156	40.665
Provident fund contributions	30.844	20.712
	671.394	521.385

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

	2017	*2016*
	€	*€*
Amounts due to reinsurers for premium reserve retained	1.010.612	760.849
Amounts payable to Group Insurance pools/ funds	142.516	160.390
Amounts due to claimants	65.351	57.320
Motor Insurers Fund	175.910	171.729
Accrued expenses	376.130	428.983
Other provisions and reserves	89.165	88.117
Other creditors	25.000	100.000
	1.884.684	1.767.388

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

	2017	*2016*
	€	*€*
Current loans and borrowings		
Loan from a related company:		
Common control entity	-	256.324

	2017	*2016*
	€	*€*
Non-current loans and borrowings		
Loan from a related company:		
Common control entity	-	833.052

Loan from a related company

The loan was obtained from a related company, an entity under common control, 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 was repayable within 7 years after the date it was obtained but has been repaid in full during the year 2017. It bears an interest rate equal to three months Euribor plus 5% margin per annum.

NOTES TO THE FINANCIAL STATEMENTS
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21. Non-current receivables

	2017	*2016*
	€	*€*
Amounts receivable from Tax Authorities	668.019	-
	668.019	-

Non-current receivables represent amounts receivable from the Tax Authorities in relation to value added tax on investment properties acquired. They are set off with amounts payable by the Company to the Tax Authorities and are expected to be recovered within two years from the balance sheet date. Non-current receivables are interest-free. None of the non-current receivables is either past due or impaired and their fair value is equal to their nominal value.

22. 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. The carrying value of loans and borrowings has also been assessed as approximating its fair value.

23. 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:

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2017

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

2017

	2009 and prior years	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*Total*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*		*€*
Year of loss	368.513	1.934.923	3.909.886	5.660.911	8.295.674	8.736.041	10.864.902	11.971.067	14.285.959	66.027.876
After a year	(3.715)	307.599	317.977	498.355	568.013	509.391	857.611	573.007	-	3.628.238
After two years	410	74.563	121.869	201.649	255.493	202.952	253.880	-	-	1.110.816
After three years	2.613	5.421	115.414	53.700	74.756	(23.183)	-	-	-	228.721
After four years	1.412	27.204	(7.899)	175.512	151.808	-	-	-	-	348.037
After five years	8.000	(10.070)	61.678	21.783	-	-	-	-	-	81.391
Present estimate for claim	377.233	2.339.640	4.518.925	6.611.910	9.345.744	9.425.201	11.976.393	12.544.074	14.285.959	71.425.079
Total payments	(357.233)	(2.288.638)	(4.332.179)	(5.810.265)	(7.827.069)	(7.388.648)	(8.752.082)	(9.732.968)	(8.804.556)	(55.293.638)
Total outstanding claims	20.000	51.002	186.746	801.645	1.518.675	2.036.553	3.224.311	2.811.106	5.481.403	16.131.441
Share of reinsurers	-	-	(41.899)	(102.613)	(297.084)	(712.527)	(1.238.164)	(40.359)	(290.407)	(2.723.053)
Net liability	20.000	51.002	144.847	699.032	1.221.591	1.324.026	1.986.147	2.770.747	5.190.996	13.408.388

2016

	2009 and prior years	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*Total*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*	*€*
Year of loss	368.513	1.934.923	3.909.886	5.660.911	8.295.674	8.736.041	10.864.902	11.971.067	51.741.917
After a year	(3.715)	307.599	317.977	498.355	568.013	509.391	857.611	-	3.055.231
After two years	410	74.563	121.869	201.649	255.493	202.952	-	-	856.936
After three years	2.613	5.421	115.414	53.700	74.756	-	-	-	251.904
After four years	1.412	27.204	(7.899)	175.512	-	-	-	-	196.229
After five years	6.000	(2.312)	34.985	-	-	-	-	-	38.673
Present estimate for claim	375.233	2.347.398	4.492.232	6.590.127	9.193.936	9.448.384	11.722.513	11.971.067	56.140.890
Total payments	(357.233)	(2.269.646)	(4.310.613)	(5.691.065)	(7.710.451)	(7.307.295)	(8.287.624)	(7.334.722)	(43.268.649)
Total outstanding claims	18.000	77.752	181.619	899.062	1.483.485	2.141.089	3.434.889	4.636.345	12.872.241
Share of reinsurers	-	-	(41.899)	(98.490)	(297.084)	(715.061)	(1.255.428)	(246.457)	(2.654.419)
Net liability	18.000	77.752	139.720	800.572	1.186.401	1.426.028	2.179.461	4.389.888	10.217.822

24. 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.

24. Risk management (continued)

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.

An increase in the net estimated outstanding claims position and IBNR provision of 1% (2016: 1%) would decrease the profit before tax by €162.830 (2016: €127.445).

The management has assessed its exposures in relation to the financial strength and processes of a participating reinsurer which is a related company (under common control) and has determined, taking into consideration legal and actuarial assessments that any adverse developments do not significantly impact the Company.

Market risk

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

Interest rate risk

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

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

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

Changes in interest rates	*Effect on the Company's net interest income*
2017	*€*
+0,5%	93.881

-0,5%	(93.881)
2016	
+ 0,5%	63.408
- 0,5%	(68.017)

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24. Risk management (continued)

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).

	Changes in EURO/USD exchange rates 2017	*Changes in EURO/USD exchange rates 2016*
	Effect on equity €	*Effect on equity* €
+ 5%	147.758	286.493
- 5%	(147.758)	(286.493)
	Effect on profit €	*Effect on profit* €
+ 5%	83.043	213.801
- 5%	(83.043)	(213.801)

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 2017 and 31 December 2016.

31 December 2017	*Balances in United States Dollars*	*Balances in Euro*	*Total*
	€	€	€
Assets			
Property and equipment	-	6.651.234	6.651.234
Intangible assets	-	463.519	463.519
Investment properties	-	6.222.000	6.222.000
Investments	1.294.300	10.191.761	11.486.061
Non-current receivables	-	668.019	668.019
Reinsurers' share of insurance contract liabilities	4.171.062	402.429	4.573.491
Deferred acquisition costs	-	2.402.745	2.402.745
Receivable from related companies	317.081	1.155.346	1.472.427
Premiums receivable	-	7.818.570	7.818.570
Other debtors and prepayments	142.515	1.106.751	1.249.266
Cash and bank balances	118.091	14.495.129	14.613.220
Total assets	6.043.049	51.577.503	57.620.552
Liabilities			
Insurance contract liabilities	-	31.310.808	31.310.808
Deferred acquisition income	-	491.426	491.426
Reinsurers current accounts	104.698	332.754	437.452
Payables to related companies	1.830.059	-	1.830.059

Other creditors and accrued expenses	1.153.127	731.557	1.884.684
Deferred income tax liabilities	-	11.025	11.025
Total liabilities	3.087.884	32.877.570	35.965.454
Net position	2.955.165	18.699.933	21.655.098

24. Risk management (continued)

***Currency risk** (continued)*

Analysis of assets and liabilities by currency

31 December 2016	*Balances in United States Dollars*	*Balances in Euro*	*Total*
	€	*€*	*€*
Assets			
Property and equipment	-	6.449.010	6.449.010
Intangible assets	-	411.217	411.217
Investment properties	-	5.568.350	5.568.350
Investments	1.453.830	6.567.646	8.021.476
Reinsurers' share of insurance contract liabilities	3.977.641	377.935	4.355.576
Deferred acquisition costs	-	2.244.909	2.244.909
Receivable from related companies	977.972	89.932	1.067.904
Premiums receivable	7.405	7.877.151	7.884.556
Other debtors and prepayments	160.390	1.017.617	1.178.007
Cash and bank balances	73.867	14.317.482	14.391.349
Total assets	6.651.105	44.921.249	51.572.354
Liabilities			
Insurance contract liabilities	-	27.148.993	27.148.993
Deferred acquisition income	-	384.617	384.617
Reinsurers current accounts	-	88.081	88.081
Other creditors and accrued expenses	921.239	846.149	1.767.388
Loans and borrowings	-	1.089.406	1.089.406
Total liabilities	921.239	29.557.246	30.478.485
Net position	5.729.866	15.364.003	21.093.869

Price risk

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

Equity securities and debt instruments price risk

The risk of loss from changes in the price of equity shares and debt instruments, arises when there is an adverse change in the price of investments 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 and debt instruments 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.

24. Risk management (continued)

Price risk *(continued)*	*Changes to the Index*	*Effect on equity*
	%	*€*
2017		
European Stock Exchanges	+30	172.381
European Stock Exchanges	-30	(172.381)
Government and Corporate Bond markets	+30	2.915.421
Government and corporate Bond markets	-30	(2.915.421)
2016		
French and German Stock Exchanges	+30	120.046
French and German Stock Exchanges	-30	(120.046)
Government and Corporate Bond markets	+30	1.952.018
Government and corporate Bond markets	-30	(1.952.018)

Liquidity risk

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

Analysis of financial liabilities by contractual maturity

31 December 2017	*Within one year*	*Over one year*	*Total*
	€	*€*	*€*
Liabilities			
Insurance contract liabilities	31.192.960	117.848	31.310.808
Reinsurers current accounts	437.452	-	437.452
Payables to related companies	1.830.059	-	1.830.059
Other creditors and accrued expenses	731.556	-	731.556
Total liabilities	34.192.027	117.848	34.309.875

31 December 2016	*Within one year*	*Over one year*	*Total*
	€	*€*	*€*
Liabilities			
Insurance contract liabilities	27.030.576	118.417	27.148.993
Reinsurers current accounts	88.081	-	88.081
Other creditors and accrued expenses	846.149	-	846.149
Loans and borrowings	304.919	902.473	1.207.392
Total liabilities	28.269.725	1.020.890	29.290.615

24. Risk management (continued)

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/Fitch:

31 December 2017	*Aa1-Aa3*	*A1-A3*	*Baa1-Baa3*	*Ba1-Ba3*	*B1-B3*	*Caa1-Caa2*	*Unrated*	*Total*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*
Bonds (Note 11)	456.802	1.778.772	3.885.835	3.096.028	214.836	417.545	-	9.849.818
Structured products (Note 11)	-	-	-	-	-	-	1.036.837	1.036.837
Deposits with banks (Note 12)	196.908	2.479.143	-	-	-	9.397.850	2.212.325	14.286.226
Reinsurers share of liabilities (Note 17)	1.330.164	2.655.563	-	-	379.260	-	49.718	4.414.705
Related Companies (Note 18)	-	-	-	-	-	-	1.472.427	1.472.427
Premiums receivable	-	-	-	-	-	-	7.818.570	7.818.570
Total	1.983.874	6.913.478	3.885.835	3.096.028	594.096	9.815.395	12.589.877	38.878.583

31 December 2016	*A1-A3*	*Baa1-Baa3*	*Ba1-Ba3*	*B1-B3*	*Caa1-Caa2*	*Unrated*	*Total*
	€	*€*	*€*	*€*	*€*	*€*	*€*
Bonds (Note 11)	1.102.891	2.531.446	1.469.481	1.473.522	-	-	6.577.340
Structured products (Note 11)	-	-	-	-	-	1.015.425	1.015.425
Deposits with banks (Note 12)	3.350.091	-	-	-	8.141.684	2.613.008	14.104.783
Reinsurers share of liabilities (Note 17)	2.670.538	-	-	947.661	-	415.327	4.033.526
Related Companies (Note 18)	118.502	-	-	-	-	949.402	1.067.904
Premiums receivable	-	-	-	-	-	7.884.556	7.884.556
Total	7.242.022	2.531.446	1.469.481	2.421.183	8.141.684	12.877.718	34.683.534

Note (a)
The amounts classified under unrated structured products represent products issued by Barclays Bank Plc which is rated A1 by Moody's, the structured products are not however rated.

Note (b)
The amounts classified under unrated banks represent deposits at local banks, which are not rated.

24. Risk management (continued)

***Credit risk** (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.

As of 31 December 2017 the bonds, structured products, deposits with Banks, the receivables from related companies and the reinsurers' share of insurance contract liabilities were neither past due nor impaired.

The premiums receivable that are less than six months past due are not considered impaired. These relate to a number of independent agents/clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	€	€
Within credit period	4.200.337	4.102.809
Past due up to three months	1.850.827	1.774.159
Past due over three months but less than six months	199.452	360.994
Past due over six months	1.567.954	1.646.594
	7.818.570	7.884.556

As of 31 December 2017, premiums receivable of €1.824.768 (2016: €974.016) were impaired and provided for. The amount of the provision was €713.989 as of 31 December 2017 (2016: €367.465). The individually impaired receivables mainly relate to agents and corporate clients, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered.

25. 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 quarterly, 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 i.e. the total eligible funds of the Company were able to cover the minimum capital requirement and the solvency capital requirement at all quarter ends. The ratio of eligible own funds to solvency capital requirement as at 31 December 2017 amounts to 137%.

26. Commitments

(i) Capital commitments

At 31 December 2017 the Company had no commitments for capital expenditure (2016: Nil).

(ii) Operating lease commitments

The Company leases various offices and a parking place under cancellable operating lease agreements. The Company is required to give a few months notice for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in Note 4.

27. Events after the balance sheet date

There were no material events after the balance sheet date, which have a bearing on the understanding of the financial statements.

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:

2017

	Accident and health class	*Motor Vehicle liability class*	*Motor Vehicle, other classes*	*Ships, goods in transit and aircraft liability class*	*Fire and natural forces and other damage to property class*	*General liability class*	*Credit and guarantee*	*Miscellaneous financial loss, legal expenses and assistance class*	*Total 2017*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*	*€*
Gross premiums written	5.153.421	12.513.357	4.129.339	171.319	6.169.919	3.440.531	-	133.146	31.711.032
Reinsurers' share of Gross premiums Written	284.771	514.626	840.068	124.558	4.286.069	232.393	-	75.773	6.358.258
Gross earned premiums	5.086.659	12.364.239	4.009.228	169.711	5.888.767	3.308.257	-	117.176	30.944.037
Gross outstanding Claims	1.097.684	10.067.136	2.594.922	25.392	2.155.608	3.209.881	-	14.200	19.164.823
Gross claims Incurred	3.935.467	6.519.432	2.416.462	22.941	1.133.190	1.480.624	-	11.455	15.519.571
Gross claims Charges	3.492.240	4.761.747	2.287.783	6.250	1.040.545	436.169	-	255	12.024.989
Gross operating expenses – other than commissions	943.594	2.131.044	703.672	31.066	1.112.967	612.596	-	24.348	5.559.287
Commissions	506.312	2.919.871	964.304	23.802	1.053.332	536.641	-	17.664	6.021.926
Reinsurers' share of insurance contracts liabilities	18.252	1.043.761	16.338	42.983	3.272.440	109.861	-	38.841	4.542.476

2016

	Accident and health class	*Motor Vehicle liability class*	*Motor Vehicle, other classes*	*Ships, goods in transit and aircraft liability class*	*Fire and natural forces and other damage to property class*	*General liability class*	*Credit and guarantee*	*Miscellaneous financial loss, legal expenses and assistance class*	*Total 2016*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*	*€*
Gross premiums written	3.726.901	11.928.079	3.790.354	156.430	5.270.312	3.194.944	-	102.326	28.169.346
Reinsurers' share of Gross premiums Written	127.843	298.795	84.840	85.797	3.247.195	169.196	-	47.430	4.061.096
Gross earned premiums	3.656.334	11.562.571	3.762.492	148.618	5.141.686	3.118.690	-	97.247	27.487.638
Gross outstanding Claims	654.457	8.130.754	2.644.940	8.701	2.062.963	2.165.426	-	3.000	15.670.241
Gross claims Incurred	2.598.454	5.338.009	3.210.316	28.089	1.215.458	1.608.031	-	(2.000)	13.996.357
Gross claims Charges	2.235.271	3.824.935	2.918.050	38.390	751.639	460.595	-	-	10.228.880
Gross operating expenses – other than commissions	688.490	2.380.421	758.193	27.723	977.672	565.166	-	18.871	5.416.536
Commissions	393.276	2.395.632	1.207.916	22.166	958.704	486.286	-	15.625	5.479.605
Reinsurers' share of insurance contracts liabilities	50.543	986.382	261.565	24.806	2.886.059	65.196	-	22.879	4.297.430

During the year 2017, 3.674 (2016: 3.356) claims were incurred relating to the motor vehicle liability class, of which 1.350 (2016: 1.101) were outstanding at 31 December 2017, and their average cost was €1.233 (2016: €1.235).