TRUST RE

REINSURER OF CHOICE

TRUST RE ANNUAL REPORT 2016

Trust International
Insurance and Reinsurance Company
B.S.C. (c) Trust Re
Consolidated and Company's
Separate Financial Statements
31 December 2016

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TRUST RE
REINSURER OF CHOICE

Cai Lun
Guiyang, China

Muhammad Salih Thattvi
Sindh Province, Pakistan

Mariam Al-Astrulabi
Aleppo, Syria

Abu Al Qasim Al Zahrawi
Cordoba, Spain (Descendant from the Ansar Tribe of Arabia)

The push for innovation has become ever stronger in recent years with the realisation that successful companies in today's business world will be those whose teams focus on coming up with new ideas, products and services that add value. Moreover, innovation is also a mindset whereby people have the aptitude for discovery and development.

As such, in this year's Annual Report, the Trust Re team has chosen to pay tribute to inventors of the ancient world as a means of emphasizing the importance which innovation has always had.

Company Profile

Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re, was incorporated in 1981 in the Kingdom of Bahrain as an Exempt Company with a fully paid-up share capital of US$ 15 million. Following the successful development of the business and the excellent results of the operation, the authorised capital was increased to US$ 500 million and the issued and paid-up capital increased to US$ 250 million in 2016.

The majority of the issued share capital (99.1%) is owned by Nest Investments (Holdings) Ltd. Jersey.

The Company's pattern of shareholding throughout the year, ending 31 December 2016, is shown in the tables below:

Name of shareholder	Nationality	No. of shares at the beginning of the year	Change during the year	No. of shares at the end of the year
Nest Investments (Holdings) Limited	Jersey	1,982,140	495,535	2,477,675
Ghazi Kamel Abunahl	Jordan	17,860	4,465	22,325
Total		**2,000,000**	**500,000**	**2,500,000**

The details of changes during the year are as follows:

Name of shareholder	Capital increase against cash	Capital increase through bonus shares	Total
Nest Investments (Holdings) Limited	198,214	297,321	495,535
Ghazi Kamel Abunahl	1,786	2,679	4,465
Total	**200,000**	**300,000**	**500,000**

In addition to the security provided by the share capital, through its successful operations over the years, Trust Re enjoys strong relationships with blue-chip, international Reinsurers.

Trust Re operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region, North Asia and South-East Asia), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries, Cyprus and Turkey. Trust Re is a reinsurance company writing life and non-life Facultative and Treaty business.

From its early days, Trust Re has positioned itself to play a leading role in Engineering, Property, as well as Oil & Energy insurance business. The Company has obtained particular knowledge and expertise in the Afro-Asian markets to the extent that the Federation of Afro-Asian Insurers & Reinsurers (FAIR) chose Trust Re to manage the FAIR Oil & Energy Insurance Syndicate.

Vision, Mission and Values

Vision	"Reinsurer of Choice"
Mission	To be innovative in providing reinsurance solutions and prompt responses, always.
Values	Trust, Dynamic and Team Spirit

A Message from the Chairman

In spite of increased competition and softening conditions in the reinsurance industry, Trust Re is proud to maintain its position in the market and to report a profitable performance for both the Company and Group in 2016.

Throughout the year, continuous endeavours were made to enrich our value proposition by means of thought leadership, additional corporate risk solutions such as Aviation and Surety, and frequent market visits by our technical teams to engage with stakeholders. We continue to be well positioned to safeguard our business and our partners' security in this challenging trading environment.

In the last quarter of the year, the authorised capital was increased to US$ 500 million and the issued and paid-up capital was increased to US$ 250 million. This development was consistent with our strategic planning and risk tolerance, and will enable us to meet our objectives of further expanding our operations. Equity grew compared to the previous year, amounting to US$ 487.2 million at 31 December 2016 (2015: US$ 429.6 million).

Working towards our vision to become "The Reinsurer of Choice" encompasses various strategic projects. During the 2nd quarter, our subsidiary Trust Insurance Management W.L.L. (TIM) was approved as a Lloyd's Coverholder allowing it to access higher rated capacity and potential underwriting across the Lloyd's geographical licensed platforms, both on an insurance and reinsurance basis. Furthermore, TIM provides access to Lloyd's expertise in specialty insurance classes and benefits from Lloyd's A+ financial strength.

Following on from the official opening of our Representative Office in Casablanca, Morocco the previous year, we are pleased to report that 2016 saw growth in our African portfolio and stronger positioning of our company in North and West Africa as a result.

In August, both A.M. Best and Standard & Poor's reaffirmed our financial strength rating of A-, reflecting our extremely strong risk-based capital adequacy and well-diversified business portfolio spread across various geographies. Moreover, S&P upgraded the ERM status to 'adequate with strong risk controls'.

During the course of the year, we embraced the opportunities of ERM in order to create value and further build partners' trust.

In 2016, the Company completed its transition to the new SAP Governance, Risk and Compliance (GRC) platform that runs its ERM processes, and the first stage of Company-wide Risk Assessment Review was carried out via the new system. Moreover, the Company's integrated Business Continuity Management (BCM) system was enhanced with the testing phase, which will go on in 2017 as part of continuous improvements.

In September, we welcomed Dr. Chérif Chentir to the Board as an independent non-executive member for a full 3-year term. Dr. Chentir brings a wealth of knowledge to the Company's Boardroom with his extensive experience in Europe and the MENA region. We are confident that Trust Re will continue to benefit from the guidance offered by a further enhanced Board.

Corporate citizenship is important for our Company; to give back to the communities which have helped us thrive is key to our philosophy and so we took on several charitable projects in the places in which we live and work.

Lastly, and on behalf of the Board of Directors, I would like to express my sincere thanks to all clients, producers, business associates and staff for their unfailing trust and support.

Kamel Abunahl
Chairman
29 March 2017

Cai Lun

Guiyang, China

Cai Lun was a Han dynasty Chinese official who is traditionally regarded as the inventor of paper and the papermaking process, in forms recognizable in modern times as paper (as opposed to papyrus).

Although early forms of paper had existed in China since the 2nd century BC, he was responsible for the first significant improvement and standardization of paper-making by adding essential new materials into its composition. There is a legend that says Cai received inspiration for making paper from watching paper wasps make their nests. Tools and machinery of papermaking in modern times may be more complex, but they still employ the ancient technique of felted sheets of fiber suspended in water, draining of the water, and then drying into a thin matted sheet.

For this invention Cai would be world-renowned posthumously, and even in his own time he was given recognition for his invention.

Source: www.britannica.com

Establishing a physical presence in China remains one of Trust Re's strategic objectives. China is one of the largest countries within our territorial scope and significant growth against budget was recorded from this market in 2016.

Board of Directors

The Board of Directors consists of three distinct groups namely Shareholder Representatives, Executive Directors and independent non-executive Directors. The Board's role is to set the overall strategic direction, approve business plans and monitor the overall performance of the business against the approved plans and within a framework of sound corporate governance. Non-executive members are elected for three year terms subject to the Central Bank of Bahrain's rules. They enhance the overall knowledge and expertise of the Board and provide oversight functions through various Board Committees.

During 2016, the Board of Directors held 5 meetings, 4 of which took place in Bahrain. On 4 occasions, the meeting was preceded by a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC).

Board Composition

Name	Position	Committee Role	Attendance in 2016
Kamel Abunahl	Non-Executive, Chairman	Member of N&RC	5
Frixos Savvides	Deputy Chairman, (independent non-executive)	Chairman of N&RC	5
Fadi AbuNahl	Group Chief Executive Officer		5
Ghazi Abunahl	Member (Shareholder Representative)	Member of N&RC	4
Mehran Eftekhar	Member and Board Secretary (Shareholder Representative)	Member of AC & RC	4
Prof. Derek Atkins	Member (independent non-executive)	Chairman of RC and member of AC	5
Ferid Benbouzid	Member (independent non-executive)	Member of N&RC	4
Bakary Kamara	Member (independent non-executive)	Member of AC & RC	4
Stavros Stavrou	Member (independent non-executive)	Chairman of AC and member of RC	5
Dr. Chérif Chentir	Member (independent non-executive)	Member of AC & RC	2

From left to right
Front row: Stavros Stavrou, Bakary Kamara, Kamel Abunahl, Ferid Benbouzid, Prof. Derek Atkins, Dr. Chérif Chentir
Back row: Fadi AbuNahl, Frixos Savvides, Mehran Eftekhar, Ghazi Abunahl

Kamel Abunahl has been active in the insurance industry for more than 20 years, including a period of secondment in a Lloyd's Syndicate in London. Moreover, Kamel also holds a diploma in Company Direction through the Institute of Directors in the UK.

Frixos Savvides is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) with more than 38 years of experience in a public auditing firm as well as the public sector, including 4 years as Minister of Health in the Cypriot government. He serves as an independent, non-executive Board member on a number of international companies including regulated and publicly quoted companies.

Fadi AbuNahl has been working in the insurance industry for 19 years. From rating upgrades to A- by A M Best and S&P, to expanding its geographical footprint and multiplying its capital from $75m to $250m, Trust Re under Fadi's leadership witnessed tremendous growth in many directions since 2006. It has been characterised by diversification in classes of business and consistent investment in human capital.

Ghazi Abunahl's experience in the insurance industry spans over 40 years, including membership of Lloyd's of London, as a Name. In 2008, Mr. Ghazi Abunahl was elected Chairman of the Board of Directors of the World Trade Center Association New York. He was re-elected in that role in 2010, 2012 and 2015.

Mehran Eftekhar is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW) and has over 40 years of experience in the private sector of finance and corporate services. He serves as a non-executive Director of a number of Group companies. Mehran is also Head of Group Corporate Services at parent company level. Additionally, he is a Chartered Director and a Fellow member of the Institute of Directors in the UK.

Professor Derek Atkins teaches risk management, reputational risk and insurance at CASS Business School, London, UK. He is the co-author of many esteemed publications on risk management and insurance. Previously he held the position of Director of Strategy of a major insurance company in the UK.

Ferid Benbouzid has a distinguished career of over 38 years in public service, insurance and reinsurance, and banking. He also serves on various Boards as a non-executive Director and Chairman.

Bakary Kamara is presently Executive Chairman of Gras Savoye Mauritania and an international consultant. A postgraduate in insurance law, he holds and has held numerous professional affiliations and directorships. For 18 years, until 2011, Bakary was Managing Director/Chief Executive Officer of the African Reinsurance Corporation. He is also a member of various boards of re/insurance companies and banks.

Stavros Stavrou a Chartered Accountant (Institute of Chartered Accountants in England and Wales [ICAEW] is a member of the Association of Certified Public Accountants of Cyprus and a member of the Chartered Institute of Internal Auditors UK and Ireland. He has more than 30 years of experience in progressively senior executive and financial roles. Mr. Stavrou also sits on the Board of a bank, an insurance company and is Chairman of a Shipping Group of Companies.

Dr. Chérif Chentir brings to our organisation a wealth of experience in the insurance and reinsurance business, having spent 28 years with SCOR and Hannover Re. His regional business knowledge in Europe and MENA is very extensive. Dr. Chentir is a member of the Audit and Risk committees.

Mr. Jamal AbuNahl resigned as a Director on 15th May 2016.

Board Committees

The Board's oversight committees, namely Nomination & Remuneration, Risk and Audit, are an essential part of the Corporate Governance and Risk Management processes, ensuring that the Company always conducts itself appropriately whilst achieving commercial targets.

The Committees assist the Board with its decisions and actions by providing detailed and updated information. All committees met at least 5 times during the past year and submitted written reports to the Board of Directors for full consideration.

Nomination and Remuneration Committee

Frixos Savvides	Chairman
Ghazi Abunahl	Member
Kamel Abunahl	Member
Ferid Benbouzid	Member
Mufid Sukkar	Secretary

The Committee's primary functions are to: assess required and necessary competencies of Board members, enhance the collective knowledge of the Board through bespoke training/education, review Board succession plans, evaluate the 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.

The Committee also monitors the overall organisational structure and ensures that executive succession planning is in place. Lastly the Nomination and Remuneration Committee (N&RC) develops, recommends and reviews corporate governance guidelines and, in coordination with the Company's Compliance Officer, ensures Trust Re's compliance with the corporate governance rules, regulations, policies and guidelines.

Audit Committee

Stavros Stavrou	Chairman
Professor Derek Atkins	Member
Bakary Kamara	Member
Mehran Eftekhar	Member
Dr. Chérif Chentir	Member
Eman Hafedh	Secretary

The Audit Committee operates as a representative of the Board of Directors from whom it receives its powers to perform its corporate governance responsibilities. The Committee's composition, competence, independence and expertise are strongly correlated with Trust Re's corporate governance.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the performance of the external auditor and internal audit function, and the company's process for monitoring compliance with laws and regulations.

Therefore, the Committee helps the Company achieve an organisation-wide commitment to have strong and effective internal controls, emanating from the tone at the top.

Risk Committee

Professor Derek Atkins	Chairman
Bakary Kamara	Member
Stavros Stavrou	Member
Mehran Eftekhar	Member
Dr. Chérif Chentir	Member
Marios Argyrou	Secretary

Fadi AbuNahl, the Company's CEO, is the Risk Sponsor and Marios Argyrou, Head of Actuarial & Risk Management Department, is the Risk Champion.

The Risk Committee, (whose members are the same as those of the Audit Committee, but with a different Chairman), assists the Board in fulfilling its oversight responsibilities for the identification, analysis, assessment, embedding and management of all the risks which the Company faces, both operational and technical, and which may have a financial impact on operations.

The Committee also monitors compliance with the laws and regulations in the territories of operation, including anti-money laundering, as well as the code of conduct.

Roles of the Chairman and the 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 non-executive Chairman of the Board, Kamel Abunahl, is responsible for leading and ensuring the effectiveness of the Board functions, in line with the Board terms of reference as well as their conduct and meetings.

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

Board Memberships

The below lists summarise the directorships held by the members of the Board of Directors of Trust Re.

Kamel Abunahl

Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Trust International Insurance Co. Plc. (Palestine)
Trust Holdings Ltd.
Trust International Insurance Company (Cyprus) Ltd.
Compass Insurance S.A.L.
Trust Yemen Insurance & Reinsurance Co. (Y.S.C.)
Trust Algeria Holding
Trust Bank Algeria
Trust Algeria Assurances Reassurances
Trust Real Estate
Trust Industry
Nest Investments Holdings (Cyprus) Ltd.
Nest Investments (Holdings) Ltd.
World Trade Centers Holdings (Cyprus) Ltd.
Signature Holding (Cyprus) Ltd.
World Trade Centers Saudi Holding. Ltd.
Jordan Expatriates Investment Holding Co.
Aegean Properties Ltd.
Texas International Underwriters Inc.
World Trade Center Perth
World Trade Center Perth (30 Beaufort Street)

Fadi AbuNahl

Nest Investments (Holdings) Ltd.
Nest Investments Holdings (Cyprus) Ltd.
Afro Asian Assistance B.S.C.
Texas International Underwriters Inc.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Trust Algeria Investment Company
Ventura Del Mar SA Ltd.
World Trade Center Perth
World Trade Center Perth (30 Beaufort Street)

Ghazi Abunahl

Nest Investments (Holdings) Ltd.
Nest Investments Holdings (Cyprus) Ltd.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Trust Bank Algeria
Trust Algeria Holding
Trust Algeria Assurances Reassurances
World Trade Center Association Inc.
Trust Syria Insurance Co.
Trust Industry
Trust Real Estate
Nest Investment Property Ltd.
Arab Insurance Institute
Oman Reinsurance Company S.A.O.C.
World Trade Centers Saudi Holding. Ltd.
World Trade Center Doha
Jordan Expatriates Investment Holding Co.
Aegean Properties Ltd.

Ferid Benbouzid

Trust Algeria Assurances Reassurances
IM Bank Tunisia
Arab Insurance Institute
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re

Prof. Derek Atkins

Enabl Ed Ltd.
Market Insurance Brokers Ltd.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Stour Federation
Trust Underwriting Limited
Reputability LLP

Mehran Eftekhar

Nest Investments Holdings (Cyprus) Ltd.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Trust International Insurance Company (Cyprus) Ltd.
Trust Holdings Ltd.
Trust Underwriting Limited
Market Insurance Brokers Ltd.
World Trade Center Association Inc.
Nest Investment Property Ltd.
World Trade Centers Saudi Co. Ltd.
World Trade Center Algeria Ltd.
World Trade Center Cyprus

Frixos Savvides

Trust International Insurance Company (Cyprus) Ltd.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Advent International Cyprus Ltd.
Lanitis Holdings Ltd.
Global Ship Lease
Hive Management Services Ltd.

Bakary Kamara

NSIA Holdings
NSIA Nigeria
Africa Retakaful
NSIA Banque (ex-BIAO), Cote d'Ivoire
Africa Re (South Africa)
Orabank – Mauritania
Gras Savoye Mauritania
Aveni Re
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re

Stavros Stavrou

Omnistock Limited
Kolossos Investments Limited
Maheras Constructii Limited
Tria Sigma Limited
Trust International Insurance Company (Cyprus) Ltd.
Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re
Mejora Ltd.
Landalone Ltd.
Reparto Ltd.
SSHH Six Star Holdings Ltd.
Montsee Ltd.
Orlicks Enterprises Ltd.
Oceanfleet Shipping Ltd.
Tong Kai Investments Ltd.
SAS Consulting Ltd.
SSF Group Holdings Ltd.
SSF Properties Ltd.
SSF Shipping Ltd.
SSF Investments Ltd.
National Bank of Greece (Cyprus) Ltd.

Dr. Chérif Chentir

Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re
Kuwait Re

Corporate Governance

We continue to comply with best corporate governance practices to the best of our knowledge and abilities. Our "unitary" Board of Directors consists of a balanced mix of highly qualified and experienced independent directors, as well as executive and shareholder representatives. They set out the long-term goals of the organisation, within a legal and compliance framework, for the executives to follow. The Board's three oversight committees monitor the conduct of the organisation in relation to the management of Audit, Risk and Nomination & Remuneration. During 2016, the three committees met on 5 occasions and submitted formal reports to the Board of Directors for notification, decision-making or approval.

The Central Bank of Bahrain is recognised as Trust Re's regulator and we fully commit to comply with their directives and Corporate Governance guidelines. Our Corporate Governance guidelines are regularly reviewed/enhanced by active and fully qualified staff in Legal and Compliance departments. They closely monitor the Central Bank of Bahrain's corporate governance rules and the High Level Controls module of the CBB rulebook, making sure that we maintain awareness of the latest guidelines and file all the necessary forms and reports in an accurate and timely manner.

In 2016 we engaged a corporate governance expert to interview all board members, attend one of our board meetings and give us comprehensive feedback on the effectiveness of our board performance. His report was largely positive with suggestions for minor alterations, which we are in the process of implementing. Looking ahead, we intend to conduct two further annual board self-assessments by tasking board members to complete a questionnaire, followed by a full external assessment in the third year.

The Company has included a Corporate Governance report as an agenda item for its Annual General Meeting.

Company Structure

Trust Re is structured around four pillars namely **Corporate Services, Operations, Finance and Risk**, each with its own specific focus. The heads of the four pillars report directly to the Group Chief Executive Officer (GCEO).

Group Corporate Services provides support to the other functions of the Company. Incorporated in the pillar is the Administration and Property function which ensures maximum efficiency in our day to day activities and maintenance of our office premises; Planning & Performance Management which ensures that approved Company strategies are applied throughout each department; Corporate Communication which is responsible for maximising the value of our established and well recognised brand, and the IT department supports the whole operation by means of optimal IT infrastructure and solutions.

Operations which comprises Underwriting, Technical Accounts, Technical Audit, Risk Engineering and the Claims departments, is the core of Trust Re. The Head Office and our branches in Cyprus and Labuan (Malaysia) each have their own territorial scope with regard to underwriting. The representative office in Morocco, the Liaison Office in India and Texas International Underwriters (TIU) also belong to this pillar.

The **Risk** pillar concentrates on risk management. Its functions include the Actuarial and Risk Management Department which provides the business intelligence to strike the right balance between risk and reward; Retrocession; the Legal Department which is responsible for managing all the legal aspects of the Company with its stakeholders; the reporting line from both the Audit and Compliance departments which remain independent and also have direct reporting lines to their respective Board Oversight Committees.

The **Finance** pillar incorporates a strong Finance, Credit Control and Asset Management department which supports the underwriting by providing administrative and investment expertise.

Outside the scope of the four pillars, Trust Re Human Resources Department provides expert Human Capital services which include: engagement, talent acquisition, compensation and benefits, learning and development as well as leadership development and employee relations across the Trust Re Group. Given its strategic role, the Human Resources Department reports directly to the GCEO.

Risk-based Internal Audit

Internal Audit (IA) is an independent, objective, assurance and consulting function, which is responsible for adding value and improving the company's operations. IA helps the company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission of the IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The IA's vision is to be viewed as a trusted advisor, recognised as a driving force behind a culture of governance, accountability, compliance and execution that helps in the achievement of the company's objectives.

IA, in the discharge of its duties, is accountable to the Audit Committee and the Board of Directors. For preservation of its independence, the IA reports functionally to the Audit Committee as stipulated in its Charter.

The Internal Audit function delivers increased risk coverage and measurable value to the business by identifying and performing audits across the company's value chain. To achieve this, the IA has a Strategic Internal Audit Plan which provides a framework for performing and promoting a broad range of value-added internal auditing activities.

Moreover, the IA produces a three-year Risk-Based Internal Audit Plan after performing an extensive risk assessment. The plan is approved by the Audit Committee and revisited regularly to allow the flexibility in a changing risk environment.

On a regular basis, the Audit Committee is updated on the progress of the audit activities, the initiatives undertaken by the IA as well as the status of management actions.

In order to increase the level of assurance, reduce inefficiencies, and better leverage subject matter expertise, IA optimizes collaboration with the executive management and other risk and control functions when carrying out its duties.

IA is continuously evolving to a modern function with adequately skilled and knowledgeable staff thus ensuring that it proactively reacts to the constantly changing business environment within which Trust Re Group functions.

Compliance

A strong compliance culture reflects high ethical standards and integrity, through which the Board and senior management lead by example. At Trust Re, we believe in order for compliance culture to be successful, it should be driven from the top and have the right "tone".

Trust Re remains committed to adhering to all laws and regulations, as well as maintaining and promoting strong ethical standards.

The Compliance Department ensures conformity with applicable requirements of the Kingdom of Bahrain and those set by the Central Bank of Bahrain (CBB), as well as those established under any other statute or regulator to which Trust Re Group is subject. The Compliance Department is also the Company's focal contact vis-à-vis the regulatory authorities.

Our compliance commitments are managed by an independent unit that operates across our various businesses. The Head of Compliance and MLRO (CMLRO) is responsible for monitoring regulatory and financial crime compliance at the Company headquarters and branches, assisted by a Deputy Compliance Officer and MLRO.

The function of the Compliance Department is to oversee and monitor compliance with regulatory requirements and to ensure that Trust Re and each of its branches and subsidiaries continues to comply with the regulations of the country in which it operates; this includes matters relating to anti-money laundering (AML) and combating the financing of terrorism (CFT). Although the risks of money laundering and financing of terrorism activities in the reinsurance industry remain relatively low, the Compliance Department continues to exercise vigilance regarding any evolving threats that could potentially undermine confidence in Trust Re.

The Compliance Department provides advice to the Board, senior management and staff on legal and regulatory requirements impacting the Company. This includes keeping all stakeholders informed of legal and regulatory developments and providing the Board and senior management with an assessment of Trust Re compliance risk exposure and the Company's capacity to manage future compliance risks.

An evolving regulatory landscape and the expansion of operations into new markets potentially increases Trust Re's vulnerability to compliance risk and underscores the need for Trust Re to continuously focus on and manage compliance risk. In this respect, on a yearly basis, the Compliance Department develops the Compliance Annual Programme (CAP) which is approved by the Risk Committee. The main objective of the CAP is to promote the safety and

soundness of Trust Re by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. A comprehensive, robust and reliable risk-based compliance approach enables the Compliance Department to plan for the optimal use of staff resources. The implementation of the CAP is achieved by conducting Company headquarter and branch reviews.

Actuarial and Risk Management

As part of the ongoing Enterprise Risk Management (ERM) implementation plan, the department is responsible for building a risk awareness culture within Trust Re and reporting to the Risk Committee on all areas relating to the management of risk. Significant progress has been made towards the ERM initiative and embedding ERM in the Company culture, and this was recently recognised with S&P upgrading the ERM status to "Adequate with Strong Risk Controls".

In the last three years, the Actuarial & Risk Management Department (A&R) developed and delivered the Company's first Own Risk and Solvency Assessment (ORSA) Report accompanied by additional technical Risk Capital Modelling Reports for each of its rating agencies' models. ORSA is now well linked to risk appetite, capital management and the business planning process.

Furthermore, the Company has enhanced its risk management practices on Political Risk and Emerging Risk management and the A&R Department is now producing an annual Political Risk Report and Emerging Risk Report for the Company; the findings of which are being used for selected risk scenario derivation during the ORSA process and business planning period.

In 2016, the A&R Department has enhanced the Company's Integrated Business Continuity Management (BCM) with the testing phase which will continue in 2017 as part of the continued enhancement of the system. In addition, the BCM will be also be extended to incorporate the Company's branches. At the same time, a Reputational Risk Framework is available, strengthening the Company's ERM Framework even more.

CAT Risk Management practices (including monitoring of aggregate exposures) has been another area which was subject to further improvements, as shown in the annual CAT and Aggregate Monitoring Report which are prepared for this purpose.

The Company's ERM Framework has been improved further with the review and development of more risk-tolerance control reports as well as with the enhancement of both ERM and rating agencies related Management Information on many issues.

The Company's Cyprus Branch is now fully compliant with the Solvency II directive and is preparing for the implementation of Pillar 3 Reporting. In this regard, the A&R Department has also prepared its third Solvency II specific Forward Looking Assessment of Own Risk (FLAOR) Report. Risk-based decision making has also been evidenced during 2016 in relation to the Branch's future plans.

During the year, the A&R Department has converted the Company's Facultative Property and Onshore pricing models into web-based tools. The Company has also developed a Treaty proportional tool which is in its final stage of testing. The tools aim to embed the concept of risk management within the underwriting process. The tools help to mitigate the possible risks rooted in the rating process by providing underwriters with further insight into the nature of the risk. They are provided with actuarially calculated rates, broken down into various components. As such, the tools will help to ensure and support a thorough and consistent underwriting process since "bottom line is key" and improve the Company's capability of becoming the "Reinsurer of Choice".

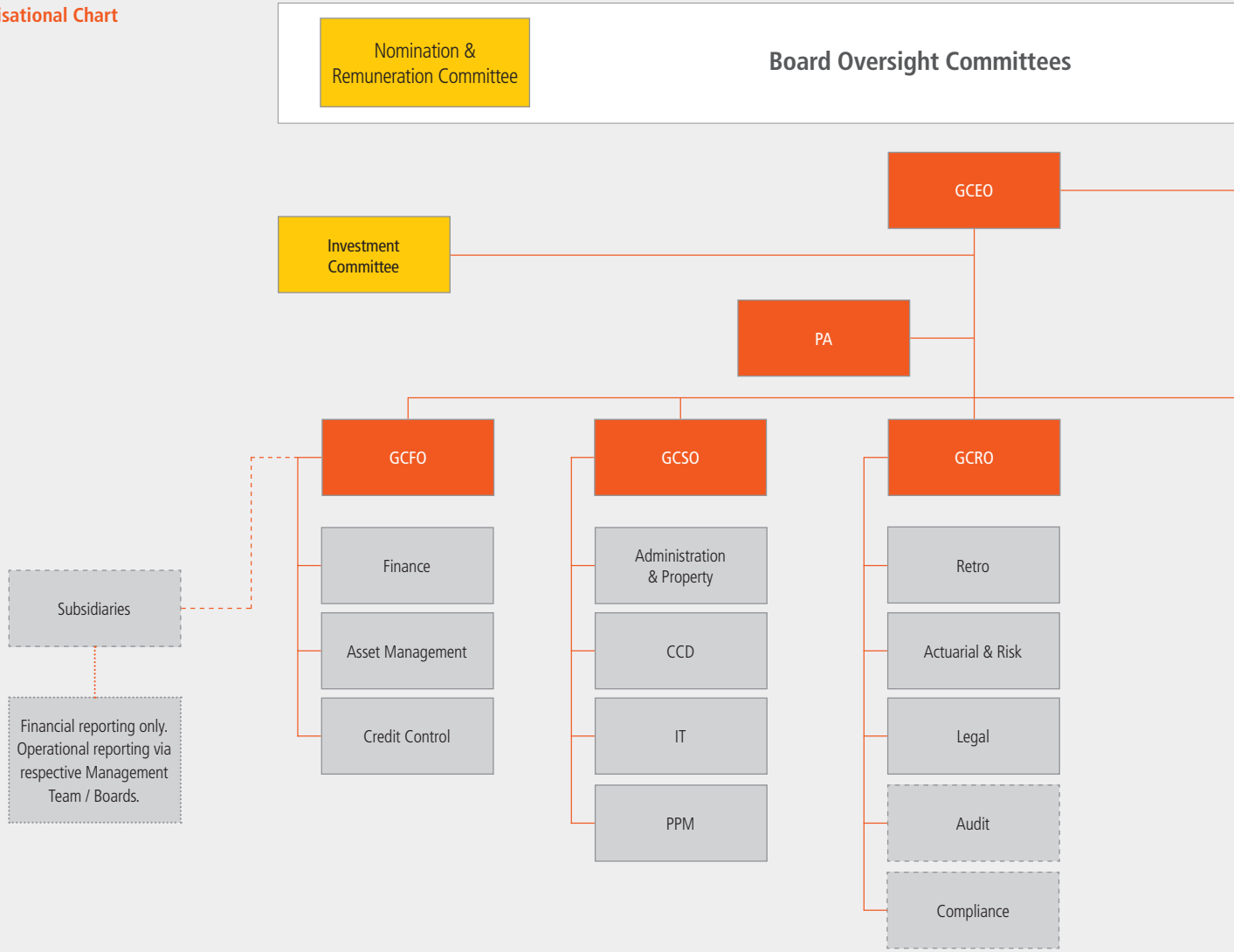
In 2016, the Company completed its transition to the new SAP Governance, Risk and Compliance (GRC) platform that runs its ERM processes, and the first stage of Company-wide Risk Assessment Review was carried out via the new system. In 2017, as part of the continued improvement of the Risk Management System, the GRC will be further expanded to include four additional module extensions – Key Risk Indicator (KRI), Incident Management, Issue Management and Policy Management.

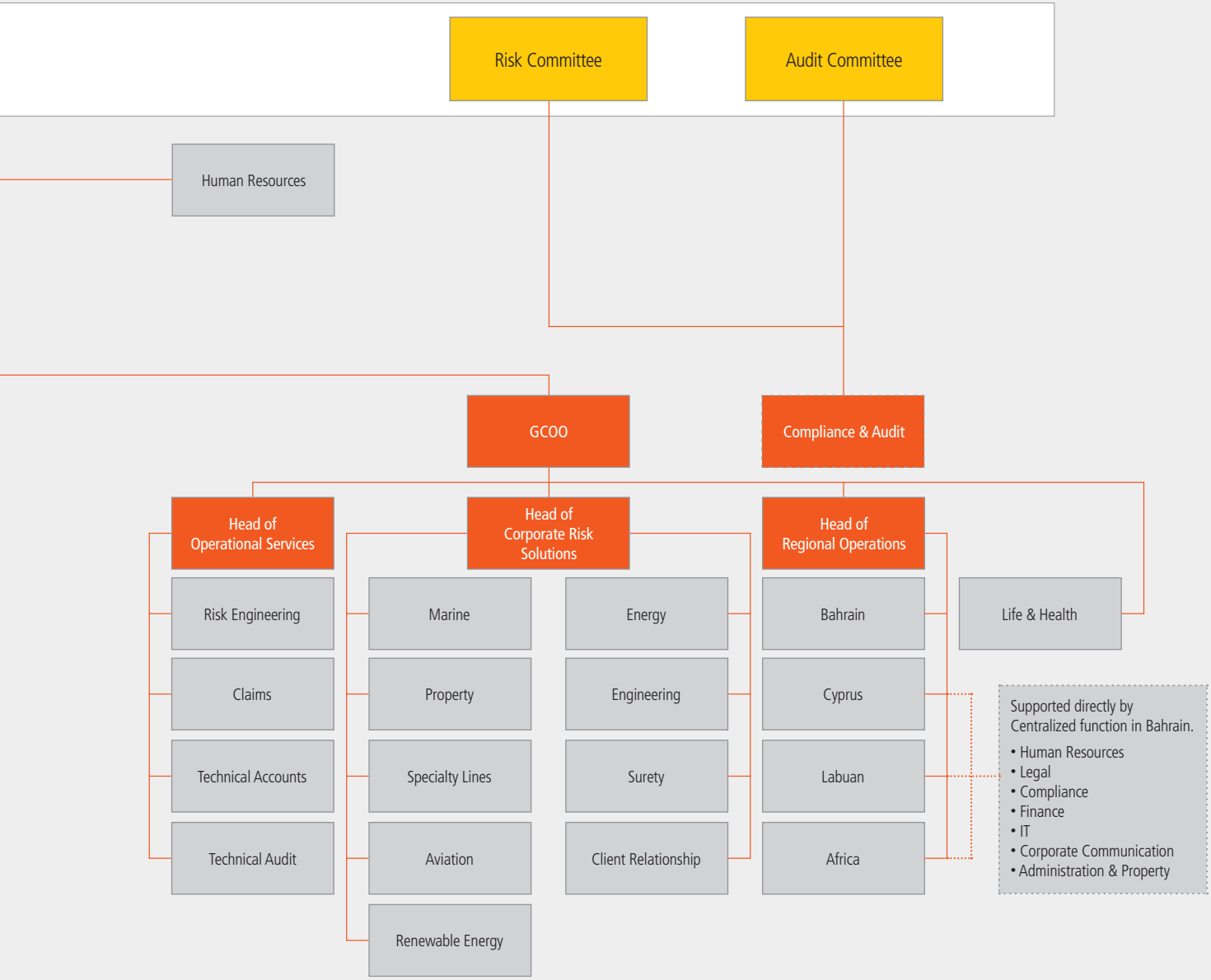
The process for converting the Company's internal capital model to a new platform that will provide greater flexibility and allow more input into the risk-based decision making process was initiated.

The Company is also in the process of extending its ERM framework across the Group's Subsidiaries.

Finally, during the year, the A&R Department also provided specific value-added ERM training and workshops to several of the Company's strategic clients.

Organisational Chart




Risk Committee
Audit Committee
Human Resources
GCOO
Compliance & Audit
Head of Operational Services
Head of Corporate Risk Solutions
Head of Regional Operations
Risk Engineering
Claims
Technical Accounts
Technical Audit
Marine
Property
Specialty Lines
Aviation
Renewable Energy
Energy
Engineering
Surety
Client Relationship
Bahrain
Cyprus
Labuan
Africa
Life & Health
Supported directly by Centralized function in Bahrain.
• Human Resources
• Legal
• Compliance
• Finance
• IT
• Corporate Communication
• Administration & Property

Muhammad Salih Thattvi

Sindh Province, Pakistan

Muhammad Saleh Thattvi was a Mughal metallurgist, astronomer, geometer and craftsman.

He was born and raised in Thatta, Sindh province in Pakistan, during the reign of the Mughal Emperor Shah Jahan and the governorship of the Mughal Nawab Mirza Ghazi Beg of Sindh. During those years young metallurgists were recruited, patronized and delivered to the Mughal court at Agra.

In 1559, Muhammad Saleh Thattvi headed the task of creating a massive, seamless celestial globe using a secret cire perdue method in the Mughal Empire, the famous celestial globe of Muhammad Saleh Thattvi is inscribed with Arabic and Persian inscriptions.

Twenty other such globes were produced in Lahore and Kashmir during the Mughal Empire. It is considered a major feat in metallurgy. Seamlessly cast globes continued to be made in Lahore up to the mid-nineteenth century.

Source: Wikipedia

Pakistan, a core market for Trust Re, is one of the South-Asian countries which presents increasing business opportunities for us. In our top ten markets, Pakistan was one of two countries where the maximum leader access ratio was 90%.

A Message from the CEO

Building resilience was a key component of our performance in 2016, a year in which soft market conditions and the threat of emerging risks prevailed.

Gross Written Premium (GWP) remained virtually unchanged at US$ 481.7 million (2015: US 475.9 million). Underwriting profit dropped year-on-year due to the prolonged soft market, to end the period at US$ 13.0 million (2015: 17.5 million).

Net profit achieved at 31 December 2016 was US$ 18.8m (2015: US$ 30.8m). Excluding a one-off gain on sale of shares (US$ 16.8m) during the first half of the prior year period, the performance of investment and finance income improved for 2016. This is evidenced in the total comprehensive income which rose by 56.6% to reach US$ 22.5 million (2015: US$ 14.4 million) as a result of enhanced management of the Group's invested assets.

Claims reserves were further strengthened to provide a cushion against possible future deterioration and also reduce potential volatility in results. This strong reserving approach will immunise against the impact of softening rates in 2017 on Group earnings. Again this year, Willis Towers Watson undertook a peer review of our reserves and found them to be in excess of their best estimate positions.

A robust balance sheet allowed us to invest in quality and innovation to better serve our business partners and come closer to our vision to be 'Reinsurer of Choice'.

During the year, we began a number of initiatives aimed at transforming our IT services; the role of technology is evolving from an enabler to a driver, and improved agility allows us better opportunities for cost savings, increased mobility and a competitive advantage.

Furthermore, we increased our involvement in Oman Re as a strategic partner, with the aim of improving its operational capabilities and financial performance.

In August, both A.M. Best and Standard & Poor's affirmed our A- rating with stable outlook. Moreover, the latter upgraded our Enterprise Risk Management (ERM) from 'adequate' to 'adequate with strong risk controls'. The rating affirmations reflect our extremely strong risk-based capital adequacy and well-diversified business portfolio spread across various markets.

Embracing our value of being dynamic was crucial throughout the year in order to remain relevant in a quick-changing, competitive environment.

In the first quarter of 2016, as part of our objectives of varied growth and expansion of our service offering, we introduced two new lines of business, namely Aviation and Surety, both of which have already had an impact in the market.

Living our value of team spirit is of constant importance as we diversify in classes of business and expand our footprint in the regions where we operate. In July, we announced organisational restructuring to support our strategic direction and ultimate vision. The company is now structured in four pillars

namely Finance, Corporate Services, Operations and Risk. As our organisation grows and matures, enhancing human capital continues to be a key element of future success. Consequently, the HR department was strengthened during the year with the addition of three new managers to ensure the requisite human capital is in place to support the Company's growth and strategic objectives.

Knowledge sharing and thought leadership are two key aspects where we believe we can add value to our partners. In line with this, we presented our second strategic paper, "The Changing Global Energy Landscape: Opportunities and Challenges for Energy Underwriters", at the FAIR (Federation of Afro Asian Insurers and Reinsurers) Reinsurance Forum held in September in Cyprus, and thereafter at the 28th East Asian Insurance Congress held in October, in Macau.

"Since we began operations more than 25 years ago, our role has been to build resilience by understanding what drives change and anticipate the evolving risks which our clients face."

Engaging with stakeholders has always been one of the pillars of our strategy. We held two Business Partners' Seminars during the year; in Vienna for our Central and Eastern European partners and in Sri Lanka for our partners from Bangladesh, Nepal, Pakistan and Sri Lanka. Moreover, our technical teams made frequent market visits throughout the year and we participated in several conferences across our areas of operation including the 9th India Rendezvous in Mumbai, the 40th FANAF in Abidjan, Ivory Coast and the 7th Azerbaijan International Insurance Forum (AIIF) in Baku, to name but a few.

In September, our Cyprus Branch moved to our new World Trade Center Cyprus – Trust Re Building; the new, larger office space allows us to add more capabilities to the branch in order to provide further added value service to our customers. Our Cyprus Branch is now fully compliant with the Solvency II directive in view of 2016 marking the first year of the regulation's implementation in European Union Member States.

Looking ahead, there will be many factors changing the way we work including disruptive business models and a more connected world. Since we began operations more than 25 years ago, our role has been to build resilience by understanding what drives change and anticipate the evolving risks which our clients face. With a strong team spirit and the support of our partners, we are confident about our ability to face future challenges.

Last but not least, on behalf of the Executive Council, I would like to thank all our employees and business associates; their hard work and partnership have been crucial to our profitable performance in 2016.

Fadi AbuNahl
Group Chief Executive Officer
29 March 2017

Mariam Al-Astrulabi

Aleppo, Syria

Mariam Al-Astrulabi, was a 10th-century astronomer and maker of astrolabes from Aleppo, in what is now northern Syria.

Bitolus was a well-known and popular astrolabe maker located in Baghdad, Iraq. Mariam's father was an apprentice of his and she in turn went to work for her father. She, too, became a pupil of Bitolus and worked in the court of Sayf Al-Dawla in Aleppo, who reigned from 944-967.

It has been said her designs were more intricate and innovative, and therefore more useful; however no known astrolabes have ever been directly attributed to her as she did not sign her work.

It is also not known if astrolabes were her only contribution to astronomy or if she was influential in other areas such as math or geography. She and her work were clearly important as ibn Al-Nadim, a Muslim scholar and bibliographer, took the time (briefly) to mention her (by last name) while listing pupils of Bitolus.

Sources: Wikipedia / beforenewton.wordpress.com

With its affiliate Trust Insurance Syria, Trust Re has a long-standing connection with this country and with the wider Levant region as a whole.

The Group Results

The Group's Gross Written Premium in 2016 reached US$ 481.7 million, representing growth of 1.2% compared to 2015 (US$ 475.9 million).

The retention ratio decreased by 2.6 percentage points from 62.9% in 2015 to 60.3% during last year. In 2016, the combined ratio stood at 95.1% as opposed to 94.0% in 2015. The loss ratio increased by 1.2 percentage points at 63.7%, while the acquisition cost ratio improved by 0.1 percentage points at 31.4%.

The overall profit after tax reported a US$ 12.0 million decrease at US$ 18.8 million. The main reason for the decrease is a one-off gain on sale of investments of US$ 16.8 million recognized in 2015. Excluding this one-off item, the net profit for 2016 increased by US$ 4.8 million. Total investments and finance income amounted to US$ 10.1 million compared to US$ 24.1 million in 2015. Foreign exchange losses, mainly as a result of depreciation of the Euro, Malaysian Ringgit, Pound Sterling and Egyptian Pound, negatively impacted the results by US$ 2.7 million. The Group has hedged its exposure against depreciation in the Euro, which has enabled the Company to reduce its foreign exchange loss by US$ 0.9 million during the year.

The Company Results

The Company's Gross Written Premium in 2016 amounted to US$ 469.2 million compared to US$ 464.9 million in 2015. The retention ratio of the Company was lower at 60.4% compared to 62.4% in 2015.

The Company's combined ratio for 2016 stood at 95.2% compared to 94.6% in 2015. The acquisition cost ratio improved at 27.3% compared to 29.4% in 2015. The loss ratio increased from 65.2% in 2015 to 67.9% in 2016. The Company generated net underwriting profit of US$ 12.4 million during 2016, compared to US$ 15.3 million in 2015.

Investment and finance income generated US$ 10.1 million, compared to US$ 24.1 million in 2015, due to a one-off capital gain, as described above.

Overall profit after tax reported a decrease of US$ 12.4 million to stand at US$ 17.7 million compared to US$ 30.2 million in 2015.

The Group's Financial Strength

The Group's net technical reserves increased by 15.4% on a year-to-year basis to reach US$ 565.8 million (2015: US$ 490.3 million). US$ 30.3 million of this increase is attributed to the acquisition of a subsidiary and US$ 45.2m is as a result of internal reserve strengthening.

Cash and bank balances amounted to US$ 493.3 million as at December 2016, compared to US$ 468.0 million as at December 2015.

Investments held in equities and fixed income securities rose by 7.0% to US$ 300.8 million as at December 2016, compared to US$ 281.0 million as at December 2015.

Total equity reported an increase of US$ 57.7 million. The increase is attributable to non-controlling interest on acquisition of a subsidiary amounting to US$ 30.1 million, internal capital generation of US$ 22.6 million and net capital contribution by the parent amounting to US$ 5.0 million.

Key Group Ratios for the Year were:
Performance Ratios %

	Note	2016	2015
Retention Ratio	1	60.3	62.9
Combined Ratio	2	95.1	94.0
Underwriting Profit	3	4.9	6.0
Return on Equity	4	4.1	7.4

The Company's Financial Strength

In 2016, the Company's net technical reserves reached US$ 496.9 million. This represents a 10.7% increase from US$ 448.8 million in 2015.

Cash and bank balances stood at US$ 430.0 million as at December 2016, compared to US$ 462.6 million in 2015. The decline in cash balances is mainly due to acquisition of a subsidiary, additional financial investments and increase in capital expenditure.

The shareholders' equity rose by 6.3% to end the year at US$ 456.9 million compared to US$ 430.0 million in 2015.

Key Company Ratios for the Year were:
Performance Ratios %

	Note	2016	2015
Retention Ratio	1	60.4	62.4
Combined Ratio	2	95.2	94.6
Underwriting Profit	3	4.8	5.4
Return on Equity	4	4.0	7.4

Significance of Ratios:

1. Retention Ratio: This ratio indicates the net premium retained as a proportion of the Gross Written Premium.
2. Combined Ratio: The combined ratio aggregates the cost ratio (acquisition costs and operating costs) and the loss ratio (net incurred claims).
3. Underwriting Profit: This ratio compares underwriting profit to net earned premium.
4. Return on Equity: Computed as a proportion of net profit to average shareholders' equity.

Investments

The total invested assets grew to US$ 794.1 million compared to US$ 749.1 million at the end of 2015. The portfolio allocation remained conservative as approximately 62.1% of the portfolio remained in cash, compared to 62.5% the year before. The future investment strategy of the company will remain conservative. Investment returns were US$ 10.1 million compared to US$ 24.2 million reported in 2015. The decline is due to a one-off gain on sale of investment realized in 2015 amounting to US$ 16.8 million.

Subsidiaries

Trust Underwriting Limited

Trust Underwriting Limited (TUL) is a wholly owned subsidiary in the UK. Its main activity is the participation in the Lloyd's market as a corporate capital provider to a number of syndicates. 2016 was another good year for the Lloyd's market due to the continued lack of extraordinary natural catastrophe losses experienced since 2011. Due to the soft market and declining value of the GBP, TUL, during the year 2016, recorded a profit of US$ 2.4 million against last year's profit of US$ 3.8 million. Its overall premium production reduced by 25%. For the 2017 year of account, the total stamp of TUL stands at US$ 31.0 million, a further reduction on the US$ 33.7 million from 2016. As at 31 December 2016, the market value of TUL capacity stood at US$ 16.9 million (2015: US$ 18.3 million) based on the average auction prices obtained between September and October 2016 at Lloyd's.

Texas International Underwriters Inc.

Texas International Underwriters Inc. acts as an insurance agency. The Company has ceased its operations.

Afro Asian Assistance BSC (c)

Afro Asian Assistance BSC (c) (AAA) was launched in 2010 with the aim of providing the MENA markets with Roadside Assistance, Travel Assistance and Personal Accident products. Demand for services has continued to grow in 2016. The entity returned a profit for the year of US$ 402.4 thousand (2015: loss of US$ 103.5 thousand).

Afro Asian Assistance LLC

Afro Asian Assistance LLC was incorporated on 22nd March 2016 in Oman to assist AAA in providing Roadside Assistance, Travel Assistance and Personal Accident within Oman. The operations of the Company resulted in a loss of US$ 24k during the year.

Trust International Insurance and Reinsurance Company SA (Maroc)

This company is a Liaison Office to support the Trust Re Africa operations.

Trust Insurance Management W.L.L.

Trust Insurance Management is a Managing General Agent which commenced its operations in 2016 and booked a gross premium of US$ 5.4m during the year. The Company earned a profit of US$ 95k during the year.

Management Team - Executive Council

Fadi AbuNahl
Group Chief
Executive Officer

Fadi has been working in the insurance industry for 19 years. From rating upgrades to A- by A M Best and S&P, to expanding its geographical footprint and multiplying its capital from $75m to $250m, Trust Re under Fadi's leadership witnessed tremendous growth in many directions since 2006. It has been characterised by diversification in classes of business and consistent investment in human capital.

Romel Tabaja
Group Deputy
Chief Executive Officer
(until October 2016)

Romel has been working in the insurance and reinsurance industry for more than 16 years. He held various senior underwriting and managerial positions before being appointed Deputy CEO.

Kamal Tabaja
Group Chief
Operating Officer

Kamal began his career as a Systems Engineer and is a fellow of the Chartered Insurance Institute (FCII) UK. He has been working in the insurance and reinsurance industry for the past 14 years. Prior to being appointed COO in December 2014, Kamal held the post of Group Chief Underwriting Officer.

Mark Buisseret
Group Chief Risk Officer

Mark is a UK graduate in Actuarial Science. He started his professional career in the London market and has acquired more than 20 years of experience working for various international reinsurance companies. His areas of expertise include pricing, reserving and capital modelling. Prior to being appointed Group Chief Risk Officer in July 2016, Mark held the post of Planning & Business Development Officer.

Constantinos Hadjigeorgiou
Group Corporate
Services Officer

Constantinos is a Fellow of the Chartered Insurance Institute (UK) and Associate in Risk Management (USA). He has over 18 years of international experience in insurance/reinsurance, strategy, advisory and project management in a number of global positions. Prior to being appointed Group Corporate Services Officer in October 2016, Constantinos held the post of Head of Planning & Performance Management.

Company's Solvency Statement

As at 31 December 2016, the Company's summarised solvency position remained strong as shown in the table below.

	31.12.2016 (in US$'000)	31.12.2015 (in US$'000)
Capital available	343,803	331,668
Required margin of solvency	50,824	51,781
Excess of capital available over the required solvency margin	292,979	279,887
Cover	6.76x	6.41x

During 2016, the Company's solvency position continued to strengthen. Injection of capital of US$ 20 million by the parent, coupled with the growth in the asset base of the Company, led to an increase in capital coverage from 6.41x in 2015 to 6.76x in 2016.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a central part of Trust Re's operations. We firmly believe that CSR mirrors our vision, mission and values. Trust Re feels strongly about CSR and always endeavours to give back to the communities which have helped it grow.

Part of our approach to CSR is community-based, where we work in the community to share what we have. In 2016, as in previous years, our staff in Bahrain Head Office and Labuan Branch also sponsored and packed food baskets for those less fortunate during the Holy Month of Ramadan.

Our Morocco Representative Office distributed goods to the less fortunate neighbourhoods in Casablanca, during Eid Al Fitr and Eid Al Adha.

We were also pleased to sponsor Family Day at Sacred Heart Church, Bahrain and organise an Iftar and a fair for 40 orphaned children. We believe in interacting with these children more, year by year. In 2016, we have also donated gift cards for them to purchase winter clothes, shoes and blankets.

During our Business Partners' Seminar (BPS) in Sri Lanka, we donated a blood pressure machine to the Lady Ridgeway Children's Hospital in Colombo and also distributed toys for children.

In 2016, Head Office sponsored a child from Kanoo School to undertake voluntary work at schools in Mozambique. Trust Re would like to do the same for the coming years.

Acknowledgements

The Board of Directors expresses its sincere appreciation of all our valued clients, reinsurers, brokers, business partners and collaborators, the Ministry of Industry and Commerce and 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 advisors and operational management. On behalf of the Board of Directors and the Executive Management, we would like to thank them and particularly all our staff, for their commitment and valuable contribution.

On behalf of the Board
Fadi AbuNahl
Group Chief Executive Officer
29 March 2017.

Remuneration and Fees

The Directors' remuneration is determined in accordance with Legislative Decree No (21) of 2001 of the 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$ 283 thousand to be paid to the Directors for the year 2016.

The remuneration of the Executive Management team and the management fee to the parent company for the year 2016 is disclosed in note 28 to the financial statements.

Auditors

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

Dividend

The Board of Directors proposes to recommend a cash dividend of US$ 5.60 per share (equivalent to US$ 14 million) for the approval of shareholders at the Annual General Meeting.

Abu Al Qasim Al Zahrawi

Cordoba, Spain (Descendant from the Ansar Tribe of Arabia)

Abu Al-Qasim Khalaf Ibn Al-'Abbas Al-Zahrawi popularly known as Al-Zahrawi was an Arab Muslim physician and surgeon who lived in Al-Andalus.

He is considered the greatest medieval surgeon to have appeared from the Islamic World, and has been described as the father of surgery. His greatest contribution to medicine is the Kitab Al-Tasrif, a thirty-volume encyclopedia of medical practices.

His pioneering contributions to the field of surgical procedures and instruments had an enormous impact in the East and West well into the modern period, where some of his discoveries are still applied in medicine to this day.

Al-Zahrawi was the first to use catgut as the thread for internal stitches. He was also the first to use forceps in childbirth, greatly decreasing the mortality rate of babies and mothers.

Source: www.lostislamichistory.com

2016 marked the 2nd full year of operations for Trust Re's Life & Health reinsurance department. Business underwritten in this line includes Group Life, Credit Life, Individual Life as well as Personal Accident on both a proportional and non-proportional basis.

FINANCIAL STATEMENTS

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GENERAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT to the Shareholders of

Trust International Insurance & Reinsurance Company B.S.C. (C) Trust Re

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements presents fairly, in all material respects the consolidated and separate financial position of Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016, and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated and the Company's separate financial statements comprise:

- the Group's consolidated and the Company's separate statement of financial position as at 31 December 2016;
- the Group's consolidated and the Company's separate statement of income for the year then ended;
- the Group's consolidated and the Company's separate statement of comprehensive income for the year then ended;
- the Group's consolidated and the Company's separate statement of changes in equity for the year then ended;
- the Group's consolidated and the Company's separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report and the annual report (but does not include the consolidated and separate financial statements and our auditor's report thereon).

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

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

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated and the separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements
As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 3), we report that:

(i) we have obtained all the information that we considered necessary for the purpose of our audit;

(ii) the Company has maintained proper books of account and the financial statements and the financial information included in the Directors' report are in agreement therewith;

(iii) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institution Law of 2006, the CBB Rule Book (Volume 3) and CBB directives or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and

(iv) satisfactory explanations and information have been provided to us by the Directors in response to all our requests.

29th March 2017
Partner registration number: 102
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 Group US$ '000s	2015 Group US$ '000s
ASSETS			
Cash and bank balances	7	493,287	468,040
Investments	8	300,787	281,018
Investment in associate	9	5,740	5,697
Insurance and other receivables	10	373,196	298,309
Gross deferred acquisition costs	11	69,378	53,535
Reinsurers' share of technical reserves	12.1	358,471	296,515
Investment properties	13	38,305	18,786
Property and equipment	14.1	29,939	3,511
Intangible assets	15	309	17
TOTAL ASSETS		1,669,412	1,425,428
EQUITY AND LIABILITIES			
Equity			
Share capital	16	250,000	200,000
Statutory reserve	16	33,578	31,795
Retained earnings		92,835	120,827
Cumulative changes in fair value		81,385	77,165
Foreign currency translation reserve		(626)	(201)
Equity attributable to shareholders of the parent		457,172	429,586
Non-controlling interests		30,079	-
Total equity		487,251	429,586
Liabilities			
Technical reserves	12.1	924,269	786,809
Reinsurers' share of deferred acquisition costs	17	33,318	21,600
Reinsurance payables		19,123	29,815
Insurance and other payables	18	205,451	157,618
Total liabilities		1,182,161	995,842
TOTAL EQUITY AND LIABILITIES		1,669,412	1,425,428

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Group Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 Company US$ '000s	2015 Company US$ '000s
ASSETS			
Cash and bank balances	7	429,969	462,646
Investments	8	247,663	242,042
Investment in subsidiaries		32,263	3,967
Investment in associate	9	5,697	5,697
Insurance and other receivables	10	337,462	282,707
Gross deferred acquisition costs	11	62,606	49,854
Reinsurers' share of technical reserves	12.2	324,396	287,370
Investment properties	13	33,352	18,786
Property and equipment	14.2	29,257	2,863
TOTAL ASSETS		1,502,665	1,355,932
EQUITY AND LIABILITIES			
Equity			
Share capital	16	250,000	200,000
Statutory reserve	16	33,569	31,795
Retained earnings		92,017	121,055
Cumulative changes in fair value		81,342	77,165
Total equity		456,928	430,015
Liabilities			
Technical reserves	12.2	821,246	736,122
Reinsurers' share of deferred acquisition costs	17	32,050	21,600
Reinsurance payables		19,123	29,815
Insurance and other payables	18	173,318	138,380
Total liabilities		1,045,737	925,917
TOTAL EQUITY AND LIABILITIES		1,502,665	1,355,932

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Group Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2016

	Note	2016 Group US$ '000s	2015 Group US$ '000s
Gross premiums written	12.1	481,701	475,929
Premiums ceded	12.1	(191,250)	(176,447)
		290,451	299,482
Unearned premium adjustments		(23,284)	(9,130)
Net earned premium		267,167	290,352
Gross claims paid	12.1	(218,189)	(225,692)
Recoveries on premiums ceded	12.1	64,915	59,886
Outstanding claims adjustments		(16,928)	(15,672)
Claims and related expenses		(170,202)	(181,478)
Commission income	17	36,453	32,360
Policy acquisition costs	11	(97,374)	(99,465)
Other operating income		785	415
Operating expenses	20	(23,785)	(24,676)
		(83,921)	(91,366)
Underwriting profit		13,044	17,508
Investment income - net	21	5,427	17,774
(Loss) / income from investment properties	22	(115)	267
General and administration expenses	23	(10,092)	(11,309)
Finance income		4,810	6,114
Foreign exchange loss		(2,724)	(6,471)
Other income - net	24	8,590	7,120
Profit before tax		18,940	31,003
Income tax expense	25	(149)	(230)
PROFIT FOR THE YEAR		18,791	30,773
Attributable to:			
Shareholders of the parent		18,791	30,773
Non-controlling interests		-	-
		18,791	30,773

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Group Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF INCOME

Year ended 31 December 2016

	Note	2016 Company US$ '000s	2015 Company US$ '000s
Gross premiums written	12.2	469,201	464,943
Premiums ceded	12.2	(185,985)	(174,726)
		283,216	290,217
Unearned premium adjustments		(23,250)	(8,764)
Net earned premium		259,966	281,453
Gross claims paid	12.2	(216,320)	(225,996)
Recoveries on premiums ceded	12.2	64,599	59,999
Outstanding claims adjustments		(24,848)	(17,534)
Claims and related expenses		(176,569)	(183,531)
Commission income	17	36,453	32,360
Policy acquisition costs	11	(84,791)	(90,671)
Other operating income		1,089	355
Operating expenses	20	(23,785)	(24,676)
		(71,034)	(82,632)
Underwriting profit		12,363	15,290
Investment income - net	21	5,427	17,774
(Loss) / income from investment properties	22	(115)	267
General and administration expenses	23	(7,925)	(9,178)
Finance income		4,807	6,112
Foreign exchange loss		(3,499)	(6,112)
Other income - net	24	6,682	6,034
Profit before tax		17,740	30,187
Income tax expense	25	(4)	(11)
PROFIT FOR THE YEAR		17,736	30,176

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Group Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 Group US$ '000s	2015 Group US$ '000s
Profit for the year	18,791	30,773
Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:		
Available-for-sale investments:		
Fair value changes arising during the year	6,561	1,326
Transfer to consolidated statement of income on disposal	(2,384)	(17,702)
	4,177	(16,376)
Currency translation adjustments:		
Currency translation adjustments arising during the year	(425)	2
Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods	3,752	(16,374)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	22,543	14,399
Attributable to:		
Shareholders of the parent	22,543	14,399
Non-controlling interests	-	-
	22,543	14,399

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 Company US$ '000s	2015 Company US$ '000s
Profit for the year	17,736	30,176
Other comprehensive income to be reclassified to Company's separate statement of income in subsequent periods:		
Available-for-sale investments:		
Fair value changes arising during the year	6,561	1,326
Transfer to Company's separate statement of income on disposal	(2,384)	(17,702)
Net other comprehensive income (loss) to be reclassified to Company's separate statement of income in subsequent periods	4,177	(16,376)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21,913	13,800

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 Group US$ '000s	2015 Group US$ '000s
OPERATING ACTIVITIES			
Profit before tax		18,940	31,003
Adjustments for:			
Depreciation	14.1	829	543
Amortisation of intangible assets	15	16	11
Provision for bad debts - net	10.1	1,445	1,000
Impairment loss on available-for-sale investment	21	3,141	7,035
Amortisation of premium on available-for-sale investments		645	-
Gain on disposal of available-for-sale investments	21	(2,384)	(17,702)
Loss on revaluation of investment properties	22	305	122
Loss on revaluation of own use property	14.1	-	184
Operating profit before changes in operating assets and liabilities		22,937	22,196
Changes in operating assets and liabilities:			
Unearned premium		51,240	22,186
Reinsurers' share of unearned premium		(29,203)	(14,215)
Deferred acquisition costs - net		(1,981)	(1,284)
Outstanding claims		29,913	40,500
Reinsurers' share of outstanding claims		(6,735)	(24,234)
Insurance and other receivables		(61,458)	(52,451)
Insurance and other payables		36,348	31,868
Reinsurance payables		(10,692)	7,897
		30,369	32,463
Taxation		(149)	(230)
Net cash generated from operating activities		30,220	32,233

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2016

	Note	2016 Group US$ '000s	2015 Group US$ '000s
INVESTING ACTIVITIES			
Purchase of investments		(77,492)	(106,695)
Proceeds from sale of available-for-sale investments		70,392	55,319
Increase in cash and cash equivalent as a result of acquisition of subsidiary		33,970	-
Purchase of property and equipment	14.1	(24,245)	(3,365)
Purchase of investment property	13	(11,893)	(5,752)
Purchase of intangible assets		(307)	-
Proceeds from disposal of property and equipment		27	-
Bank deposits with maturity of more than three months		14,106	26,707
Investment in associate		-	(5,697)
Net cash used in investing activities		4,558	(39,483)
FINANCING ACTIVITIES			
Increase in share capital	16	20,000	30,000
Dividend paid		(15,000)	-
Net cash generated from financing activities		5,000	30,000
Foreign currency translation adjustments		(425)	30
NET CHANGE IN CASH AND CASH EQUIVALENTS		39,353	22,780
Cash and cash equivalents at beginning of the year		433,646	410,866
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	472,999	433,646

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 Company US$ '000s	2015 Company US$ '000s
OPERATING ACTIVITIES			
Profit before tax		17,740	30,187
Adjustments for:			
Depreciation	14.2	760	463
Provision for bad debts - net	10.1	1,445	1,000
Impairment loss on available-for-sale investment	21	3,141	7,035
Amortisation of premium on available-for-sale investments		645	-
Gain on disposal of available-for-sale investments	21	(2,384)	(17,702)
Loss on revaluation of investment properties	22	305	122
Loss on revaluation of own use property	14.2	-	184
Operating profit before changes in operating assets and liabilities		21,652	21,289
Changes in operating assets and liabilities:			
Unearned premium		52,450	23,088
Reinsurers' share of unearned premium		(29,200)	(14,324)
Deferred acquisition costs - net		(2,302)	(1,409)
Outstanding claims		32,674	43,199
Reinsurers' share of outstanding claims		(7,826)	(25,665)
Insurance and other receivables		(62,156)	(53,919)
Insurance and other payables		34,938	35,661
Reinsurance payables		(10,693)	7,897
		29,537	35,817
Taxation		(4)	(11)
Net cash generated from operating activities		29,533	35,806

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2016

	Note	2016 Company US$ '000s	2015 Company US$ '000s
INVESTING ACTIVITIES			
Purchase of investments		(73,753)	(106,695)
Proceeds from sale of available-for-sale investments		63,456	52,691
Purchase of property and equipment	14.2	(24,204)	(2,709)
Purchase of investment properties	13	(11,893)	(5,752)
Investment in a subsidiary		(20,844)	(266)
Bank deposits with maturity of more than three months		14,106	26,707
Investment in associate		-	(5,697)
Net cash generated used in investing activities		(53,104)	(41,721)
FINANCING ACTIVITY			
Increase in share capital	16	20,000	30,000
Dividend paid		(15,000)	-
Net cash generated from financing activity		5,000	30,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		(18,571)	24,085
Cash and cash equivalents at beginning of the year		428,252	404,167
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	409,681	428,252

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to shareholders of the parent							
	Share capital US$ '000s	Statutory reserve US$ '000s	Retained earnings US$ '000s	Cumulative changes in fair value US$ '000s	Foreign currency translation reserve US$ '000s	Total US$ '000s	Non-controlling interests US$ '000s	Total equity US$ '000s
Balance at 1 January 2016	200,000	31,795	120,827	77,165	(201)	429,586	-	429,586
Profit for the year	-	-	18,791	-	-	18,791	-	18,791
Other comprehensive (loss) income	-	-	-	4,177	(425)	3,752	-	3,752
Share of other comprehensive income of associate				43		43	-	43
Total comprehensive income (loss)	-	-	18,791	4,220	(425)	22,586	-	22,586
Increase in share capital (note 16)	20,000	-	-	-	-	20,000	-	20,000
Dividend paid	-	-	(15,000)	-	-	(15,000)	-	(15,000)
Issuance of bonus shares (note 16)	30,000	(30,000)				-	-	-
Acquisition of a subsidiary (note 32)	-	-	-	-	-	-	30,079	30,079
Transfer to statutory reserve (note 16)	-	1,783	(1,783)	-	-	-	-	-
Balance at 31 December 2016	**250,000**	**33,578**	**92,835**	**81,385**	**(626)**	**457,172**	**30,079**	**487,251**
Balance at 1 January 2015	170,000	28,777	93,072	93,541	(203)	385,187	-	385,187
Profit for the year	-	-	30,773	-	-	30,773	-	30,773
Other comprehensive (loss) income	-	-	-	(16,376)	2	(16,374)	-	(16,374)
Total comprehensive income (loss)	-	-	30,773	(16,376)	2	14,399	-	14,399
Increase in share capital (note 16)	30,000	-	-	-	-	30,000	-	30,000
Transfer to statutory reserve (note 16)	-	3,018	(3,018)	-	-	-	-	-
Balance at 31 December 2015	200,000	31,795	120,827	77,165	(201)	429,586	-	429,586

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

COMPANY'S SEPARATE STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital US$ '000s	Statutory reserve US$ '000s	Retained earnings US$ '000s	Cumulative changes in fair value US$ '000s	Total US$ '000s
Balance at 1 January 2016	200,000	31,795	121,055	77,165	430,015
Profit for the year	-	-	17,736	-	17,736
Other comprehensive income	-	-	-	4,177	4,177
Total comprehensive income (loss)	-	-	17,736	4,177	21,913
Dividend paid during the year	-	-	(15,000)	-	(15,000)
Increase in share capital (note 16)	20,000	-	-	-	20,000
Issuance of bonus shares (note 16)	30,000	-	(30,000)	-	-
Transfer to statutory reserve (note 16)	-	1,774	(1,774)	-	-
Balance at 31 December 2016	**250,000**	**33,569**	**92,017**	**81,342**	**456,928**
Balance at 1 January 2015	170,000	28,777	93,897	93,541	386,215
Profit for the year	-	-	30,176	-	30,176
Other comprehensive loss	-	-	-	(16,376)	(16,376)
Total comprehensive income (loss)	-	-	30,176	(16,376)	13,800
Increase in share capital (note 16)	30,000	-	-	-	30,000
Transfer to statutory reserve (note 16)	-	3,018	(3,018)	-	-
Balance at 31 December 2015	200,000	31,795	121,055	77,165	430,015

The attached notes 1 to 32 form part of these consolidated and Company's separate financial statements

NOTES TO THE CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

1 INCORPORATION AND ACTIVITIES

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("Trust Re" or the "Company") is incorporated in the Kingdom of Bahrain under Commercial Registration Number 11503. The registered office of the Company is at Trust Tower, PO Box 10002, Building 125, Road 1702, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Company is licensed as a reinsurance entity and is regulated by the Central Bank of Bahrain (CBB).

The Company and its subsidiaries (together the "Group") mainly provide reinsurance and related products and services to direct clients, insurance companies and others through insurance and reinsurance brokers through its network of offices in the United Kingdom, Cyprus, Malaysia, India and Morocco. Details of the Group's subsidiaries are further disclosed in note 3.

The Company is 99.107% owned by Nest Investments (Holdings) Ltd (the "Parent"), incorporated in Jersey, Channel Islands.

These financial statements represent consolidated and separate financial statements of the Group and the Company respectively. The separate financial statements have been prepared in order to assess the individual performance of the Company.

The consolidated and separate financial statements were authorised for issue by the Board of Directors on 29 March 2017.

2 BASIS OF PREPARATION

Going concern

The Group's and Company's management have made an assessment of the Group's and Company's ability to continue as a going concern and is satisfied that the Group and Company have the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's or Company's ability to continue as a going concern. Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the relevant provisions of the Bahrain Commercial Companies Law, the Insurance Regulations contained in Volume 3, Central Bank of Bahrain directives and the Central Bank of Bahrain and Financial Institutions Law.

Accounting convention

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments, investment properties, property and equipment (land and building only) and derivative financial instruments.

Functional and presentation currency

The consolidated and separate financial statements have been presented in United States Dollar (USD) being the functional currency of the Group and Company and are rounded to the nearest USD thousands (USD '000) except when otherwise indicated.

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 BASIS OF CONSOLIDATION (CONTINUED)

The following are the subsidiaries of the Group:

Name of the subsidiary	Country of incorporation	Effective ownership 2016	2015	Principal activity
Trust Underwriting Limited	United Kingdom	100%	100%	Corporate member of Lloyd's of London
Texas International Underwriters Inc.	United States of America	100%	100%	Insurance agency
Ribera De Marbella S.L.	Spain	100%	100%	Service company
Afro Asian Assistance B.S.C. (c)	Kingdom of Bahrain	100%	100%	Travel assistance
Trust International Insurance and Reinsurance Company, Société Anonyme	Morocco	100%	100%	Liaison office
Trust Insurance Management W.L.L.	Kingdom of Bahrain	100%	100%	Insurance Management
Oman Reinsurance Company S.A.O.C.	Sultanate of Oman	48.4%	-	Reinsurance
Afro Asian Assistance Oman L.L.C.	Sultanate of Oman	100%	-	Travel assistance

4 ACCOUNTING STANDARDS AND PRONOUNCEMENTS

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 New standards, amendments and interpretations effective from 1 January 2016

The following standards are effective for the first time for the financial year beginning on or after 1 January 2016:

- Amendment to IAS 16- 'Property, plant and equipment' and IAS 38- 'Intangible assets' (effective 1 January 2016). This amendment clarifies that a revenue-based method of depreciation or amortisation is generally not appropriate.

- Amendment to IAS 1- 'Presentation of financial statements' (effective 1 January 2016). This amendment assists entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and does not affect recognition and measurement.

- Amendment to IFRS 7- 'Financial instruments: disclosures' (effective 1 July 2016). This amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.

- Amendment to IAS 19- 'Employee benefits' (effective 1 July 2016). This amendment clarifies that when determining the discount rate for postemployment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

- Amendment to IAS 34- 'Interim financial reporting' (effective 1 January 2016)- clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

- Amendment to IAS 27- 'Equity method in separate financial statements' (effective 1 January 2016)- The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

- Amendment to IFRS 7- 'Financial instruments: Disclosures' (effective 1 January 2016)- The amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment also clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

The amendments do not have a significant effect on the Company's financial statements. There are no other IFRSs or IFRIC interpretations that were effective for the financial year beginning 1 January 2016.

4.2 New standards, amendments and interpretations not yet effective

A number of new standards, amendments and interpretations to standards and interpretations are not effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company does not plan to early adopt these standards.

- IFRS 15- 'Revenue from contracts with customers' (effective 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

- IFRS 9- 'Financial instruments' (effective 1 January 2018). IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

- IFRS 16-'Leases' (effective 1 January 2019). IFRS 16 supersedes IAS 17 'Lease' and related interpretations.

4 ACCOUNTING STANDARDS AND PRONOUNCEMENTS (CONTINUED)

4.2 New standards, amendments and interpretations not yet effective (continued)

- Amendment to IAS 7- 'Disclosure initiative' (effective date 1 January 2017).

- Amendment to IFRS 4- 'Insurance contracts' (effective date 1 January 2018). The International Accounting Standards Board (IASB) has published 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts". The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2016. Management is assessing the impact of the above standards on the Group.

5 SIGNIFICANT ACCOUNTING POLICIES

Product classification
Reinsurance contracts are those contracts on which the Group (the reinsurer) has accepted significant reinsurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines the reinsurance risk as significant if the reinsurance risk transferred is above 115% of the gross premium written to undertake that specific reinsurance risk. Contracts that do not transfer significant reinsurance risk are accounted for using deposit accounting.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the remainder of the contract period lifetime, even if the reinsurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Contracts accounted for using deposit accounting can, however, be reclassified as reinsurance contracts after inception if reinsurance risk becomes significant during the tenure of the contract.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and at bank and short-term deposits with original maturities of three months or less.

Investment in subsidiaries
Investment in subsidiaries are stated at cost less impairment in the Company's separate financial statements.

Investment in an associate
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The investment in associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of shareholders' net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Company's share of the results of shareholders' operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associate' in the statement of income.

Upon loss of significant influence over an associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.

Available-for-sale investments

Available for sale financial assets are non-derivative financial assets that are designated as available-for-sale. These investments are initially recorded at fair value. After initial measurement, available-for-sale financial assets are remeasured at fair value. Fair value gains and losses are reported as a separate component in consolidated and separate statements of other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in consolidated and separate statements of other comprehensive income are transferred to the consolidated and separate statements of income.

Held to maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These investments are initially recorded at fair value plus transaction costs. After initial measurement, held-to-maturity financial assets are measured at amortised cost using effective interest method.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments
The Company uses forward contracts to cover its foreign currency risks.

Derivatives are initially recognised and subsequently measured at fair value with transaction costs taken directly to the consolidated and separate statements of income. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated and separate statements of financial position.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated and separate statements of income.

Assets held under nominee arrangements
Assets where beneficial ownership rests with the Group are recognised in the Statement of Financial Position even if such assets are registered in the name of third parties. Total amount of such assets at the end of the year amounted to USD 47,729 thousand.

Insurance and reinsurance receivables
Insurance and reinsurance receivables are recognised when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated and separate statements of income.

Deposit accounting
Contracts that do not transfer significant reinsurance risk are accounted for using deposit accounting. Under deposit accounting one party recognises the consideration received as a financial liability, rather than as revenue, and the other party recognises the consideration paid as a financial asset, rather than as an expense.

Deposits from cedents
Deposits received from the cedent against the contracts under deposit accounting are accounted for as a liability.

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

Subsequent to initial recognition, these costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as explained above. Amortisation is recorded in the consolidated and separate statements of income.

Technical reserves

i) Outstanding Claims Reserve

The outstanding claims reserve is made up of:

- Case reserves
- Incurred But Not Reported (IBNR), comprising:
  - Pure Incurred But Not Reported (Pure IBNR)
  - Incurred But Not Enough Reported (IBNER)

The outstanding claims reserve is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

ii) Unearned premium reserve

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

- For Facultative business and Treaty Non-Proportional business, these premiums are calculated for each insurance policy on a pro-rata temporis basis using the 365ths method.
- For Treaty Proportional business the same approach is used, however one extra year is allowed from the expiry date of the policy.

Liability adequacy test

At each reporting date the Group and the Company review their unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provisions. If these estimates indicate that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate the deficiency is recognised in the consolidated and separate statements of income by creating a provision for liability adequacy.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

All properties held for rental or for capital appreciation purposes, or both, are classified as investment properties. Where a property is partially occupied by the Group or the Company and the portions could be sold separately, the Group or the Company accounts for the portions separately either as an investment property or property and equipment, as appropriate. If the portions cannot be sold separately, the property is classified as an investment property only if an insignificant portion is held for own use.

The Group applies the fair value model of accounting for investment properties. All investment properties are initially recorded at cost, including acquisition expenses associated with the property.

Subsequent to initial recognition, all investment properties are remeasured at fair value and changes in fair value are recognised in the consolidated and separate statements of income. The Group engages independent valuation specialists to determine the fair value of investment properties.

Property and equipment

Property and equipment except land and building, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Land and building is carried at fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The assets' residual values and useful lives and method are reviewed and adjusted if appropriate at each financial year end. Stated below are the estimated useful life of the assets:

	Years
Motor vehicles	4
Furniture, fittings and equipment	4
Computer hardware and software	3 - 4
Buildings	40

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated and separate statements of income as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated and separate statements of income in the year the asset is derecognised.

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. Estimated useful life of intangible assets is ten years.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Dividends on share capital
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

Dividends for the year that are approved after the consolidated and separate statements of financial position date are dealt with as an event after the reporting period.

Foreign currency translation
The consolidated and separate financial statements are presented in USD which is the functional currency of the Group and the Company. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated and separate statement of financial position date. All differences are taken to the consolidated and separate statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated and separate statements of income, except for differences relating to items where gains or losses are recognised in other comprehensive income, in which case the gain or loss is recognised net of the exchange component in other comprehensive income.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)
The assets and liabilities of the subsidiaries are translated into USD at the rate of exchange prevailing at the consolidated statement of financial position date and the consolidated statement of income is translated at average exchange rates for the period. The exchange differences arising on the translation are recognised in other comprehensive income.

Insurance and reinsurance payables
Insurance and reinsurance payables are stated at amounts which they are expected to be settled.

Employees' end of service benefits
The Group and Company provide end of service benefits to their expatriate employees in accordance with the relevant regulations. The entitlement to these benefits is based upon the employees' final salaries and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment based on the notional amount payable if all employees had left at the consolidated and separate statement of financial position date.

With respect to its national employees, the Group and the Company make contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries in accordance with the relevant regulations. The Group's and the Company's obligations are limited to these contributions, which are expensed when due.

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

Revenue Recognition
Revenues earned by the Group and Company are recognised on the following basis:

Gross premiums written
Gross premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Included in this amount are estimates of pipeline premiums which are premiums written but not booked as at the reporting date. Pipeline premiums are recorded as accrued insurance premiums.

Commission income
Commission income is recognised as revenue over the period in which the related services are performed. If the commissions are for services provided in future periods then they are deferred and amortised over the life of the related reinsurance policy.

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.

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

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

Gains or losses on ceding reinsurance are recognised in the consolidated and separate statements of income immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group or the Company from their obligations to policyholders.

The Group and the Company also assume reinsurance risk in the normal course of business for reinsurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated and separate statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

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

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims

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

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

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.

Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the Group operates.

Years of account

This accounting policy relates to the Group's subsidiary Trust Underwriting Limited which is a corporate member of Lloyd's of London.

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 as of the reporting date, 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 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 Lloyd's 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.

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expense is not offset in the consolidated or separate statements of income unless required or permitted by any accounting standard or interpretation.

Fair value measurement

The Group and the Company measures financial instruments such as available for sale investments and non-financial assets such as investment properties, at fair value at each statement of financial position date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account market participant's ability to generate economic benefits by using the asset for its highest and best use or by selling it to another market participant that would use the asset for its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets
The Group and the Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated and separate statements of income.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated and separate statements of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

For available-for-sale financial investments, the Group and the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated and separate statements of income – is removed from other comprehensive income and recognised in the consolidated and separate statements of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated and separate statements of income.

Derecognition of financial assets and financial liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group or Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated and separate statements of income.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant uses of judgements and estimates are as follows:

The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Group's and Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group and Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the consolidated and separate statement of financial position date, for which the insured event has occurred prior to the consolidated and separate statement of financial position date.

All reinsurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Impairment losses on available-for-sale investments

The Group and Company determine that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group and Company evaluate, amongst other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance and operating and financing cash flows.

Impairment losses on receivables

The Group and Company assess receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgement. In making this judgement, the Group and Company evaluate credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Revaluation of investment properties and property and equipment

The Group and Company carry their investment properties at fair value, with changes in fair value being recognised in the consolidated and separate statement of income. In addition, they measure land and building and property held for future use as owner occupied property at revalued amounts with changes in fair value being recognised in the consolidated and separate statements of comprehensive income. The Group and Company engaged independent valuation specialists to determine fair value as at 31 December 2016.

Consolidation of a subsidiary

The financial statements of the Group's subsidiary, Trust Underwriting Limited, are consolidated based on actual results of the subsidiary up to 30 September each year and an estimation of the results for the period from 1 October to 31 December each year.

Any material changes to these estimates could result in changes in amounts used for consolidation which will only be adjusted in the following accounting year.

Ultimate premiums

The estimate of ultimate premiums is based on premium income estimates provided by cedants which is then adjusted to reflect underwriters' judgement taking into account market conditions and historical data. This estimate is subject to review by underwriters and actuaries.

7 CASH AND BANK BALANCES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Cash in hand	36	32	35	31
Bank balances	472,963	409,649	433,611	428,221
Cash and cash equivalents	472,999	409,681	433,646	428,252
Statutory deposit (note 7.1)	398	398	398	398
Deposits with banks with maturity of more than 3 months (note 7.2)	19,890	19,890	33,996	33,996
	493,287	429,969	468,040	462,646

7.1 Statutory deposit is maintained with regulator in the Kingdom of Bahrain. This balance is not available for day-to-day use in the Group's or the Company's operations.

7.2 This includes deposits amounting to US$19,609 thousand (2015: US$1,000 thousand) held by bank as collateral against the issuance of guarantee as further disclosed in Note 29. These deposits are not available to the Group and the Company's operations.

8 INVESTMENTS

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Available-for-sale (Note 8.1)	295,165	247,663	281,018	242,042
Held to maturity (Note 8.2)	5,622	-	-	-
	300,787	247,663	281,018	242,042

8 INVESTMENTS (CONTINUED)

8.1 Available-For-Sale Investments

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Quoted				
Equities	164,283	146,099	150,571	144,668
Debt securities	127,455	98,137	120,255	87,182
Unquoted				
Equities	3,427	3,427	10,192	10,192
	295,165	247,663	281,018	242,042

8.2 Held to Maturity Investments

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Quoted				
Debt securities	5,622	-	-	-

9 INVESTMENT IN ASSOCIATE

The Group owns 19.85% stake in Jordan Expatriates Investments Holding (the "Associate"). The Company is engaged in investment holdings and brokerage. The Company is incorporated in Jordan. Although the Group holds less than 20% of the equity shares of the Associate, the Group exercises significant influence by virtue of its representation in the board of directors of the Associate and has the power to participate in the financial and operating policy decisions.

9 INVESTMENT IN ASSOCIATE (CONTINUED)

The summarised financial statements as at 31 December 2016 of the Associate are listed below:

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Current assets	26,426	26,426	23,518	23,518
Non-current assets	5,198	5,198	9,114	9,114
Current liabilities	(570)	(570)	(863)	(863)
	31,054	31,054	31,769	31,769
Non-controlling interest	(1,786)	(1,786)	(1,808)	(1,808)
	29,268	29,268	29,961	29,961
Proportion of ownership	19.85%	19.85%	19.85%	19.85%
Share of net assets of associate	5,810	5,810	5,947	5,947
Less: Fair value adjustments	(113)	(113)	(250)	(250)
Add: Share of Comprehensive income of associate during the year	43	-	-	-
Carrying amount of the investment in an associate	5,740	5,697	5,697	5,697

10 INSURANCE AND OTHER RECEIVABLES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Insurance receivables	62,162	39,040	53,195	38,994
Reinsurance receivables	20,386	20,386	16,657	16,657
Less: Provision for doubtful debts (note 10.1)	(10,892)	(9,462)	(7,740)	(7,740)
	71,656	49,964	62,112	47,911
Inward pipeline premium accruals	223,576	212,737	163,516	163,516
Inward treaty premium reserve and loss deposit	37,232	32,740	25,028	24,108
Due from related parties (note 28) *	33,065	36,063	31,621	33,457
Other debtors and prepayments	7,321	5,612	14,710	12,393
Current tax asset	346	346	372	372
Fair value of currency forward exchange contract (note 30)	-	-	950	950
	373,196	337,462	298,309	282,707

** Includes due from parent relates to amounts receivable from Nest Investments (Holdings) Ltd, the ultimate parent. These are unsecured, interest free and are settled on an ongoing basis.*

10 INSURANCE AND OTHER RECEIVABLES (CONTINUED)

At 31 December 2016, the gross amount of impaired insurance and reinsurance receivables amounted to USD 10,892 for the Group and USD 9,462 thousand for the Company (2015: USD 7,740 thousand).

10.1 Movements in the allowance for impairment of insurance and reinsurance receivables were as follows:

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
At 1 January	7,740	7,740	8,009	8,009
Charge for the year	1,445	1,445	1,000	1,000
(Write off) / recoveries	277	277	(1,269)	(1,269)
Acquisition of a subsidiary (note 32)	1,430	-	-	-
At 31 December	10,892	9,462	7,740	7,740

At 31 December, the ageing of unimpaired insurance and reinsurance receivables was as follows:

10.2	Past due but not impaired				
Group	Total US$ '000s	Less than 90 days US$ '000s	90 to 180 days US$ '000s	181 to 365 days US$ '000s	More than 365 days US$ '000s
2016	71,656	42,616	19,848	6,662	2,530
2015	62,112	39,847	13,651	5,985	2,629

10.3	Past due but not impaired				
Company	Total US$ '000s	Less than 90 days US$ '000s	90 to 180 days US$ '000s	181 to 365 days US$ '000s	More than 365 days US$ '000s
2016	49,964	29,251	13,869	5,362	1,482
2015	47,911	29,835	9,828	5,619	2,629

11 GROSS DEFERRED ACQUISITION COSTS

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
At 1 January	53,535	49,854	48,605	44,799
Acquisition costs	110,459	97,543	104,519	95,726
Amortisation for the year	(97,374)	(84,791)	(99,465)	(90,671)
Acquisition of a subsidiary (note 32)	3,412	-	-	-
Exchange difference	(654)	-	(124)	-
At 31 December	69,378	62,606	53,535	49,854

12 TECHNICAL RESERVES

12.1	2016			2015		
Group	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
Unearned premium reserve	314,448	(131,719)	182,729	249,855	(97,939)	151,916
Outstanding claims reserve	609,821	(226,752)	383,069	536,954	(198,576)	338,378
	924,269	(358,471)	565,798	786,809	(296,515)	490,294

Unearned premium reserve

	2016			2015		
	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
At 1 January	249,855	(97,939)	151,916	227,669	(83,724)	143,945
Premiums written (ceded)	481,701	(191,250)	290,451	475,929	(176,447)	299,482
Premiums (earned) amortised	(429,497)	162,330	(267,167)	(452,992)	162,640	(290,352)
Acquisition of a subsidiary (note 32)	13,353	(4,577)	8,776	-	-	-
Exchange difference	(964)	(283)	(1,247)	(751)	(408)	(1,159)
At 31 December	314,448	(131,719)	182,729	249,855	(97,939)	151,916

12 TECHNICAL RESERVES (CONTINUED)

Outstanding claims reserve

	2016			2015		
	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
At 1 January						
Reported claims	414,589	(167,215)	247,374	392,347	(147,308)	245,039
Incurred But Not Reported claims	122,365	(31,361)	91,004	104,107	(27,034)	77,073
	536,954	(198,576)	338,378	496,454	(174,342)	322,112
Incurred during the year	242,539	(72,337)	170,202	267,268	(85,790)	181,478
(Paid) recovered during the year	(218,189)	64,915	(153,274)	(225,692)	59,886	(165,806)
Acquisition of a subsidiary (note 32)	42,954	(21,441)	21,513	-	-	-
Exchange difference	5,563	687	6,250	(1,076)	1,670	594
At 31 December	609,821	(226,752)	383,069	536,954	(198,576)	338,378
At 31 December						
Reported claims	468,423	(189,042)	279,381	414,589	(167,215)	247,374
Incurred But Not Reported claims	141,398	(37,710)	103,688	122,365	(31,361)	91,004
	609,821	(226,752)	383,069	536,954	(198,576)	338,378

12.2	2016			2015		
Company	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
Unearned premium reserve	287,488	(125,175)	162,313	235,038	(95,975)	139,063
Outstanding claims reserve	533,758	(199,221)	334,537	501,084	(191,395)	309,689
	821,246	(324,396)	496,850	736,122	(287,370)	448,752

Unearned premium reserve

	2016			2015		
	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
At 1 January	235,038	(95,975)	139,063	211,950	(81,651)	130,299
Premiums written (ceded)	469,201	(185,985)	283,216	464,943	(174,726)	290,217
Premiums (earned) amortised	(416,751)	156,785	(259,966)	(441,855)	160,402	(281,453)
At 31 December	287,488	(125,175)	162,313	235,038	(95,975)	139,063

Outstanding claims reserve

	2016			2015		
	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s	Gross US$ '000s	Reinsurers' share US$ '000s	Net US$ '000s
At 1 January						
Reported claims	378,719	(160,034)	218,685	353,778	(138,696)	215,082
Incurred But Not Reported claims	122,365	(31,361)	91,004	104,107	(27,034)	77,073
	501,084	(191,395)	309,689	457,885	(165,730)	292,155
Incurred during the year	248,994	(72,425)	176,569	269,195	(85,664)	183,531
(Paid) recovered during the year	(216,320)	64,599	(151,721)	(225,996)	59,999	(165,997)
At 31 December	533,758	(199,221)	334,537	501,084	(191,395)	309,689
At 31 December						
Reported claims	410,094	(168,735)	241,359	378,719	(160,034)	218,685
Incurred But Not Reported claims	123,664	(30,486)	93,178	122,365	(31,361)	91,004
	533,758	(199,221)	334,537	501,084	(191,395)	309,689

The Group's and the Company's technical reserves are reviewed annually for adequacy by a qualified actuary registered with the Central Bank of Bahrain.

The adequacy of technical reserves as of 31 December 2016 and 31 December 2015 were also peer reviewed by an international firm of actuaries.

12 TECHNICAL RESERVES (CONTINUED)

Claims development - Group

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each consolidated and separate statements of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

Gross	2007 US$ '000s	2008 US$ '000s	2009 US$ '000s	2010 US$ '000s	2011 US$ '000s	2012 US$ '000s	2013 US$ '000s	2014 US$ '000s	2015 US$ '000s	**2016 US$ '000s**	Total US$ '000s
At end of underwriting year	468	3,672	1,400	5,684	4,069	7,818	7,507	7,258	9,895	4,788	
One year later	36,439	63,158	74,488	98,446	91,354	97,129	115,725	125,751	140,573	-	
Two years later	77,499	107,420	152,758	228,807	186,132	194,360	200,691	214,747	-	-	
Three years later	87,837	118,853	165,159	255,996	222,005	220,917	210,664	-	-	-	
Four years later	86,930	118,499	165,679	257,361	223,596	234,945	-	-	-	-	
Five years later	86,205	117,446	161,654	261,093	221,893	-	-	-	-	-	
Six years later	86,806	115,609	163,129	261,659	-	-	-	-	-	-	
Seven years later	86,736	115,139	162,711	-	-	-	-	-	-	-	
Eight years later	85,165	114,721	-	-	-	-	-	-	-	-	
Nine years later	84,913	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	84,913	114,721	162,711	261,659	221,893	234,945	210,664	214,747	140,573	4,788	**1,651,614**
Cumulative payments to date	(79,829)	(109,426)	(151,224)	(231,601)	(186,990)	(184,791)	(160,225)	(115,744)	(28,776)	2,318	**(1,246,288)**
Incurred But Not Reported	(49)	(67)	(253)	146	1,151	1,860	7,513	23,633	65,541	42,179	**141,654**
	5,035	5,228	11,234	30,204	36,054	52,014	57,952	122,636	177,338	49,285	**546,980**
Liability in respect of years prior to 2007											**29,733**
Total liability included in the Company's separate statement of financial position											**576,713**
Trust Underwriting Ltd											**33,108**
Total liability included in the consolidated statement of financial position											**609,821**

12 TECHNICAL RESERVES (CONTINUED)

Claims development - Group (Continued)

Net	2007 US$ '000s	2008 US$ '000s	2009 US$ '000s	2010 US$ '000s	2011 US$ '000s	2012 US$ '000s	2013 US$ '000s	2014 US$ '000s	2015 US$ '000s	**2016 US$ '000s**	Total US$ '000s
At end of underwriting year	302	2,508	484	3,290	2,478	3,803	4,596	4,497	(8,729)	3,529	
One year later	15,463	26,244	35,710	64,599	31,248	60,722	83,107	92,079	81,870	-	
Two years later	33,611	46,140	80,643	136,231	99,789	130,978	143,629	152,408	-	-	
Three years later	34,660	47,975	86,273	156,134	125,724	151,804	150,991	-	-	-	
Four years later	34,847	47,895	83,878	157,796	125,576	158,438	-	-	-	-	
Five years later	35,495	48,357	80,002	160,420	126,124	-	-	-	-	-	
Six years later	35,427	47,707	81,369	161,500	-	-	-	-	-	-	
Seven years later	35,477	47,053	81,493	-	-	-	-	-	-	-	
Eight years later	34,695	46,847	-	-	-	-	-	-	-	-	
Nine years later	34,458										
Current estimate of cumulative claims incurred	34,458	46,847	81,493	161,500	126,124	158,438	150,991	152,408	81,870	3,529	**997,658**
Cumulative payments to date	(32,543)	(45,133)	(74,225)	(142,407)	(105,396)	(126,099)	(118,642)	(83,864)	(20,104)	1,235	**(747,178)**
Incurred But Not Reported	(20)	(13)	(96)	123	781	1,339	5,458	17,388	49,083	29,701	**103,744**
	1,895	1,701	7,172	19,216	21,509	33,678	37,807	85,932	110,849	34,465	**354,224**
Liability in respect of years prior to 2007											**1,828**
Total net liability included in the Company's separate statement of financial position											**356,052**
Trust Underwriting Ltd											**27,017**
Total net liability included in the consolidated statement of financial position											**383,069**

12 TECHNICAL RESERVES (CONTINUED)

Claims development - Company

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each consolidated and separate statements of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

Gross	2007 US$ '000s	2008 US$ '000s	2009 US$ '000s	2010 US$ '000s	2011 US$ '000s	2012 US$ '000s	2013 US$ '000s	2014 US$ '000s	2015 US$ '000s	**2016 US$ '000s**	Total US$ '000s
At end of underwriting year	468	3,672	1,400	3,084	1,485	908	3,969	3,236	6,789	2,263	
One year later	36,439	63,158	73,498	85,848	81,441	83,383	108,426	119,068	130,138	-	
Two years later	77,499	107,420	150,409	212,336	172,059	174,260	191,642	206,776	-	-	
Three years later	87,837	118,853	162,571	238,037	205,175	203,482	202,819	-	-	-	
Four years later	86,930	118,499	162,889	239,341	206,363	215,978	-	-	-	-	
Five years later	86,205	117,446	158,656	243,957	206,153	-	-	-	-	-	
Six years later	86,806	115,609	160,133	244,634	-	-	-	-	-	-	
Seven years later	86,736	115,139	159,705	-	-	-	-	-	-	-	
Eight years later	85,165	114,721	-	-	-	-	-	-	-	-	
Nine years later	84,913	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	84,913	114,721	159,705	244,634	206,153	215,978	202,819	206,776	130,138	2,263	**1,568,100**
Cumulative payments to date	(79,829)	(109,426)	(148,531)	(219,765)	(173,718)	(170,165)	(154,399)	(110,935)	(23,526)	2,300	**(1,187,994)**
Incurred But Not Reported	(49)	(67)	(282)	30	542	1,147	6,007	21,488	61,763	33,340	**123,919**
	5,035	5,228	10,892	24,899	32,977	46,960	54,427	117,329	168,375	37,903	**504,025**
Liability in respect of years prior to 2007											**29,733**
Total liability included in the Company's separate statement of financial position											**533,758**

12 TECHNICAL RESERVES (CONTINUED)

Claims development - Company (Continued)

Net	2007 US$ '000s	2008 US$ '000s	2009 US$ '000s	2010 US$ '000s	2011 US$ '000s	2012 US$ '000s	2013 US$ '000s	2014 US$ '000s	2015 US$ '000s	**2016 US$ '000s**	Total US$ '000s
At end of underwriting year	302	2,508	484	2,067	1,005	656	2,611	2,442	(10,873)	1,660	
One year later	15,463	26,244	35,089	58,677	25,596	54,462	79,012	88,501	76,390	-	
Two years later	33,611	46,140	79,171	128,488	91,765	121,824	138,745	148,121	-	-	
Three years later	34,660	47,975	84,650	147,691	116,129	143,066	146,282	-	-	-	
Four years later	34,847	47,895	82,129	149,324	116,025	149,228	-	-	-	-	
Five years later	35,495	48,357	78,123	152,322	116,301	-	-	-	-	-	
Six years later	35,427	47,707	79,505	153,361	-	-	-	-	-	-	
Seven years later	35,477	47,053	79,380	-	-	-	-	-	-	-	
Eight years later	34,695	46,847	-	-	-	-	-	-	-	-	
Nine years later	34,458	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	34,458	46,847	79,380	153,361	116,301	149,228	146,282	148,121	76,390	1,660	**952,028**
Cumulative payments to date	(32,543)	(45,133)	(72,312)	(135,416)	(97,101)	(119,157)	(115,032)	(80,983)	(16,305)	1,430	**(712,552)**
Incurred But Not Reported	(20)	(13)	(108)	76	476	972	4,454	16,174	46,550	24,673	**93,234**
	1,895	1,701	6,960	18,021	19,676	31,043	35,704	83,312	106,635	27,763	**332,710**
Liability in respect of years prior to 2007											**1,827**
Total net liability included in the Company's separate statement of financial position											**334,537**

13 INVESTMENT PROPERTIES

Group

	2016			2015
	Land	Building	Total	Total
	US$ '000s	US$ '000s	US$ '000s	US$ '000s
Balance at 1 January	10,575	8,211	18,786	1,906
Purchased during the year	-	11,893	11,893	5,752
Transferred from Advances and other assets on completion	-	2,978	2,978	11,250
Revaluation gain (loss) during the year (note 22)	326	(631)	(305)	(122)
Acquisition of a subsidiary (note 32)	-	4,953	4,953	-
Balance at 31 December	10,901	27,404	38,305	18,786

Company

	2016			2015
	Land	Building	Total	Total
	US$ '000s	US$ '000s	US$ '000s	US$ '000s
Balance at 1 January	10,575	8,211	18,786	1,906
Purchased during the year	-	11,893	11,893	5,752
Transferred from Advances and other assets on completion	-	2,978	2,978	11,250
Revaluation gain (loss) during the year (note 22)	326	(631)	(305)	(122)
Balance at 31 December	10,901	22,451	33,352	18,786

Group and Company

Investment properties are stated at fair value. These properties are located in Bahrain, Malaysia, Oman, Cyprus and United Kingdom. All valuations are performed as at 31 December 2016 and 31 December 2015 respectively. The independent valuers used are specialists in valuing these types of investment properties and have recent experience in the location and category of the investment properties being valued.

The fair value is supported by market evidence and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of income.

14 PROPERTY AND EQUIPMENT

14.1 Group

	Land and Building US$ '000s	Motor vehicles US$ '000s	Computer hardware and software US$ '000s	Furniture and fixtures US$ '000s	Total US$ '000s
Fair value / Cost					
At 1 January 2016	1,838	629	3,138	3,836	9,441
Additions	23,107	123	289	726	24,245
Transfer from other assets on completion	2,978	-	-	-	2,978
Disposals	-	(153)	(19)	(56)	(228)
Acquisition of subsidiary (note 32)		42	236	197	475
Exchange differences	(12)	(1)	-	(4)	(17)
At 31 December 2016	**27,911**	**640**	**3,644**	**4,699**	**36,894**
Depreciation					
At 1 January 2016	-	454	2,211	3,265	5,930
Charge for the year	69	79	374	307	829
Disposals	-	(128)	(19)	(54)	(201)
Acquisition of subsidiary (note 32)	-	42	175	184	401
Exchange differences	(1)	-	-	(3)	(4)
At 31 December 2016	**68**	**447**	**2,741**	**3,699**	**6,955**
Net book value					
At 31 December 2016	**27,843**	**193**	**903**	**1,000**	**29,939**
At 31 December 2015	1,838	175	927	571	3,511

14 PROPERTY AND EQUIPMENT (CONTINUED)

14.2 Company

	Land and Building US$ '000s	Motor vehicles US$ '000s	Computer hardware and software US$ '000s	Furniture and fixtures US$ '000s	Total US$ '000s
Fair value / Cost					
At 1 January 2016	1,331	591	2,528	3,603	8,053
Additions	23,107	97	283	717	24,204
Transfer from other assets on completion	2,978	-	-	-	2,978
Disposals	-	(153)	(19)	(61)	(233)
At 31 December 2016	**27,416**	**535**	**2,792**	**4,259**	**35,002**
Depreciation					
At 1 January 2016	-	444	1,649	3,097	5,190
Charge for the year	33	69	356	302	760
Disposals		(128)	(18)	(59)	(205)
At 31 December 2016	**33**	**385**	**1,987**	**3,340**	**5,745**
Net book value					
At 31 December 2016	**27,383**	**150**	**805**	**919**	**29,257**
At 31 December 2015	1,331	147	879	506	2,863

15 INTANGIBLE ASSETS

Group

	Licence US$ '000s	Underwriting capacity US$ '000s	Total US$ '000s
Cost			
At 1 January 2015	17	1,961	1,978
Exchange difference	(2)	(89)	(91)
At 31 December 2015	15	1,872	1,887
Additions	-	307	307
Acquisition of subsidiary (note 32)	365	-	365
Exchange difference	-	(343)	(343)
At 31 December 2016	**380**	**1,836**	**2,216**
Amortisation			
At 1 January 2015	17	1,932	1,949
Charge for the year	-	11	11
Exchange difference	(2)	(88)	(90)
At 31 December 2015	15	1,855	1,870
Charge for the year	-	16	16
Acquisition of subsidiary (note 32)	338	-	338
Exchange difference	-	(317)	(317)
At 31 December 2016	**353**	**1,554**	**1,907**
Carrying value			
At 31 December 2016	**27**	**282**	**309**
At 31 December 2015	-	17	17

Underwriting capacity relates to the Group's subsidiary Trust Underwriting Limited which is a corporate member of Lloyd's of London and represents costs incurred to acquire rights to participate on various syndicate capacities.

16 EQUITY AND RESERVES

Share capital

	2016 US$ '000s	2015 US$ '000s
Authorised:		
5,000,000 shares of USD100 each (2015: 2,000,000 shares of USD100 each)	500,000	200,000
Issued and fully paid up:		
2,500,000 shares of USD100 each (2015: 2,000,000 shares of USD100 each)	250,000	200,000

Increase in share capital

Following a resolution by the shareholders of the Company at an Extraordinary General Meeting held on 14 November 2016 and necessary regulatory approvals, the Company's issued and paid up share capital increased from USD 200,000 thousand to USD 250,000 thousand, by issuing capital of USD 20,000 thousand against cash, and USD 30,000 thousand as bonus shares.

Statutory reserve

As required by the Bahrain Commercial Companies Law and the Insurance Regulations contained in Volume 3 of the Central Bank of Bahrain Rulebook, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

Proposed dividend

The Board of Directors proposes to recommend a cash dividend of USD 5.60 per share for the approval of shareholders at the Annual General Meeting (2015:USD 7.50 per share).

17 REINSURERS' SHARE OF DEFERRED ACQUISITION COSTS

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
At 1 January	21,600	21,600	17,954	17,954
Acquisition costs - reinsurer	46,903	46,903	36,006	36,006
Amortisation for the year - reinsurer	(36,453)	(36,453)	(32,360)	(32,360)
Acquisition of subsidiary (note 32)	1,268	-	-	-
At 31 December	33,318	32,050	21,600	21,600

18 INSURANCE AND OTHER PAYABLES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Insurance payables	24,772	13,370	20,961	16,440
Outward pipeline premium provision	93,973	89,217	68,727	68,727
Outward treaty premium reserves loss deposit	37,733	35,830	22,174	22,174
Due to related parties (note 28)	12,306	15,333	8,914	9,050
Other accounts payable and accruals	34,010	17,178	30,591	15,904
Deposits from cedants recognised under deposit accounting method	2,320	2,320	6,085	6,085
Fair value of currency forward exchange contract (note 30)	70	70	-	-
Deferred tax liability (note 19)	267	-	166	-
	205,451	173,318	157,618	138,380

19 DEFERRED TAXATION

The movement in deferred taxation is as follows:

	Tax lossess carried forward US$ '000s	Underwriting profits not subject to taxation US$ '000s	Claims equalisation US$ '000s	Total US$ '000s
At 1 January 2015	702	(346)	(325)	31
Movement during the year	(116)	(11)	(73)	(200)
Exchange difference	(29)	16	16	3
At 31 December 2015	557	(341)	(382)	(166)
Movement during the year	(281)	68	72	(141)
Exchange difference	(72)	53	59	40
At 31 December 2016	204	(220)	(251)	(267)

20 OPERATING EXPENSES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Staff costs	15,463	15,463	13,768	13,768
Occupancy costs	779	779	3,672	3,672
Marketing and business travel	1,873	1,873	1,816	1,816
Professional expenses	1,021	1,021	1,449	1,449
Corporate costs	1,384	1,384	1,278	1,278
Administration expenses	776	776	705	705
Information technology costs	643	643	592	592
Financial and other charges	1,789	1,789	1,343	1,343
Others	57	57	53	53
	23,785	23,785	24,676	24,676

21 INVESTMENT INCOME - NET

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Dividend income	4,154	4,154	5,781	5,781
Gain on sale of available-for-sale investments	2,384	2,384	17,702	17,702
Interest income on debt securities	2,030	2,030	1,326	1,326
Impairment loss on available-for-sale investments	(3,141)	(3,141)	(7,035)	(7,035)
	5,427	5,427	17,774	17,774

22 (LOSS) / INCOME FROM INVESTMENT PROPERTIES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Rental income	190	190	389	389
Revaluation of investment properties (note13)	(305)	(305)	122	122
	(115)	(115)	267	267

23 GENERAL AND ADMINISTRATION EXPENSES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Staff costs	5,994	5,152	4,010	3,171
Occupancy costs	367	259	4,426	4,334
Business travel	373	359	188	210
Professional expenses	484	340	451	322
Corporate costs	663	461	539	320
Administration expenses	564	259	458	165
Information technology costs	365	214	245	140
Financial and other charges	803	596	461	314
Other	479	285	531	202
	10,092	7,925	11,309	9,178

24 OTHER INCOME AND LOSSES

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Management fees	4,474	4,031	3,061	2,816
Profit from contracts recognised under deposit accounting method	364	364	315	315
Fair value gain on forward exchange contracts	922	922	2,853	2,853
Miscellaneous income	2,830	1,365	1,075	234
Loss on revaluation of own use property (note 14)	-	-	(184)	(184)
	8,590	6,682	7,120	6,034

25 TAXATION

The Group's branch in Cyprus is subject to a taxation charge of 12.5% (2015: 12.5%) on its chargeable income for the year. The branch has incurred a tax loss for the year and therefore no provision for tax has been made during the year (2015: USD 10 thousand). The branch in Labuan, Malaysia elected to pay a fixed tax of Malaysian Ringgit 20 thousand according to tax legislation applicable to the Branch. The subsidiary in the USA is also subject to local taxation. The subsidiary in the UK is subject to tax charge according to tax legislation in the United Kingdom. The tax charge is analysed as follows:

	2016 Group US$ '000s	2016 Company US$ '000s	2015 Group US$ '000s	2015 Company US$ '000s
Corporation tax (including previous years)	8	4	30	11
Deferred tax charge	141	-	200	-
	149	4	230	11

26 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2016 and 31 December 2015, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

26.1 Group	2016			
	At fair value through income statement US$ '000s	Available-for-sale US$ '000s	Loans and receivables/ amortised cost US$ '000s	Total US$ '000s
Financial assets				
Cash and bank balances	-	-	493,287	493,287
Investments	-	295,165	5,622	300,787
Insurance and other receivables (Excluding "prepayments")	-	-	141,953	141,953
Reinsurers' share of outstanding claims reserve - reported claims	-	-	189,042	189,042
Forward foreign exchange contracts	-	-	-	-
	-	295,165	829,904	1,125,069
Financial liabilities				
Outstanding claims reserve - reported claims	-	-	468,423	468,423
Reinsurance payables	-	-	19,123	19,123
Insurance and other payables	-	-	77,131	77,131
Forward foreign exchange contracts	70	-	-	70
	70	-	564,677	564,747

	2015			
	At fair value through income statement US$ '000s	Available-for-sale US$ '000s	Loans and receivables/ amortised cost US$ '000s	Total US$ '000s
Financial assets				
Cash and bank balances	-	-	468,040	468,040
Available-for-sale investments	-	281,018	-	281,018
Insurance and other receivables (Excluding "prepayments")	-	-	118,761	118,761
Reinsurers' share of outstanding claims reserve - reported claims	-	-	167,215	167,215
Forward foreign exchange contracts	950	-	-	950
	950	281,018	754,016	1,035,984
Financial liabilities				
Outstanding claims reserve reported claims	-	-	414,589	414,589
Reinsurance payables	-	-	29,815	29,815
Trade and other payables	-	-	58,134	58,134
	-	-	502,538	502,538

26 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Company	2016			
	At fair value through income statement US$ '000s	Available-for-sale US$ '000s	Loans and receivables/ amortised cost US$ '000s	Total US$ '000s
Financial assets				
Cash and bank balances	-	-	429,969	429,969
Available-for-sale investments	-	247,663	-	247,663
Insurance and other receivables (Excluding "prepayments")	-	-	118,767	118,767
Reinsurers' share of outstanding claims reserve - reported claims	-	-	168,735	168,735
	-	247,663	717,471	965,134
Financial liabilities				
Outstanding claims reserve reported claims	-	-	410,094	410,094
Reinsurance payables	-	-	19,123	19,123
Trade and other payables	-	-	66,923	66,923
Forward foreign exchange contracts	70	-	-	70
	70	-	496,140	496,210

26.2 Company (Continued)	2015			
	At fair value through income statement US$ '000s	Available-for-sale US$ '000s	Loans and receivables/ amortised cost US$ '000s	Total US$ '000s
Financial assets				
Cash and bank balances	-	-	462,646	462,646
Available-for-sale investments	-	242,042	-	242,042
Insurance and other receivables (Excluding "prepayments")	-	-	105,476	105,476
Reinsurers' share of outstanding claims reserve - reported claims	-	-	160,034	160,034
Forward foreign exchange contracts	950	-	-	950
	950	242,042	728,156	971,148
Financial liabilities				
Outstanding claims reserve reported claims	-	-	378,719	378,719
Reinsurance payables	-	-	29,815	29,815
Trade and other payables	-	-	53,749	53,749
	-	-	462,283	462,283

Financial assets at fair value through income statement represents positive change in fair value of foreign exchange forward contracts. These forward exchange contracts have been entered into to manage the Group's currency exposure in Euro. These forward contracts have not been designated as cash flow, fair value or investment in foreign operations hedge.

AFS financial assets at fair value through OCI mainly include investments in quoted debt and equity secutiries. Fair values of these quoted debt and equity securities are determined by reference to published price quotations in an active market. A small portion of the AFS financial assets are invested in equity shares of non-listed companies. The Group considers these investments to be strategic in nature.

The Company assessed these investments for impairment and recognised impairment loss as disclosed in note 21 to the financial statements.

Loans and receivables are non-derivative financial assets carried at amortised cost. These represent bank balances, amounts due to / from companies under reinsurance contracts, outstanding claim reserve, and reinsurers' share of outstanding claim reserve. Except for bank balances in deposit accounts, these do not generate any interest income for the Group. The carrying value of these assets may be affected by changes in the credit risk of the counterparties.

27 FAIR VALUE MEASUREMENT

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models.

Level 1, 2 and 3 are explained in note 5 under "Fair value measurement".

27.1 Group

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 December 2016:

	2016		
	Level 1 US$ '000s	Level 2 US$ '000s	Total US$ '000s
Investment properties	-	38,305	38,305
Property and equipment (Land and building only)	-	27,843	27,843
Available-for-sale investments			
Equities			
Financial services	141,674	2,155	143,829
Others	22,609	-	22,609
Debt securities			
Financial services	62,144	-	62,144
Government	10,733	-	10,733
Energy	9,218	-	9,218
Basic material	4,295	-	4,295
Communications	4,914	-	4,914
Consumer	11,083	-	11,083
Utilities	8,522	-	8,522
Industrial	6,287	-	6,287
Others	10,259	-	10,259
Derivative financial instruments	-	-	-
	291,738	68,303	360,041

27.1 Group (continued)

	2015		
	Level 1 US$ '000s	Level 2 US$ '000s	Total US$ '000s
Investment properties	-	18,786	18,786
Property and equipment (Land and building only)	-	1,838	1,838
Available-for-sale investments			
Equities			
Financial services	129,836	-	129,836
Others	20,735	-	20,735
Debt securities			
Financial services	32,610	-	32,610
Government	9,737	-	9,737
Energy	9,707	-	9,707
Basic material	5,334	-	5,334
Communications	5,659	-	5,659
Consumer	11,201	-	11,201
Utilities	5,751	-	5,751
Others	40,256	-	40,256
Derivative financial instruments	-	950	950
	270,826	21,574	292,400

27 FAIR VALUE MEASUREMENT (CONTINUED)

27.2 Company

	2016		
	Level 1 US$ '000s	Level 2 US$ '000s	Total US$ '000s
Investment properties	-	33,352	33,352
Property and equipment (Land and building only)	-	27,383	27,383
Available-for-sale investments			
Equities			
Financial services	132,582	2,155	134,737
Others	13,517	-	13,517
Debt securities			
Financial services	32,826	-	32,826
Government	10,733	-	10,733
Energy	9,218	-	9,218
Basic material	4,295	-	4,295
Communications	4,914	-	4,914
Consumer	11,083	-	11,083
Utilities	8,522	-	8,522
Industrial	6,287	-	6,287
Others	10,259	-	10,259
	244,236	62,890	307,126

27.2 Company (continued)

	2015		
	Level 1 US$ '000s	Level 2 US$ '000s	Total US$ '000s
Investment properties	-	18,786	18,786
Property and equipment (Land and building only)	-	1,331	1,331
Available-for-sale investments			
Equities			
Financial services	129,836	-	129,836
Others	14,832	-	14,832
Debt securities			
Financial services	32,610	-	32,610
Government	9,737	-	9,737
Energy	9,707	-	9,707
Basic material	5,334	-	5,334
Communications	5,659	-	5,659
Consumer	11,201	-	11,201
Utilities	5,751	-	5,751
Others	7,183	-	7,183
Derivative financial instruments	-	950	950
	231,850	21,067	252,917

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's and Company's financial instruments such as cash and bank balances, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the consolidated and separate statements of financial position.

27 FAIR VALUE MEASUREMENT (CONTINUED)

27.3 Group and Company

Unquoted equities classified as available-for-sale amounted to USD 1,272 thousand (2015: USD 10,192 thousand) and are carried at cost less impairment due to their illiquid nature and accordingly are not included in the fair value measurement hierarchy table above.

The Group and the Company does not have any financial liability at fair value through profit and loss except for negative fair value of forward exchange contracts. These liabilities fall under level 2 under fair value hierarchy.

Valuations are dated 31 December each year.

During the years ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2 fair value hierarchies.

28 RELATED PARTY TRANSACTIONS

28.1 Group

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

Transactions with related parties included in the consolidated statement of income are as follows:

	Shareholder	Entities related to shareholders	Shareholder	Entities related to shareholders
	2016 US$ '000s	2016 US$ '000s	2015 US$ '000s	2015 US$ '000s
Gross premiums written	-	5,464	-	7,572
Gross claims paid	-	3,127	-	2,877
Policy acquisition costs	-	1,778	-	2,166
Investment Income*	1,051	-	16,815	-
Management Fee	-	1,496	-	-
Purchase of property	35,000	-	-	-
Purchase of shares in subsidiary	9,578	-	-	-

The expenses included USD Nil (2015: USD 7,000 thousand) in respect of building rent and USD 1,170 thousand (2015: USD 1,000 thousand) in respect of management fees paid to shareholder.

28.1 Group (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	Shareholder	Entities related to shareholders	Shareholder	Entities related to shareholders
	2016 US$ '000s	2016 US$ '000s	2015 US$ '000s	2015 US$ '000s
Insurance and other receivables	508	32,557	670	30,951
Insurance and other payables	-	12,306	-	8,914

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2016 US$ '000s	2015 US$ '000s
Directors' remuneration	283	300
Salaries and benefits	1,168	1,265
End of service benefits	77	103
	1,528	1,668

28.2 Company

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions.

Transactions with related parties included in the statement of income are as follows:

	Shareholder	Entities related to shareholders	Shareholder	Entities related to shareholders
	2016 US$ '000s	2016 US$ '000s	2015 US$ '000s	2015 US$ '000s
Gross premiums written	-	5,464	-	7,572
Gross claims paid	-	3,127	-	2,877
Policy acquisition costs	-	1,778	-	2,166
Investment Income*	1,051	-	16,815	-
Management Fee	-	1,496	-	-
Purchase of property	35,000	-	-	-
Purchase of shares in subsidiary	9,578	-	-	-

** The Group sold certain investments classified as Available for Sale to its parent. Total sale consideration amounted to 1,287 thousand (2015: 23,300 thousand)*

28 RELATED PARTY TRANSACTIONS (CONTINUED)

28.2 Company (continued)

The expenses included USD Nil (2015: USD 7,000 thousand) in respect of building rent and USD 1,170 thousand (2015: USD 1,000 thousand) in respect of management fees paid to shareholder. Further other income includes management fee from subsidiaries amounting to 227 thousand (2015: 79 thousand).

Balances with related parties included in the statement of financial position are as follows:

	Shareholder	Entities related to shareholders	Shareholder	Entities related to shareholders
	2016 US$ '000s	2016 US$ '000s	2015 US$ '000s	2015 US$ '000s
Insurance and other receivables	508	35,555	670	32,787
Insurance and other payables	-	15,333	-	9,050

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2016 US$ '000s	2015 US$ '000s
Directors' remuneration	283	300
Salaries and benefits	1,026	1,265
End of service benefits	68	103
	1,377	1,668

28.3 Group and Company

Loans to related parties

The following table provides the interest received during the year ended 31 December 2016 and 31 December 2015, as well as the loans outstanding from related parties as at 31 December 2016 and 31 December 2015:

	2016 US$ '000s	2015 US$ '000s
Amounts owed by related party*	1,137	2,375

** This represents medium-term loan disbursed to Trust International Insurance Company (Cyprus) Limited on 1 April 2014 with an original maturity period of seven years. The loan carries a variable interest rate of 3 months EURIBOR plus 5% per annum and it is secured against property.*

28.3 Group and Company Continued

Loans to related parties (Continued)

	2016 US$ '000s	2015 US$ '000s
Interest received	102	149

29 CONTINGENT LIABILITIES

The Group has provided guarantees as follows:

29.1 Guarantee amounting to approximately USD 948 thousand (Euro 900 thousand) [USD 1,000 thousand (Euro 900 thousand)] as a statutory requirement by Superintendent of Insurance in Cyprus in respect of its Cyprus branch.

29.2 Guarantee amounting to approximately USD 12,215 thousand (Pound Sterling 9,974 thousand) in favour of The Society & Council of Lloyd's under reinsurance contract entered into by the Group.

29.3 Guarantee amounting to approximately USD 9,339 thousand (Pound Sterling 7,625 thousand) in favour of The Society & Council of Lloyd's on behalf of a subsidiary.
All guarantees are secured against the bank deposits of the Group and certain assets of the Parent.

30 DERIVATIVES

During the year, the Group and Company entered into the following derivatives:

			Notional amounts by term to maturity		
31 December 2016	Positive fair value US$ '000s	Negative fair value US$ '000s	Notional amount Total US$ '000s	Within 3 months US$ '000s	3 - 12 months US$ '000s
*Derivatives**					
Forward foreign exchange	-	70	15,273	15,273	-
31 December 2015					
*Derivatives**					
Forward foreign exchange	950	-	22,954	22,954	-

** The Group and Company uses forward currency contracts to manage its currency exposure denominated in Euro. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.*

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

31 RISK MANAGEMENT

Underwriting risks

The Group manages its underwriting risks principally through policies and guidelines for accepting risks and reinsurance arrangements.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks.

The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practices involve the use of actuarial analysis and application of underwriting judgement. These are supplemented by periodical independent actuarial reviews for determining the adequacy of reserves.

Governance framework

The primary objective of the Group's and Company's risk and financial management framework is to protect the Group from events that hinder the sustainable achievement of financial performance objectives. The Group and the Company have established an efficient and effective risk management system based on terms of reference from the Board of Directors and its sub-committees. The Group has formed a Risk Committee which is responsible for ensuring that the Group's overall risk management functions are operating effectively.

This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. In addition, a Group policy framework which sets out the risk profiles for the Group and the Company, risk management, control and business conduct standards for the Group's and the Company's operations have been implemented. As part of the Group's and the Company's enterprise wide risk management implementation, the Group's risk management department is also responsible for building a risk awareness culture and reporting to the Risk Committee.

The Group has also developed adequate policies and procedures, delegations of authority and limit systems to ensure appropriate quality and diversification of assets, align underwriting and reinsurance strategies to the Group's goals and objectives and specify reporting requirements.

Regulatory framework

The Company is regulated by the Central Bank of Bahrain and its subsidiary, Trust Underwriting Limited, is regulated by the Financial Conduct Authority of the United Kingdom. Regulatory intervention helps the Group and the Company in protecting the rights of policyholders and other counterparties as well as ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and catastrophies which could significantly impact the Group's and the Company's operations.

The various risks that the Group and the Company are exposed to are discussed in the following sections.

Reinsurance risk

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

Reinsurance ceded contracts do not relieve the Group or the Company from their obligations to policyholders and consequently the Group and the Company remain 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 their exposure to significant losses that might arise from large claims from insolvent reinsurers the Group and the Company continuously evaluate their reinsurers' financial condition and follow up developments in their areas of operations.

Concentration of reinsurance risk

The Group and the Company do not have any single reinsurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or reinsurance contracts covering risks for single incidents that expose the Group or the Company to multiple insurance risks. The Group and the Company has adequately reinsured for reinsurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the consolidated and separate statement of income (2015: same).

Syndicate risk (Trust Underwriting Limited)

The syndicates' 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 Conduct Authority provide additional controls over the syndicate's management of risks.

The Group 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, with 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 enquired into. If the Group 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.

31 RISK MANAGEMENT (CONTINUED)

Financial risks

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and the Company's principal transactions are carried out in USD, Euro and British Pound (GBP) and their exposure to foreign exchange risk arises primarily because the Euro and British Pound (GBP) are not pegged to the United States Dollar. The table below summarises the Group's exposure to foreign currency exchange rate risk at the consolidated statement of financial position date by categorising monetary assets and liabilities by major currencies.

Currency risk - Group	31 December 2016				
	US Dollars US$ '000s	Euro US$ '000s	British Pound US$ '000s	Other US$ '000s	Total US$ '000s
ASSETS					
Cash and bank balances	462,029	5,267	19,703	6,288	493,287
Investments	291,428	7,879	1,480	-	300,787
Investment in associate	5,740	-	-	-	5,740
Insurance and other receivables (Excluding "prepayments")	104,037	4,599	3,116	30,547	142,299
Reinsurers' share of technical reserves - reported claims	130,327	4,135	379	54,201	189,042
	993,561	21,880	24,678	91,036	1,131,155
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	289,564	13,775	1,270	163,814	468,423
Reinsurance payables	19,124	-	-	-	19,124
Insurance and other payables	68,737	1,407	1,203	6,121	77,468
	377,425	15,182	2,473	169,935	565,015
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	-	-	-	-
Forward currency sale contracts	-	(15,273)	-	-	(15,273)
	-	(15,273)	-	-	(15,273)
Net exposure	616,136	(8,575)	22,205	(78,899)	550,867

Currency risk - Group (Continued)	31 December 2015				
	US Dollars US$ '000s	Euro US$ '000s	British Pound US$ '000s	Other US$ '000s	Total US$ '000s
ASSETS					
Cash and bank balances	456,382	7,090	1,707	2,861	468,040
Investments	269,441	10,321	1,256	-	281,018
Investment in associate	-	-	-	5,697	5,697
Insurance and other receivables (Excluding "prepayments")	86,864	5,904	3,505	23,810	120,083
Reinsurers' share of technical reserves - reported claims	119,807	3,751	2,811	40,846	167,215
	932,494	27,066	9,279	73,214	1,042,053
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	269,097	10,518	6,690	128,284	414,589
Reinsurance payables	29,815	-	-	-	29,815
Insurance and other payables	53,204	1,644	-	3,452	58,300
	352,116	12,162	6,690	131,736	502,704
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	-	-	-	-
Forward currency sale contracts	-	(22,954)	-	-	(22,954)
	-	(22,954)	-	-	(22,954)
Net exposure	580,378	(8,050)	2,589	(58,522)	516,395

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including reinsurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

31 RISK MANAGEMENT (CONTINUED)

Currency	Change in variables	2016 Impact on Profit before tax US$ '000s	2015 Impact on Profit before tax US$ '000s
GBP	+/- 10%	2,220	259
Euro	+/- 10%	(858)	(805)

Currency risk - Company

The table below summarises the Company's exposure to foreign currency exchange rate risk at the separate statement of financial position date by categorising monetary assets and liabilities by major currencies.

	31 December 2016				
	US Dollars US$ '000s	Euro US$ '000s	British Pound US$ '000s	Other US$ '000s	Total US$ '000s
ASSETS					
Cash and bank balances	399,420	5,267	19,703	5,579	429,969
Investments	238,304	7,879	1,480	-	247,663
Investment in subsidiaries	31,607	-	655	-	32,262
Investment in associate	5,697	-	-	-	5,697
Insurance and other receivables	86,471	4,599	3,116	24,927	119,113
Reinsurers' share of technical reserves - reported claims	120,923	4,135	379	43,298	168,735
	882,422	21,880	25,333	73,804	1,003,439
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	251,442	13,775	1,270	143,607	410,094
Reinsurance payables	19,123	-	-	-	19,123
Insurance and other payables	61,505	1,407	1,203	2,808	66,923
	332,070	15,182	2,473	146,415	496,140
OFF-BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	-	-	-	-
Forward currency sale contracts	-	(15,273)	-	-	(15,273)
	-	(15,273)	-	-	(15,273)
Net exposure	550,352	(8,575)	22,860	(72,611)	492,026

Currency risk - Company (Continued)	31 December 2015				
	US Dollars US$ '000s	Euro US$ '000s	British Pound US$ '000s	Other US$ '000s	Total US$ '000s
ASSETS					
Cash and bank balances	450,988	7,090	1,707	2,861	462,646
Investments	230,465	10,321	1,256	-	242,042
Investment in subsidiaries	3,275	-	655	37	3,967
Investment in associate	5,697	-	-	-	5,697
Insurance and other receivables	73,579	5,904	3,505	23,810	106,798
Reinsurers' share of technical reserves - reported claims	112,626	3,751	2,811	40,846	160,034
	876,630	27,066	9,934	67,554	981,184
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	233,227	10,518	6,690	128,284	378,719
Reinsurance payables	29,815	-	-	-	29,815
Insurance and other payables	47,173	1,644	1,480	3,452	53,749
	310,215	12,162	8,170	131,736	462,283
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	-	-	-	-
Forward currency sale contracts	-	(22,954)	-	-	(22,954)
	-	(22,954)	-	-	(22,954)
Net exposure	566,415	(8,050)	1,764	(64,182)	495,947

Currency	Change in variables	**2016 Impact on Profit before tax US$ '000s**	2015 Impact on Profit before tax US$ '000s
GBP	+/- 10%	**2,286**	176
Euro	+/- 10%	**(858)**	(805)

(b) Interest Rate Risk - Group and Company

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group's and Company's time deposits are at fixed interest rates and mature within six months. Investments in bonds consist of both fixed rate and floating rate instruments and have maturities ranging from 1 year to 7 years.

The Group and Company do not use any derivative financial instruments to hedge their interest rate risk.

A 50 basis point change in interest rates would impact the consolidated and separate statements of income by USD 2,366 thousand (2015: USD 2,350 thousand).

31 RISK MANAGEMENT (CONTINUED)

(c) Market risk - Group and Company

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group and the Company are exposed to market risk with respect to the available-for-sale investments (listed and unlisted shares and bonds). The geographical concentration of the Group's and the Company's investments is set out below.

Geographical concentration of investments

	Group 2016 US$ '000s	Company 2016 US$ '000s	Group 2015 US$ '000s	Company 2015 US$ '000s
Asia	24,218	24,218	28,909	28,909
Africa	2,491	2,491	1,314	1,314
Europe	77,754	41,966	75,695	36,719
GCC	173,753	156,417	156,784	156,784
North America	14,882	14,882	13,961	13,961
South America	7,689	7,689	4,355	4,355
	300,787	247,663	281,018	242,042

The Group and Company limit market risk by maintaining a diversified portfolio, proactively monitoring the key factors that affect stock and bond market movements and periodically analysing the operating and financial performance of investees.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (i.e. changes in fair value of available for sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

		2016		2015	
	Changes in variables	Impact on equity US$ '000s	Impact on equity US$ '000s	Impact on equity US$ '000s	Impact on equity US$ '000s
Market indices					
Muscat stock exchange	+/- 15%	2,183	856	868	856
Doha stock exchange	+/- 15%	11,321	10,778	11,321	10,778
UAE stock exchange	+/- 15%	172	146	172	146
Riyadh stock exchange	+/- 15%	708	837	708	837
London Stock Exchange	+/- 15%	1,295	263	1,295	263
Cyprus Stock Exchange	+/- 15%	17	16	17	16
Morgan Stanley Composite Index	+/- 15%	-	854	-	854

(d) Liquidity risk - Group

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Group and the Company has sufficient liquidity at the reporting date.

The table below summarises the maturity profile of the assets and liabilities of the Group based on remaining undiscounted contractual obligations.

	2016							
	Less than 1 month US$ '000s	1 to 3 months US$ '000s	3 months to 1 year US$ '000s	Total of up to 1 year US$ '000s	More than 1 year and less than 5 years US$ '000s	More than 5 years US$ '000s	No fixed maturity US$ '000s	Total US$ '000s
ASSETS								
Cash and bank balances	65,754	359,530	68,003	493,287	-	-	-	493,287
Investments	11,714	-	5,287	17,001	109,164	18,275	156,347	300,787
Investments in associate	-	-	-	-	-	-	5,740	5,740
Insurance and other receivables	25,918	47,663	196,627	270,208	85,414	17,574	-	373,196
Gross deferred acquisition costs	5,442	10,883	38,112	54,437	14,519	422	-	69,378
Reinsurers' share of technical reserves	22,088	45,477	157,067	224,632	129,127	4,712	-	358,471
Investment properties	-	-	-	-	-	-	38,305	38,305
Property and equipment	-	-	-	-	-	-	29,939	29,939
Intangible assets	-	-	-	-	-	-	309	309
	130,915	463,553	465,096	1,059,565	338,224	40,983	230,640	1,669,412
LIABILITIES								
Technical reserves	53,598	110,011	390,215	553,823	360,006	10,440	-	924,269
Reinsurers' share of deferred acquisition costs	2,657	5,314	15,795	23,766	9,135	417	-	33,318
Insurance and other payables	14,031	22,514	105,408	141,953	46,874	16,624	-	205,451
Reinsurance payables	6,374	12,750	-	19,124	-	-	-	19,124
	76,660	150,588	511,418	738,666	416,015	27,481	-	1,182,162

31 RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk - Group (Continued)

	2015							
	Less than 1 month US$ '000s	1 to 3 months US$ '000s	3 months to 1 year US$ '000s	Total of up to 1 year US$ '000s	More than 1 year and less than 5 years US$ '000s	More than 5 years US$ '000s	No fixed maturity US$ '000s	Total US$ '000s
ASSETS								
Cash and bank balances	218,785	245,159	3,698	467,642	-	-	398	468,040
Investments	-	-	3,281	3,281	108,090	14,787	154,860	281,018
Investments in associate	-	-	-	-	-	-	5,697	5,697
Insurance and other receivables	23,197	39,701	164,226	227,124	59,232	11,953	-	298,309
Gross deferred acquisition costs	4,360	8,720	27,287	40,367	12,895	273	-	53,535
Reinsurers' share of technical reserves	14,702	29,405	114,473	158,579	129,125	8,811	-	296,515
Investment properties	-	-	-	-	-	-	18,786	18,786
Property and equipment	-	-	-	-	-	-	3,511	3,511
Intangible assets	-	-	-	-	-	-	17	17
	261,044	322,985	312,965	896,993	309,342	35,824	183,269	1,425,428
LIABILITIES								
Technical reserves	42,103	84,206	305,898	432,207	332,049	22,554	-	786,809
Reinsurers' share of deferred acquisition costs	1,133	2,267	10,061	13,461	7,955	184	-	21,600
Insurance and other payables	13,599	18,977	81,834	114,410	33,188	10,020	-	157,618
Reinsurance payables	9,938	19,877	-	29,815	-	-	-	29,815
	66,773	125,327	397,793	589,893	373,192	32,758	-	995,842

(d) Liquidity risk - Company

The table below summarises the maturity profile of the assets and liabilities of the Company based on remaining undiscounted contractual obligations.

	2016							
	Less than 1 month US$ '000s	1 to 3 months US$ '000s	3 months to 1 year US$ '000s	Total of up to 1 year US$ '000s	More than 1 year and less than 5 years US$ '000s	More than 5 years US$ '000s	No fixed maturity US$ '000s	Total US$ '000s
ASSETS								
Cash and bank balances	50,550	359,530	19,889	429,969	-	-	-	429,969
Investments	-	-	5,287	5,287	67,754	18,275	156,347	247,663
Investments in subsidiaries	-	-	-	-	-	-	32,263	32,263
Investments in associate	-	-	-	-	-	-	5,697	5,697
Insurance and other receivables	25,093	45,188	164,193	234,474	85,414	17,574	-	337,462
Gross deferred acquisition costs	5,442	10,883	31,340	47,665	14,519	422	-	62,606
Reinsurers' share of technical reserves	20,787	41,574	142,632	204,993	114,692	4,711	-	324,396
Investment properties	-	-	-	-	-	-	33,352	33,352
Property and equipment	-	-	-	-	-	-	29,257	29,257
	101,872	457,175	363,341	922,388	282,379	40,982	256,916	1,502,665
LIABILITIES								
Technical reserves	50,782	101,565	344,334	496,681	314,125	10,440	-	821,246
Reinsurers' share of deferred acquisition costs	2,657	5,314	14,527	22,498	9,135	417	-	32,050
Reinsurance payables	6,374	12,749	-	19,123	-	-	-	19,123
Insurance and other payables	12,963	19,311	77,546	109,820	46,874	16,624	-	173,318
	72,777	138,938	436,407	648,122	370,134	27,481	-	1,045,737

31 RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk - Company (Continued)

	2015							
	Less than 1 month US$ '000s	1 to 3 months US$ '000s	3 months to 1 year US$ '000s	Total of up to 1 year US$ '000s	More than 1 year and less than 5 years US$ '000s	More than 5 years US$ '000s	No fixed maturity US$ '000s	Total US$ '000s
ASSETS								
Cash and bank balances	213,391	245,159	3,698	462,248	-	-	398	462,646
Investments	-	-	3,281	3,281	69,114	14,787	154,860	242,042
Investments in subsidiaries	-	-	-	-	-	-	3,967	3,967
Investments in associate	-	-	-	-	-	-	5,697	5,697
Insurance and other receivables	23,197	39,701	148,624	211,522	59,232	11,953	-	282,707
Gross deferred acquisition costs	4,360	8,720	25,447	38,527	11,054	273	-	49,854
Reinsurers' share of technical reserves	14,702	29,405	109,900	154,007	124,552	8,811	-	287,370
Investment properties	-	-	-	-	-	-	18,786	18,786
Property and equipment	-	-	-	-	-	-	2,863	2,863
	255,650	322,985	290,950	869,585	263,952	35,824	186,571	1,355,932
LIABILITIES								
Technical reserves	42,103	84,207	280,554	406,864	306,705	22,553	-	736,122
Reinsurers' share of deferred acquisition costs	1,133	2,267	10,061	13,461	7,955	184	-	21,600
Reinsurance payables	9,938	19,877	-	29,815	-	-	-	29,815
Insurance and other payables	13,599	18,977	62,596	95,172	33,188	10,020	-	138,380
	66,773	125,328	353,211	545,312	347,848	32,757	-	925,917

(e) 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. Credit risk on receivables is limited to receivables from policyholders which are carried net of impairment losses, and to insurance and reinsurance companies. The Group and the Company manage credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

Management seeks to minimise credit risk with respect to insurance and reinsurance companies by only ceding business to companies with good credit ratings.

The Group and the Company manage credit risk on their cash deposits and investments by ensuring that the counterparties have an appropriate credit rating. The Group and the Company do not have an internal credit rating of counterparties and use external credit rating agencies' websites to rate the companies.

Credit risk - Group

The group's maximum exposure to credit risk is USD 964,644 thousand [2015: USD 887,870 thousand] out of which USD 673,417 thousand [2015: USD 673,256 thousand] falls under the ratings category between A+ to A-, USD 187,644 thousand [2015: USD 126,942 thousand] lower than A-, and USD 103,583 thousand [2015: USD 87,672 thousand] is unrated.

Credit risk - Company

The company's maximum exposure to credit risk is USD 821,188 thousand [2015: USD 826,624 thousand] out of which USD 618,894 thousand [2015: USD 615,910 thousand] falls under the ratings category between A+ to A-, USD 113,133 thousand [2015: USD 123,041 thousand] lower than A-, and USD 89,161 thousand [2015: USD 87,673 thousand] is unrated.

(f) Regulatory risk

The Group is subject to continuing approval by the Central Bank of Bahrain, the United Kingdom Financial Conduct Authority, the Corporation of Lloyd's of London, the Labuan Financial Services Authority, and the Cyprus Insurance Companies Control Services. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to these regulators. For Trust Underwriting Limited, 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 Group is able to support.

31 RISK MANAGEMENT (CONTINUED)

(g) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group and the Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group and the Company are able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's and Company's strategic planning and budgeting process.

(h) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Group's and Company's financial instruments such as cash and bank balances, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the consolidated and separate statements of financial position.

(i) Capital management

Capital requirements are set and regulated by the Central Bank of Bahrain. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group and Company to maintain a strong credit rating and healthy capital ratios in order to support their business objectives and maximise shareholders' value.

The Group and the Company manage their capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's and Company's activities. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders or inject additional capital.

The Group and the Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to the Group and the Company's objectives, policies and processes for capital management from the previous year.

32 BUSINESS COMBINATION

On 29 December 2016, the Group acquired additional stake in Oman Reinsurance Company S.A.O.C. ("Oman Re"), resulting in the Group holding 48.4% stake in Oman Re. The Group controls the subsidiary through majority representation on the Board of Directors of Oman Re. The principal activity of Oman Re is to provide reinsurance services to companies in Middle East, Africa and South Asia.

Details of the consideration paid, assets acquired, liabilities assumed and non-controlling interest recognised and effects on cash flows of the Group at the date of acquisition date are as follows:

	2016 US$ '000s
Cash paid	20,844
Fair value of existing holding	7,451
Total consideration	28,295

32 BUSINESS COMBINATION (CONTINUED)

Fair Value of assets and liabilities acquired:

	2016 US$ '000s
ASSETS	
Cash and bank balances	54,814
Investments	17,306
Insurance and other receivables	20,830
Gross deferred acquisition costs	3,412
Reinsurers' share of technical reserves	26,018
Investment properties	4,953
Property and equipment	74
Intangible assets	27
Total assets	127,434
LIABILITIES	
Technical reserves	56,307
Reinsurers' share of deferred acquisition costs	1,268
Insurance and other payables	11,485
Total liabilities	69,060
Total identifiable net assets	58,374
Less: Non controlling interest	(30,079)
Total consideration	28,295
Cash consideration paid	20,844
Cash and bank balances acquired on acquisition	54,814
Net increase in cash and cash equivalent of the Group	33,970

The transaction has been executed at fair value and therefore, goodwill on acquisition is Nil.

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