

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2013 (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 2013, comprising of the interim consolidated statement of financial position as at 30 June 2013 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

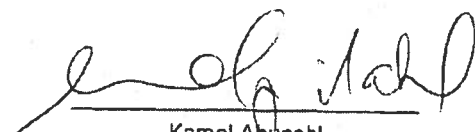
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

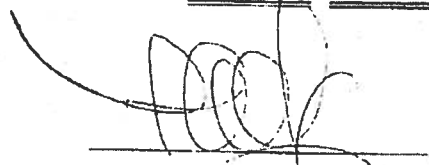


22 August 2013
Manama, Kingdom of Bahrain

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 At 30 June 2013 (unaudited)

	<i>Note</i>	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
ASSETS			
Cash and bank balances		371,696	256,387
Available-for-sale investments		160,098	162,396
Due from parent	8	-	9,634
Insurance and other receivables		250,127	229,685
Gross deferred acquisition costs		57,133	41,710
Reinsurers' share of technical reserves		276,239	266,534
Investment properties		1,707	1,707
Properties held for sale		8,721	8,946
Property and equipment		12,499	12,545
Intangible assets		82	217
Goodwill		26,540	26,540
TOTAL ASSETS		1,164,842	1,016,301
EQUITY AND LIABILITIES			
Equity			
Share capital		100,000	100,000
Advance against increase in share capital	5	40,000	-
Statutory reserve		25,663	25,663
Retained earnings		73,101	62,895
Cumulative changes in fair value		48,900	46,731
Foreign currency translation reserve		(2,510)	(2,464)
Equity attributable to shareholders of the parent		285,154	232,825
Non-controlling interests		(64)	(43)
Total equity		285,090	232,782
Liabilities			
Technical reserves		724,509	635,500
Reinsurers' share of deferred acquisition costs		19,267	14,018
Reinsurance payables		15,965	20,855
Insurance and other payables		118,521	112,007
Due to parent		471	-
Borrowings	8	1,019	1,139
Total liabilities		879,752	783,519
TOTAL EQUITY AND LIABILITIES		1,164,842	1,016,301

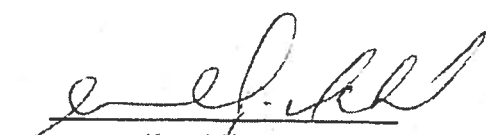

 Kamel Abunahl
 Chairman

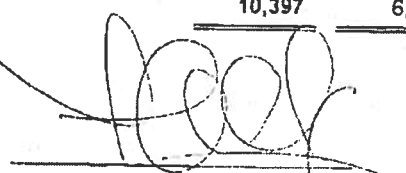

 Fadi Abunahl
 Director & Chief Executive Officer

The attached notes 1 to 9 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 2013 (unaudited)

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2013</i> <i>US\$ '000</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2012</i> <i>US\$ '000</i>
Gross premiums written	263,875	238,263
Premiums ceded	<u>(77,470)</u>	<u>(65,553)</u>
	186,405	172,710
Unearned premium adjustments	<u>(57,170)</u>	<u>(58,497)</u>
Net earned premiums	<u>129,235</u>	<u>114,213</u>
Gross claims paid	(102,489)	(111,302)
Recoveries on premiums ceded	41,089	40,984
Outstanding claims adjustments	<u>(20,542)</u>	<u>(10,816)</u>
Claims and related expenses	<u>(81,942)</u>	<u>(81,134)</u>
Commission income	13,891	12,189
Policy acquisition costs	(39,015)	(35,138)
Other operating (charges) income	(2,266)	609
Operating expenses	<u>(9,177)</u>	<u>(7,249)</u>
	<u>(36,567)</u>	<u>(29,589)</u>
Underwriting profit	<u>10,726</u>	<u>3,490</u>
Investment income - net	2,485	3,666
Income from investment property	262	96
General and administration expenses	(5,620)	(3,140)
Finance income	1,846	2,342
Foreign exchange loss	(1,461)	(2,091)
Other income	<u>2,210</u>	<u>1,750</u>
Profit before tax	<u>10,448</u>	<u>6,113</u>
Income tax	6 (51)	195
PROFIT FOR THE PERIOD	<u>10,397</u>	<u>6,308</u>
Attributable to:		
Shareholders of the parent	10,418	6,353
Non-controlling interests	<u>(21)</u>	<u>(45)</u>
	<u>10,397</u>	<u>6,308</u>


 Kamel Abunahi
 Chairman


 Fadi Abunahi
 Director & Chief Executive Officer

The attached notes 1 to 9 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 2013 (unaudited)

	<i>Unaudited Six months ended 30 June 2013 US\$ '000</i>	<i>Unaudited Six months ended 30 June 2012 US\$ '000</i>
Profit for the period	10,397	6,308
Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:		
Available-for-sale investments:		
Fair value changes arising during the period	2,171	(5,424)
Transferred to interim consolidated statement of income on disposal	(2)	(925)
	2,169	(6,349)
Currency translation adjustments	(46)	262
Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods	2,123	(6,087)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,520	221
Attributable to:		
Shareholders of the parent	12,541	266
Non-controlling interests	(21)	(45)
	12,520	221

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2013 (unaudited)

	Note	<i>Unaudited Six months ended 30 June 2013 US\$ '000</i>	<i>Unaudited Six months ended 30 June 2012 US\$ '000</i>
OPERATING ACTIVITIES			
Profit before tax		10,448	6,113
Adjustments for:			
Depreciation		216	423
Amortisation of intangible assets		123	105
Provision for bad debts - net		125	125
Gain on disposal of available-for-sale investments		(2)	(919)
Change in unearned premiums		72,332	65,971
Change in reinsurers' share of unearned premiums		(12,604)	1,619
Deferred acquisition costs - net		(10,174)	(12,457)
Other non-cash item included in profit before tax		3,783	847
Operating profit before changes in operating assets and liabilities		<u>64,247</u>	61,827
Changes in operating assets and liabilities:			
Outstanding claims		16,677	34,214
Reinsurers' share of outstanding claims		2,899	(20,185)
Properties held for sale		225	195
Insurance and other receivables		(20,567)	(56,747)
Due to / from parent - net		10,105	15,656
Insurance and other payables		6,514	6,454
Reinsurance payables		(4,890)	(1,111)
		<u>75,210</u>	40,303
Taxation		(51)	195
Net cash from operating activities		<u>75,159</u>	40,498
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		(2,672)	(6,767)
Proceeds from sale of available-for-sale investments		3,206	32,825
Purchase of property and equipment		(218)	(147)
Bank deposits with maturity of more than three months		(57,756)	3,260
Due from parent relating to investing activities		-	58,857
Net cash (used in) from investing activities		<u>(57,440)</u>	88,028
FINANCING ACTIVITIES			
Repayment of borrowings		(120)	(75)
Advance against increase in share capital capital	5	40,000	-
Net cash from (used in) financing activities		<u>39,880</u>	(75)
Foreign currency translation adjustments		(46)	240
NET CHANGE IN CASH AND CASH EQUIVALENTS		<u>57,553</u>	128,691
Cash and cash equivalents at beginning of the period		<u>250,250</u>	128,298
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	<u><u>307,803</u></u>	<u><u>256,989</u></u>

The attached notes 1 to 9 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 2013 (unaudited)

	Attributable to shareholders of the parent							Total equity US\$ '000
	Share capital US\$ '000	Advance against increase in share capital US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Cumulative changes in fair value US\$ '000	Foreign currency translation reserve US\$ '000	Total US\$ '000	
Balance at 1 January 2013	100,000	-	25,663	62,895	46,731	(2,464)	232,825	232,782
Profit (loss) for the period	-	-	-	10,418	-	-	10,418	10,397
Other comprehensive income (loss)	-	-	-	-	2,169	(46)	2,123	2,123
Total comprehensive income (loss)	-	-	-	10,418	2,169	(46)	12,541	12,520
Advance against increase in share capital (note 5)	-	40,000	-	-	-	-	40,000	40,000
Acquisition of non-controlling interest in a subsidiary	-	-	-	(170)	-	-	(170)	(170)
Exchange difference	-	-	-	(42)	-	-	(42)	(42)
Balance as at 30 June 2013	100,000	40,000	25,663	73,101	48,900	(2,510)	285,154	285,090
Balance at 1 January 2012	100,000	-	23,687	46,852	40,032	(2,572)	207,999	208,051
Profit (loss) for the period	-	-	-	6,353	-	-	6,353	6,308
Other comprehensive (loss) income	-	-	-	-	(6,349)	262	(6,087)	(6,087)
Total comprehensive income (loss)	-	-	-	6,353	(6,349)	262	266	221
Exchange difference	-	-	-	(43)	-	-	(43)	(61)
Balance as at 30 June 2012	100,000	-	23,687	53,162	33,683	(2,310)	208,222	208,211

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2013 (unaudited)

1 INCORPORATION AND ACTIVITIES

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("Trust Re" or "the Company") is incorporated in the Kingdom of Bahrain under Commercial Registration Number 11503. The registered office of the Company is at Trust Tower, PO Box 10002, Building 125, Road 1702, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Company is licensed as 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 owned 98.75% by Nest Investments (Holdings) Ltd, incorporated in Jersey.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 22 August 2013.

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 2012. In addition, results for the six-month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2012, except for the following standards and amendments to International Financial Reporting Standards which have become applicable to the Group during the period:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1* that became effective as of 1 July 2012 is also applied by the Group for the first time in these interim condensed consolidated financial statements. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to the interim consolidated statement of income at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2013 (unaudited)

3 ACCOUNTING POLICIES (continued)

IFRS 13 Fair Value Measurement (continued)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements for the period. The Group provides these disclosures in note 7.

In addition to the above, the Group adopted the following new standards and amendments effective as of 1 January 2013 which did not have any material impact on the Group's financial position, performance or disclosures:

- IAS 1 *Clarification of the Requirement for Comparative Information (Amendment)*
- IAS 19 *Employee Benefits (Revised 2011) (IAS 19R)*
- IAS 32 *Tax effects of Distributions to Holders of Equity Instruments (Amendment)*
- IAS 34 *Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
- IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7*
- IFRS 10 *Consolidated Financial Statements, IAS 27 Separate Financial Statements*
- IFRS 11 *Joint Arrangements, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures*
- IFRS 12 *Disclosure of Interests in Other Entities*

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> 30 June 2013 US\$ '000	<i>Unaudited</i> 30 June 2012 US\$ '000
Cash and bank balances as per interim consolidated statement of financial position	371,696	279,206
Less: Statutory deposit	(398)	(398)
Less: Deposits with banks with maturity of more than 3 months	(63,495)	(21,819)
Cash and cash equivalents	307,803	256,989

5 ADVANCE AGAINST INCREASE IN SHARE CAPITAL

Following a resolution by the shareholders of the Company at an Extraordinary General Meeting held on 26 March 2013, the Company's issued and paid up share capital will be increased from US\$ 100,000 thousand to US\$ 140,000 thousand, and its authorised share capital from US\$ 100,000 thousand to US\$ 200,000 thousand. The required regulatory and statutory approvals from the Ministry of Industry and Commerce for the increase are still in progress. Accordingly, this has been shown as an advance against increase in share capital in the interim consolidated statement of financial position and the interim consolidated statement of changes in equity.

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2013 (unaudited)

6 INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

The major components of income tax expense in the interim consolidated statement of income are:

	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Unaudited</i> 30 June 2012 US\$ '000
Current income tax expense	(50)	-
Deferred income tax expense related to origination and reversal of deferred taxes	(1)	195
	(51)	195

7 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 June 2013:

	<i>Available- for-sale</i> US\$ '000	<i>Loans and receivables / amortised cost</i> US\$ '000	<i>Total</i> US\$ '000
Available-for-sale investments	160,098	-	160,098
Insurance and other receivables	-	90,266	90,266
Reinsurers' share of outstanding claims reserve - reported claims	-	185,686	185,686
	160,098	275,952	436,050
Outstanding claims reserve - reported claims	-	388,546	388,546
Reinsurance payables	-	15,965	15,965
Insurance and other payables	-	72,237	72,237
Due to parent	-	471	471
Borrowings	-	1,019	1,019
	-	478,238	478,238

The fair values of the financial assets and financial liabilities are not materially different from their carrying values at the reporting date.

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2013 (unaudited)

7 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	30 June 2013 (unaudited)		
	Level 1	Level 2	Total
	US\$ '000	US\$ '000	US\$ '000
Available-for-sale investments			
Equities	107,095	3,234	110,329
Debt	49,769	-	49,769
	156,864	3,234	160,098

None of the Group's financial instruments carried at fair value at 30 June 2013 qualify under Level 3 of the fair value hierarchy.

During the period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value hierarchies.

8 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 2013 US\$ '000</i>	<i>Unaudited Entities related to shareholders Six months ended 30 June 2012 US\$ '000</i>
Gross premiums written	2,082	2,101
Gross claims paid	794	442
Policy acquisition costs	453	545

Expenses included US\$ 3,500 thousand (2012: nil) in respect of building rent and US\$ 500 thousand (2012: US\$ 500 thousand) in respect of management fees paid to a shareholder.

Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2013 (unaudited)

8 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Unaudited</i> 30 June 2013		<i>Audited</i> 31 December 2012	
	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000	<i>Shareholders</i> US\$ '000	<i>Entities related to shareholders</i> US\$ '000
Insurance and other receivables	-	1,836	-	1,395
Insurance and other payables	-	268	-	201
Due from parent	-	-	9,634	-
Due to parent	471	-	-	-

Compensation of directors and key management personnel

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

	<i>Unaudited</i> Six months ended 30 June	
	2013 US\$ '000	2012 US\$ '000
Directors' remuneration	150	200
Salaries and benefits	487	563
End of service benefits	23	23
	660	786

9 CONTINGENT LIABILITIES

The Group has issued a guarantee of approximately US\$ 1.1 million (EUR 875 thousand) [(2012: US\$ 1.1 million (EUR 875 thousand))] as a statutory requirement by the Superintendent of Insurance in Cyprus in respect of its Cyprus branch.