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ANNUAL REPORT 08


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A MESSAGE FROM THE CHAIRMAN

It gives me great pleasure to report to you our excellent results for a year that witnessed global financial turmoil.

Our achievements for the year 2008 reflect our resilient and enduring system, where despite the international economic crisis, our shareholders' equity exceeded US$211 million (Company: US$209 million) compared to last year's US$190 million (Company: US$188 million), while our net profit was US$23.22 million (Company: US$22.98 million, including 70% quota share arrangement as explained in note 27 for the year). All of this was realized through the synergy between our numerous specialists under the leadership of our executives and the guidance of our Board of Directors.

An important factor that helped bring about these achievements is the market's positive response to our decision of upgrading to A-rating by A.M. Best, which took place towards the end of 2007. Another factor is the existence of favourable market conditions, which is contradictory to what we initially expected.

Personally, I am proud of our ongoing advancement regarding our professional practices, organisational structure and ability to identify issues that require further improvement, which are to be addressed in a timely and orderly manner in the future.

Our business plan has already been put into action. Our approach constitutes of adopting a three year rolling business plan, which provides us with a long term perspective on our sector, and the advantage of being able to continuously fine-tune our plans and adapt by regularly reviewing our performance and the varying market conditions, as it is conveyed to us by the executive team in our Board of Directors meetings, where the latest decision taken in these meetings was the approval of the 2009 to 2011 business plan.

Although our risk management methods and activities proved successful, we continue to further their advancement, and take them into account when decisions are made and processes are carried out. Given the fluctuating condition of the financial markets and the uncertainties of the global economy, our risk management experts currently play a significant role in our system, guiding and alerting us on issues concerning the management of our business.

Aiming at even a more prosperous future, we adhere now to a new vision statement, which is "To be the reinsurance company of choice in the Middle East, Asia and Africa." We fully understand the immensity of such a goal, as much as we are certain, able and ready to face these challenges and establish achievements in reality. In addition, and in line with our new vision, we have also reconstructed our mission statement to include: focus on business growth, positioning our company to be in the top profitability quartile and to expand our network in selected economic hubs.

Not only did we enjoy a stable year in terms of staff retention and a low turnover level, we have also grown in number, where this is due to our effective management, new working environment, collective business success and our substantial investment in training and skills improvement.

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

In summary, in spite of the difficult economic conditions in 2008, our achievements reveal our immense capabilities, and under the continuing difficulties of the global economy, we are optimistic and confident in our outlook towards our performance in 2009.

On behalf of the Board of Directors I would like to thank our clients and business associates for their continuous cooperation, our shareholders for their constant support and their belief in us and our staff for their loyalty and dedication.

Kamel AbuNahl
Chairman
8 March, 2009

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CHIEF EXECUTIVE OFFICER AND DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

By any standards, 2008 has been an extraordinary year for businesses throughout the world, where substantial assets were written down as a result of the sub-prime mortgage market collapse, and a high-level of demand for oil and raw materials in the beginning of the year, which caused shortage of supply, leading to a significant rise in the prices of these commodities. In addition, towards the latter part of 2008, most world economies went into reverse due to the collapse of a number of financial institutions, the reduction in demand for raw materials and the collapse of commodity prices.

All the previous created numerous negativities and disadvantages, among which was the diminishing supply of liquidity in the market, and due to this fact, Trust Re will implement more disciplined management measures, including sophisticated risk management and internal controls, in order to facilitate and strengthen decision making processes.

The insurance results reported by the market over the last few years, combined with a low level of occurrence of catastrophic events, led up to the third quarter of 2008 to a substantial year-on-year reduction in the resulting rates. However, the good news on superior profitability was affected by severe losses experienced by many of the major insurance and reinsurance companies in the US, Europe and Asia regarding the investment sector, where this is due to the substantial impact of the sub-prime related losses of global players.

The other major impact is the volatility in the price of crude oil over the last 12 months, which peaked at US$147 per barrel in July 2008 and manifested itself as a boom in the infrastructure projects and real estate developments across the region. However, as the price of oil declined to less than US$40 a barrel and with regional currencies pegged to the US Dollar, several of these projects have now been delayed or shelved until the economic situation stabilizes.

In addition, several well-capitalized, local reinsurers have recently established themselves in the region. Although the impact of these moves on local markets is still unknown, the economical slowdown in the region might make it difficult to serve those reinsurers' capital-base and writing business on a global basis might be their best solution.

During the last quarter of 2008, we experienced a change in the underwriting environment, and renewed ambitions to return to a disciplined approach to underwriting, driven by the financial crisis which affected the banking sector as well as the major global insurers and reinsurers who reported significant losses on the investment (revaluations) side of their balance sheets as well as losses resulting from hurricanes Ike and Gustav.

On the facultative side, we are seeing firming of rates on some classes of business such as energy, but regarding other businesses, such as property, marine and engineering; we are continuing to experience weakening for the time being. However, we expect to see these classes to gradually pick up during 2009.

The attainment of A-rating from AM Best was relatively late to have any impact on the main renewal season of the Treaty business, however we still noticed increased flow of offers from certain markets and improved signings in some cases during January 2008 renewals and thereafter in April renewals.

The treaty business has been experiencing competitive pressures with original rates decreasing, but as with facultative accounts, it is anticipated that the financial turmoil will lead to the proportional side of the account to stabilize, while the non-proportional element will continue to harden.

Investment activities

Despite of concentration and lack of diversification in our current investment strategy, it has proven effective under the circumstances, providing a high investment income as well as maintaining fair market values well above the cost.

Our main investment categories are:

- Investment in Lloyd's through Trust Limited
- Real Estate in Spanish subsidiary
- Stocks and shares in local securities
- Unlisted investments
- Properties in Bahrain

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CHIEF EXECUTIVE OFFICER & DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Trust Underwriting Limited

The UK Company is a wholly owned subsidiary participating in Lloyd's of London syndicates as a corporate capital entity, where over the last five years the Company has returned an average of 33% p.a on funds at Lloyd's. The results for 2006 and 2007 are expected to be a 32% and a 22% return on funds. 2008 can be described as flat due to the hurricanes, but 2009 is expected to create around a 22% return on the capital employed.

The 2009 capacity stands at Stg£27.8 million spread over 16 syndicates. The market value of the portfolio based on 2008 average auction prices is Stg£6.4 million compared to the cost of Stg£1.8 million.

The subsidiary company has entered into a 70% Quota Share Agreement with Trust Re for the years from 2007 till 2010, where this arrangement is to be reviewed and renewed annually. The capacity is supported by a guarantee of Stg£10.8 million issued in favour of Lloyd's, which carries an A+ rating by Standard & Poor's and A.M. Best rating agencies.

Ventura Del Mar –Spain

The Spanish entity is a wholly owned subsidiary.

Real estate investment in Spain is made up of very high value properties, and focused on very high worth individuals without mortgage requirements, and therefore not that affected by the current financial crisis.

The latest professional independent valuation of the properties performed on 31 December 2008, indicated an insignificant and immaterial reduction in market values compared to the same time last year. It is expected that all remaining units will be sold within a short period of time over the horizon.

Stocks and shares

Despite of sharp declines in local security market values our portfolio still shows a substantial fair value surplus of US$36 million.

All holdings still provide very healthy profits resulting in substantial dividends and bonus shares for 2008. This is expected to continue in the future.

The intended investment department will map the future investment policies based on market conditions and adhering to risk tolerances.

Unlisted investments

All unlisted investments are held for strategic reasons. The net assets of those entities invested in far exceed the cost and most provide returns in excess of market conditions with excellent prospects for the future.

Properties in Bahrain

The two properties situated in the Kingdom of Bahrain consist of Trust Tower and a land for development for own use as Staff residences.

Eight floors of Trust Tower is utilized by the company for its operations; one floor is operated for conference facilities managed by Regus and six floors are used as a business center in partnership with Regus of which three floors are active and further three floors will be ready in 2009. The operations so far have been very successful with good returns well above the market rents.

The market value of Trust Tower carried out as per independent professional valuation as at 31 December 2008 was BD14.6 million (US$38.425 million) as compared to BD13 million (US$34.45 million) as at 31 December 2007.

Strategies

The importance of Enterprise Risk Management (ERM) to the Company is paramount and the enhancement of the established framework remains our top priority in 2009.

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

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

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

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

The Group results

The Group's gross premium in 2008 reached US$258.99 million compared to US$239.41 million in 2007. Retained premium stood at US$140.02 million (54.06%) as against US$125.63 million (52.47%) in 2007.

For 2008, the level of incurred claims is US$77.85 million, against US$76.85 million in 2007.
The net underwriting results significantly improved, reaching US$20.92 million (16.17%) in 2008 as compared to US$15.39 million (12.92%) in 2007. The net loss ratio is 60.15% in 2008 as compared to 64.52% in 2007.

Investment and other sources of income were substantially lower for 2008 reaching US$7.96 million compared to US$29.94 million in 2007. The increase in 2007 in the investment and other income was due to the first-time adoption of fair value model for accounting of investment properties.

As a result of the abovementioned factors, the Group has posted for 2008 a net profit of US$23.22 million compared to US$39.73 million in 2007.

The Company Results

The Company's gross premium in 2008 reached US$214.47 million compared to US$184.10 million in 2007. Retained premium stood at US$105.47 million (49.18%) as against US$88.02 million (47.81%) in 2007.

The increase in the retained premiums is due to the effect of the company's new reinsurance program effective since July 2007.

For 2008, the level of incurred claims is US$52.40 million, against US$50.37 million in 2007.

The net underwriting results significantly improved reaching US$18.63 million (19.78%) in 2008 as compared to US$13.18 million (15.72%) in 2007.

The net loss ratio is 55.65% in 2008 as compared to 60.09% in 2007.

Investment and other sources of income were substantially lower for 2008 reaching US$6.93 million compared to US$24.52 million in 2007. The increase in 2007 in the investment and other income was due to the first time adoption of fair value model for accounting of investment properties.

As a result of the abovementioned factors, the Company has posted for 2008 a net profit of US$22.98 million (including 70% quota share arrangement as explained in note 27) compared to US$35.93 million in 2007.

The Group Financial Strength

The Group's high estimate net technical reserves stood at US$129.48 million as of December 2008 compared to US$75.56 million as of December 2007.

Cash and bank balances were at US$62.96 million as at December 2008, compared to US$49.18 million as at December 2007. The doubtful debts provision was increased to US$3.63 million to further strengthen the Group's financial position and standing. Total investments stood at US$167.22 million at the end of 2008 compared to US$137.09 million at the end of 2007, whereas shareholders' equity increased to US$211.25 million from US$190.56 million in 2007.

Key Ratios for the year were:

Performance Ratios %

	Note	2008	2007
Underwriting Profits	1	16.17	12.92
Retention Ratio	2	54.06	52.47
Combined Ratio	3	83.83	87.08
Return on Equity	4	11.00	20.88

The Company's Financial Strength

The Company's high estimate net technical reserves stood at US$64.40 million as of December 2008 compared to US$41.16 million as of December 2007. The external actuarial valuation carried out by an international independent firm of actuaries, established a best estimate for the net technical reserves to be US$40.70 million with a high estimate at US$48.80 million.

Cash and bank balances were at US$54.92 million as at December 2008, compared to US$43.77 million as at December 2007. The doubtful debts provision was increased to US$3.63 million to further strengthen the Company's financial position and standing.

Total investments stood at US$158.10 million at the end of 2008, compared to US$146.99 million at the end of 2007, whereas shareholders' equity increased to US$209.77 million from US$188.02 million in 2007.

Key Ratios for the year were:

Performance Ratios %

	Note	2008	2007
Underwriting Profits	1	19.78	15.72
Retention Ratio	2	49.18	47.81
Combined Ratio	3	80.21	84.28
Return on Equity	4	11.54	20.71

Significance of Ratios:

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

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

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

4. Return on Equity:

Computed as a proportion of net profit to average shareholders equity.

02
CHIEF EXECUTIVE OFFICER & DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Company's Solvency Statement

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

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

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

Total available capital is then compared with the required margin of solvency and the total excess or deficiency determined. As at 31 December 2008, the Company's summarized solvency position is as follows:

In US$'000	31.12.2008	31.12.2007
Capital available	124,554	99,099
Required margin of solvency	19,987	17,336
Excess of Capital available over the required solvency margin	104,567	81,763

Corporate Governance, Business Continuity and Compliance

In December 2008, the Board of Directors formally adopted a comprehensive set of corporate governance guidelines and took the decision to begin the gradual implementation of the various elements of the guidelines, where the responsibility for overseeing the application of corporate governance guidelines has been assigned to the Nomination and Remuneration Committee.

Five Board meetings were held on different occasions, attended by the majority of the Board members, and prior to each meeting, the various Board committees met and prepared a report for the consideration of all Board members.

The Board and the Executive Team affirmed the Company's commitment to fully comply with the regulatory requirements, and ensured the presence of a compliance officer who is allowed full and unfettered access to the relevant members of the Board of Directors and Executives. In addition, anti-money laundering training sessions were held for all staff in accordance with the Central Bank of Bahrain's directive.

A number of steps have been taken to improve succession planning and secure business continuity by improving the robustness of the telecommunication infrastructure, and securing off-site backup data and computer processing capabilities.

A detailed Delegation of the Authority Limits manual was submitted to and approved by the Board of Directors in 2008. Moreover, the composition of the Board and its committees is reviewed on regular basis to ensure their continued effectiveness and relevance. The organisational structure, including effective succession planning, will also continue to be reviewed and enhanced when deemed necessary.

Full and effective business continuity will be one of our main focuses in the coming months. Working closely with the Risk Management function, we will develop our business continuity plans to go beyond disaster recovery provision and take into account risk mitigation and avoidance of all the key processes and to design specific processes that go beyond the initial recovery from disaster and into full business-as-usual restoration.

Risk Management

Our Enterprise Risk Management (ERM) framework has the ambition to reflect risk diversification and aggregation across business lines.

By reconciling actuarial and corporate finance principles, our ERM approach is adding value by relating risk-based decisions to the capital our company needs to finance its business.

A year ago, Trust Re initiated its ERM framework which has been recently rated as "adequate" by S&P. We have established key performance indicators (KPIs) for each line of business, risk reports, actuarial reserve estimates on quarterly basis and stochastically modelled revenue accounts.

Insurance and investment risks are the categories that Trust Re is looking at in its capital assessment; especially with the stance it has adopted to risk retention in recent years (underwriting, reserving, catastrophe and investment risks).

Over the coming year, we will continue to strengthen our ERM team; enhance compliance integration and continue developing technology and analysis to improve our understanding, reporting and management of the key risks the company faces, both strategically and on a day-to-day basis.

Internal Audit

Risk Based Internal and Audit

Due to a rapidly challenging business environment, the establishment of this internal audit function is considered vital for the continued success of the Company's businesses. Emphasis is also placed on the ongoing consistency of the department's activities with the practices of the group's internal audit department based in the ultimate holding company Nest.

All internal auditing activities are carried out in accordance with the risk based annual audit plan approved by the Audit Committee. Results of the audits of various departments and its remedial actions are assigned to the Head of Departments with the CEO being ultimately responsible.

Recently, the department achieved another milestone whereby it received a "satisfactory" rating in the Quality Assurance Review conducted by an internationally renowned accountancy firm, which confirmed that the processes carried out by the department are in accordance with the standards and best practices of the Institute of Internal Auditors, the governing body of the internal audit fraternity.

Human Resources

In 2008, we began the implementation of the full cycle of job description definition, goal setting, the 360 degree appraisal, and the feedback and reward programme for all staff members. This cycle will continue to be fully implemented in 2009 to make sure we apply a culture of meritocracy for all employees, as part of our commitment to acquire, develop, reward and retain a fully committed and dynamic work force that finds professional satisfaction and pride in working for Trust Re.

We expect an increase in the number of employees from around 90 to well over 100 during 2009. Moreover, we intend to continuously adopt objective and fair selection processes through rigorous interviewing aided by the international psychometric assessment technique.

In line with our stated policy of developing our staff through formal training courses, as well as on-the-job technical training, we intend to continue with our training programme for all staff based on structured needs analysis assessment to ensure training is delivered to the right people at the right time.

Corporate Social Responsibility

In line with the Nest Group directive, we have been considering a number of initiatives designed to contribute to the betterment of deserving causes. We are already searching for ways to reduce unnecessary or avoidable air travel, and hence reduce our collective carbon footprint. Our IT team is currently in the process of installing conferencing facilities so that meetings can be held under different circumstances, to reduce the number of people taking air trips.

We are also considering offering scholarships to young people in local communities in disciplines that can increase their chances of employability within their own community.

Regarding this matter, we appreciate any suggestions or ideas submitted to us by our staff members or other interested bodies.

The Company's Board of Directors

The Board of Directors consists of three distinct groups which are: Shareholder Representatives, Executive Directors and Non-Executive Directors. The role of the Board is to set the overall strategic direction, approve business plans and monitor the implementation of business by using the approved plans as guidelines. All of this is carried out within a compliant framework of corporate governance and ethical principles.

Elected for a three-year term, Non-Executive Members enhance the overall knowledge and expertise of the Board in guiding the executives and providing an independent perspective to the deliberation and decision making process.

During 2008, the Board of Directors held five meetings and on each occasion the meeting was preceded by a meeting of the Nomination & Remuneration Committee (N&RC), Audit Committee (AC), Risk Committee (RC) and the Executive Committee (EC).

02
CHIEF EXECUTIVE OFFICER & DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Board Composition

Name	Position	Committee Role	Attendance In 2008
Kamel Abu Nahl	Chairman	Chairman of EC	5
Jean Choueiri	Vice Chairman (Independent Non-Executive)	Chairman of N&RC	5
Ghazi Abu Nahl	Member (Shareholder Rep)	Member of N&RC	4
Mehran Eftekhar	Member as well as Board Secretary (Shareholder Rep)	Member of AC & RC	5
HE Sheikh Mohammad Al Thani	Member (Independent Non-Executive)		1
Adnan Bseisu	Member (Independent Non-Executive)	Chairman of AC & member of RC	4
Prof. Gerry Dickinson	Member (Independent Non-Executive)	Chairman of RC & member of AC	0
Jamal Abu Nahl	Member (Non-Executive)	Member of N&RC	4
Hugh Bohling	Member (Independent Non-Executive)	Member of RC & AC	5
Fadi Abu Nahl	Member and CEO (Executive)	Member of EC	5
Nabil Kotran	Member and COO (Executive)	Member of EC	5

Mr. Kamel Abu Nahl has been in the insurance industry for more than 12 years that include a period of secondment as an assistant underwriter in a Lloyd's Syndicate in London.

Mr. Jean Choueiri has been in the insurance industry for 41 years, where he spent 34 years at Munich Re as an executive manager responsible for the Middle East and Africa regions. Mr. Choueiri is an associate of the Chartered Insurance Institute and holds a BSc in Commerce.

Mr. Ghazi Abu Nahl enjoys 37 years of experience in the insurance field and insurance related entities, and has been a member of Lloyd's of London for almost 30 years. He is also a member of the Board of Directors of the World Trade Center, New York, USA.

Mr. Fadi Abu Nahl has been involved in the insurance industry for 15 years, including a period with Sedgwick Insurance Brokers in the UK. He is also the Company's chief executive officer.

His Excellency Sheikh Mohammad Al Thani is a member of the Qatari Royal Court with extensive experience in corporate issues.

Mr. Adnan Bseisu has been in the banking and finance field for more than 42 years, filling positions in the Central Bank of Saudi Arabia, Gulf Air and other banking institutions. He is also the author of several publications covering monetary, banking and finance issues. He has been and continues to be a member in or an advisor of the Bahraini Government, banking associations and educational establishments.

Mr. Gerry Dickinson is professor emeritus of International Insurance at the Cass Business School, City University, London. He is vice secretary-general and head of the Insurance and Finance Research at the Geneva Association. He holds a PhD degree in insurance economics from the University of Sussex, and has held visiting professorships at the University of Oxford, University of British Columbia and Beijing University. In addition, he is a consultant to the European Commission, OECD and the World Bank on international insurance and investment issues.

Mr. Jamal Abu Nahl has 25 years of experience in investment and related fields. He is and has been involved in the insurance industry by being responsible for investment matters for the past 21 years. Mr. Abu Nahl holds an MBA from Salem State College, Boston, USA.

Mr. Hugh Bohling is a UK qualified lawyer with more than 25 years of experience in private practice specialising in corporate, commercial and regulatory matters that relate to the insurance industry. His experience includes 10 years as a partner with an international firm of lawyers in the UK. He also enjoys an extensive experience in regulatory and corporate governance issues. Mr. Bohling established his own legal practice in May 2006 and is a graduate of Cambridge University.

Mr. Nabil Kotran has 34 years of experience in the insurance industry, 19 years of which has been with this Company. In addition, he is the Company's chief operating officer.

Mr. Mehran Eftekhar (Also secretary to the Board) is a fellow member of the Institute of Chartered Accountants in England and Wales. He enjoys 36 years of experience in the professional and private sector of finance and corporate issues.

Board Committees

The Board delegates certain responsibilities to committees, and all committees must report back to the Board in a timely manner, keeping the Board up-to-date on actions and decisions taken.

Following is a description of the composition and mandate:

Audit Committee

Adnan Bseisu — Chairman
Prof. Gerry Dickinson
Hugh Bohling
Mehran Eftekhar

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

The audit committee met three times in 2008 and all members were present for these meetings, except for Prof. Gerry Dickinson, who was absent twice due to ill-health, Mr. Adnan Bseisu who was absent once and Mr. Hugh Bohling who was also absent once.

Risk Committee

Prof. Gerry Dickinson — Chairman
Adnan Bseisu
Hugh Bohling
Mehran Eftekhar

The Risk Committee assists the Board in fulfilling its supervising responsibilities for the identification, analysis, assessment and management of all the risks which the Company faces and which may affect the assets and liabilities of the Company. One important task the Risk Committee is particularly responsible for (without limitation), is providing assistance in identifying those risks which may at first seem unlikely or even remote.

The committee also monitors the compliance and the anti-money laundering processes making sure of full compliance to laws and regulations as well as the code of conduct.

Nomination and Remuneration Committee

Jean Choueiri — Chairman
Ghazi Abu Nahl
Jamal Abu Nahl

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

Executive Committee

Kamel Abu Nahl — Chairman
Fadi Abu Nahl
Nabil Cotran

The committee assists the Board in implementing the Company's overall philosophy, mission strategy, policies, procedures and annual targets and objectives. It also ensures that the proper and focused development of the various divisions is in synergy with the overall corporate objectives and within defined operational performance and investment return parameters.

Roles of the Chairman and Chief Executive Officer

The Company follows a policy of separating the roles of the Chairman of the Board and the Chief Executive Officer (CEO).

The chairman of the Board, Mr. Kamel Abu Nahl, is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings, while the CEO, Mr. Fadi Abu Nahl, is responsible for the Executive leadership and operational management of the Company. The CEO is accountable to the Board for the development, recommendation of strategies, policies and the framework of controls.

Management Team

The Company has a high-calibre management team to run the operational activities. In addition to the Chief Executive Officer, Mr. Fadi Abu Nahl, and the Chief Operating Officer, Mr. Nabil Kotran, the following are the members of the management team:

Mr. Gamal Hamza, Head of Business Development, is a fellow member of the Chartered Insurance Institute, and enjoys 38 years of experience in the reinsurance industry.

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

Mr. Kuriyan Oomman, Claims Manager, is a B.Com holder with over 26 years of experience in the insurance/reinsurance industry.

Mr. Said Younsi, Head of Risk, is an actuary who enjoys 13 years of experience in the London market.

Mr. Malcolm Fonseca, Technical Manager, is a fellow member of the Indian Insurance Institute and an associate member of Chartered Insurance Institute, with 31 years of experience in the insurance/reinsurance industry.

Mr. Selastin Anthoniappan, Finance Manager, is a Chartered Accountant who enjoys 19 years of experience.

Mr. Talal Ahmad Ali, Deputy Human Resources, holds a postgraduate degree in human resources management and has 10 years of experience.

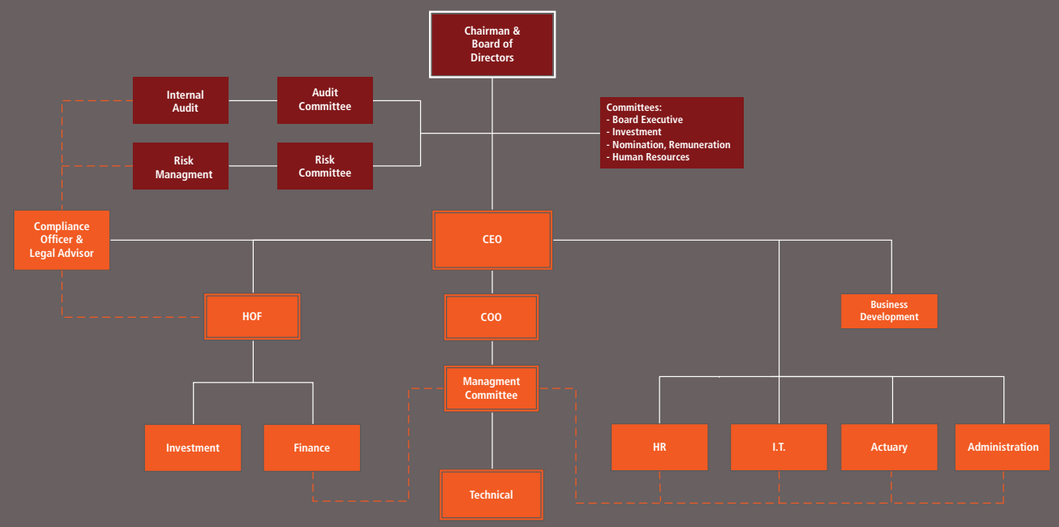
Mr. Biju Anthony, Compliance Officer and Legal Advisor, is a Chartered Accountant and an enrolled lawyer with 16 years of experience.

Mr. Nabil Hajjar, Director of FAIR Oil and Energy Syndicate, which is managed by the Company, has worked with the insurance/reinsurance industry for over 31 years.

Mr. Rizami Annuar, Internal Audit Manager, has worked in the insurance industry for more than 8 years.

Mr. Mahmud Otoum, IT Communication Manager, holds a Bachelor degree in Computer Science and enjoys 8 years of experience.

An organisational chart of the Executive Management is shown below.



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Directors' Fees and Executive Management Team's Compensation

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

The Board of Directors will propose to the Annual General Meeting a fee of US$275.000 to be paid to the Directors for the year 2008.

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

Auditors

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

Dividend

The Board of Directors will propose to the Annual General Meeting a cash dividend of US$15 million i.e. 15% of the company's paid-up capital for the year ended 31st December, 2008.

Acknowledgement

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

On Behalf of the Board
Fadi Abu Nahl
Chief Executive Officer
8 March, 2009

03 AUDITORS' REPORT TO THE MEMBERS OF TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C. (c) TRUST RE

Report on the financial statements
We have audited the consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re as set out on pages 19 to 52.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of the company, the results of its operations, the changes in its equity as at 31 December, 2008 and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable to Insurance Companies and comply with the Bahrain Commercial Companies Law No. 21 of 2001 and the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2c regarding the consolidation of Trust Underwriting Ltd results, using the 31.12.2008 management accounts.

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

PKF BAHRAIN
8 March, 2009

04 CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
ASSETS					
NON CURRENT ASSETS					
Goodwill	12	22.767.386	-	22.767.386	-
Property, plant and equipment	9	37.552.767	32.326.474	21.246.976	15.845.329
Intangible assets	10	1.362.173	-	2.147.601	-
Investments	11	167.223.438	158.097.288	137.089.841	146.990.814
		228.905.764	190.423.762	183.251.804	162.836.143
CURRENT ASSETS					
Reinsurers' share of technical reserves	21	169.683.213	154.750.650	150.267.745	142.586.091
Gross deferred acquisition cost		22.297.855	17.434.477	15.681.125	12.257.736
Stock and work in progress	12	9.283.080	-	10.022.554	-
Accounts receivable and prepayments	13	119.263.880	105.811.059	92.592.371	90.648.298
Reinsurance balances receivable	14	14.491.443	8.969.212	12.994.431	7.757.484
Parent undertaking	16	7.074.989	7.074.989	2.765.751	2.765.751
Cash and cash equivalents	17	62.964.891	54.921.343	49.178.085	43.766.635
		405.059.351	348.961.730	333.502.062	299.781.995
Total assets		633.965.115	539.385.492	516.753.866	462.618.138
LIABILITIES AND SHAREHOLDERS' EQUITY					
CAPITAL AND RESERVES					
Share capital	18	100.000.000	100.000.000	100.000.000	100.000.000
Reserves	19	111.036.063	109.767.043	90.302.138	88.021.428
Equity attributable to equity holders of the parent		211.036.063	209.767.043	190.302.138	188.021.428
Minority interest		211.116	-	256.398	-
		211.247.179	209.767.043	190.558.536	188.021.428
CURRENT LIABILITIES					
Creditors and accruals	23	91.483.593	84.424.486	72.993.917	67.369.975
Bank loan	22	1.935.447	-	2.143.710	-
Reinsurance balances payable		16.461.814	12.375.768	16.026.478	14.278.832
Technical reserves	21	299.167.896	219.149.009	225.831.987	183.748.665
Reinsurers' share of deferred acquisition cost		13.669.186	13.669.186	9.199.238	9.199.238
		422.717.936	329.618.449	326.195.330	274.596.710
Total liabilities and shareholders' equity		633.965.115	539.385.492	516.753.866	462.618.138

KAMEL GHAZI ABU NAHL
Chairman

JEAN CHOUEIRI
Deputy Chairman

FADI ABU NAHL
Chief Executive Officer

8 March, 2009
The accompanying notes on pages 28 to 54 form part of these financial statements.

05 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Gross written premium	26	258.989.414	214.478.795	239.408.547	184.101.146
Net earned premium		129.425.922	94.157.512	119.109.776	83.834.570
Claims and related expenses		(77.848.720)	(52.400.804)	(76.846.662)	(50.372.143)
Acquisition costs, commissions and taxes		(20.897.989)	(13.373.419)	(19.879.141)	(13.289.690)
Gross underwriting profit	24	30.679.213	28.383.289	22.383.973	20.172.737
Technical expenses	6	(9.755.782)	(9.755.782)	(6.995.259)	(6.995.259)
Net underwriting profit		20.923.431	18.627.507	15.388.714	13.177.478
Investment income	3	4.839.267	3.431.422	17.709.908	14.576.408
Other income	4	1.814.080	1.033.785	3.099.836	1.175.223
Income from investment property	5	377.430	377.430	-	-
Non technical expenses	6	(5.426.495)	(2.570.405)	(5.365.338)	(1.726.106)
Financial income	7	925.395	2.090.567	9.130.629	8.763.713
Profit from operations		2.529.677	4.362.799	24.575.035	22.789.238
Profit for the year before tax		23.453.108	22.990.306	39.963.749	35.966.716
Taxation	8	(276.712)	(9.727)	(311.878)	(11.189)
Net profit for the year available for appropriation		23.176.396	22.980.579	39.651.871	35.955.527
Appropriated as follows:					
Equity holders of the parent		23.215.170	22.980.579	39.729.200	35.955.527
Minority interest		(38.774)	-	(77.329)	-
		23.176.396	22.980.579	39.651.871	35.955.527
Equity holders of the parent appropriated as follows:					
Transferred to retained earnings		20.917.112	20.682.521	36.133.647	32.359.974
Transferred to statutory reserve		2.298.058	2.298.058	3.595.553	3.595.553
		23.215.170	22.980.579	39.729.200	35.955.527

The accompanying notes on pages 28 to 54 form part of these financial statements.

06 CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2008

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Cash flows from operating activities				
Net profit for the year before taxation	23.178.107	22.990.306	39.738.999	35.966.716
Adjustments for:				
Depreciation	679.594	646.410	276.751	229.081
Amortisation	254.294	-	343.537	-
Provision for bad debts less write offs	55.054	55.054	250.000	250.000
Profit on disposal of property and equipment	(21.482)	-	(4.122)	(4.122)
Loss/(profit) on disposal of investments	(621.427)	621.427	(816.451)	(816.451)
Profit on disposal of real estate	(1.012.739)	-	(2.297.087)	-
Revaluation of investment property	(65.023)	(65.023)	(330.920)	(7.223.995)
Revaluation of investments	-	-	(13.952.817)	-
Exchange difference	(331.785)	-	840.861	-
Increase in reserve for unearned premium (net of deferred acquisition cost)	14.887.093	10.609.193	4.617.905	4.470.444
Increase/(decrease) in provision for outstanding claims and claims incurred but not reported (net)	36.886.566	11.919.799	258.145	3.527.944
Operating profit before working capital changes	73.888.252	46.777.166	28.924.801	36.399.617
Stock and work in progress	1.752.213	-	2.661.446	-
Accounts receivable and prepayments	(26.902.270)	(15.162.761)	(30.085.235)	(31.273.510)
Reinsurance balances receivable	(1.497.012)	(1.211.728)	(884.311)	(1.563.936)
Parent undertaking	(4.309.238)	(4.309.238)	21.970.174	21.970.174
Creditors and accruals	18.407.761	17.054.511	15.456.491	16.627.412
Reinsurance balances payable	435.336	(1.903.064)	2.653.471	2.653.471
Cash generated from/(used in) operating activities	61.775.042	41.244.886	40.696.837	44.813.228
Taxation paid and exchange difference	(19.089)	(9.727)	(109.336)	(11.189)
Net cash generated from/(used in) operating activities	61.755.953	41.235.159	40.587.501	44.802.039
Cash flows from investing activities				
Purchase of property and equipment	(17.683.282)	(17.492.792)	(6.178.881)	(5.821.630)
Purchase of intangible assets	(57.794)	-	(613.174)	-
Proceeds from sale of property and equipment	22.066	-	23.534	23.534
Proceeds from realisation of investments	7.912.980	7.912.980	799.896	3.529.245
Acquisition of investments	(22.954.854)	(5.500.639)	(10.924.641)	(18.339.651)
Net cash (used in)/generated from investing activities	(32.760.884)	(15.080.451)	(16.893.266)	(20.608.502)
Cash flows from financing activities				
Bank loan	(208.263)	-	(1.110.756)	-
Cash dividend paid	(15.000.000)	(15.000.000)	(26.250.000)	(26.250.000)
Net cash used in financing activities	(15.208.263)	(15.000.000)	(27.360.756)	(26.250.000)
Net (decrease)/increase in cash and cash equivalents	13.786.806	11.154.708	(3.666.521)	(2.056.463)
Cash and cash equivalents at beginning of year	49.178.085	43.766.635	52.844.606	45.823.098
Cash and cash equivalents at end of year (note 17)	62.964.891	54.921.343	49.178.085	43.766.635

The accompanying notes on pages 28 to 54 form part of these financial statements.

07 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2008

a. Group

	Share Capital	Retained Earnings	Investment Revaluation Reserve	Property Revaluation Reserve	Statutory Reserve	Exchange difference reserve	Total	Minority Interest	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance at 1.1.2007 (as restated)	75.000.000	57.315.483	26.025.726	-	12.194.520	297.996	170.833.725	308.192	171.141.917
Profit for the year (as restated)	-	39.729.200	-	-	-	-	39.729.200	(77.329)	39.651.871
Issue of bonus shares	25.000.000	(25.000.000)	-	-	-	-	-	-	-
Directors' remuneration	-	(224.750)	-	-	-	-	(224.750)	-	(224.750)
Transfer to statutory reserve	-	(3.595.553)	-	-	3.595.553	-	-	-	-
Cash dividend paid	-	(26.250.000)	-	-	-	-	(26.250.000)	-	(26.250.000)
Exchange difference	-	(113.914)	-	-	-	1.021.159	907.245	25.535	932.780
Disposal of investments:									
Available-for-sale	-	-	(419.942)	-	-	-	(419.942)	-	(419.942)
Revaluation of investments	-	-	(1.497.335)	-	-	-	(1.497.335)	-	(1.497.335)
Revaluation of building per IAS40	-	-	-	7.223.995	-	-	7.223.995	-	7.223.995
Balance 1.1.2008	100.000.000	41.860.466	24.108.449	7.223.995	15.790.073	1.319.155	190.302.138	256.398	190.558.536
Profit for the year	-	23.215.170	-	-	-	-	23.215.170	(38.774)	23.176.396
Directors' remuneration	-	(275.000)	-	-	-	-	(275.000)	-	(275.000)
Transfer to statutory reserve	-	(2.298.058)	-	-	2.298.058	-	-	-	-
Cash dividend paid	-	(15.000.000)	-	-	-	-	(15.000.000)	-	(15.000.000)
Exchange difference	-	(500.395)	-	-	-	(745.886)	(1.246.281)	(6.508)	(1.252.789)
Realisation of investment on disposal	-	-	132.639	-	-	-	132.639	-	132.639
Revaluation of investments	-	-	12.546.233	-	-	-	12.546.233	-	12.546.233
Fair value released in income statement	-	-	431.728	-	-	-	431.728	-	431.728
Revaluation of building per IAS40	-	-	-	929.436	-	-	929.436	-	929.436
Balance 31.12.2008	100.000.000	47.002.183	37.219.049	8.153.431	18.088.131	573.269	211.036.063	211.116	211.247.179

The accompanying notes on pages 28 to 54 form part of these financial statements.

07
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER, 2008

b. Company

	Share Capital	Retained Earnings (as restated)	Investments Revaluation Reserve	Property Revaluation Reserve	Statutory Reserve	Total
	US$	US$	US$	US$	US$	US$
Balance as at 1.1.2007	75.000.000	61.207.686	24.831.727	-	12.194.520	173.233.933
Profit for the year (as restated Note 33)	-	35.955.527	-	-	-	35.955.527
Issue of bonus shares	25.000.000	(25.000.000)	-	-	-	-
Revaluation of investments	-	-	(1.497.335)	-	-	(1.497.335)
Revaluation of building per IAS40	-	-	-	7.223.995	-	7.223.995
Transfer to statutory reserve	-	(3.595.553)	-	-	3.595.553	-
Cash dividend paid (2006)	-	(26.250.000)	-	-	-	(26.250.000)
Directors' remuneration	-	(224.750)	-	-	-	(224.750)
Balance as at 1.1.2008	100.000.000	42.092.910	22.914.450	7.223.995	15.790.073	188.021.428
Profit for the year	-	22.980.579	-	-	-	22.980.579
Revaluation of building per IAS40	-	-	-	929.436	-	929.436
Revaluation of investments	-	-	12.546.233	-	-	12.546.233
Realisation of investments on disposals	-	-	132.639	-	-	132.639
Fair value released in income statement	-	-	431.728	-	-	431.728
Transfer to statutory reserve	-	(2.298.058)	-	-	2.298.058	-
Cash dividend paid (2007)	-	(15.000.000)	-	-	-	(15.000.000)
Directors' remuneration	-	(275.000)	-	-	-	(275.000)
Balance as at 31.12.2008	100.000.000	47.500.431	36.025.050	8.153.431	18.088.131	209.767.043

The accompanying notes on pages 28 to 54 form part of these financial statements.

08
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2008

1. General information

The company is registered in the Kingdom of Bahrain with the purpose of carrying out insurance and reinsurance business. The company has operating branches in Cyprus and Malaysia. The company in accordance with Commercial Company Laws 21/2001 and 17/1987 has changed its status from an Exempt Company (E.C) to a Closed Joint Stock Company (B.S.C.(c)). The group comprises the company and its subsidiaries as stated in note 11(c).

2. Summary of significant accounting policies

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

a) Statement of compliance

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

b) Basis of preparation

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

United States dollars is the functional currency of the company.

c) Consolidation

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

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

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

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

Lloyds' three year accounting cycle results are normally published annually at the end of each May. As a result of this, the audited financial statements of Trust Underwriting Ltd, the Lloyds Corporate Capital subsidiary, can only be made available subsequent to the publication of the official Lloyds' results. For the purposes of consolidation, we have relied on the 31 December, 2008 management accounts of that subsidiary, prepared by the UK company's external accountants using the most up-to-date quarterly syndicate results.

d) Revenue recognition

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

Premiums

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

Commission income

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

Interest income

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

Dividend income

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

Rental income

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

08
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER, 2008

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

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

g) Technical reserves
i) Outstanding claims reserve
Full provision is made in outstanding claims for the estimated cost of all claims notified but not settled at the date of the balance sheet, using the best information available at the time. A provision is calculated for claims incurred but not reported (IBNR) using statistical methods that incorporate historical data analysis, quantitative and qualitative information and underwriters', management and actuarial valuation of reserves.
Any differences between the estimated cost and subsequent settlement of claims are included in the revenue account of the year of settlement. Subsequent re-estimations are dealt with in the same manner.

ii) Unearned Premium reserve
Unearned premiums are those proportions of the premiums accounted for in the financial year, but relate to periods of risks that extend beyond the end of the financial year. For facultative business, these premiums are calculated for each insurance policy on pro rata temporis basis while for treaty business they are calculated using the 1/24th method. Deferred acquisition costs represent commission which is considered in the calculation of the unearned premium reserve.

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

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

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

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

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

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

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

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

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

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

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

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

The expected useful life of the assets is as follows:

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

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

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

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

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

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

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

For publicly traded investments, their fair value is based on quoted market prices as at the Balance Sheet date. Fair values of other investments are estimated realisable values. Where the fair value can not be estimated, the investment is carried at initial recognition cost.
For the fair value assessment of the property holding subsidiary,

Ventura Del Mar SA Ltd, that subsidiary's stocks are professionally valued annually by an independent firm of valuers in order to assess the fair market value of the subsidiary in the company's investments.

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

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

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

v) Defined Contribution Plans
The company makes contribution to the government pension fund calculated as a percentage of the Bahraini employees' salaries in accordance with the requirements of local legislation. Amount pertaining to government retirement and pensions plan are recognised as an expense in the statement of income as incurred.

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

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

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

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

aa) Trade account payables
Trade account payables are measured at fair value.

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

cc) Provisions
Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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

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3. Investment income

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Dividends from investments	4.760.114	3.352.269	5.318.420	2.184.920
Other investment income/(expenses)	635.557	635.557	(460.503)	(460.503)
(Loss)/profit from sale of available-for-sale investment	(621.427)	(621.427)	816.451	816.451
Revaluation of investment properties	65.023	65.023	12.035.540	12.035.540
	4.839.267	3.431.422	17.709.908	14.576.408

4. Other income

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Profit on disposal of real estate	1.012.739	-	2.297.087	-
Profit from disposal of property and equipment	21.482	-	-	-
Management fees	451.440	705.366	483.455	860.639
Miscellaneous income	328.419	328.419	319.294	314.584
	1.814.080	1.033.785	3.099.836	1.175.223

5. Income from investment property

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Rental income	299.544	299.544	-	-
Other income	60.326	60.326	-	-
Profit from sharing of lease agreement	17.560	17.560	-	-
	377.430	377.430	-	-

6. Apportionment of overheads
The Group's overheads are apportioned as follows:

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Technical (underwriting)	9.755.782	9.755.782	6.995.259	6.995.259
Non-technical (general and administrative)	5.426.495	2.570.405	5.365.338	1.726.106
	15.182.277	12.326.187	12.360.597	8.721.365

The underwriting expenses for the group and the company are the same as the managing agents whose syndicates capacities Trust Underwriting Ltd participates in do not disclose separately in the quarterly accounts the underwriting and administrative expenses.

7. Financial income/(expenses) – cont'

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Interest earned	3.082.488	3.022.250	6.162.253	5.795.337
(Loss)/gain on currency transactions	(2.157.093)	(931.683)	2.968.376	2.968.376
	925.395	2.090.567	9.130.629	8.763.713

8. Taxation

The company's branch in Cyprus is subject to a taxation charge of 10% on its chargeable income for the year. A further 10% charge is levied on its interest earnings. Based on confirmation received from Spanish tax authorities and accepted by the UK tax authorities, the control and management of Ventura Del Mar SA Ltd, a company registered in the UK, is in Spain and therefore no tax liabilities will arise in the UK. The subsidiary has tax losses arising in Spain which are in excess of Euro 1 million and are available to offset against future taxable profits. The US subsidiary is subject to corporation tax at the rate of 30% on its taxable earnings. The subsidiary has tax losses which are available to offset against future taxable profits. The other subsidiaries or branches in USA and Spain are also subject to local taxation.

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9. Property and equipment
a. Group

	Land and Building US$	Investment property under construction US$	Property held for future use as owner occupied property US$	Motor Vehicles US$	Computer hardware and software US$	Furniture and fixtures US$	Total US$
Cost							
At 1 January, 2007	16.716.900	169.869	-	373.491	724.016	1.548.302	19.532.578
Additions	4.517.392	340.053	-	71.110	58.717	1.191.609	6.178.881
Disposals/Write offs	-	-	-	(86.925)	(5.364)	(618)	(92.907)
Revaluation of PE	18.390.908	-	-	-	-	-	18.390.908
Cost transferred to investment properties	(9.834.007)	-	-	-	-	-	(9.834.007)
Revaluation transferred to investment properties	(10.835.993)	-	-	-	-	-	(10.835.993)
Exchange difference	37.911	-	-	-	4.751	15.940	58.602
At 1 January, 2008	18.993.111	509.922	-	357.676	782.120	2.755.233	23.398.062
Additions	2.100.965	680.102	13.220.785	30.000	281.971	1.369.459	17.683.282
Disposals/Write offs	(4.237)	-	-	-	(2.150)	(13.474)	(19.861)
Revaluation of building	929.436	-	-	-	-	-	929.436
Cost transferred to investment properties	(1.149.845)	-	-	-	-	(144.828)	(1.294.673)
Exchange difference	(327.692)	-	-	-	(1.588)	(9.105)	(338.385)
At 31 December, 2008	20.541.738	1.190.024	13.220.785	387.676	1.060.353	3.957.285	40.357.861
Depreciation							
At 1 January, 2007	-	-	-	260.218	336.776	1.346.885	1.943.879
Charge for the year	-	-	-	67.486	162.425	46.840	276.751
Disposals/Write offs	-	-	-	(68.175)	(5.114)	(206)	(73.495)
Exchange difference	-	-	-	-	3.760	191	(3.951)
At 1 January, 2008	-	-	-	259.529	497.847	1.393.710	2.151.086
Charge for the year	-	-	-	29.085	191.970	458.539	679.594
Disposals/Write offs	-	-	-	-	(2.150)	(17.126)	(19.276)
Exchange difference	-	-	-	-	(1.422)	(4.888)	(6.310)
At 31 December, 2008	-	-	-	288.614	686.245	1.830.235	2.805.094
Carrying amount							
At 31 December, 2008	20.541.738	1.190.024	13.220.785	99.062	374.108	2.127.050	37.552.767
At 31 December, 2007	18.993.111	509.922	-	98.147	284.273	1.361.523	21.246.976

9. Property and equipment (cont'd)

b. Company

	Land and Building	Investment property under construction	Property held for future use as owner occupied property	Motor Vehicles	Computer hardware and software	Furniture and fixtures	Total
	US$	US$	US$	US$	US$	US$	US$
Cost							
At 1 January, 2007	11.872.620	169.869	-	342.241	673.537	1.176.346	14.234.613
Additions	4.517.392	340.053	-	59.337	56.200	1.188.701	6.161.683
Disposals/Write offs	-	-	-	(86.925)	(5.364)	(618)	(92.907)
Revaluation of building	18.059.988	-	-	-	-	-	18.059.988
Cost transferred to							
investment properties	(9.834.007)	-	-	-	-	-	(9.834.007)
Revaluation transferred to investment properties	(10.835.993)	-	-	-	-	-	(10.835.993)
At 1 January, 2008	13.780.000	509.922	-	314.653	724.373	2.364.429	17.693.377
Additions	1.916.409	680.102	13.220.785	30.000	281.817	1.363.679	17.492.792
Disposals/Write offs	-	-	-	-	(2.150)	(13.067)	(15.217)
Revaluation of building	929.436	-	-	-	-	-	929.436
Cost transferred to investment properties	(1.149.845)	-	-	-	-	(144.828)	(1.294.673)
At 31 December, 2008	15.476.000	1.190.024	13.220.785	344.653	1.004.040	3.570.213	34.805.715
Depreciation							
At 1 January, 2007	-	-	-	249.730	296.822	1.145.910	1.692.462
Charge for the year	-	-	-	60.254	154.425	14.402	229.081
Disposals/Write offs	-	-	-	(68.175)	(5.114)	(206)	(73.495)
At 1 January, 2008	-	-	-	241.809	446.133	1.160.106	1.848.048
Charge for the year	-	-	-	29.085	189.281	428.044	646.410
Disposals/Write offs	-	-	-	-	(2.150)	(13.067)	(15.217)
At 31 December, 2008	-	-	-	270.894	633.264	1.575.083	2.479.241
Carrying amount							
At 31 December, 2008	15.476.000	1.190.024	13.220.785	73.759	370.776	1.995.130	32.326.474
At 31 December, 2007	13.780.000	509.922	-	72.844	278.240	1.204.323	15.845.329

Notes:

a) Last year the company changed its accounting policy on the measurement of land and buildings and investment property from cost to fair value. External valuation was performed by independent professional valuers assessing a market value of BD13.00 million (approximately US$34.45 million). This year an external valuation performed by independent professional valuers, assessed the property at a market value of BD14.6 million (approximately US$38.73 million).

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

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

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

10. Intangible fixed assets

	Licence	Purchase of capacity (corporate Lloyd's of London)(Note)	Total
	US$	US$	US$
Cost			
At 1 January, 2007	18.705	2.767.722	2.786.427
Additions	-	613.174	613.174
Exchange difference	1.761	53.948	55.709
At 1 January, 2008	20.466	3.434.844	3.455.310
Additions	-	57.794	57.794
Exchange difference	(563)	(950.224)	(950.787)
At 31 December, 2008	19.903	2.542.414	2.562.317
Amortisation			
At 1 January, 2007	-	945.731	945.731
Charge for the year	-	343.537	343.537
Exchange difference	-	18.441	18.441
At 1 January, 2008	-	1.307.709	1.307.709
Charge for the year	-	254.294	254.294
Exchange difference	-	(361.859)	(361.859)
At 31 December, 2008	-	1.200.144	1.200.144
Net book value			
At 31 December, 2008	19.903	1.342.270	1.362.173
At 31 December, 2007	20.466	2.127.135	2.147.601

Notes:

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

Intangible fixed assets also include cost of acquiring licence for operating the restaurant in Spain.

11. Investments

Analysed as follows:

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
a) Investment properties	24.761.132	24.761.132	22.366.942	22.366.942
b) Available-for-sale investments	142.462.306	97.089.565	114.722.899	88.114.735
c) Subsidiary companies	-	36.246.591	-	36.509.137
	167.223.438	158.097.288	137.089.841	146.990.814

a) Investment properties

	Land and Building US$	Leasehold Properties US$	Total US$
Cost			
At 1 January, 2007	-	1.005.016	1.005.016
Transfer from property and equipment	9.834.007	-	9.834.007
Revaluation of properties	10.835.993	691.926	11.527.919
At 1 January, 2008	20.670.000	1.696.942	22.366.942
Additions	1.034.494	-	1.034.494
Transfer from property and equipment	1.294.673	-	1.294.673
Revaluation of properties	214.833	(149.810)	65.023
At 31 December, 2008	23.214.000	1.547.132	24.761.132
Depreciation			
At 1 January, 2007	-	507.621	507.621
Reversal of previous year's depreciation due to revaluation	-	(507.621)	(507.621)
At 31 December, 2007	-	-	-
Net book value			
At 31 December, 2008	23.214.000	1.547.132	24.761.132
At 31 December, 2007	20.670.000	1.696.942	22.366.942

Notes:

1) The company's two leasehold properties are located in the United Kingdom. The duration of these finance leases are 125 and 99 years starting from 1984 and 1974, respectively.

A professional valuation was undertaken this year on the two leasehold properties in the UK. Their fair value indication is reflected in the accounts with the difference transferred to the income statement.

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

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b) Available-for-sale

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Listed companies	116.273.664	70.900.923	84.629.209	58.021.045
Unlisted companies	15.620.824	15.620.824	13.351.065	13.351.065
Deposits with banks	10.567.818	10.567.818	16.742.625	16.742.625
	142.462.306	97.089.565	114.722.899	88.114.735

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

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

b) Available-for-sale

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

	2008 Group US$	2008 Company US$	2007 Group US$	2007 Company US$
Sterling investments held by Trust Underwriting Ltd	45.372.741	-	26.608.164	-
U.S.A Dollar	20.272.516	20.272.516	24.652.317	24.652.317
Sterling Pound	2.601.963	2.601.963	2.587.152	2.587.152
Omani Rial	14.517.464	14.517.464	15.001.345	15.001.345
Jordanian Dinar	951.413	951.413	1.862.434	1.862.434
Lebanese Pound	330.762	330.762	330.762	330.762
Algerian Dinar	2.702.337	2.702.337	2.702.337	2.702.337
Qatari Rial	55.713.110	55.713.110	40.978.388	40.978.388
	142.462.306	97.089.565	114.722.899	88.114.735

c) Consolidated subsidiary companies

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

12. Stock and work in progress

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

	2008	2007
	US$	US$
Fair market value per independent professional valuators	30.632.893	34.009.538
Cost	(9.283.080)	(10.022.554)
	21.349.813	23.986.984

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

13. Accounts receivable and prepayments

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Trade accounts	28.199.869	18.536.687	19.858.908	13.794.075
Less: Provision for doubtful debts	(2.407.685)	(2.407.685)	(2.049.726)	(2.049.726)
	25.792.184	16.129.002	17.809.182	11.744.349
Inward Pipeline Premium Provision	62.867.190	62.867.190	32.736.957	32.736.957
Inward Treaty Premium Reserve and Loss deposit	16.505.149	16.505.149	14.868.278	14.868.278
Related companies	6.602.969	8.939.619	22.404.950	29.719.422
Other debtors and prepayments	7.496.388	1.370.099	4.773.004	1.579.292
	119.263.880	105.811.059	92.592.371	90.648.298

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

14. Reinsurance balances receivable

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Reinsurance balances receivable	15.714.278	10.192.047	14.520.171	9.283.224
Less: Provision for doubtful debts	(1.222.835)	(1.222.835)	(1.525.740)	(1.525.740)
	14.491.443	8.969.212	12.994.431	7.757.484

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15. Provision for doubtful debts

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Opening balance	3.575.466	3.575.466	3.325.466	3.325.466
Increase in provision	750.000	750.000	250.000	250.000
Write offs	(694.946)	(694.946)	-	-
Closing balance	3.630.520	3.630.520	3.575.466	3.575.466

16. Parent Undertaking

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Amount receivable from ultimate holding company	7.074.989	7.074.989	2.767.751	2.767.751

The amount carries no interest.

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

Stg£2.65 million of the ultimate holding company's and its subsidiaries' assets, are used as security for the UK subsidiary's guarantee facilities to Lloyds (note 30).

17. Cash and cash equivalents

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Cash in hand	15.527	15.327	9.392	9.192
Cash at bank	59.323.304	51.279.956	45.599.936	40.188.686
Statutory deposits (note b)	3.626.060	3.626.060	3.568.757	3.568.757
	62.964.891	54.921.343	49.178.085	43.766.635

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

18. Share capital

	2008	2007
	US$	US$
Authorised, issued and fully paid 1.000.000 shares of US$100 each	100.000.000	100.000.000

19. Reserves

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Retained earnings	47.002.183	47.500.431	41.860.466	42.092.910
Investment revaluation reserve	37.219.049	36.025.050	24.108.449	22.914.450
Property revaluation reserve	8.153.431	8.153.431	7.223.995	7.223.995
Statutory reserve	18.088.131	18.088.131	15.790.073	15.790.073
Exchange difference reserve	573.269	-	1.319.155	-
	111.036.063	109.767.043	90.302.138	88.021.428

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

Profit appropriations

The directors propose a dividend of US$15 per share amounting to US$15.0 million. These and other appropriations mentioned below are subject to the shareholders' approval at the company's next Annual General Meeting.

	2008	2007
	US$	US$
Proposed cash dividend	15.000.000	15.000.000
Directors' fees	275.000	275.000
	15.275.000	15.275.000

21. Technical reserves

a) Gross technical reserves

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Unearned premium reserve	84.015.366	63.387.190	61.104.205	47.067.110
Outstanding claims reserve	194.566.864	135.176.153	144.142.116	116.095.889
I.B.N.R.	20.585.666	20.585.666	20.585.666	20.585.666
	299.167.896	219.149.009	225.831.987	183.748.665

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b) Reinsurers' share of technical reserves

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Unearned premium reserve	36.869.077	34.326.134	30.991.791	29.322.040
Outstanding claims reserve	118.778.470	106.388.850	105.240.288	99.228.385
I.B.N.R.	14.035.666	14.035.666	14.035.666	14.035.666
	169.683.213	154.750.650	150.267.745	142.586.091

c) Net technical reserves

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Unearned premium reserve	47.146.289	29.061.056	30.112.414	17.745.070
Outstanding claims reserve	75.788.394	28.787.303	38.901.828	16.867.504
I.B.N.R.	6.550.000	6.550.000	6.550.000	6.550.000
	129.484.683	64.398.359	75.564.242	41.162.574

The company's Technical Reserves have been reviewed by an internationally recognised independent actuarial firm as at 31 December, 2008. According to that assessment, the total net technical reserve is estimated to be US$40.5 million (net), with high estimates established at US$50 million (net).

The company's own internal reserves calculated by in-house actuaries have been estimated to be at US$41 million (net), with high estimates established at US$65 million (net).

The actual technical reserves as at 31 December, 2008 were US$75 million (net).
Based on the above, the company has decided to release US$10 million (net) in accordance with IAS8 to the revenue account.

22. Bank loan

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

23. Creditors and accruals

	2008	2008	2007	2007
	Group	Company	Group	Company
	US$	US$	US$	US$
Trade accounts payable	19.870.678	16.774.357	16.987.650	15.561.570
Outward Pipeline Premium Provision	31.894.115	31.894.115	17.000.082	17.000.082
Outward Treaty Premium Reserves and Loss Deposit	28.685.712	28.685.712	26.931.959	26.931.959
Related companies	988.358	523.439	2.242.430	1.370.233
Other accounts payable and accruals	10.044.730	6.546.863	9.831.796	6.506.131
	91.483.593	84.424.486	72.993.917	67.369.975

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

24. Analysis of revenue by primary business segment – Group

	Year ended 31 December, 2008			
	Facultative	Treaty	Trust Underwriting Limited	Total
	US$	US$	US$	US$
INSURANCE REVENUE				
Gross written premium	91.015.598	123.463.197	44.510.619	258.989.414
Outward reinsurance premium	(47.799.317)	(61.205.978)	(9.968.506)	(118.973.801)
	43.216.281	62.257.219	34.542.113	140.015.613
Change in unearned premium	(7.961.483)	(3.354.505)	726.297	(10.589.691)
Net earned premium	35.254.798	58.902.714	35.268.410	129.425.922
CLAIMS AND EXPENSES				
Gross claims paid	(21.990.488)	(64.387.628)	(37.748.488)	(124.126.604)
Claims recovered from reinsurers	16.194.681	29.702.429	3.232.192	49.129.302
Change in provision for outstanding claims – Gross	(10.338.376)	(8.741.887)	12.310.898	(6.769.365)
Change in provision for outstanding claims – Reinsurance	2.382.665	4.777.800	(3.242.518)	3.917.947
Claims and related expenses	(13.751.518)	(38.649.286)	(25.447.916)	(77.848.720)
Commissions and taxes paid	(16.084.410)	(28.495.197)	(7.524.570)	(52.104.177)
Commissions and taxes received from reinsurers	12.775.427	17.831.975	-	30.607.402
Interest on premium reserve	-	310.227	-	310.227
Interest on premium reserve – reinsurance	(103.006)	(315.229)	-	(418.235)
Change in deferred acquisition cost – Gross	2.830.478	2.346.263	-	5.176.741
Change in deferred acquisition cost – Reinsurance	(2.620.530)	(1.849.417)	-	(4.469.947)
Deferred acquisition costs, commissions and taxes	(3.202.041)	(10.171.378)	(7.524.570)	(20.897.989)
Gross underwriting profit	18.301.239	10.082.050	2.295.924	30.679.213
Technical expenses	(5.648.040)	(4.107.742)	-	(9.755.782)
Net underwriting profit	12.653.199	5.974.308	2.295.924	20.923.431

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

	Year ended 31 December, 2008		
	Facultative	Treaty	Total
	US$	US$	US$
INSURANCE REVENUE			
Gross written premium	91.015.598	123.463.197	214.478.795
Outward reinsurance premium	(47.799.317)	(61.205.978)	(109.005.295)
	43.216.281	62.257.219	105.473.500
Change in unearned premium	(7.961.483)	(3.354.505)	(11.315.988)
Net earned premium	35.254.798	58.902.714	94.157.512
CLAIMS AND EXPENSES			
Gross claims paid	(21.990.488)	(64.387.628)	(86.378.116)
Claims recovered from reinsurers	16.194.681	29.702.429	45.897.110
Change in provision for outstanding claims – Gross	(10.338.376)	(8.741.887)	(19.080.263)
Change in provision for outstanding claims – Reinsurance	2.382.665	4.777.800	7.160.465
Claims and related expenses	(13.751.518)	(38.649.286)	(52.400.804)
Commissions and taxes paid	(16.084.410)	(28.495.197)	(44.579.607)
Commissions and taxes received from reinsurers	12.775.427	17.831.975	30.607.402
Interest on premium reserve	-	310.227	310.227
Interest on premium reserve – reinsurance	(103.006)	(315.229)	(418.235)
Change in deferred acquisition cost – Gross	2.830.478	2.346.263	5.176.741
Change in deferred acquisition cost – Reinsurance	(2.620.530)	(1.849.417)	(4.469.947)
Deferred acquisition costs, commissions and taxes	(3.202.041)	(10.171.378)	(13.373.419)
Gross underwriting profit	18.301.239	10.082.050	28.383.289
Technical expenses	(5.648.040)	(4.107.742)	(9.755.782)
Net underwriting profit	12.653.199	5.974.308	18.627.507

24. Analysis of revenue by primary business segment (cont'd) – Group

	Year ended 31 December, 2007			
	Facultative	Treaty	Trust Underwriting Limited	Total
	US$	US$	US$	US$
INSURANCE REVENUE				
Gross written premium	57.553.508	126.577.638	55.277.401	239.408.547
Outward reinsurance premium	(37.722.658)	(58.379.547)	(17.679.352)	(113.781.557)
	19.830.850	68.198.091	37.598.049	125.626.990
Change in unearned premium	(4.995.950)	809.079	(2.330.343)	(6.517.214)
Net earned premium	14.834.900	69.007.170	35.267.706	119.109.776
CLAIMS AND EXPENSES				
Gross claims paid	(20.814.147)	(75.129.399)	(24.001.743)	(119.945.289)
Claims recovered from reinsurers	16.051.236	33.048.113	6.144.351	55.243.700
Change in provision for outstanding claims – Gross	(16.399.497)	(11.131.435)	2.071.196	(25.459.736)
Change in provision for outstanding claims – Reinsurance	13.886.159	10.116.827	(10.688.323)	13.314.663
Claims and related expenses	(7.276.249)	(43.095.894)	(26.474.519)	(76.846.662)
Commissions and taxes paid	(9.895.763)	(29.828.283)	(6.589.451)	(46.313.497)
Commissions and taxes received from reinsurers	10.698.833	16.108.273	-	26.807.106
Interest on premium reserve	-	289.448	-	289.448
Interest on premium reserve – reinsurance	(91.509)	(287.117)	-	(378.626)
Change in deferred acquisition cost – Gross	1.368.742	(1.884.764)	-	(516.022)
Change in deferred acquisition cost – Reinsurance	(976.604)	1.209.054	-	232.450
Deferred acquisition costs, commissions and taxes	1.103.699	(14.393.389)	(6.589.451)	(19.879.141)
Gross underwriting profit	8.662.350	11.517.887	2.203.736	22.383.973
Technical expenses	(3.797.433)	(3.197.826)	-	(6.995.259)
Net underwriting profit	4.864.917	8.320.061	2.203.736	15.388.714

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

	Year ended 31 December, 2007		
	Facultative	Treaty	Total
	US$	US$	US$
INSURANCE REVENUE			
Gross written premium	57.523.508	126.577.638	184.101.146
Outward reinsurance premium	(37.700.158)	(58.379.547)	(96.079.705)
	19.823.350	68.198.091	88.021.441
Change in unearned premium	(4.995.950)	809.079	(4.186.871)
Net earned premium	14.827.400	69.007.170	83.834.570
CLAIMS AND EXPENSES			
Gross claims paid	(20.814.147)	(75.129.399)	(95.943.546)
Claims recovered from reinsurers	16.051.236	33.048.113	49.099.349
Change in provision for outstanding claims – Gross	(16.399.497)	(11.131.435)	(27.530.932)
Change in provision for outstanding claims – Reinsurance	13.886.159	10.116.827	24.002.986
Claims and related expenses	(7.276.249)	(43.095.894)	(50.372.143)
Commissions and taxes paid	(9.895.763)	(29.828.283)	(39.724.046)
Commissions and taxes received from reinsurers	10.698.833	16.108.273	26.807.106
Interest on premium reserve	-	289.448	289.448
Interest on premium reserve – reinsurance	(91.509)	(287.117)	(378.626)
Change in deferred acquisition cost – Gross	1.368.742	(1.884.764)	(516.022)
Change in deferred acquisition cost – Reinsurance	(976.604)	1.209.054	232.450
Deferred acquisition costs, commissions and taxes	1.103.699	(14.393.389)	(13.289.690)
Gross underwriting profit	8.654.850	11.517.887	20.172.737
Technical expenses	(3.797.433)	(3.197.826)	(6.995.259)
Net underwriting profit	4.857.417	8.320.061	13.177.478

25. Movements in insurance liabilities and assets - Company

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

	Year ended 31 December, 2007		
	Gross	Reinsurance	Net
	US$	US$	US$
Claims			
Claims outstanding	88.590.363	75.250.803	13.339.560
IBNR	20.591.479	14.041.479	6.550.000
Total at the beginning of the year	109.181.842	89.292.282	19.889.560
Increase in provision for the year	123.443.259	73.071.117	50.372.142
Claims settled during the year	(95.943.546)	(49.099.349)	(46.844.197)
Balance at the end of the year	136.681.555	113.264.050	23.417.505
Unearned premium			
At the beginning of the year	54.500.630	40.942.431	13.558.199
Increase/(decrease) in provision during the year	(7.433.250)	(11.620.391)	4.186.871
Balance at the end of the year	47.067.110	29.322.040	17.745.070
Deferred acquisition cost			
At the beginning of the year	12.773.758	9.431.687	3.342.071
Increase/(decrease) during the year	(516.022)	(232.450)	(283.572)
Balance at the end of the year	12.257.736	9.199.237	3.058.499

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Group

Gross premiums from:

	Year ended 31 December, 2008			
	Facultative	Treaty	Trust Underwriting Limited	Total
	US$	US$	US$	US$
- Texas Underwriting, Inc.	-	-	-	-
- Trust Underwriting Ltd	-	-	44.510.619	44.510.619
- Arab Region	37.586.328	21.696.758	-	59.283.086
- Asia	25.885.596	48.077.385	-	73.962.981
- Far and South East Asia	21.227.862	11.375.760	-	32.603.622
- Africa	6.315.812	552.476	-	6.868.288
- Quota share with Trust Underwriting Ltd	-	41.760.818	-	41.760.818
	91.015.598	123.463.197	44.510.619	258.989.414

Gross premiums from:	Year ended 31 December, 2007			
	Facultative	Treaty	Trust Underwriting Limited	Total
	US$	US$	US$	US$
- Texas Underwriting, Inc.	30.000	-	-	-
- Trust Underwriting Ltd	-	-	55.277.401	55.277.401
- Arab Region	26.644.889	16.942.035	-	43.586.924
- Asia	10.572.821	33.884.071	-	44.456.892
- Far and South East Asia	17.717.241	13.683.952	-	31.401.193
- Africa	2.588.557	651.618	-	3.240.175
- Quota share with Trust Underwriting Ltd	-	61.415.962	-	61.415.962
	57.553.508	126.577.638	55.277.401	239.408.547

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

	Year ended 31 December, 2008		
	Facultative	Treaty	Total
	US$	US$	US$
Gross premium from:			
- Arab region	37.586.328	21.696.758	59.283.086
- Asia	25.885.596	48.077.385	73.962.981
- Far and South East Asia	21.227.862	11.375.760	32.603.622
- Africa	6.315.812	552.476	6.868.288
- Quota share with Trust Underwriting (note 27)	-	41.760.818	41.760.818
	91.015.598	123.463.197	214.478.795

	Year ended 31 December, 2007		
	Facultative	Treaty	Total
	US$	US$	US$
Gross premium from:			
- Arab region	26.644.889	16.942.035	43.586.924
- Asia	10.572.821	33.884.071	44.456.892
- Far and South East Asia	17.717.241	13.683.952	31.401.193
- Africa	2.588.558	651.617	3.240.175
- Quota share with Trust Underwriting (note 27)	-	61.415.962	61.415.962
	57.523.509	126.577.637	184.101.146

27. Related party transactions - Company

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

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

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

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

		Related companies US$
a) Written premiums	- 2008	790.511
	- 2007	1.478.222
b) Commissions	- 2008	143.677
	- 2007	267.072
c) Claims paid	- 2008	-
	- 2007	-
d) Dividend income	- 2008	21.450
	- 2007	32.175
e) Management fees	- 2008	378.232
	- 2007	506.425

The company has quota share arrangements with one of its subsidiaries, Trust Underwriting Limited.

Trust Underwriting Limited underwrites insurance business at Lloyd's of London through participation to the capacities of a number of underwriting syndicates.

The quota share arrangements covered the underwriting years 2002 to 2008. Terms of the contracts was that the company accepts 70% of all underwriting transactions undertaken by Trust Underwriting Limited.

The transactions resulting from these quota shares contracts, which cover the underwriting years 2002 to 2008, have been included in the income statement for 2008 as shown on page 19. The figures included within the revenue account in respect of the above quota share arrangement are as follows:

	2008	2007
	US$'000	US$'000
Gross premium written	41.760.818	61.415.963
Outward Reinsurance	(9.878.936)	(11.536.853)
Net written premium	31.881.882	49.879.110
Commissions paid	(5.701.913)	(10.844.850)
Other investment income	1.454.043	866.282
	27.634.012	40.795.142
Gross claims paid	(29.503.363)	(43.594.490)
Reinsurance recovery	4.344.092	9.091.066
Technical expenses	(71.891)	(90.836)
Technical profit	2.402.850	6.200.882

28. Directors' remuneration

The remuneration and other benefits paid to two directors of the company during the year was US$615.077 (2007: US$541.931).
The remuneration paid to a director of Trust Underwriting Ltd during the year was US$60.686 (2007: US$69.906).

29. Claims development – Company

Gross	(US$'000)					
	Underwriting year					
	2004/05	2005/06	2006/07	2007/08	2008/09	Total
	US$	US$	US$	US$	US$	US$
At the end of the underwriting year	11.732	14.572	1.649	468	3.672	
- One year later	34.614	44.169	44.205	33.439		
- Two years later	41.918	74.006	68.776			
- Three years later	47.185	85.368				
- Four years later	48.805					
Current estimate of incurred claims	48.805	85.368	68.776	33.439	3.672	240.060
Cumulative payments to date	(35.000)	(69.202)	(40.342)	(5.417)	571	(149.390)
IBNR	67	210	597	3.675	16.036	20.585
Liability at end	13.872	16.376	29.031	31.697	20.279	111.255
Liability in respect of prior years						44.506
Total liability included in the balance sheet						155.761

29. Claims development – Company (cont'd)

Net	Underwriting year					
	2004/05	2005/06	2006/07	2007/08	2008/09	Total
	US$	US$	US$	US$	US$	US$
At the end of the underwriting year	1.073	3.691	682	302	2.508	
- One year later	5.544	11.324	8.311	15.463		
- Two years later	7.002	18.411	15.002			
- Three years later	7.283	21.503				
- Four years later	7.228					
Current estimate of incurred claims	7.228	21.503	15.002	15.463	2.508	61.704
Cumulative payments to date	(5.532)	(17.792)	(11.406)	(2.170)	228	(36.672)
IBNR	-	20	106	693	5.731	6.550
Liability at the end	1.696	3.731	3.702	13.986	8.467	31.582
Liability in respect of prior years						3.755
Total liability included in the balance sheet						35.337

30. Contingent liabilities

The company has issued a guarantee on behalf of the UK Corporate Capital subsidiary for Stg£10.833.416. This is secured by the company's bank balances and other securities provided by the ultimate holding company (note 16). The directors are satisfied that the prospect of any loss arising under this guarantee is unlikely.
The subsidiaries did not have any contingent liabilities as at the year end.

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31. Capital commitments

The company has entered into contractual agreements with third parties relating to the development of the land held in Bahrain. As at the balance sheet date, the total cost still to be paid as per these contracts is approximately US$2,978 million (BD1,124 million).

32. Comparative figures

Certain comparative figures for the year ended 31 December, 2007 have been reclassified in order to be consistent with the current year's presentation. In particular, technical figures are shown gross along with the relevant reinsurers' share.

33. Financial instruments and risk management

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

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

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

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

Reinsurance risk

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

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

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

Currency risk

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

Market risk

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

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

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

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

Concentration risk

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

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

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

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

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

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

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

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

35. Change in accounting policy
The company has issued a guarantee on behalf of its Corporate Capital subsidiary for Stg£10.833.416 which is secured by among others, a company's deposit in a bank. This deposit is of a long term nature and the principal will not be used in the foreseeable future as it acts as the guarantee for the trading of the UK Corporate Capital subsidiary in Lloyds Insurance Market.

Although the directors feel that any loss arising from this guarantee is unlikely, there is always the possibility that the company will not recover substantially all of its initial investment.

Hence, this receivable is accounted from this year as an available-for-sale financial asset under IAS39.

Comparative figures have been restated to reflect this change in recognition retrospectively. The effect to the income statement was to increase last year's profit by US$23.770. The company's equity as of 1 January, 2007 was reduced by US$345.865.

36. Approval of financial statements
The financial statements were approved by the Board of Directors and authorised for issue on 8 March, 2009.


IN
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WE
TRUST.

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