

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2012 (UNAUDITED)**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF  
TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C. (c) TRUST RE**

**Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("Trust Re" or "the Company") and its subsidiaries [together the "Group"] as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The Board of Directors of the Company is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 [IAS 34] *Interim Financial Reporting* . Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* . A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.




23 August 2012  
Manama, Kingdom of Bahrain

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 At 30 June 2012 (unaudited)

	Note	Unaudited 30 June 2012 US\$ '000	Audited 31 December 2011 US\$ '000
<b>ASSETS</b>			
Cash and bank balances		279,208	153,774
Available for sale investments		139,289	171,624
Due from parent	6	1,490	76,003
Insurance and other receivables		249,030	192,408
Gross deferred acquisition costs		58,886	42,421
Reinsurers' share of technical reserves		278,432	259,866
Investment properties		1,707	1,707
Properties held for sale		8,491	8,686
Property and equipment		12,598	12,918
Intangible assets		315	416
Goodwill		26,540	26,540
<b>TOTAL ASSETS</b>		<b>1,055,984</b>	<b>946,363</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		100,000	100,000
Statutory reserve		23,687	23,687
Retained earnings		51,968	45,658
Cumulative changes in fair value		34,877	41,226
Foreign currency translation reserve		(2,310)	(2,572)
<b>Total equity</b>		<b>208,222</b>	<b>207,999</b>
Non-controlling interests		(11)	52
<b>Total equity</b>		<b>208,211</b>	<b>208,051</b>
<b>Liabilities</b>			
Technical reserves		680,850	580,665
Reinsurers' share of deferred acquisition costs		20,746	16,738
Reinsurance payables		21,930	23,041
Insurance and other payables		123,038	116,584
Borrowings		1,209	1,284
<b>Total liabilities</b>		<b>847,773</b>	<b>738,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,055,984</b>	<b>946,363</b>



Kamel Ghazi Abunahl  
Chairman

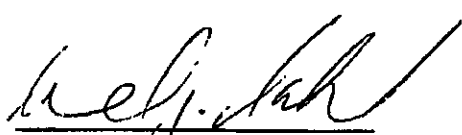


Fadi Abunahl  
Director & Chief Executive Officer

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
 Six-month period ended 30 June 2012 (unaudited)

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2012</i> <i>US\$ '000</i>	<i>Restated</i> <i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2011</i> <i>US\$ '000</i>
Gross premiums written	238,263	225,945
Premiums ceded	(65,553)	(59,700)
	<u>172,710</u>	<u>166,245</u>
Unearned premium adjustments	(58,497)	(60,031)
<b>Net earned premium</b>	<u>114,213</u>	<u>106,214</u>
Gross claims paid	(111,302)	(84,403)
Recoveries on premiums ceded	40,984	31,515
Outstanding claims adjustments	(10,816)	(23,781)
<b>Claims and related expenses</b>	<u>(81,134)</u>	<u>(76,669)</u>
Commission income	12,189	14,017
Policy acquisition costs	(35,138)	(35,654)
Other operating income	609	381
Operating expenses	(7,249)	(6,545)
	<u>(29,589)</u>	<u>(27,801)</u>
<b>Underwriting profit</b>	<u>3,490</u>	<u>1,744</u>
Investment income - net	3,666	3,769
General and administration expenses	(3,140)	(2,930)
Finance income	2,342	1,144
Foreign exchange (loss) gain	(2,091)	1,639
Other income	1,846	830
<b>Profit before tax</b>	<u>6,113</u>	<u>6,196</u>
Income tax credit	195	308
<b>PROFIT FOR THE PERIOD</b>	<u>6,308</u>	<u>6,504</u>
<b>Attributable to:</b>		
Shareholders of the parent	6,353	6,544
Non-controlling interests	(45)	(40)
	<u>6,308</u>	<u>6,504</u>

  
 Kamel Ghazi Abunahl  
 Chairman

  
 Fadi Abunahl  
 Director & Chief Executive Officer

The attached notes 1 to 8 form part of these Interim condensed consolidated financial statements

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Six-month period ended 30 June 2012 (unaudited)

	<i>Unaudited</i> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2012</b> <i>US\$ '000</i>	<i>Restated</i> <i>Unaudited</i> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2011</b> <i>US\$ '000</i>
<b>Profit for the period</b>	<b>6,308</b>	6,504
<b>Other comprehensive income (loss)</b>		
Available-for-sale investments:		
Fair value changes arising during the period	<b>(6,349)</b>	(6,409)
	<b>(6,349)</b>	(6,409)
Currency translation adjustments	<b>262</b>	(384)
Directors' remuneration	6 -	(169)
<b>Other comprehensive loss for the period</b>	<b>(6,087)</b>	(6,962)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>221</b>	(458)
<b>Attributable to:</b>		
Shareholders of the parent	<b>266</b>	(418)
Non-controlling interests	<b>(45)</b>	(40)
	<b>221</b>	(458)

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

Six-month period ended 30 June 2012 (unaudited)

		<i>Restated</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Six months</i>	<i>Six months</i>
	<i>ended</i>	<i>ended</i>
	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>
Note	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	6,113	6,196
Adjustments for:		
Depreciation	423	593
Amortisation of intangible assets	105	170
Provision for bad debts - net	125	125
Gain on disposal of available for sale investments	(919)	(1,056)
Change in unearned premium	65,971	76,944
Change in reinsurers' share of unearned premium	1,619	(12,273)
Deferred acquisition costs - net	(12,457)	(14,643)
Other non-cash item included in profit before tax	847	-
Operating profit before changes in operating assets and liabilities	<u>61,827</u>	<u>56,056</u>
Changes in operating assets and liabilities:		
Outstanding claims	34,214	51,469
Reinsurers' share of outstanding claims	(20,185)	(6,530)
Properties held for sale	195	(631)
Insurance and other receivables	(56,747)	(65,961)
Due from parent	15,656	3,008
Insurance and other payables	6,454	8,183
Reinsurance payables	(1,111)	(3,944)
	<u>40,303</u>	<u>41,650</u>
Directors' remuneration	-	(169)
Taxation	195	308
<b>Net cash from operating activities</b>	<u>40,498</u>	<u>41,789</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of available for sale investments	(6,767)	(37,296)
Proceeds from sale of available for sale investments	32,825	3,159
Purchase of property and equipment	(147)	(459)
Additions to investment properties	-	(37)
Bank deposits with maturity of more than three months	3,260	(106)
Due from parent	58,857	-
<b>Net cash from (used in) investing activities</b>	<u>88,028</u>	<u>(34,739)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of borrowings	(75)	(85)
Dividends paid	-	(15,000)
Additional capital from non-controlling interests	-	53
<b>Cash used in financing activities</b>	<u>(75)</u>	<u>(15,032)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>128,451</u>	<u>(7,982)</u>
Foreign currency translation adjustments	240	(597)
Cash and cash equivalents at beginning of the period	<u>128,298</u>	<u>101,885</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>256,989</u>	<u>93,306</u>

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
Six-month period ended 30 June 2012 (unaudited)

	<i>Attributable to shareholders of the parent</i>						
	Share capital US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Cumulative changes in fair value US\$ '000	Revaluation reserve US\$ '000	Foreign currency translation reserve US\$ '000	Total equity US\$ '000
Balance at 1 January 2012	100,000	23,687	45,658	41,226	-	(2,572)	207,999
Profit (loss) for the period	-	-	6,353	-	-	-	6,353
Other comprehensive (loss) income	-	-	(43)	(6,349)	-	262	(6,130)
Total comprehensive income (loss)	-	-	6,310	(6,349)	-	262	223
<b>Balance as at 30 June 2012</b>	<b>100,000</b>	<b>23,687</b>	<b>51,968</b>	<b>34,877</b>	<b>-</b>	<b>(2,310)</b>	<b>208,222</b>
Balance at 1 January 2011	100,000	21,792	49,890	33,395	1,783	(1,320)	205,540
Profit (loss) for the period - restated	-	-	6,544	-	-	-	6,544
Other comprehensive (loss) income - restated	-	-	(224)	(6,409)	-	(384)	(7,017)
Total comprehensive income (loss) - restated	-	-	6,320	(6,409)	-	(384)	(473)
Dividend paid during the period for 2010	-	-	(15,000)	-	-	-	(15,000)
Balance as at 30 June 2011 - restated	100,000	21,792	41,210	26,986	1,783	(1,704)	190,067
							142
							208,051
							52
							(45)
							(18)
							(63)
							(11)
							122
							(40)
							60
							20
							-
							142
							205,662
							6,504
							(6,957)
							(453)
							(15,000)
							190,209



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (unaudited)

### 1 INCORPORATION AND ACTIVITIES

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

The Company and its subsidiaries (together the "Group") provide insurance, reinsurance and related products and services to direct clients, insurance companies and others through insurance and reinsurance brokers through its network of offices in London, Cyprus and Labuan.

The Company is a wholly owned subsidiary of Nest Investments (Holdings) Ltd, incorporated in Jersey.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 23 August 2012.

### 2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 [IAS 34] *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards [IFRS], and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011. In addition, results for the six-month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

### 3 ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011, except as noted below:

#### *Product classification*

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

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

#### *Deposit accounting*

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

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
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**3 ACCOUNTING POLICIES (continued)**

*Deposits from cedents*

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

The adoption of the new accounting policies described above did not result in any material restatement of comparatives or changes to previously reported profit or equity.

*Adoption of new amendments in IFRS by the Company, effective from 1 January 2012*

- IFRS 7 - *Financial Instruments: Disclosures* - Transfers of financial assets
- IAS 12 - *Income Taxes: Deferred Tax* - Recovery of Underlying Assets

The above amendments did not have any significant impact on the Group's financial performance or financial statement disclosures.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**4 CASH AND CASH EQUIVALENTS**

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	<i>Unaudited</i>	<i>Restated</i>
	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and bank balances as per interim consolidated statement of financial position	<b>279,206</b>	104,255
Less: Statutory deposit	<b>(398)</b>	(398)
Less: Deposits with banks (note 4.1)	<b>(21,819)</b>	(10,551)
Cash and cash equivalents	<b><u>256,989</u></b>	<u>93,306</u>

4.1 This deposit is of a long term nature and is unavailable for the Group's and the Company's day to day operations.

**5 SEASONALITY OF RESULTS**

Dividend income of US\$ 1,735 thousand for the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: US\$ 2,011 thousand) is of a seasonal nature.

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
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**6 RELATED PARTY TRANSACTIONS**

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

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

	<i>Unaudited Entities related to shareholders Six months ended 30 June 2012 US\$ '000</i>	<i>Restated Unaudited Entities related to shareholders Six months ended 30 June 2011 US\$ '000</i>
Gross premiums written	2,101	3,655
Gross claims paid	442	870
Recoveries on premiums ceded	-	1
Policy acquisition costs	545	892

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

	<i>Unaudited 30 June 2012</i>		<i>Audited 31 December 2011</i>	
	<i>Shareholders US\$ '000</i>	<i>Entities related to shareholders US\$ '000</i>	<i>Shareholders US\$ '000</i>	<i>Entities related to shareholders US\$ '000</i>
Insurance and other receivables	-	782	-	79
Insurance and other payables	-	1,300	-	1,232
Due from parent*	1,490	-	76,003	-

\* During the period, the Company received USD 58,857 million against the sale of the Group's property and equipment and certain investments. The sale transactions occurred during the year ended 31 December 2011. The remaining receipts of USD 15,656 million relates to operating activities.

**Compensation of directors and key management personnel**

The remuneration of directors and key management personnel during the period was as follows:

	<i>Unaudited Six months ended 30 June</i>	
	<i>2012 US\$ '000</i>	<i>2011 US\$ '000</i>
Salaries and benefits	763	587
Employees' end of service benefits	23	42
	<b>786</b>	<b>629</b>

**Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
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**6 RELATED PARTY TRANSACTIONS (continued)**

***Compensation of directors and key management personnel (continued)***

Effective 1 January 2012, the Company has accounted for director's remuneration in the interim consolidated statement of income. Previously it was accounted for as an appropriation in other comprehensive income.

**7 CONTINGENT LIABILITIES**

- a) The Group has issued a guarantee on behalf of a subsidiary for US\$ 14.1 million (Stg£ 9.0 million) [(31 December 2011: US\$ 13.9 million (Stg£ 9.0 million)] which is secured by the Group's bank balances and other securities provided by the ultimate parent. The Company's directors are satisfied that the prospect of any loss arising under this guarantee is unlikely.
- b) The Company has issued a guarantee of approximately US\$ 1.1 million (€875,000) (31 December 2011: US\$ 1.1 million) (€875,000), being a statutory requirement of the Superintendent of Insurance in Cyprus in respect of a branch.

**8 COMPARATIVE INFORMATION**

As of and for the six months ended 30 June 2011, the Group had prepared its interim condensed financial statements without consolidating the results and balances of one of its subsidiaries – Trust Underwriting Limited (TUL). Balances and results of TUL as of and for the six months ended 30 June 2011 have since been made available and accordingly the comparatives for the interim consolidated statements of income, comprehensive income, cashflows and changes in equity for 30 June 2011 have been restated to reflect this.