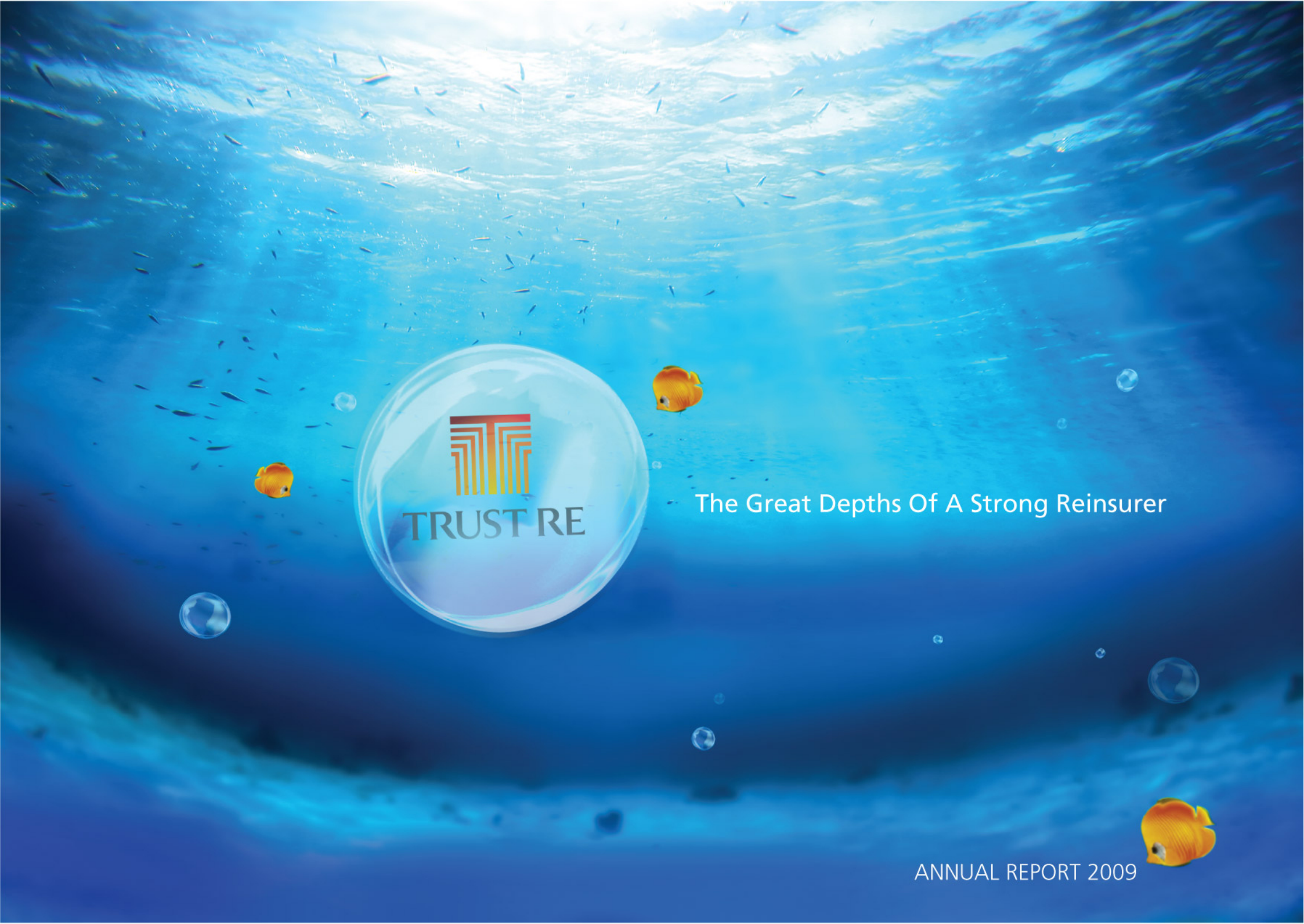

TRUST RE
The Great Depths Of A Strong Reinsurer
ANNUAL REPORT 2009

CONTENTS

A DRIVING FORCE IN REINSURANCE

A Message from the Chairman

It gives me great pleasure to report to you our excellent results for 2009, a year that witnessed continuation of the global financial turmoil. Our shareholders equity exceeded US$193.71 million (Company: US$192.26 million) compared to last year's US$211.24 million (Company: US$209.76 million), while our absolute net profit reached US$19.12 million (Company: US$19.06 million) for the year. These results have been achieved through vision, years of planning, the hard work and diligence of our staff, the dynamic leadership of our executives and the guidance and wise counsel of our Board of Directors.

Our continued excellent performance can be partly explained by the continued positive reception by the market of our upgrade to A- by A. M. Best towards the end of 2007, and partly due to more favourable regional market conditions than we originally anticipated which led to us increasing our underwriting capacity at 1st July 2009.

During a period that Rating upgrades are rare we were pleased that our Standard and Poors rating was revised to BBB+ (Stable). We look forward to improving that rating further. At the same time our credit rating with 'A.M. Best' was reaffirmed as A- in 2009.

I am heartened by the continuing improvements in our working practices and organisational structure. We all realise that further improvements are required in the near future and we continue to make the necessary changes in a timely and orderly manner in the coming months and years.

Our dynamic planning process entails a rolling three year business plan, which gives us the opportunity to enhance a long term perspective on our business sector and continuously fine tune our plans by regularly reviewing our performance.

Our Enterprise Risk Management (ERM) processes continue to develop and grow, influencing our decision making. Given the fluctuating financial markets and the continued uncertainties of the global economy, more than ever we look to our Risk Management experts to guide and alert us as to how best we can manage our business in a prudent and careful manner.

Looking ahead, through a strategic framework we have revised and sharpened our Vision Statement: **"To be the Reinsurance Company of Choice in the Middle East, Asia and Africa"**. We appreciate that this is a challenge, but we are ready to welcome that challenge, with full confidence.

In line with our vision and through the same strategic framework, we have also re-articulated our mission statements to encompass a focus on business growth; positioning our company to be in the top profitability quartile; and to expand our network in selected economic hubs.

As far as our people are concerned, I am very pleased to report that due to our effective management, our new working environment, and our collective business success, we have enjoyed a stable year in terms of staff retention with low turn over and at the same time, we have grown our number of employees and invested substantially in training and skill improvements.

As a company, we have begun the implementation of our parent Group wish to address our corporate social responsibility by looking into ways of contributing to the environment and society in which our company exists. More news on this front will be made available in the coming months.

In summary, we have achieved excellent results in 2009 in spite of the continued difficult economic conditions and notwithstanding the continuing difficulties of the global economies in 2009. We remain positive in terms of the outlook for our performance over the coming 12 months.

In line with our own corporate governance processes and Central Bank of Bahrain guidelines, we made changes to our Board of Directors and the Structure of our Executive Management team. More details of the new Board and their profiles are outlined elsewhere in this annual report. I do however wish to thank the previous members of the Board for their dedication and guidance over many years contributing to the company's growth. We also look forward to working with the new Board in continuing the previous successes into the future.

On behalf of the Board of Directors I would like to thank our clients and business associates for their continued support, our shareholders for their confidence, and our Executives and staff for their loyalty and dedication.

Kamel Abu Nahl
Chairman
10 March, 2010


SHINING A
BEACON ON
THE FUTURE

CHIEF EXECUTIVE OFFICER & DIRECTORS' REPORT

For the Year Ended 31st December 2009

Chief Executive Officer & Directors' Report

For the Year Ended 31st December 2009

Industry review

Viewing the full picture of the 2009 Underwriting Year we see that the present and ongoing financial crisis is still affecting all classes of business. This is occurring in many ways with values for insurance being reduced, construction projects suffering further delay and resultant reduction in imports/exports impacting negatively on our Cargo portfolio.

By way of comparison Underwriters earlier in the year had resorted to capping the levels of the business interruption and loss of production limits on many policies in response to the significantly increased exposures due to shortage of raw materials. Towards the end of the year this situation had been completely reversed and we are currently seeing falling raw material values and reduction of B.I. limits.

Despite the fact that supply of capacity still far outweighs demand, new capacities and new underwriting markets continue to be established. Prior to the financial crisis we would have expected the market to continue to weaken. However, in October 2008 we were beginning to see some hardening of premium rates and terms in the market particularly in the Energy sector with major insurers and reinsurers starting to take a firmer line on renewals and not willing to entertain further reductions and there was talk of increases being imposed. However, on the Property side of the account we continued to witness further reductions which have continued throughout 2009. This being the case, we hope to see rate increases in 2010 when underwriters should be returning to technical underwriting. Our underwriting view is that the market should harden by mid to late 2010 when the full impact of the current recession will be felt.

The attainment of A- rating from A.M. Best together with the increase in capacity introduced in July has had a significant positive effect in 2009 on the business written by Trust Re and has enabled us to secure a substantial amount of new business. This has partly offset the negative impact of the current economic climate. As a result we managed to increase our premium production by 19%.

We see that the continuous global turmoil in the financial market has, and is continuing to hinder economic growth and is therefore affecting premium volume. At the same time terms and conditions in the reinsurance market have begun to stabilize on proportional treaties and a hardening of rates for non-proportional business has been experienced. This has had very little impact up to the present time on original rates for direct business due to substantial and continued facultative over capacity.

As a result of the market conditions experienced in the third quarter of 2008 we projected a modest growth of approximately 15% in 2009 but due to horizontal growth helped by our improved rating and our objective of being a Reinsurer of Choice to our key clients we have been able to generate more offers of high valued and high quality accounts which has led to a growth factor of 21% year on year.

Trust Re continues to look for new ways to employ its Capital and in 2010 will commence writing a liability portfolio and has recruited an experienced underwriter to head up this initiative.
We will also increase specialisation in the area of Renewable Energy Risks.

Investment Activities

We believe our current investment strategy has under the circumstances been very effective in providing high investment income and maintaining fair market values well above cost.

Our investment categories are:

Investment in Lloyds through Trust Underwriting Limited
Real Estate in Spain
Stocks and shares in Qatar
Selected Bonds
Properties in Bahrain
Investments in Associates
Strategic Investments

Trust Underwriting Limited: A Wholly Owned Corporate Capital subsidiary in the UK which participates in spread portfolios of Lloyd's syndicates has once again produced record results equalling 19% of capacity for 2006 using the Lloyd's traditional three year accounting method. Lloyds reported record profits for 2006 and the return on investment for that year was in excess of 43% with Stg4.20 million distribution of funds. The 2007 year is expected to produce profits of 13% of the capacity i.e. Stg3.64 million with a Stg3.30 million cash distribution. This represents a 31% return on investment. The 2008 year was affected by hurricane losses in the US but it is still expected to produce profits of 4% of the capacity i.e. Stg1.16 million representing a 10% return on capital. It is too early to assess 2009 however with a benign hurricane season the results are expected to be better than 2007 but below the record profits of 2006. Our capacity for 2010 stands at Stg31 million with a market value of Stg9.30 million compared to a Stg1.50 million cost. The average 2009 auction costs were 30% higher than the 2008 prices. Demand for purchase of capacity was not met due to lack of sellers despite such high prices.

The subsidiary company has entered into a 70% Quota share with Trust Re and provided a US$5.80 million profit for 2009 to the Company. The arrangement is reviewed annually and the capacity is supported by a guarantee of Stg10.80 million issued in favour of Lloyd's.

Lloyds is a A+ rated business which is a very important, complimentary component of our investment and underwriting strategy. Over the last 5 years the Company has returned an average 33% return on funds at Lloyds.

Real Estate in Spain: The Spanish entity is a wholly owned subsidiary. Our real estate investment in Spain is made up of very high value properties focused on high net worth individuals. These individuals are unlikely to require mortgages and are less effected by the current financial climate.

The Spanish property market in line with the Spanish economy and the worldwide business environment has suffered declines in prices. However Marbella, where our investment is situated has always attracted a jet set clientele with its extensive green areas and many golf courses.

There is evidence that a recovery has commenced. During 2009 over 700 clients visited the complex and we had over 16,000 hits every month on our web site from all over the world. Most importantly we had more than 60 offers for the apartments very close to or in line with the valuations but below our target sales price. We have declined these offers as we are under no pressure to sell. The aim is to maintain the units, reduce costs and then sell when the market recovers.

When property markets around the world have suffered it is encouraging to note that the prices offered for this unique location are in line with the valuations we carry.

Stocks and Shares in Qatar: These have declined along with other GCC Securities but fortunately far less in comparison. Our portfolio still shows a positive fair value surplus of US$14.72 million.

All the entities whose market values have declined are still providing very healthy profits resulting in substantial dividends and bonus shares. This is expected to continue in future. Qatar is dependant on gas revenues the price for which is constant.

Selected Bonds: We have already made two investments in Bonds. We expect to invest further liquid fund in this asset class depending on asset-liability matching. We expect the yield on the bonds we have already acquired to exceed 7%.

Properties in Bahrain: The company owns the following properties in the Kingdom of Bahrain. Our main property is Trust Tower of which eight floors are utilised by the company for its operations, one floor is used for conference facilities and six floors are managed in partnership with Regus. This partnership has provided returns exceeding or equalling the market rents we would have received under a normal contract. We also own two parcels of land for development.

Investment in Associates: These are long term group strategic investments which provide returns of 10% on capital employed.

Strategic Investments: These provide us with consistent investment income through dividend and bonus shares but also supplement and add value to our core business.

We are in the process of developing the company's ERM process which will apply to investment through Asset-Liability matching as well as evaluating tolerances, concentration and geographical spread.

A new investment management Group subsidiary at holding company level is to be set up assisting with Group investments as well as core and non-core financial services business regionally either through opportunistic acquisitions or start-up companies within bounds of internally-generated financial resources.

The Group investment management subsidiary at holding company level in cooperation with the company's investment department will fully manage the investments in a Risk applied and DFA applied manner.

Strategies

The importance of Enterprise Risk Management (ERM) to the Company is paramount and the enhancement of the established framework remained our top priority in 2009 and this will continue throughout 2010.

We will also strive to implement our plans for further expansion, new product development and enhancement of our marketing activities.

We remain committed to adding value to all our clients and associates in offering reinsurance products and services that provide quality and will continue to use the Business Units concept for marketing and travelling which so far has proven to be successful. It has led to a better integration and cooperation between the facultative and treaty underwriting teams with clear lines of responsibility. The synergy effects has led to an increased flow of both facultative and treaty business and has also increased respective team's awareness of each other's portfolios.

We are also considering a full and viable Retakaful operation in the Kingdom of Bahrain to better service and accommodate our new and existing Takaful & Retakaful clients.

We continue to be committed to improving and maintaining a good financial strength rating by applying our best efforts to achieving business development targets, concentrating on our core business strengths and managing risks prudently.

The Group Results

The Group's gross premium in 2009 reached US$262.15 million compared to US$217.22 million in 2008. Retained premium stood at US$143.83 million (54.86%) as against US$110.54 million (50.88%) in 2008.

For 2009, the level of incurred claims is US$76.33 million, against US$52.69 million in 2008.

The net underwriting results stood at US$13.79 million (11.33%) in 2009 as compared to US$22.38 million (22.39%) in 2008.

The net loss ratio is 62.71% in 2009 as compared to 52.72% in 2008.

Net investment and other income for 2009 reached US$5.67 million compared to US$1.07 million in 2008.

As a result of the above mentioned factors, the Group posted a net profit for 2009 of US$19.12 million compared to US$23.18 million in 2008.

The Company Results

The Company's gross premium in 2009 reached US$259.37 million compared to US$214.47 million in 2008. Retained premium stood at US$141.23 million (54.45%) as against US$105.47 million (49.18%) in 2008. The increase in the retained premiums is due to the effect of the company's new reinsurance program effective since July 2008.

For 2009, the level of incurred claims is US$77.68 million, against US$52.40 million in 2008.

The net loss ratio is 65.73% in 2009 as compared to 55.65% in 2008.

The net underwriting results were US$12.68 million (10.73%) in 2009 as compared to US$20.08 million (21.33%) in 2008. The main reason for the reduction in net technical profit is attributed to our Labuan operation which was adversely affected by a series of natural catastrophes in South Asia during the second half of 2009.

Net investment and other sources of income improved in 2009 reaching US$6.44 million compared to US$2.90 million in 2008.

As a result of the previous mentioned factors, the Company has posted a 2009 net profit of US$19.06 million down slightly on the US$22.98 million profit we attained in 2008.

The Group Financial Strength

The Group's high estimate net technical reserves stood at US$190.37 million as of December 2009 compared to US$129.48 million as of December 2008.

Cash and bank balances were at US$73.59 million as at December 2009, as compared to US$62.96 million as at December 2008.

Total investments stood at US$157.31 million at the end of 2009 compared to US$167.22 million at the end of 2008.

The shareholders equity stood at US$193.71 million compared to US$211.24 million in 2008.

Key Ratios for the year were:

Performance Ratios %

	Note	2009	2008
Underwriting Profits	1	11.33	22.38
Retention Ratio	2	54.86	50.88
Combined Ratio	3	88.66	77.60
Return on Equity	4	9.45	11.00

The Company's Financial Strength

The Company's high estimate net technical reserves stood at US$117.49 million as at December 2009 compared to US$64.40 million as at December 2008. The increase in technical reserves is consistent with the company's growth. We have substantially increased the IBNR reserves in line with changes to our reinsurance programme and higher retentions.

Cash and bank balances were US$62.90 million as at December 2009 up from US$54.92 million as at December 2008.

Total investments stood at US$133.78 million at the end of 2009 compared to US$149.65 million at the end of 2008.

The shareholders equity stood at US$192.26 million compared to US$209.76 million in 2008.

The decline in both investment and shareholders equity is mainly due to a fall in fair market value of the investments.

Key Ratios for the year were:

Performance Ratios %

	Note	2009	2008
Underwriting Profits	1	10.73	21.33
Retention Ratio	2	54.45	49.18
Combined Ratio	3	90.48	80.21
Return on Equity	4	9.49	11.54

Significance of Ratios:

1. Underwriting Profit:
This ratio compares underwriting profit to net earned premium.

2. Retention Ratio:
This ratio indicates the extent of dependence on reinsurance.

3. Combined Ratio:
The combined ratio aggregates the cost ratio (acquisition costs and operating costs) and the loss ratio (net incurred claims) compared to net earned premium.

4. Return on Equity:
Computed as a proportion of net profit to average shareholders equity.

Company's Solvency Statement

This summarised Solvency Statement seeks to compare the Company's available capital to its solvency margin requirements, both of which are determined in accordance with regulatory provisions prescribed by the Central Bank of Bahrain.

Available capital is determined as the aggregate of two tiers of capital funds. Tier 1, or core capital, comprises the highest quality capital. Tier 2, or supplementary capital, comprises other instruments that, to varying degrees, fall short of the quality of Tier 1 capital but, nonetheless, contribute to the overall financial strength of the Company.

For general insurance business, solvency margin requirements are determined by taking the higher of premium basis and claim basis calculations that are prescribed by the Central Bank of Bahrain. Where these calculations result in solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency.

Total available capital is then compared with the required margin of solvency and the total excess or deficiency determined. As at 31 December 2009, the Company's summarised solvency position is shown in the following table:

In US$'000	31.12.2009	31.12.2008
Capital available	124.841	124.554
Required margin of solvency	26.330	19.987
Excess of capital available over the required solvency margin	98.511	104.567

Risk Management

During 2009 Trust Re continued to enhance its ERM Framework and to lay down the foundations of a formalised ERM approach. A complete ERM implementation proposal has been approved by the Board and the Company is gradually implementing the various components of this proposal.

An overriding principle of the ERM Framework of Trust Re is that we develop an embedded risk aware culture within the Company that would touch not only the handful of people that deal with financial matters, but everybody. Consistent with this philosophy the first steps of the formalised approach to ERM involved more than 40% of the Company's staff in a three day workshop that introduced the main concepts of risk management and helped facilitate the development of internally produced risk registers that were the result of a complete risk definition process involving teamwork and open discussions.

Developing and maintaining a knowledge database that would serve as a reference point and source of guidance to our people is another basic principle of our ERM approach. We are investing a lot of time and effort to document our ERM Framework using simple language and in a consistent format. Our ERM documentation will not be privileged information for the few, but useful guidance for the many. To this effect we are developing the following:

- Principles for various components of the ERM process.
- Guidelines on how to approach certain aspects of our work.
- Statements and Policies detailing our view and preference as a Company or our actual policy when it comes to a particular function or part of our work.
- Tools that we will be using in the ERM process include the Risk Definition Template, the Risk Register, Business Impact Analysis and the Maturity Assessment Model etc.

The 2009 financial year saw a number of significant milestones such as the introduction of a formal Risk Management Policy Statement, the completion of a formal Risk Definition Process which was tested successfully in a workshop using fully documented Guidelines for Likelihood and Impact Factors and several other tasks, including the groundwork for an improved infrastructure that will allow us to gradually enhance further our ERM capabilities.

The coming year is expected to be an exciting year for our ERM efforts as several developments that are currently under way will either be completed or will progress significantly.

The ERM Communication plan has been submitted for Board approval before the end of the year and its approval and implementation is expected to enhance the efforts for building a real risk culture in the organisation. Finally, our efforts to improve the understanding, reporting and management of the key risks that the Company faces will continue on an ongoing basis.

During the year Mr. Michail Karafoulides was appointed Head of Risk and Actuarial. He in conjunction with the Risk Committee and Group Risk Department will develop and apply effectively the ERM processes.

Risk-Based Internal Audit

In view of present and anticipated growth imbedded internal control systems are necessary for good Corporate Governance which should be able to sustain maturing organisation needs. Consistent with the main objective, the Internal Audit Department's continuous adoptions of risk-based internal audit methodologies are essential in ensuring the adequacy, effectiveness and functioning of these internal control mechanisms. With adequate internal control systems in place, it will provide reasonable assurance on realisation of company's continued success.

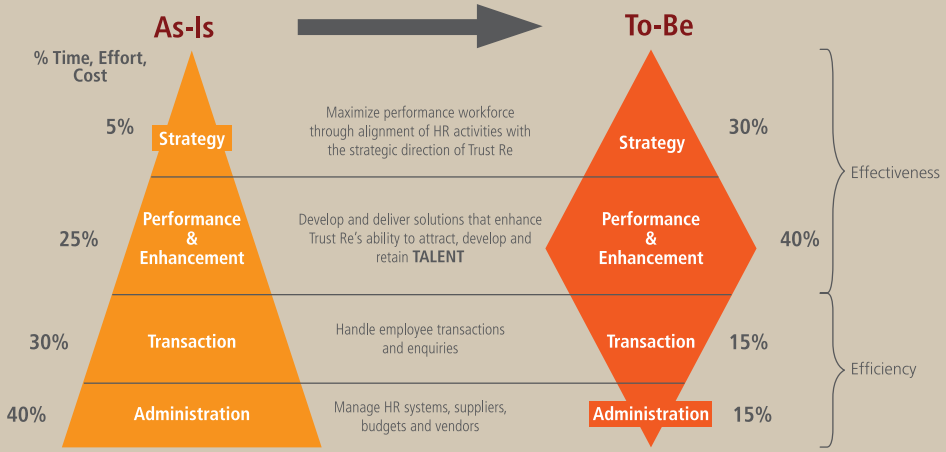
The department is functioning synergistically with Nest Investments Holdings Group Internal Audit Department and all internal auditing activities are executed consistent with the latter's practices.

Internal audit assignments were carried out in accordance with the risk-based Annual Internal Audit Plan approved by the Audit Committee. The results of the assignments and the agreed remedial actions were allocated to the Head of Departments with the CEO being ultimately responsible for their resolution.

The Internal Audit Department always strives to improve its internal processing, whereby in 2009 saw the department acquire Teammate, the world leading audit management software. It is expected that full implementation of electronic working papers will be made in 2010. The use of Teammate will complement the company's Enterprise Risk Management initiatives.

Human Resources

During 2009 we introduced a HR Strategy Plan aligned to the Corporate Business Plan's key performance areas and goals, with major value-added initiatives for both HR Department and Trust Re. We aim to facilitate proactive and imaginative solutions to eradicate the weaknesses in HR systems and processes, as well as, enhance the internal customer provision and support necessary for the achievement of the Business Plan including strengthening the management and leadership of Trust Re.



The strategic initiatives began with HR Department restructuring itself into individual HR functions with the intention of creating functional experts moving towards HR Generalists. At the organisational level, in line with the approved revised corporate organisation structure we accomplished significant recruitment of quality talent (at all levels) necessary for the achievement of the 2010 – 2012 Business Plan. As a consequence of the restructuring, several interrelated activities were conducted from 100% job descriptions revisions to the initiation of the Capabilities Framework system which measures the gap between where employees are in their job to where we need them to be.

In addition, to ensure a talent pool, we have completed Phase 1 of the Fast Track Internship Program and will initiate training during March, 2010.

In line with our commitment to retain talent we embarked on a series of change initiatives, firstly with the Job Grade and Salary Scale structures revisions and implementation of Phase1 of the Salary Adjustment Roll-out Plan.

Secondly, we implemented a new automated web-based Performance Management System (PMS) focusing on ensuring high contributors are recognized and rewarded appropriately. In addition, we have secured Executive Council approval of the Management and Leadership White Paper Proposal for 2010 implementation.

To accomplish both, our Corporate and HR visions and missions through to 2012 we will continue the above projects/programs, and plan to introduce, implement and execute major initiatives of an HRIS (Human Resources Information System) utilising the Document Management and Time Attendance Systems, a Succession Plan structure identifying Trust Re's talent base and training through individual employee's Training and Development (T&D) Plans, and Phase 1 of the Management and Leadership Program in conjunction with individual T&D Plans.

Corporate Social Responsibility

As a multi-cultural international organisation, we are aware that we operate within a variety of cultures amongst diverse communities. As Trust Re has been fortunate to experience prosperity over the years we try to share some of our good fortunes with those less fortunate and support initiatives to ensure a future world for generations to come.

Internally Trust Re has introduced a Document Management System to move towards a predominantly paperless workplace and we are introducing an extensive recycling initiative. Externally, Trust Re seeks to initiate or continue to support:

- The "Orphan's Support Program" involving our staff and their family members in conducting activities with the orphanages in Bahrain.
- The Ramadan Charity Food Drive for poor families in Bahrain.
- The Fast Track Internship Program which secures 50% of the available positions to eligible qualified Bahrainis.
- Annual community and institutional sponsored "green environment" events.

The Company Board of Directors

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

Elected for 2 year terms, Non-Executive members enhance the overall knowledge and expertise of the Board in guiding the Executive and provide an independent perspective to the deliberation and decision making process.

During 2009, the Board of Directors held 5 meetings in Bahrain and on each occasion the meeting was preceded by a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC).

In line with proper Corporate Governance processes and Central Bank of Bahrain recommendations the membership of the Board changed in 2009.

Messrs Jean Choueiri, Adnan Bseisu, Professor Gerry Dickinson, Hugh Bohling and Nabil Cotran as well as HE Sheikh Mohammad Al Thani stepped down during the year and in their place Messrs Farid Benbouzid , Professor Derek Atkins , Frixos Savvides and Ramin Habibi were elected as independent non executive directors.

Board Composition

Name	Position	Committee Role	Attendance In 2009
Kamel Abu Nahl	Chairman		4
Fadi Abu Nahl	Chief Executive Officer		5
Ghazi Abu Nahl	Member (Shareholder Rep)	Member of N&RC	4
Mehran Eftekhar	Member as well as Board Secretary (Shareholder Rep)	Member of AC & RC	5
Jamal Abu Nahl	Member (Non-Executive)	Member of N&RC	4
Frixos Savvides	Member (Independent Non-Executive)	Chairman of N&RC	3
Prof. Derek Atkins	Member (Independent Non-Executive)	Chairman of RC & member of AC	3
Farid Benbouzid	Member (Independent Non-Executive)	Chairman of AC and member of RC	3
Ramin Habibi	Member (Independent Non-Executive)	Member of RC & AC	3

Mr. Kamel Abu Nahl has been in the insurance industry for more than 13 years including secondment as an assistant underwriter in a Lloyd's Syndicate in London.

Mr. Ghazi Abu Nahl has over 38 years of experience in insurance and insurance related entities including membership of Lloyd's of London for 30 years. He is also a member of the Board of Directors of World Trade Centre, New York USA.

Mr. Fadi Abu Nahl has been involved in the insurance industry for 16 years including a period with Sedgwick Insurance Brokers in the UK. He is also the Company's Chief Executive Officer.

Mr. Jamal Abu Nahl has 26 years of experience in investment and related fields. He is and has been involved in the insurance industry responsible for investment matters for 21 years. Mr Abu Nahl Holds an MBA from Salem State College Boston USA.

Mr Frixos Savvides is a UK qualified Chartered Accountant with 33 years of experience in a public auditing firm as well as the public sector including 4 years as Minister of Health in the Government of the Republic of Cyprus. He serves as a non executive Board member on a number of publicly quoted companies listed on the New York and London stock exchanges.

Professor Derek Atkins is a Professor of Strategy and Insurance management at CASS Business School City University. He has 36 years of experience in insurance, reinsurance and consulting services. He's an author of many publications.

Mr Farid Benbouzid has a distinguished career of 34 years in public service, insurance and reinsurance, banking as well as serving on various Boards as non Executive Director, CEO and Chairman.

Mr Ramin Habibi is bank rating specialist. He has 27 years of experience with international rating agencies as well as banking institutions as a senior credit analyst. He has been providing rating consulting services in Russia, ex CIS counties, Balkans, Middle East and Cyprus.

Mr. Mehran Eftekhar (also Secretary to the Board) is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He has 37 years of experience in the professional and private sector of finance and corporate issues.

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.

Audit Committee

Farid Benbouzid — Chairman
Professor Derek Atkins
Ramin Habibi
Mehran Eftekhar
Secretary: Rizami Annuar

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

The Audit Committee met 5 times in 2009, and all members were present for the meetings except Professor Dickinson who missed two meetings due to ill health.

Risk Committee

Professor Derek Atkins — Chairman
Farid Benbouzid
Ramin Habibi
Mehran Eftekhar
Secretary: Michail Karafoulides

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

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

Nomination and Remuneration Committee

Frixos Savvides — Chairman
Ghazi Abu Nahl
Jamal Abu Nahl
Secretary: Mufid Sukkar

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

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 Mr. Kamel Abu Nahl is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings.

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

Management Team

The company has a high caliber management team to run the operational activities of the company. In addition to the Chief Executive Officer Mr Fadi Abu Nahl the following are the members of the management team:

Mr. Gamal Hamza, Head of Business Development, is a Fellow member of Chartered Insurance Institute, having 39 years of experience in the reinsurance industry.

Mr. Gunnar Maltegard, Chief Underwriter, is a well known underwriter in the insurance market and has over 36 years of experience.

Mr. Kuriyan Oomman, Claims Manager, is B.Com holder with over 27 years experience in the insurance/reinsurance industry.

Mr. Michail Karafoulidis, Head of Risk and Actuarial, is an actuary having over 20 years experience in the London market.

Mr. Malcolm Fonseca, Technical Manager, is a Fellow member of Indian Insurance Institute and Associate Member of Chartered Insurance Institute with 32 years experience in the insurance/reinsurance industry.

Mr. Selastin Anthoniappan, Finance Manager, is a Chartered Accountant having 20 years experience in insurance and audit.

Ms. Christine Chemerinksi, Human Resources Head, is an experienced HR Consultant/Trainer and educator with 20 years of educational and human resources experience.

Mr. Nabil Hajjar, Director of Fair Oil and Energy Syndicate which is managed by the company, has worked with the insurance/reinsurance industry for over 32 years.

Mr. Rizami Annuar, Internal Audit Manager, has worked in the insurance industry for over 9 years.

Mr. Mahmud Otoum, IT Communication Manager, is a Bachelor in Computer Science having 8 years of experience.

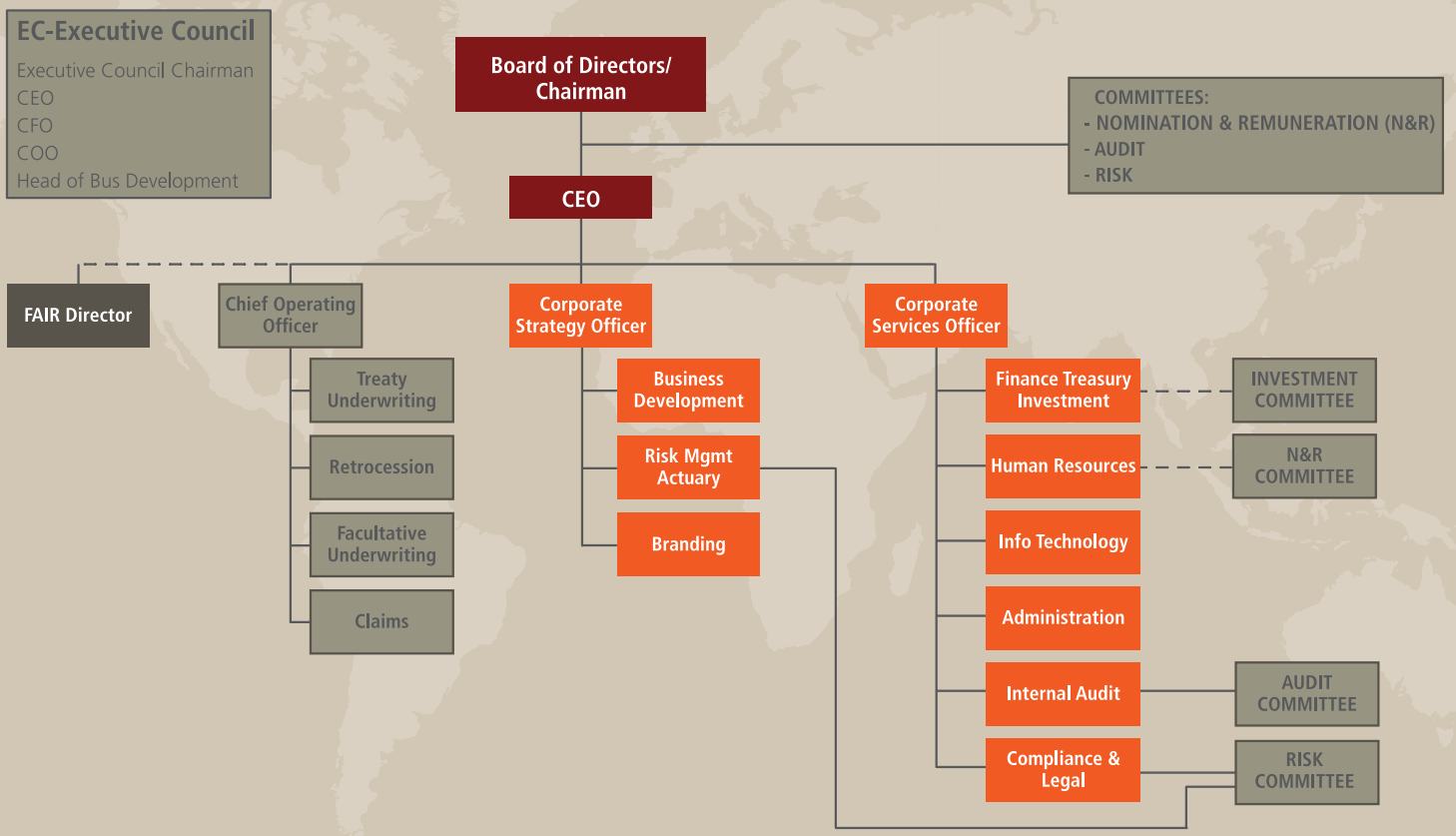
Mr. Christos Patsallides, The Group and Signing Actuary for Trust Re, is a Fellow of the Society of Actuaries (FSA) with 17 years experience in the insurance industry.

At the beginning of 2010 two new and highly experienced executives joined the company:

Mr. Paul Cotterill, Chief Operating Officer who has been working in the insurance industry for 45 years including being a chairman of a major Lloyds broker, an underwriting member at Lloyds, and working for some of the worlds largest energy companies. On his retirement from Aon Corporation he has been running his own insurance consultancy.

Mr. Karl Crimes, Chief Financial Officer, is a Fellow of the Chartered Association of Certified Accountants with over 30 years experience in the insurance industry mainly in an International context with QBE, Norwich Union & Prudential Corporation.

An organization chart of the Executive Management is shown below.



Directors' Fees and Executive Management Team's Compensation

The Directors remuneration is fixed in accordance with Legislative Decree No (21) of 2001 of Commercial Companies Law. The amount is capped at 10% of the net profit, after deduction of prescribed legal reserves and a minimum cash dividend distribution.

The Board of Directors will propose to the Annual General meeting a fee of US$137.500 to be paid to the Directors for the year 2009.

The total remuneration and management fees paid to the Executive Management team and the holding company in 2009 amounted to US$1.80 million (US$1.73 million in 2008).

Auditors

PKF Bahrain have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting, subject to the appropriate approval by the Central Bank of Bahrain.

Dividend

The Board of Directors will propose to the Annual General Meeting a cash dividend of US$15 million i.e. 15% of the company's paid-up capital for the year ended 31st December, 2009.

Acknowledgement

The Board of Directors expresses its sincere appreciation to all our valued clients, reinsurers, brokers, business partners and collaborators, the Ministry of Industry & Commerce and to the Central Bank of Bahrain for their support and cooperation. The Board looks forward to the continued encouragement of all these parties in the future. Ultimately, the success of the Company is the result of the combined efforts and professional skills and ideas of all the employees of the Company, its advisers and operational management. On behalf of the Board of Directors and the Executive Management, we want to thank them, and particularly all our staff, for their commitment and valuable contribution.

On Behalf of the Board
Fadi Abu Nahl
Chief Executive Officer
10 March, 2010

THE TREASURES OF SOLID PRACTICES

AUDITORS' REPORT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF CASH FLOWS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st December 2009

Report on the financial statements

We have audited the consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C.(c) Trust Re as set out on pages 19 to 47.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. This report is made solely to the company's members, as a body, in accordance with the Bahrain Commercial Companies Law. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis of Opinion

We conducted our audit in compliance with the Bahrain Audit Law 26/1996 and in accordance with International Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the company the results of its operations, the changes in its equity, as at 31 December, 2009 and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable to Insurance Companies and comply with the Bahrain Commercial Companies Law No. 21 of 2001 and the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2c regarding the consolidation of Trust Underwriting Ltd results, using the 31st Dec 2009 management accounts.

Other regulatory matters

In addition, in our opinion, the company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the information contained therein is consistent with the financial statements. To the best of our knowledge and belief, no violations of the Bahrain Commercial Companies Law No. 21 of 2001, the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book or the terms of the company's memorandum and articles of association have occurred that might have had a material adverse effect on the business of the company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

PKF BAHRAIN
11 March, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER, 2009

	Note	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
ASSETS					
NON CURRENT ASSETS					
Goodwill	12	22.767.386	-	22.767.386	-
Property, plant and equipment	9	38.277.839	32.873.516	37.552.767	32.326.474
Intangible assets	10	1.036.251	-	1.362.173	-
Investments	11	157.317.455	133.788.477	167.223.438	149.651.377
		219.398.931	166.661.993	228.905.764	181.977.851
CURRENT ASSETS					
Reinsurers' share of technical reserves	21	214.365.499	200.180.606	169.683.213	154.750.650
Gross deferred acquisition cost		34.739.134	29.275.068	22.297.855	17.434.477
Stock and work in progress	12	9.530.350	-	9.283.080	-
Accounts receivable and prepayments	13	157.635.601	160.494.210	119.263.880	114.256.970
Deferred tax asset	24	179.357	-	-	-
Reinsurance balances receivable	14	20.879.441	7.041.726	14.491.443	8.969.212
Parent undertaking	16	17.692.048	17.692.048	7.074.989	7.074.989
Cash and cash equivalents	17	73.596.563	62.906.090	62.964.891	54.921.343
		528.617.993	477.589.748	405.059.351	357.407.641
Total assets		748.016.924	644.251.741	633.965.115	539.385.492
LIABILITIES AND SHAREHOLDER'S EQUITY					
CAPITAL AND RESERVES					
Share capital	18	100.000.000	100.000.000	100.000.000	100.000.000
Reserves	19	93.584.299	92.261.529	111.036.063	109.767.043
Equity attributable to equity holders of the parent		193.584.299	192.261.529	211.036.063	209.767.043
Non controlling interest		126.477	-	211.116	-
		193.710.776	192.261.529	211.247.179	209.767.043
CURRENT LIABILITIES					
Creditors and accruals	23	107.187.654	99.612.739	91.302.986	84.424.486
Deferred tax liability	24	659.318	-	180.607	
Bank loan	22	1.799.479	-	1.935.447	-
Reinsurance balances payable		21.090.740	15.868.750	16.461.814	12.375.768
Technical reserves	21	404.730.509	317.670.275	299.167.896	219.149.009
Reinsurers' share of deferred acquisition cost		18.838.448	18.838.448	13.669.186	13.669.186
		554.306.148	451.990.212	422.717.936	329.618.449
Total liabilities and shareholders' equity		748.016.924	644.251.741	633.965.115	539.385.492

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER, 2009

	Note	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Gross Written Premium	27	262.153.472	259.365.943	217.228.596	214.478.795
Net earned premium		121.713.908	118.168.865	99.946.890	94.157.512
Claims and related expenses		(76.326.293)	(77.676.898)	(52.689.449)	(52.400.804)
Acquisition costs, commissions and taxes		(20.746.635)	(18.314.590)	(15.196.076)	(13.373.419)
Gross underwriting profit	25	24.640.980	22.177.377	32.061.365	28.383.289
Technical income		-	1.386.029	-	1.454.043
Technical expenses	6	(10.842.004)	(10.882.195)	(9.683.891)	(9.755.782)
Net underwriting profit		13.798.976	12.681.211	22.377.474	20.081.550
Investment income	3	4.857.083	2.811.388	4.203.710	2.795.865
Other income	4	1.386.662	1.938.365	1.814.080	1.033.785
Income from investment property	5	138.116	138.116	59.461	59.461
Non technical expenses	6	(4.799.111)	(2.533.761)	(5.108.526)	(2.252.436)
Financial income	7	4.090.594	4.092.113	106.909	1.272.081
Profit from operations		5.673.344	6.446.221	1.075.634	2.908.756
Profit for the year before tax		19.472.320	19.127.432	23.453.108	22.990.306
Taxation	8	(347.421)	(57.867)	(276.712)	(9.727)
Net profit for the year available for appropriation		19.124.899	19.069.565	23.176.396	22.980.579
Other comprehensive income					
Available for sale investments – fair value gain/(loss)		(21.300.079)	(21.300.079)	12.546.233	12.546.233
Available for sale investments – profit transferred to net profit due to disposal		-	-	132.639	132.639
Available for sale investments - fair value released in income statement due to impairment		-	-	431.728	431.728
Revaluation of building per IAS40		-	-	929.436	929.436
Directors remuneration		(275.000)	(275.000)	(275.000)	(275.000)
Other comprehensive (expense)/income		(21.575.079)	(21.575.079)	13.765.036	13.765.036
Total comprehensive (loss)/income for the year		(2.450.180)	(2.505.514)	36.941.432	36.745.615
Profit appropriated as follows:					
Equity holders of the parent		19.212.046	19.069.565	23.215.170	22.980.579
Non controlling interest		(87.147)	-	(38.774)	-
		19.124.899	19.069.565	23.176.396	22.980.579
Total comprehensive income appropriated as follows:					
Equity holders of the parent		(2.363.033)	(2.505.514)	36.980.206	36.745.615
Non controlling interest		(87.147)	-	(38.774)	-
		(2.450.180)	(2.505.514)	36.941.432	36.745.615

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER, 2009

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Cash flows from operating activities				
Net profit for the year before taxation	19.472.320	19.127.432	23.453.108	22.990.306
Adjustments for:				
Depreciation	958.154	942.742	679.594	646.410
Amortisation	251.624	-	254.294	-
Provision for bad debts less write offs	(360.459)	(360.459)	55.054	55.054
Profit on disposal of property and equipment	-	-	(21.482)	-
Profit on disposal of intangible asset	(39.486)	-	-	-
Profit/(Loss) on disposal of investments	(287.744)	(287.744)	621.427	621.427
Profit on disposal of real estate	-	-	(1.012.739)	-
Revaluation of investment property	-	-	(65.023)	(65.023)
Exchange difference	(301.386)	-	(331.785)	-
Increase in reserve for unearned premium (net of deferred acquisition cost)	17.920.679	16.389.108	14.887.093	10.609.193
Increase/(decrease) in provision for outstanding claims and claims incurred but not reported (net)	35.687.631	30.030.873	36.886.566	11.919.799
Operating profit before working capital changes	73.301.333	65.841.952	75.406.107	46.777.166
Stock and work in progress	(247.270)	-	1.752.212	-
Accounts receivable and prepayments	(38.011.262)	(45.002.571)	(26.902.270)	(15.520.720)
Reinsurance balances receivable	(6.387.998)	1.053.276	(1.497.012)	(908.823)
Parent undertaking	(10.617.059)	(10.617.059)	(4.309.238)	(4.309.238)
Creditors and accruals	15.966.584	15.188.253	18.526.751	17.054.511
Deferred tax	299.354	-	(118.990)	-
Reinsurance balances payable	4.628.926	3.492.982	435.336	(1.903.064)
Cash generated from/(used in)operating activities	38.932.608	29.956.833	63.292.896	41.189.832
Directors' remuneration	(275.000)	(275.000)	(275.000)	(275.000)
Taxation and exchange difference	(429.337)	(55.994)	(19.089)	(9.727)
Net cash generated from/(used in) operating activities	38.228.271	29.625.839	62.998.807	40.905.105
Cash flows from investing activities				
Purchase of property and equipment	(2.163.698)	(2.047.907)	(17.683.282)	(17.492.792)
Purchase of intangible assets	-	-	(57.794)	-
Proceeds from disposal of intangible asset	251.296	-	-	-
Proceeds from sale of property and equipment	-	-	22.066	-
Proceeds from realisation of investments	3.234.370	3.232.497	6.670.126	8.243.034
Acquisition of investments	(13.782.599)	(7.825.682)	(22.954.854)	(5.500.639)
Net cash (used in)/generated from investing activities	(12.460.631)	(6.641.092)	(34.003.738)	(14.750.397)
Cash flows from financing activities				
Bank loan	(135.968)	-	(208.263)	-
Cash dividend paid	(15.000.000)	(15.000.000)	(15.000.000)	(15.000.000)
Net cash used in financing activities	(15.135.968)	(15.000.000)	(15.208.263)	(15.000.000)
Net (decrease)/increase in cash and cash equivalents	10.631.672	7.984.747	13.786.806	11.154.708
Cash and cash equivalents at beginning of year	62.964.891	54.921.343	49.178.085	43.766.635
Cash and cash equivalents at end of year (note 17)	73.596.563	62.906.090	62.964.891	54.921.343

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER, 2009

a. Group

	Share Capital US$	Retained Earnings US$	Investment Revaluation Reserve US$	Property Revaluation Reserve US$	Statutory Reserve US$	Exchange Difference Reserve US$	Total US$	Non Controlling Interest US$	Total US$
Balance 1st January 2008	100.000.000	41.860.466	24.108.449	7.223.995	15.790.073	1.319.155	190.302.138	256.398	190.558.536
Total comprehensive income for the year	-	22.940.170	13.110.600	929.436	-	-	36.980.206	(38.774)	36.941.432
Transfer to statutory reserve	-	(2.298.058)	-	-	2.298.058	-	-	-	-
Cash dividend paid (2007)	-	(15.000.000)	-	-	-	-	(15.000.000)	-	(15.000.000)
Exchange difference	-	(500.395)	-	-	-	(745.886)	(1.246.281)	(6.508)	(1.252.789)
Balance 1st January 2009	100.000.000	47.002.183	37.219.049	8.153.431	18.088.131	573.269	211.036.063	211.116	211.247.179
Total comprehensive income for the year	-	18.937.046	(21.300.079)	-	-	-	(2.363.033)	(87.147)	(2.450.180)
Transfer to statutory reserve	-	(1.906.957)	-	-	1.906.957	-	-	-	-
Cash dividend paid (2008)	-	(15.000.000)	-	-	-	-	(15.000.000)	-	(15.000.000)
Exchange difference	-	150.082	-	-	-	(238.813)	(88.731)	2.508	(86.223)
Balance 31st December 2009	100.000.000	49.182.354	15.918.970	8.153.431	19.995.088	334.456	193.584.299	126.477	193.710.766

b. Company

	Share Capital US$	Retained Earnings (as restated) US$	Investments Revaluation Reserve US$	Property Revaluation Reserve US$	Statutory Reserve US$	Total US$
Balance 1st January 2008	100.000.000	42.092.910	22.914.450	7.223.995	15.790.073	188.021.428
Total comprehensive income for the year	-	22.705.579	13.110.600	929.436	-	36.745.615
Transfer to statutory reserve	-	(2.298.058)	-	-	2.298.058	-
Cash dividend paid (2007)	-	(15.000.000)	-	-	-	(15.000.000)
Balance as at 1st Jan 2009	100.000.000	47.500.431	36.025.050	8.153.431	18.088.131	209.767.043
Total comprehensive income for the year	-	18.794.565	(21.300.079)	-	-	(2.505.514)
Transfer to statutory reserve	-	(1.906.957)	-	-	1.906.957	-
Cash dividend paid (2008)	-	(15.000.000)	-	-	-	(15.000.000)
Balance as at 31st December 2009	100.000.000	49.388.039	14.724.971	8.153.431	19.995.088	192.261.529

THE GREATEST ASSETS LIE WITHIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December 2009

1. General information

The company is registered in the Kingdom of Bahrain with the purpose of carrying out insurance and reinsurance business. The company has operating branches in Cyprus and Malaysia.

The company in accordance with Commercial Company Laws 21/2001 and 17/1987 has changed its status from an Exempt Company (E.C) to a Closed Joint Stock Company (B.S.C.(c)).

The group comprises the company and its subsidiaries as stated in note 11(c).

2. Summary of significant accounting policies

The most important accounting policies used by the company are explained below for the purpose of a better understanding and evaluation of the financial statements:

a) Statement of compliance

The financial statements have been prepared under International Financial Reporting Standards.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention except for properties (land and buildings and leasehold properties) and certain financial assets, which are stated at fair value.

United States dollars is the functional currency of the company.

c) Consolidation

The consolidated financial statements include the audited financial statements of the company and its subsidiaries (except for Trust Underwriting Ltd, where we have used management accounts), prepared in accordance with International Financial Reporting Standards and/or applicable local laws and regulations. For this purpose a Subsidiary is considered to be a company in which the controlling interest is more than 50% of the voting power. A subsidiary is excluded from consolidation when control is intended to be temporary because it is held exclusively for disposal in the near future.

An Associate is considered to be an entity in which the company controls more than 20% but less than 50% of the voting power and has significant influence on the Board of Directors.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Foreign exchange differences arising on translation of financial statements of subsidiaries, whose reporting currency is other than the US Dollar, are recognised directly in the statement of changes in equity as part of consolidation.

Lloyds' three year accounting cycle results are normally published annually at the end of each May. As a result of this, the audited financial statements of Trust Underwriting Ltd, the Lloyds Corporate Capital subsidiary, can only be made available subsequent to the publication of the official Lloyds' results. For the purposes of consolidation we have relied on the 31st December, 2009 management accounts of that subsidiary, prepared by the UK company's external accountants using the most up-to-date quarterly syndicate results.

d) Revenue recognition

Revenues earned by the company are recognised on the following basis:

Premiums

Premium income is recognised when cover notes are issued and relate to contracts incepting in the financial year as well as adjustments arising in the current financial year for premiums receivable relating to business written in previous financial years. Included in this amount are estimates of pipeline premiums which are premiums written but not booked as at the balance sheet date. Pipeline premiums are recorded as accrued insurance premiums.

Commission income

Commission income is recognised when the right to recover payment is received.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

e) Reinsurance

The company enters into contracts with other reinsurers for minimizing its financial exposure from large claims.

Reinsurance premiums ceded and reinsurance recoveries on claims incurred are deducted from the gross premiums written and claims costs respectively.
This arrangement results in reinsurance assets and liabilities which include amounts recoverable from reinsurance companies for paid and unpaid losses, ceded unearned premiums and reinsurance balances payable.
Amounts due to reinsurers are estimated in a manner consistent to the relative reinsurance contract.
Amounts recoverable from reinsurers are calculated with reference to the claims liability associated with the reinsured risk. Ceded premiums are recognised in the revenue account over the period that coverage is provided.
The reinsurance programme consists of proportional and non proportional treaties. The accounting for premium due and claim recoveries is done periodically as normally done in proportional treaty accounting. The premium due for non proportional cover is booked on the due date. Claim recovery is accounted as and when the priority is exceeded, taking outstanding claims reserve if any into account.

f) Commissions paid
Commissions are recognised at the time policies are written.

g) Technical reserves
i) Outstanding claims reserve
The Outstanding Claims Reserve is made up of:

- Case Reserves
- Incurred But Not Reported (IBNR)
    - Pure Incurred But Not Reported (Pure IBNR)
    - Incurred But Not Enough Reported (IBNER)

Case reserves consist of the sum of reserves held for all outstanding cases, case by case, that are still outstanding.

The Incurred But Not Reported (IBNR) reserve is made up of the pure IBNR reserve and the reserve held for any excess over the case reserves and the estimated ultimate cost of all claims using various actuarial, statistical and individual assessment techniques. The pure IBNR element is made up of provisions for claims that were incurred but not reported (IBNR) by the valuation date using statistical methods that incorporate historical data analysis, quantitative and qualitative information and underwriters, management and actuarial valuation of reserves.

Any differences between the estimated cost and subsequent settlement of claims are included in the revenue account of the year of settlement. Subsequent re-estimations are dealt with in the same manner.

ii) Unearned Premium reserve
Unearned premiums are those proportions of the premiums accounted for in the financial year, but relate to periods of risks that extend beyond the end of the financial year. For Facultative business and Treaty Non Proportional business, these premiums are calculated for each insurance policy on prorata temporis basis using the 365ths method. For treaty proportional business the same approach is used, however we allow for 1 extra year from the expiry date of the policy i.e. 24ths basis.

h) Deferred acquisition costs
Policy acquisition costs which relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

i) Claims paid
Claims paid represent amounts settled during the year arising either from events during the year or prior years and are charged to the revenue account as incurred net of any recoveries.

j) Liability adequacy test
At each balance sheet date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs, outstanding claims reserve and Incurred But Not Reported Reserves. In performing the test, current best estimates of future contractual cash flows, investment income from assets backing such liabilities and claims holding and administration expenses are used. Any inadequacy is immediately charged to the income statement by establishing a provision.

k) Salvage, subrogation and other recoveries from third parties
When the salvage amount is known at the time of claims settlement, it is deducted from the claim amount and the net amount is credited to the reinsured. If salvage recovery is done later, the amount is credited to the claims paid account by charging the reinsured account. Subrogation and other recoveries, which will take place after claims settlement, are treated as above.
The corresponding refund to the reinsurers is done simultaneously with the accounting of recoveries for salvage, subrogation etc and other recoveries from third parties.

l) Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsurance syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Lloyds Corporate capital subsidiary has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

m) Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

n) Property and equipment

Items of own use property and equipment are stated at cost less accumulated depreciation except for land and building, which are stated at fair value based on professional valuation by independent external Valuers.

On revaluation, any increase in the carrying amount of the asset is carried in the Statement of changes in equity, under Revaluation reserve and any decrease is recognised as an expense, except to the extent that it reverses a previous increase recognised in equity. The balance in the revaluation reserve is transferred to general reserve upon sale of property and realization of profit.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, other than land and properties, over the estimated useful lives, using the straight line method.

The expected useful life of the assets is as follows:

	Years
Motor vehicle	4
Furniture, fittings and equipment	4
Computer hardware and software	3 – 4

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in the income statement.

o) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

p) Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) and a provision is taken in respect to the particular asset to the extent of the excess of its current amount as compared to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any impairment loss is charged immediately to the income statement.

q) Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

r) Investments

Investments in subsidiaries are stated at cost unless there is an impairment in value. Any such impairment is recognised directly in the income statement.
Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as either investments held for trading or as available-for-sale (ASF), and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the income statement for the period. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

For publicly traded investments their fair value is based on quoted market prices as at the Balance Sheet date. Fair values of other investments are estimated at realisable values. Where the fair value can not be estimated the investment is carried at initial recognition cost.
For the fair value assessment of the property holding subsidiary, Ventura Del Mar SA Ltd, that subsidiary's stocks are professionally valued every two years by an independent firm of valuers in order to assess the fair market value of the subsidiary in the company's investments.

s) Investments Fair Value Reserve

Investments fair value reserve represents the unrealized gains or losses on the year-end valuation of AFS investments. In the event of sale or impairment, the cumulative gains or losses recognised under investments fair value reserve are included in the income statement for the year.

t) Financial Instruments

Financial instruments comprise cash and cash equivalents, due to banks, investments, receivables, outstanding claims, payables and certain other assets and liabilities. Fair values of financial instruments are based on quoted prices for marketable instruments, or estimated fair values calculated by using methods such as net present value of future cash flows.

u) End of Service Benefits

The Company provides for end of service benefits determined in accordance with local legislation for expatriate employees at the Head-office and the branch respectively, based on expatriate employees' salaries at the time of leaving and number of years of service. Although the expected costs of these benefits are accrued over the period of employment, these are paid to employees only on completion of their term of employment with the Company.

v) Cash and cash equivalents

Bank and cash balances comprise of cash balances and bank deposits with maturity not more than one month which are convertible to known accounts and are subject to insignificant risk of changes in value.

w) Accounts receivables/reinsurance balances

These receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

x) Stocks

Stocks are valued at the lower of cost and net realisable value and include expenses incurred in respect of the transfer fees and the repairs and renovations of real estate by the group. Expenditure on maintaining the stock in its current condition during marketing of the real estate for sale is capitalised up until the stock has been sold.

y) Foreign currencies

Assets and liabilities expressed in foreign currencies are converted to United States dollars at the exchange rates ruling at the balance sheet date. Transactions during the year other than in United States dollars are converted at the rates of exchange ruling on the dates when they occur. Differences on exchange are included in the income statement.

z) Trade account payables

Trade account payables are measured at fair value.

aa) Contingent liabilities

Contingent liabilities are disclosed if their confirmation or loss is considered possible from future events.

ab) Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the

directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

ac) Dividend and directors' fees

Dividends and directors' fees are recognised as a liability in the year in relation to which they are approved.

3. Investment income

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Dividends from investments	4.366.685	2.320.990	4.760.114	3.352.269
Other investment income/ (expenses)	1.067	1.067	-	-
Profit/(Loss) from sale of available for sale investment	287.744	287.744	(621.427)	(621.427)
Interest income on bonds	201.587	201.587	-	-
Revaluation of investment properties	-	-	65.023	65.023
	4.857.083	2.811.388	4.203.710	2.795.865

4. Other income

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Profit on disposal of real estate	-	-	1.012.739	-
Profit from disposal of property and equipment	-	-	21.482	-
Profit from disposal of intangible asset	39.486	-	-	-
Management fees	987.844	1.579.033	451.440	705.366
Miscellaneous income	359.332	359.332	328.419	328.419
	1.386.662	1.938.365	1.814.080	1.033.785

5. Income from investment property

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Rental income	461.821	461.821	299.544	299.544
Other income	81.645	81.645	60.326	60.326
Profit/(Loss) from sharing of lease agreement	(72.496)	(72.496)	17.560	17.560
Investment property expenses	(332.854)	(332.854)	(317.969)	(317.969)
	138.116	138.116	59.461	59.461

6. Apportionment of overheads

The group's overheads are apportioned as follows:

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Technical (underwriting)	10.842.004	10.882.195	9.683.891	9.755.782
Non-technical (general and administrative)	4.799.111	2.533.761	5.108.526	2.252.436
	15.641.115	13.415.956	14.792.417	12.008.218

7. Financial income/(expenses) – net

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Interest earned	1.807.883	1.775.990	2.264.002	2.203.764
Gain/(loss) on currency transactions	2.282.711	2.316.123	(2.157.093)	(931.683)
	4.090.594	4.092.113	106.909	1.272.081

8. Taxation

The company's branch in Cyprus is subject to a taxation charge of 10% on its chargeable income for the year. A further 10% charge is levied on its interest earnings. The branch in Labuan, Malaysia elected not to pay any tax this year (2008: US$5.520). Based on confirmation received from Spanish tax authorities and accepted by the UK tax authorities, the control and management of Ventura Del Mar SA Ltd, a company registered in the UK, is in Spain and therefore no tax liabilities will arise in the UK. The subsidiary has tax losses of approximately US$549.392 (€383.306) arising in Spain. The other subsidiaries in USA and Spain are also subject to local taxation.

The tax charge is analysed as follows:

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Corporation tax (including previous years)	27.706	51.514	142.242	5.520
Defence contribution	6.353	6.353	4.207	4.207
Deferred tax charge	260.868	-	(43.028)	-
Other taxes	52.494	-	173.291	-
	347.421	57.867	276.712	9.727

9. Property and equipment

a. Group

	Land and building US$	Investment property under construction US$	Property held for future use as owner occupied property US$	Motor vehicles US$	Computer hardware and software US$	Furniture and fixtures US$	Total US$
Cost							
At 1 January, 2008	18.993.111	509.922	-	357.676	782.120	2.755.233	23.398.062
Additions	2.100.965	680.102	13.220.785	30.000	281.971	1.369.459	17.683.282
Disposals / Write offs	(4.237)	-	-	-	(2.150)	(13.474)	(19.861)
Revaluation of building	929.436	-	-	-	-	-	929.436
Cost transferred to investment properties	(1.149.845)	-	-	-	-	(144.828)	(1.294.673)
Exchange difference	(323.633)	-	-	-	(1.588)	(9.105)	(334.326)
At 1 January, 2009	20.545.797	1.190.024	13.220.785	387.676	1.060.353	3.957.285	40.361.920
Additions	1.045.996	357.277	126.035	-	261.439	372.951	2.163.698
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
Cost transferred to investment properties	(558.123)	-	-	-	-	-	(558.123)
Exchange difference	75.749	-	-	-	841	4.892	81.482
At 31 December, 2009	21.109.419	1.547.301	13.346.820	368.066	1.322.633	4.335.128	42.029.367
Depreciation							
At 1 January, 2008	-	-	-	259.529	497.847	1.393.710	2.151.086
Charge for the year	-	-	-	29.085	191.970	458.539	679.594
Disposals/Write offs	-	-	-	-	(2.150)	(13.067)	(15.217)
Exchange difference	-	-	-	-	(1.422)	(4.888)	(6.310)
At 1 January, 2009	-	-	-	288.614	686.245	1.834.294	2.809.153
Charge for the year	-	-	-	28.959	253.955	675.240	958.154
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
Exchange difference	-	-	-	-	792	3.039	3.831
At 31 December, 2009	-	-	-	297.963	940.992	2.512.573	3.751.528
Carrying amount							
At 31 December, 2009	21.109.419	1.547.301	13.346.820	70.103	381.641	1.822.555	38.277.839
At 31 December, 2008	20.545.797	1.190.024	13.220.785	99.062	374.108	2.122.991	37.552.767

9. Property and equipment (cont'd)

b. Company

	Land and building US$	Investment property under construction US$	Property held for future use as owner occupied property US$	Motor vehicles US$	Computer hardware and software US$	Furniture and fixtures US$	Total US$
Cost							
At 1 January, 2008	13.780.000	509.922	-	314.653	724.373	2.364.429	17.693.377
Additions	1.916.409	680.102	13.220.785	30.000	281.817	1.363.679	17.492.792
Disposals / Write offs	-	-	-	-	(2.150)	(13.067)	(15.217)
Revaluation of building	929.436	-	-	-	-	-	929.436
Cost transferred to investment properties	(1.149.845)	-	-	-	-	(144.828)	(1.294.673)
At 1 January, 2009	15.476.000	1.190.024	13.220.785	344.653	1.004.040	3.570.213	34.805.715
Additions	930.205	357.277	126.035	-	261.439	372.951	2.047.907
Cost transferred to investment properties	(558.123)	-	-	-	-	-	(558.123)
Disposals / Write offs	-	-	-	(19.610)	-	-	(19.610)
At 31 December, 2009	15.848.082	1.547.301	13.346.820	325.043	1.265.479	3.943.164	36.275.889
Depreciation							
At 1 January, 2008	-	-	-	241.809	446.133	1.160.106	1.848.048
Charge for the year	-	-	-	29.085	189.281	428.044	646.410
Disposals / Write offs	-	-	-	-	(2.150)	(13.067)	(15.217)
At 1 January, 2009	-	-	-	270.894	633.264	1.575.083	2.479.241
Charge for the year	-	-	-	28.959	252.386	661.397	942.742
Disposals/Write offs	-	-	-	(19.610)	-	-	(19.610)
At 31 December, 2009	-	-	-	280.243	885.650	2.236.480	3.402.373
Carrying amount							
At 31 December, 2009	15.848.082	1.547.301	13.346.820	44.800	379.829	1.706.684	32.873.516
At 31 December, 2008	15.476.000	1.190.024	13.220.785	73.759	370.776	1.995.130	32.326.474

Notes:

a) There are no adjustments to property values for the year. The properties are valued every two years and the directors believe that current values apply to properties. The last external valuation report performed by independent professional valuers in early 2009, assessed the Bahrain building property at a market value of approximately US$38.73 million (BD14.9 million).

The building is used partly as owner occupied property, as well as investment property, earning rental income and property appreciation. For this reason part of its valuation has been transferred to investment properties (note 10b). The company has used square metres as a basis of allocating the market value of the building into property and equipment and investment property. The split was determined by the area occupied by the self-occupied portion, which is 40% and the letable area, which is 60%.

b) Investment property under construction relates to property being constructed for future use as investment property. IAS 16 applies to such property until construction is complete, at which time the property becomes investment property.

c) Property held for future use as owner occupied property relates to property expected to be developed for own use as staff residences.

10. Intangible fixed assets

	License US$	Purchase of capacity (corporate Lloyd's of London) (Note) US$	Total US$
Cost			
At 1 January, 2008	20.466	3.434.844	3.455.310
Additions	-	57.794	57.794
Exchange difference	(563)	(950.224)	(950.787)
At 1 January, 2009	19.903	2.542.414	2.562.317
Disposals	-	(305.771)	(305.771)
Exchange difference	297	259.955	260.252
At 31 December, 2009	20.200	2.496.598	2.516.798
Amortisation			
At 1 January, 2008	-	1.307.709	1.307.709
Charge for the year	-	254.294	254.294
Exchange difference	-	(361.859)	(361.859)
At 1 January, 2009	-	1.200.144	1.200.144
Charge for the year	-	251.624	251.624
Disposals	-	(93.961)	(93.961)
Exchange difference	-	122.740	122.740
At 31 December, 2009	-	1.480.547	1.480.547
Net book value			
At 31 December, 2009	20.200	1.016.051	1.036.251
At 31 December, 2008	19.903	1.342.270	1.362.173

Note:

These costs have been incurred by the UK subsidiary in the Corporation of Lloyd's auctions acquiring rights to participate on various syndicates' capacities. These costs are included in intangible fixed assets and amortized over a 3 year period beginning in the third year after the underwriting commences. Intangible fixed assets also include cost of acquiring licence for operating the restaurant in Spain.

11. Investments

Analysed as follows:

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
a) Investment properties	26.027.475	26.027.475	24.761.132	24.761.132
b) Available-for-sale investments	131.289.980	79.960.322	142.462.306	97.089.565
c) Subsidiary companies	-	27.800.680	-	27.800.680
	157.317.455	133.788.477	167.223.438	149.651.377

a) Investment properties

	Land and Building US$	Leasehold Properties US$	Total US$
Cost			
At 1 January, 2008	20.670.000	1.696.942	22.366.942
Additions	1.034.494	-	1.034.494
Transfer from property and equipment	1.294.673	-	1.294.673
Revaluation of properties	214.833	(149.810)	65.023
At 1 January, 2009	23.214.000	1.547.132	24.761.132
Additions	708.220	-	708.220
Transfer from property and equipment	558.123	-	558.123
At 31 December, 2009	24.480.343	1.547.132	26.027.475
Net book value			
At 31 December, 2009	24.480.343	1.547.132	26.027.475
At 31 December, 2008	23.214.000	1.547.132	24.761.132

Note:

The Company's two leasehold properties are located in United Kingdom. The duration of the first lease is for 125 years starting from 1984. The second lease was initially for 99 years starting from 1974, however the lease period was extended for another 90 years starting from the year 2073.

The UK properties are valued every two years by an independent firm of professional valuers. The last valuation was in early 2009.

Building represents 60% of the fair value of the company's property, which will be used for rental income and property appreciation, as valued by external valuers. The allocation of 60% was estimated using square meters as the basis for calculation.

b) Available for sale

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Listed companies	104.054.951	52.725.293	116.273.664	70.900.923
Unlisted companies	16.756.228	16.756.228	15.620.824	15.620.824
Deposits with banks	10.478.801	10.478.801	10.567.818	10.567.818
	131.289.980	79.960.322	142.462.306	97.089.565

The above listed investments are stated at fair value and offer the company the opportunity for return through dividend income and fair value gains.

The unlisted investments are stated at cost and any impairment on them is recognised in the income statement.

The value of available for sale investments by currency in which they are denominated are as follows:

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Sterling investments held by Trust Underwriting Ltd	51.329.658	-	45.372.741	-
U.S.A Dollar	23.964.848	23.964.848	20.272.516	20.272.516
Sterling Pound	2.511.095	2.511.095	2.601.963	2.601.963
Omani Rial	11.137.661	11.137.661	14.517.464	14.517.464
Jordanian Dinar	935.552	935.552	951.413	951.413
Lebanese Pound	330.762	330.762	330.762	330.762
Algerian Dinar	2.702.337	2.702.337	2.702.337	2.702.337
Qatari Rial	38.378.067	38.378.067	55.713.110	55.713.110
	131.289.980	79.960.322	142.462.306	97.089.565

The company has issued a guarantee on behalf of its Corporate Capital subsidiary for approximately US$11.30 million (Stg £8,738,333) which is secured by among others, a company's bank deposit. This deposit is of a long term nature and the principal will not be used in the foreseeable future as it acts as the guarantee for the trading of the UK Corporate Capital subsidiary in Lloyds Insurance Market.

Although the directors feel that any loss arising from this guarantee is unlikely, there is always the possibility that the company will not recover substantially all of its initial investment. Hence, this receivable is accounted from last year as an Available for sale financial asset under IAS39.

c) Consolidated subsidiary companies

	Country of incorporation or registration	Holding	Principal activity
Trust Underwriting Limited	U.K	100%	Corporate Member of Lloyds
Texas International Underwriters,Inc	U.S.A.	100%	Insurance Agency
Aegean Properties Ltd	Guernsey	83,33%	Original holding company
Ventura Del Mar S.A.	Spain	83,33%	Original developer/ Restaurant owner
Ventura Del Mar S.A. Limited	UK	100%	Property ownership
Ribera De Marbella S.L.	Spain	100%	Service company

12. Stock and work in progress

Stock comprises of properties in the market for sale, stated at cost, plus any expenses incurred for permanent structure changes. The stock relates to the subsidiary Ventura Del Mar S.A Ltd and is analysed as follows:

	2009 US$	2008 US$
Fair market value per latest independent Professional valuers	30.632.893	30.632.893
Cost	(9.530.350)	(9.283.080)
	21.102.543	21.349.813

The excess of the fair market value over cost (as adjusted by the exchange rates at the reporting dates) is included in the reported goodwill in the financial statements.

13. Accounts receivable and prepayments

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Trade accounts	27.084.754	16.139.120	28.199.869	18.536.687
Less: Provision for doubtful debts	(1.173.016)	(1.173.016)	(2.407.685)	(2.407.685)
	25.911.738	14.966.104	25.792.184	16.129.002
Inward Pipeline Premium Provision	90.746.916	90.746.916	62.867.190	62.867.190
Inward Treaty Premium Reserve and Loss deposit	19.342.657	19.342.657	16.505.149	16.505.149
Related companies	6.531.466	23.428.522	6.602.969	17.385.530
Other debtors and prepayments	15.102.824	12.010.011	7.496.388	1.370.099
	157.635.601	160.494.210	119.263.880	114.256.970

The directors consider that the carrying amount of trade and other receivables approximate fair value. No interest is charged on these receivables.

14. Reinsurance balances receivable

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Reinsurance balances receivable	22.976.486	9.138.771	15.714.278	10.192.047
Less: Provision for doubtful debts	(2.097.045)	(2.097.045)	(1.222.835)	(1.222.835)
	20.879.441	7.041.726	14.491.443	8.969.212

15. Provision for doubtful debts

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Opening balance	3.630.520	3.630.520	3.575.466	3.575.466
Increase in provision	250.000	250.000	750.000	750.000
Write offs	(610.459)	(610.459)	(694.946)	(694.946)
Closing balance	3.270.061	3.270.061	3.630.520	3.630.520

16. Parent Undertaking

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Amount receivable from ultimate holding company	17.692.048	17.692.048	7.074.989	7.074.989

The amount carries no interest.

The ultimate holding company is Nest Investments (Holdings) Ltd, a company incorporated in Jersey, Channel Islands. The ultimate beneficial majority shareholder is Mr. Ghazi K. Abu Nahl.

Approximately US$3.40 million (Stg£2.65 million) of the ultimate holding company's and its subsidiaries' assets, are used as security for the UK subsidiary's guarantee facilities to Lloyds (note 31).

17. Cash and cash equivalents

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Cash in hand (note a)	20.653	20.453	15.527	15.327
Cash at bank (note a)	73.178.032	62.487.759	59.323.304	51.279.956
Statutory deposits (note b)	397.878	397.878	3.626.060	3.626.060
	73.596.563	62.906.090	62.964.891	54.921.343

Note:
a) The carrying amount of these assets approximates their fair value.
b) Statutory deposit and blocked amounts with local Monetary Agencies.

18. Share capital

	2009 US$	2008 US$
Authorised, issued and fully paid 1.000.000 shares of US$100 each	100.000.000	100.000.000

19. Reserves

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Retained earnings	49.182.354	49.388.039	47.002.183	47.500.431
Investment revaluation reserve	15.918.970	14.724.971	37.219.049	36.025.050
Property revaluation reserve	8.153.431	8.153.431	8.153.431	8.153.431
Statutory reserve	19.995.088	19.995.088	18.088.131	18.088.131
Exchange difference reserve	334.456	-	573.269	-
	93.584.299	92.261.529	111.036.063	109.767.043

The Bahrain Commercial Companies Law No. 21 of 2001 requires that 10% of the net profit of each year should be transferred to the Statutory Reserve until the amount of this reserve becomes 100% of the issued and fully paid share capital of the company.

20. Profit appropriations

The directors propose a dividend of US$15 per share amounting to US$15 million. These and other appropriations mentioned below are subject to the shareholders' approval at the company's next Annual General Meeting.

	2009 US$	2008 US$
Proposed cash dividend	15.000.000	15.000.000
Directors' fees	137.500	275.000
	15.137.500	15.275.000

21. Technical Reserves

a) Gross technical reserves

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Unearned premium reserve	128.657.551	104.766.033	84.015.366	63.387.190
Outstanding claims reserve	232.898.642	169.729.926	194.566.864	135.176.153
I.B.N.R.	43.174.316	43.174.316	20.585.666	20.585.666
	404.730.509	317.670.275	299.167.896	219.149.009

b) Reinsurers' share of technical reserves

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Unearned premium reserve	56.318.566	52.644.540	36.869.077	34.326.134
Outstanding claims reserve	131.216.070	120.705.203	118.778.470	106.388.850
I.B.N.R.	26.830.863	26.830.863	14.035.666	14.035.666
	214.365.499	200.180.606	169.683.213	154.750.650

c) Net technical reserves

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Unearned premium reserve	72.338.985	52.121.493	47.146.289	29.061.056
Outstanding claims reserve	101.682.572	49.024.723	75.788.394	28.787.303
I.B.N.R.	16.343.453	16.343.453	6.550.000	6.550.000
	190.365.010	117.489.669	129.484.683	64.398.359

During the year, the Company appointed a qualified actuary, registered with the Central Bank of Bahrain. The above figures have been certified by the Company's actuary and has been partly peer reviewed by an international firm of independent actuaries relating to the adequacy of the technical provisions in excess of case reserves.

22. Bank loan

The bank loan relates to the Spanish branch of the UK subsidiary. The loan carries interest at varying rates and is payable over a fifteen year period from June 2003. The loan is secured by some of the property stocks of the company.

23. Creditors and accruals

	2009 Group US$	2009 Company US$	2008 Group US$	2008 Company US$
Trade accounts payable	24.844.582	20.508.053	19.870.678	16.774.357
Outward pipeline premium provision	39.352.018	39.352.018	31.894.115	31.894.115
Outward treaty premium reserves and loss deposit	32.288.696	32.288.696	28.685.712	28.685.712
Related companies	264.089	238.620	988.358	523.439
Other accounts payable and accruals	10.438.269	7.225.352	9.864.123	6.546.863
	107.187.654	99.612.739	91.302.986	84.424.486

The directors consider that the carrying amount of creditors and accruals approximate their fair value.

24. Deferred taxation

The movement in deferred taxation account is as follows:

Deferred tax asset

	Tax losses carried forward US$	Total US$
At 1 January, 2009	-	-
Released during the year	178.037	178.037
Exchange difference	1.320	1.320
At 31 December, 2009	179.357	179.357

Deferred tax libility

	Tax losses carried forward US$	Underwriting profits not subject to taxation US$	Overseas tax incurred US$	Total US$
At 1 January, 2008	(653.117)	952.714	-	299.597
Released during the year	6.884	277.097	(327.009)	(43.028)
Exchange difference	179.529	(307.968)	52.477	(75.962)
At 1 January, 2009	(466.704)	921.843	(274.532)	180.607
Released during the year	490.540	(239.955)	188.320	438.905
Exchange difference	(23.836)	82.551	(18.909)	39.806
At 31 December, 2009	-	764.439	(105.121)	659.318

25. Analysis of revenue by primary business segment – Group

	Year ended 31 December, 2009			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
INSURANCE REVENUE				
Gross written premium	112.421.782	101.859.083	47.872.607	262.153.472
Outward reinsurance premium	(50.373.577)	(53.602.981)	(14.347.203)	(118.323.761)
	62.048.205	48.256.102	33.525.404	143.829.711
Change in unearned premium	(14.537.896)	(8.522.541)	944.634	(22.115.803)
Net earned premium	47.510.309	39.733.561	34.470.038	121.713.908
CLAIMS AND EXPENSES				
Gross claims paid	(29.023.647)	(40.716.853)	(36.540.033)	(106.280.533)
Claims recovered from reinsurers	18.126.778	28.469.437	3.423.160	50.019.375
IBNR movement – gross	(13.914.943)	(8.667.895)	-	(22.582.838)
IBNR movement – reinsurance	9.370.287	3.419.098	-	12.789.385
Change in provision for outstanding claims – Gross	(20.240.584)	(14.306.320)	8.111.401	(26.435.503)
Change in provision for outstanding claims –Reinsurance	8.238.915	6.070.568	1.854.338	16.163.821
Claims and related expenses	(27.443.194)	(25.731.965)	(23.151.134)	(76.326.293)
Commissions and taxes paid	(21.273.299)	(31.124.637)	(10.201.139)	(62.599.075)
Commissions and taxes received from reinsurers	11.845.174	23.411.357	-	35.256.531
Interest on premium reserve	(4.918)	461.447	-	456.529
Interest on premium reserve – reinsurance	(113.676)	(418.273)	-	(531.949)
Change in deferred acquisition cost – Gross	5.209.565	6.631.026	-	11.840.591
Change in deferred acquisition cost – Reinsurance	(809.047)	(4.360.215)	-	(5.169.262)
Deferred acquisition costs, commissions and taxes	(5.146.201)	(5.399.295)	(10.201.139)	(20.746.635)
Gross underwriting profit	14.920.914	8.602.301	1.117.765	24.640.980
Technical expenses	(5.963.102)	(4.878.902)	-	(10.842.004)
Net underwriting profit	8.957.812	3.723.399	1.117.765	13.798.976

25. Analysis of revenue by primary business segment – Company

	Year ended 31 December, 2009		
	Facultative US$	Treaty US$	Total US$
INSURANCE REVENUE			
Gross written premium	112.421.782	146.944.161	259.365.943
Outward reinsurance premium	(50.373.577)	(67.763.064)	(118.136.641)
	62.048.205	79.181.097	141.229.302
Change in unearned premium	(14.537.896)	(8.522.541)	(23.060.437)
Net earned premium	47.510.309	70.658.556	118.168.865
CLAIMS AND EXPENSES			
Gross claims paid	(29.023.647)	(70.861.328)	(99.884.975)
Claims recovered from reinsurers	18.126.778	34.112.173	52.238.951
IBNR movement – gross	(13.914.943)	(8.667.895)	(22.582.838)
IBNR movement – reinsurance	9.370.287	3.419.098	12.789.385
Change in provision for outstanding claims – Gross	(20.240.584)	(14.306.320)	(34.546.904)
Change in provision for outstanding claims – Reinsurance	8.238.915	6.070.568	14.309.483
Claims and related expenses	(27.443.194)	(50.233.704)	(77.676.898)
Commissions and taxes paid	(21.273.299)	(38.893.731)	(60.167.030)
Commissions and taxes received from reinsurers	11.845.174	23.411.357	35.256.531
Interest on premium reserve	(4.918)	461.447	456.529
Interest on premium reserve – reinsurance	(113.676)	(418.273)	(531.949)
Change in deferred acquisition cost – Gross	5.209.565	6.631.026	11.840.591
Change in deferred acquisition cost – Reinsurance	(809.047)	(4.360.215)	(5.169.262)
Deferred acquisition costs, commissions and taxes	(5.146.201)	(13.168.389)	(18.314.590)
Gross underwriting profit	14.920.914	7.256.463	22.177.377
Technical income	-	1.386.029	1.386.029
Technical expenses	(5.963.102)	(4.919.093)	(10.882.195)
Net underwriting profit	8.957.812	3.723.399	12.681.211

25. Analysis of revenue by primary business segment – Group

	Year ended 31 December, 2008			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
INSURANCE REVENUE				
Gross written premium	91.015.598	81.702.379	44.510.619	217.228.596
Outward reinsurance premium	(47.799.317)	(48.924.192)	(9.968.506)	(106.692.015)
	43.216.281	32.778.187	34.542.113	110.536.581
Change in unearned premium	(7.961.483)	(3.354.505)	726.297	(10.589.691)
Net earned premium	35.254.798	29.423.682	35.268.410	99.946.890
CLAIMS AND EXPENSES				
Gross claims paid	(21.990.488)	(34.884.265)	(37.748.488)	(94.623.241)
Claims recovered from reinsurers	16.194.681	25.358.337	3.232.192	44.785.210
Change in provision for outstanding claims – Gross	(10.338.376)	(8.741.887)	12.310.898	(6.769.365)
Change in provision for outstanding claims – Reinsurance	2.382.665	4.777.800	(3.242.518)	3.917.947
Claims and related expenses	(13.751.518)	(13.490.015)	(25.447.916)	(52.689.449)
Commissions and taxes paid	(16.084.410)	(22.793.284)	(7.524.570)	(46.402.264)
Commissions and taxes received from reinsurers	12.775.427	17.831.975	-	30.607.402
Interest on premium reserve	-	310.227	-	310.227
Interest on premium reserve – reinsurance	(103.006)	(315.229)	-	(418.235)
Change in deferred acquisition cost – Gross	2.830.478	2.346.263	-	5.176.741
Change in deferred acquisition cost – Reinsurance	(2.620.530)	(1.849.417)	-	(4.469.947)
Deferred acquisition costs, commissions and taxes	(3.202.041)	(4.469.465)	(7.524.570)	(15.196.076)
Gross underwriting profit	18.301.239	11.464.202	2.295.924	32.061.365
Technical expenses	(5.648.040)	(4.035.851)	-	(9.683.891)
Net underwriting profit	12.653.199	7.428.351	2.295.924	22.377.474

25. Analysis of revenue by primary business segment (cont'd) – Company

	Year ended 31 December, 2008		
	Facultative US$	Treaty US$	Total US$
INSURANCE REVENUE			
Gross written premium	91.015.598	123.463.197	214.478.795
Outward reinsurance premium	(47.799.317)	(61.205.978)	(109.005.295)
	43.216.281	62.257.219	105.473.500
Change in unearned premium	(7.961.483)	(3.354.505)	(11.315.988)
Net earned premium	35.254.798	58.902.714	94.157.512
CLAIMS AND EXPENSES			
Gross claims paid	(21.990.488)	(64.387.628)	(86.378.116)
Claims recovered from reinsurers	16.194.681	29.702.429	45.897.110
Change in provision for outstanding claims – Gross	(10.338.376)	(8.741.887)	(19.080.263)
Change in provision for outstanding claims – Reinsurance	2.382.665	4.777.800	7.160.465
Claims and related expenses	(13.751.518)	(38.649.286)	(52.400.804)
Commissions and taxes paid	(16.084.410)	(28.495.197)	(44.579.607)
Commissions and taxes received from reinsurers	12.775.427	17.831.975	30.607.402
Interest on premium reserve	-	310.227	310.227
Interest on premium reserve – reinsurance	(103.006)	(315.229)	(418.235)
Change in deferred acquisition cost – Gross	2.830.478	2.346.263	5.176.741
Change in deferred acquisition cost – Reinsurance	(2.620.530)	(1.849.417)	(4.469.947)
Deferred acquisition costs, commissions and taxes	(3.202.041)	(10.171.378)	(13.373.419)
Gross underwriting profit	18.301.239	10.082.050	28.383.289
Technical income	-	1.454.043	1.454.043
Technical expenses	(5.648.040)	(4.107.742)	(9.755.782)
Net underwriting profit	12.653.199	7.428.351	20.081.550

26. Movements in insurance liabilities and assets - Company

	Year ended 31 December, 2009		
	Gross US$	Reinsurance US$	Net US$
Claims			
Claims outstanding	135.176.153	106.388.850	28.787.303
IBNR	20.585.666	14.035.666	6.550.000
Total at beginning of year	155.761.819	120.424.516	35.337.303
Increase in provision for the year	157.027.398	79.350.498	77.676.900
Claims settled during the year	(99.884.975)	(52.238.951)	(47.646.024)
Balance at end of year	212.904.242	147.536.063	65.368.179
Unearned premium			
At beginning of year	63.387.186	34.326.135	29.061.051
Increase/(decrease) in provision during the year	41.378.847	18.318.405	23.060.442
Balance at end of year	104.766.033	52.644.540	52.121.493
Deferred acquisition cost			
At beginning of year	17.434.475	13.669.186	3.765.289
Increase/(decrease) during the year	11.840.593	5.169.262	6.671.331
Balance at end of year	29.275.068	18.838.448	10.436.620

	Year ended 31 December, 2008		
	Gross US$	Reinsurance US$	Net US$
Claims			
Claims outstanding	116.095.889	99.228.384	16.867.505
IBNR	20.585.666	14.035.666	6.550.000
Total at beginning of year	136.681.555	113.264.050	23.417.505
Increase in provision for the year	75.955.016	48.713.483	27.241.533
Claims settled during the year	(56.874.752)	(41.553.017)	(15.321.735)
Balance at end of year	155.761.819	120.424.516	35.337.303
Unearned premium			
At beginning of year	47.067.110	29.322.040	17.745.070
Increase/(decrease) in provision during the year	16.320.080	5.004.094	11.315.986
Balance at end of year	63.387.190	34.326.134	29.061.056
Deferred acquisition cost			
At beginning of year	12.257.736	9.199.237	3.058.499
Increase/(decrease) during the year	5.176.741	4.469.949	706.792
Balance at end of year	17.434.477	13.669.186	3.765.291

27. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Group

	Year ended 31 December, 2009			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
Gross premiums from:				
- Trust Underwriting Ltd	-	-	47.872.607	47.872.607
- Arab region	42.720.277	30.557.725	-	73.278.002
- Asia	28.105.446	42.780.815	-	70.886.261
- Far and South East Asia	30.353.881	27.501.952	-	57.855.833
- Africa	11.242.178	1.018.591	-	12.260.769
	112.421.782	101.859.083	47.872.607	262.153.472

	Year ended 31 December, 2008			
	Facultative US$	Treaty US$	Trust Underwriting Limited US$	Total US$
Gross premiums from:				
- Trust Underwriting Ltd	-	-	44.510.619	44.510.619
- Arab region	37.586.328	21.696.758	-	59.283.086
- Asia	25.885.596	48.077.385	-	73.962.981
- Far and South East Asia	21.227.862	11.375.760	-	32.603.622
- Africa	6.315.812	552.476	-	6.868.288
	91.015.598	81.702.379	44.510.619	217.228.596

27. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Company:

	Year ended 31 December, 2009		
	Facultative US$	Treaty US$	Total US$
Gross premium from:			
- Arab region	42.720.277	30.557.725	73.278.002
- Asia	28.105.446	42.780.815	70.886.261
- Far and South East Asia	30.353.881	27.501.952	57.855.833
- Africa	11.242.178	1.018.591	12.260.769
- Quota share with Trust Underwriting	-	45.085.078	45.085.078
	112.421.782	146.944.161	259.365.943

	Year ended 31 December, 2008		
	Facultative US$	Treaty US$	Total US$
Gross premium from:			
- Arab region	37.586.328	21.696.758	59.283.086
- Asia	25.885.596	48.077.385	73.962.981
- Far and South East Asia	21.227.862	11.375.760	32.603.622
- Africa	6.315.812	552.476	6.868.288
- Quota share with Trust Underwriting	-	41.760.818	41.760.818
	91.015.598	123.463.197	214.478.795

28. Related party transactions - Company

These represent transactions with related parties (i.e. holding company, companies related to the holding company and other related parties) in which the company enters during its normal course of business.

These transactions are approved by the directors who consider these to be at normal arm's length terms with third parties.

The balances with the related parties as at the balance sheet date are disclosed in notes 13 and 23 to the financial statements.

The company entered into the following trading transactions with related parties during the year:

		Related companies US$
a) Written premiums	- 2009	2.895.388
	- 2008	790.511
b) Commissions	- 2009	312.929
	- 2008	143.677
c) Claims paid	- 2009	-
	- 2008	-
d) Dividend income	- 2009	23.595
	- 2008	21.450
e) Management fees	- 2009	591.189
	- 2008	378.232

29. Directors' remuneration

The remuneration and other benefits paid to two directors of the company during the year was US$584.748 (2008: US$615.077).

30. Claims development – Company

Gross	Underwriting year					(US$ '000)
	2005/06 US$	2006/07 US$	2007/08 US$	2008/09 US$	2009/10 US$	Total US$
At end of underwriting year	14.572	1.649	468	3.672	1.400	
- One year later	44.169	44.205	36.439	63.158		
- Two years later	74.006	68.776	77.499			
- Three years later	85.368	70.549				
- Four years later	87.105					
Current estimate of incurred claims	87.105	70.549	77.499	63.158	1.400	299.711
Cumulative payments to date	(76.709)	(52.587)	(41.023)	(9.961)	425	(179.855)
IBNR	1.846	4.236	8.413	20.350	5.742	40.587
Liability at end	12.242	22.198	44.889	73.547	7.567	160.443
Liability in respect of prior years						52.461
Total Liability included in the balance sheet						212.904

Net	Underwriting year					(US$ '000)
	2005/06 US$	2006/07 US$	2007/08 US$	2008/09 US$	2009/10 US$	Total US$
At end of underwriting year	3.691	682	302	2.508	484	
- One year later	11.324	8.311	15.463	26.244		
- Two years later	18.411	15.002	33.611			
- Three years later	21.503	16.237				
- Four years later	22.026					
Current estimate of incurred claims	22.026	16.237	33.611	26.244	484	98.602
Cumulative payments to date	(19.631)	(12.357)	(17.256)	(4.647)	212	(53.679)
IBNR	374	1.067	3.151	7.238	4.093	15.923
Liability at end	2.769	4.947	19.506	28.835	4.789	60.846
Liability in respect of prior years						4.522
Total Liability included in the balance sheet						65.368

31. Contingent liabilities

The company has issued a guarantee on behalf of a subsidiary for approximately US$11.30 million (Stg£ 8,738,333) which is secured by the company's bank balances and other securities provided by the ultimate holding company (note 14). The directors are satisfied that the prospect of any loss arising under this guarantee is unlikely.

Furthermore, there is a claim against the company of approximately US$2.30 million (BHD 883.79) by the contractor who erected the new Company building. The Company has a counter claim against the contractor for time delay in delivering the job. The Company's management believe that no provision should be set for this amount.

In addition, the Company has issued another guarantee of approximately US$1.25 million (€875.000) during the year as a statutory requirement by the Superintendent of Insurance in Cyprus.

The subsidiaries did not have any contingent liabilities as at the year end.

32. Capital commitments

The group had no capital commitments as at 31st December, 2009.

33. Comparative figures

Certain comparative figures for the year ended 31st December, 2008 have been reclassified in order to be consistent with the current year's presentation.

34. Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets of the company and subsidiaries include cash and cash equivalents, deposits, investments and receivables.

Financial liabilities of the company and subsidiaries include payables to insurance and reinsurance companies and other creditors and accrued liabilities.

The risks involved with financial instruments and the approach to controlling such risks are explained below:

Reinsurance risk

In order to control financial exposure arising from large claims, the company in its normal course of business enters into agreements with other parties for reinsurance purposes. This is a common practice in the reinsurance industry.

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and consequently the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

In order to limit its exposure to significant losses that might arise from large claims from insolvent reinsurers the company continuously evaluates its reinsurers' financial condition and follows up developments in their areas of operations.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's reporting currency is the United States Dollar. The company does not have significant exposure in other currencies, other than those recognised and disclosed in the Financial Statements.

Market risk

Market risk is the risk that the value of a financial instrument or property will fluctuate as a result of changes in market prices. The company and group are exposed to market risk with respect to its investments in quoted securities, investment properties and stock.

The company limits its market risk by maintaining a conservative investment portfolio and continuously monitoring the related stock and property market values and the factors which affect their performance.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company has time deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing time deposits. The company limits interest rate risk by following up changes in interest rates in the currencies in which its time deposits are denominated. During the year the average effective interest rate on the time deposits, which were denominated in US Dollars was 4%.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company employs certain policies and procedures in order to maintain credit risk exposures within reasonable limits.

The company monitors receivables on an ongoing basis and cedes its majority of business to reinsurers with satisfactory credit ratings.

The credit risk on liquid funds is limited, as the counter parties are well known banks, with high credit rating by international credit rating agencies.

The maximum exposure to credit risk for the company is represented by the carrying amount of each financial asset as disclosed in the financial statements.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and the management is confident that sufficient funds are available to meet any commitments as they may arise.

Concentration risk

The company and subsidiaries are aware of the concentration risks attributed to various assets. Efforts are made through the ERM Process in order to minimize such risk.

In addition to the above, the Corporate Capital subsidiary also has the following risks:

Syndicate risk

The syndicate's activities expose one subsidiary to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet the share of claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, of a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary queried . If the company considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

Regulatory risk

The company is subject to continuing approval by Lloyd's and the Financial Services Authority to be a member of Lloyd's a syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

35. Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

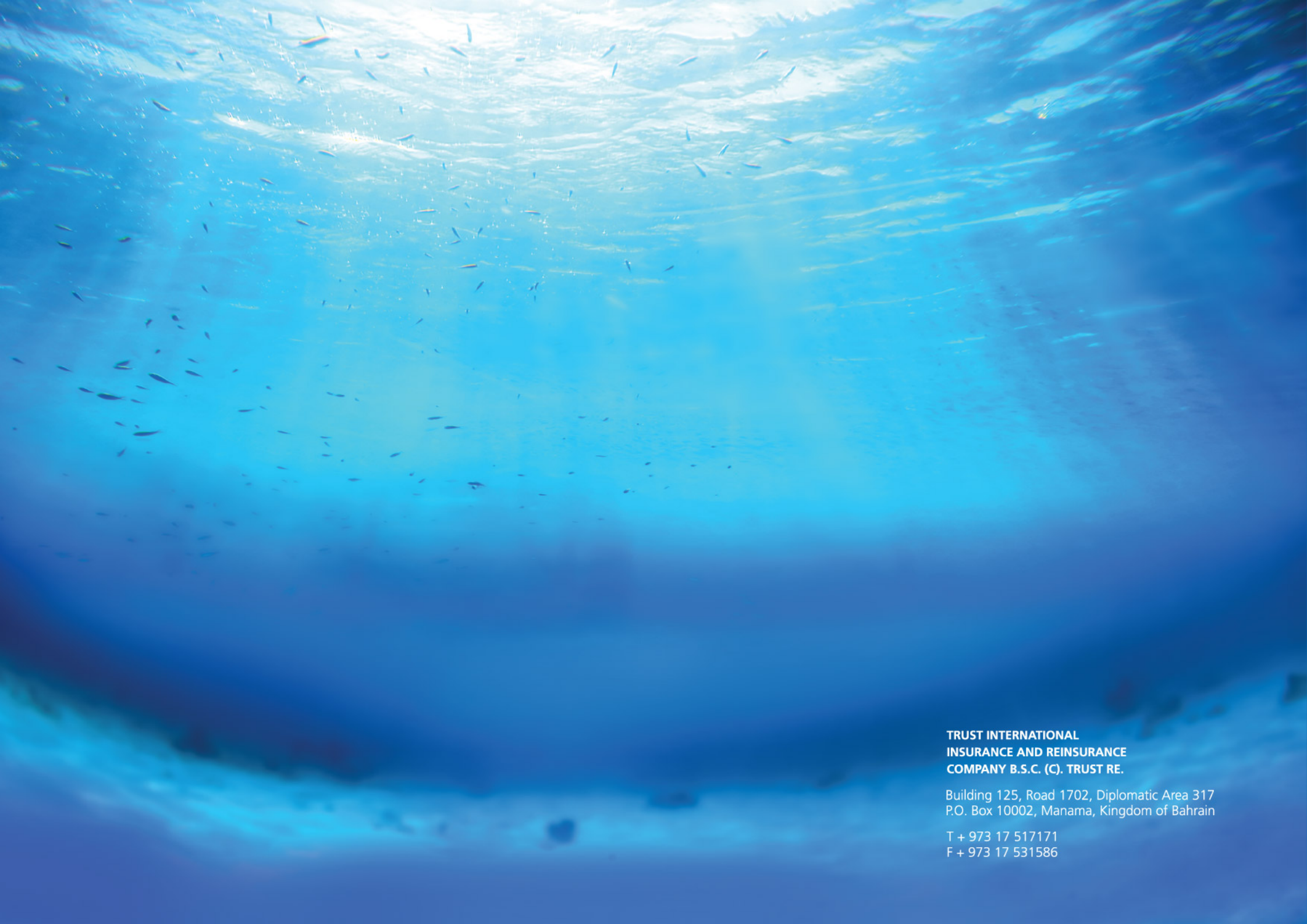
The fair value of assets and liabilities, approximate their carrying values at the balance sheet date, assuming the company will continue as a going concern without any intention or need to liquidate, undertake transactions on adverse terms or materially discontinue its operations.

36. Post balance sheet events

During 2010, the Company has established a 90% subsidiary company in the Kingdom of Bahrain, called Afro Asian Assistance, in order to carry out travel assistance services.

37. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 10th March, 2010.



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