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

CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2013

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PRINCIPAL BANKERS

BNP Paribas Bahrain
National Bank of Bahrain
Bank of Scotland United Kingdom
Al Ahli Bank Qatar
Al Baraka Islamic Bank
NBK Bahrain
Ahli United Bank Bahrain
CIMB Bank Malaysia
Middle East Africa Bank
HSBC Labuan
Bank of Cyprus
NBK Banque Privee (Suisse) SA, Geneva

AUDITORS

Ernst & Young	P O Box	: 140
Manama	Telephone	: +973 1753 5455
Kingdom of Bahrain	Telefax	: +973 1753 5405

BOARD OF DIRECTORS

Kamel Abunahl	-	Chairman
Frixos Savvides	-	Deputy Chairman
Fadi Abunahl	-	Member & Chief Executive Officer
Ghazi Abunahl	-	Member
Mehran Eftekhar	-	Member & Board Secretary
Jamal Abunahl	-	Member
Prof. Derek Atkins	-	Member
Farid Benbouzid	-	Member
Bakary Kamara	-	Member
Stavros Stavrou	-	Member

AUDIT COMMITTEE

Stavros Stavrou	-	Chairman
Prof. Derek Atkins	-	Member
Mehran Eftekhar	-	Member

RISK COMMITTEE

Prof. Derek Atkins	-	Chairman
Bakary Kamara	-	Member
Mehran Eftekhar	-	Member

NOMINATION AND REMUNERATION COMMITTEE

Frixos Savvides	-	Chairman
Ghazi Abunahl	-	Member
Jamal Abunahl	-	Member
Kamel Abunahl	-	Member
Farid Benbouzid	-	Member

GENERAL MANAGEMENT

Fadi AbuNahl	-	Chief Executive Officer
Romel Tabaja	-	Deputy Chief Executive Officer
Michail Karafoulidis	-	Corporate Services Officer
Mark Buisseret	-	Planning & Business Development Officer

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

Report on the consolidated and separate financial statements

We have audited the accompanying consolidated and separate financial statements of Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re ("the Company") and its subsidiaries (together "the Group"), which comprise the Group's consolidated and the Company's separate statement of financial position as at 31 December 2013, and the consolidated and separate statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated and separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated and separate financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 3) and CBB directives or the terms of the Company's memorandum and articles of association during the year ended 31 December 2013 that might have had a material adverse effect on the business of the Group and the Company or on their financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst + Young

25 March 2014
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	*2013 Group US$ '000*	*2012 Group US$ '000*
ASSETS			
Cash and bank balances	7	**391,027**	256,387
Available-for-sale investments	8	**182,650**	162,396
Due from parent	9	**2,919**	9,634
Insurance and other receivables	10	**201,706**	229,685
Gross deferred acquisition costs	11	**43,501**	41,710
Reinsurers' share of technical reserves	12.1	**259,245**	266,534
Investment properties	13	**1,707**	1,707
Properties held for sale	14	**9,229**	8,946
Property and equipment	15.1	**13,020**	12,545
Intangible assets	16	**85**	217
Goodwill	17	**26,540**	26,540
TOTAL ASSETS		**1,131,629**	1,016,301
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**140,000**	100,000
Statutory reserve	18	**27,558**	25,663
Retained earnings		**78,877**	62,895
Cumulative changes in fair value		**54,590**	46,731
Foreign currency translation reserve		**(2,576)**	(2,464)
Equity attributable to shareholders of the parent		**298,449**	232,825
Non-controlling interests		**(89)**	(43)
Total equity		**298,360**	232,782
Liabilities			
Technical reserves	12.1	**686,246**	635,500
Reinsurers' share of deferred acquisition costs	19	**14,664**	14,018
Reinsurance payables		**31,068**	20,855
Insurance and other payables	20	**100,310**	112,007
Borrowings		**981**	1,139
Total liabilities		**833,269**	783,519
TOTAL EQUITY AND LIABILITIES		**1,131,629**	1,016,301

Kamel Abunahl
Chairman

Fadi Abunahl
Director & Chief Executive Officer

COMPANY'S SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	***2013 Company US$ '000***	*2012 Company US$ '000*
ASSETS			
Cash and bank balances	7	**380,554**	246,201
Available-for-sale investments	8	**138,370**	112,840
Investment in subsidiaries		**30,810**	29,333
Due from parent	9	**2,919**	8,469
Insurance and other receivables	10	**198,327**	222,803
Gross deferred acquisition costs	11	**39,176**	36,994
Reinsurers' share of technical reserves	12.2	**246,685**	252,370
Investment properties	13	**1,707**	1,707
Property and equipment	15.2	**10,844**	10,345
TOTAL ASSETS		**1,049,392**	921,062
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**140,000**	100,000
Statutory reserve	18	**27,558**	25,663
Retained earnings		**82,924**	65,870
Cumulative changes in fair value		**54,590**	46,731
Total equity		**305,072**	238,264
Liabilities			
Technical reserves	12.2	**620,954**	558,319
Reinsurers' share of deferred acquisition costs	19	**14,664**	14,018
Reinsurance payables		**27,000**	16,440
Insurance and other payables	20	**81,702**	94,021
Total liabilities		**744,320**	682,798
TOTAL EQUITY AND LIABILITIES		**1,049,392**	921,062

Kamel Abunahl
Chairman

Fadi Abunahl
Director & Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2013

	Note	***2013 Group US$ '000***	*2012 Group US$ '000*
Gross premiums written	12.1	**398,032**	343,600
Premiums ceded	12.1	**(138,568)**	(110,030)
		259,464	233,570
Unearned premium adjustments		**(4,594)**	(4,882)
Net earned premium		**254,870**	228,688
Gross claims paid	12.1	**(180,511)**	(176,988)
Recoveries on premiums ceded	12.1	**80,242**	68,629
Outstanding claims adjustments		**(60,615)**	(43,648)
Claims and related expenses		**(160,884)**	(152,007)
Commission income	19	**28,604**	27,077
Policy acquisition costs	11	**(85,264)**	(73,976)
Other operating income		**485**	1,254
Operating expenses	22	**(19,610)**	(15,678)
		(75,785)	(61,323)
Underwriting profit		**18,201**	15,358
Investment income - net	23	**2,371**	4,708
Income from investment properties	24	**478**	312
General and administration expenses	25	**(11,382)**	(7,811)
Finance income		**4,514**	4,334
Foreign exchange gain (loss)		**109**	(739)
Other income	26	**3,857**	1,499
Profit before tax		**18,148**	17,661
Income tax	27	**(147)**	178
PROFIT FOR THE YEAR		**18,001**	17,839
Attributable to:			
Shareholders of the parent		**18,047**	17,985
Non-controlling interests		**(46)**	(146)
		18,001	17,839

Kamel Abunahl
Chairman

Fadi Abunahl
Director & Chief Executive Officer

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

COMPANY'S SEPARATE STATEMENT OF INCOME

Year ended 31 December 2013

	Note	**2013 Company US$ '000**	2012 Company US$ '000
Gross premiums written	12.2	**389,072**	332,704
Premiums ceded	12.2	**(138,113)**	(109,172)
		250,959	223,532
Unearned premium adjustments		**(5,586)**	(4,595)
Net earned premium		**245,373**	218,937
Gross claims paid	12.2	**(175,952)**	(175,038)
Recoveries on premiums ceded	12.2	**82,127**	70,309
Outstanding claims adjustments		**(62,734)**	(40,214)
Claims and related expenses		**(156,559)**	(144,943)
Commission income	19	**28,604**	27,077
Policy acquisition costs	11	**(81,491)**	(71,941)
Other operating income		**440**	918
Operating expenses	22	**(19,610)**	(15,678)
		(72,057)	(59,624)
Underwriting profit		**16,757**	14,370
Investment income - net	23	**2,371**	4,690
Income from investment properties	24	**478**	312
General and administration expenses	25	**(8,060)**	(5,365)
Finance income		**4,512**	4,334
Foreign exchange loss		**(316)**	(659)
Other income	26	**3,413**	2,085
Profit before tax		**19,155**	19,767
Income tax expense	27	**(206)**	(10)
PROFIT FOR THE YEAR		**18,949**	19,757

Kamel Abunahl
Chairman

Fadi Abunahl
Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 Group US$ '000	*2012 Group US$ '000*
Profit for the year	**18,001**	17,839
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:		
Available-for-sale investments:		
Fair value changes arising during the year	**7,787**	8,199
Transfer to consolidated statement of income on disposal	**72**	(1,500)
	7,859	6,699
Currency translation adjustments:		
Currency translation adjustments arising during the year	**(112)**	109
Net other comprehensive income to be reclassified to consolidated statement of income in subsequent periods	**7,747**	6,808
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**25,748**	24,647
Attributable to:		
Shareholders of the parent	**25,794**	24,792
Non-controlling interests	**(46)**	(145)
	25,748	24,647

COMPANY'S SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 Company US$ '000	*2012 Company US$ '000*
Profit for the year	**18,949**	19,757
Other comprehensive income to be reclassified to Company's seperate statement of income in subsequent periods:		
Available-for-sale investments:		
Fair value changes arising during the year	**7,787**	8,199
Transfer to Company's separate statement of income on disposal	**72**	(1,500)
Net other comprehensive income to be reclassified to Company's seperate statement of income in subsequent periods	**7,859**	6,699
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**26,808**	26,456

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Note	*2013 Group US$ '000*	*2012 Group US$ '000*
OPERATING ACTIVITIES			
Profit before tax		**18,148**	17,661
Adjustments for:			
Depreciation	15.1	**441**	724
Amortisation of intangible assets	16	**201**	210
Provision for bad debts - net		**950**	250
Impairment loss on available-for-sale investment	23	**445**	-
Loss (gain) on disposal of available-for-sale investments	23	**72**	(1,500)
Change in unearned premium		**13,509**	674
Change in reinsurers' share of unearned premium		**(10,388)**	12,960
Deferred acquisition costs - net		**(1,145)**	(2,009)
Operating profit before changes in operating assets and liabilities		**22,233**	28,970
Changes in operating assets and liabilities:			
Outstanding claims		**37,237**	54,161
Reinsurers' share of outstanding claims		**17,677**	(19,628)
Insurance and other receivables		**27,029**	(37,527)
Due from parent		**6,715**	66,369
Insurance and other payables		**(11,697)**	(4,577)
Reinsurance payables		**10,213**	(2,186)
		109,407	85,582
Taxation		**(147)**	178
Net cash from operating activities		**109,260**	85,760
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		**(21,580)**	(36,318)
Proceeds from disposal of intangible assets		**-**	36
Proceeds from sale of available-for-sale investments		**8,085**	53,745
Purchase of property and equipment	15.1	**(857)**	(325)
Proceeds from disposal of property and equipment		**2**	31
Bank deposits with maturity of more than three months		**(20,633)**	19,339
Net cash (used in) from investing activities		**(34,983)**	36,508
FINANCING ACTIVITIES			
Increase in share capital	18	**40,000**	-
Repayment of borrowings		**(158)**	(145)
Capital contribution from non-controlling interest in a subsidiary		**-**	50
Net cash from (used in) financing activities		**39,842**	(95)
Foreign currency translation adjustments		**(112)**	(221)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**114,007**	121,952
Cash and cash equivalents at beginning of the year		**250,250**	128,298
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**364,257**	250,250

COMPANY'S SEPARATE STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	***2013 Company US$ '000***	*2012 Company US$ '000*
OPERATING ACTIVITIES			
Profit before tax		**19,155**	19,767
Adjustments for:			
Depreciation	15.2	**302**	538
Provision for bad debts - net		**950**	250
Impairment loss on available-for-sale investment	23	**445**	-
Loss (gain) on disposal of available-for-sale investments	23	**72**	(1,500)
Change in unearned premium		**16,368**	(816)
Change in reinsurers' share of unearned premium		**(10,782)**	5,411
Deferred acquisition costs - net		**(1,536)**	(1,678)
Operating profit before changes in operating assets and liabilities		**24,974**	21,972
Changes in operating assets and liabilities:			
Outstanding claims		**46,267**	51,558
Reinsurers' share of outstanding claims		**16,467**	(11,344)
Insurance and other receivables		**23,526**	(44,213)
Due from parent		**5,550**	67,534
Insurance and other payables		**(12,319)**	(3,879)
Reinsurance payables		**10,560**	(1,747)
		115,025	79,881
Taxation		**(206)**	(10)
Net cash from operating activities		**114,819**	79,871
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(21,580)**	(32,062)
Proceeds from sale of available for sale investments		**3,392**	53,745
Purchase of property and equipment	15.2	**(803)**	(301)
Proceeds from sale of property and equipment		**2**	30
Investment in a subsidiary		**(1,477)**	(451)
Bank deposits with maturity of more than three months		**(20,633)**	19,339
Net cash (used in) from investing activities		**(41,099)**	40,300
FINANCING ACTIVITY			
Increase in share capital	18	**40,000**	-
Net cash from financing activity		**40,000**	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		**113,720**	120,171
Cash and cash equivalents at beginning of the year		**240,064**	119,893
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**353,784**	240,064

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to shareholders of the parent							
	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*	*Non - controlling interests US$ '000*	*Total equity US$ '000*
Balance at 1 January 2013	100,000	25,663	62,895	46,731	(2,464)	232,825	(43)	232,782
Profit (loss) for the year	-	-	18,047	-	-	18,047	(46)	18,001
Other comprehensive income	-	-	-	7,859	(112)	7,747	-	7,747
Total comprehensive income (loss)	-	-	18,047	7,859	(112)	25,794	(46)	25,748
Increase in share capital (note 18)	40,000	-	-	-	-	40,000	-	40,000
Acquisition of non-controlling interest in a subsidiary	-	-	(170)	-	-	(170)	-	(170)
Transfer to statutory reserve (note 18)	-	1,895	(1,895)	-	-	-	-	-
Balance at 31 December 2013	**140,000**	**27,558**	**78,877**	**54,590**	**(2,576)**	**298,449**	**(89)**	**298,360**
Balance at 1 January 2012	100,000	23,687	46,852	40,032	(2,572)	207,999	52	208,051
Profit (loss) for the year	-	-	17,985	-	-	17,985	(146)	17,839
Other comprehensive income	-	-	-	6,699	108	6,807	1	6,808
Total comprehensive income (loss)	-	-	17,985	6,699	108	24,792	(145)	24,647
Transfer to statutory reserve (note 18)	-	1,976	(1,976)	-	-	-	-	-
Capital contribution from non-controlling interest in a subsidiary	-	-	-	-	-	-	50	50
Exchange difference	-	-	34	-	-	34	-	34
Balance at 31 December 2012	100,000	25,663	62,895	46,731	(2,464)	232,825	(43)	232,782

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

COMPANY'S SEPARATE STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital US$ '000	*Statutory reserve US$ '000*	*Retained earnings US$ '000*	*Cumulative changes in fair value US$ '000*	*Total US$ '000*
Balance at 1 January 2013	100,000	25,663	65,870	46,731	238,264
Profit for the year	-	-	18,949	-	18,949
Other comprehensive income	-	-	-	7,859	7,859
Total comprehensive income	-	-	18,949	7,859	26,808
Increase in share capital (note 18)	40,000	-	-	-	40,000
Transfer to statutory reserve (note 18)	-	1,895	(1,895)	-	-
Balance at 31 December 2013	**140,000**	**27,558**	**82,924**	**54,590**	**305,072**
Balance at 1 January 2012	100,000	23,687	48,089	40,032	211,808
Profit for the year	-	-	19,757	-	19,757
Other comprehensive income	-	-	-	6,699	6,699
Total comprehensive income	-	-	19,757	6,699	26,456
Transfer to statutory reserve (note 18)	-	1,976	(1,976)	-	-
Balance at 31 December 2012	100,000	25,663	65,870	46,731	238,264

1 INCORPORATION AND ACTIVITIES

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

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

The Company is 99.107% owned [2012: 98.75%] by Nest Investments (Holdings) Ltd [the Parent], incorporated in Jersey, Channel Islands.

The consolidated and separate financial statements were authorised for issue by the Board of Directors on 25 March 2014.

2 BASIS OF PREPARATION

Statement of compliance
The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the relevant provisions of the Bahrain Commercial Companies Law, the Insurance Regulations contained in Volume 3 and applicable provisions of Volume 6 of the CBB's rulebook, CBB directives and the Central Bank of Bahrain and Financial Institutions Law.

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

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

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

3 BASIS OF CONSOLIDATION (continued)

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

a) Derecognises the assets (including goodwill) and liabilities of the subsidiary;
b) Derecognises the carrying amount of any non-controlling interest;
c) Derecognises the cumulative translation differences, recorded in equity;
d) Recognises the fair value of consideration received or receivable;
e) Recognises the fair value of any investment retained;
f) Recognises any surplus or deficit in the consolidated statement of income; and
g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The following are the subsidiaries of the Group:

Name of the subsidiary	*Country of incorporation*	*Effective ownership*		*Principal activity*
		2013	*2012*	
Trust Underwriting Limited	United Kingdom	**100%**	100%	Corporate member of Lloyds of London
Texas International Underwriters Inc.	United States of America	**100%**	100%	Insurance agency
Ribera De Marbella S.L.	Spain	**100%**	100%	Service company
Afro Asian Assistance B.S.C. (c)	Kingdom of Bahrain	**100%**	90%	Travel assistance
Ventura Del Mar S.A. Limited*	United Kingdom	**100%**	100%	Property ownership
Aegean Properties Ltd*	Guernsey	**83.33%**	83.33%	Investment holding company
Ventura Del Mar S.A.*	Spain	**83.33%**	83.33%	Real estate and hospitality

Event after the reporting period

* Subsequent to the year end, the Group has agreed to sell these subsidiaries to its Parent, for a consideration of US$ 27,146,173.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the previous financial year, except as noted below:

IFRS 10 *Consolidated Financial Statements and IAS 27 Separate Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 requires the management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the analyses performed, IFRS 10 did not have any impact on currently held investments of the Group.

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group has re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 29.

The following are the relevant IFRS that have been issued but are not applicable to the Group and the Company:

- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*

Amendments to IFRS:

IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

In addition to the above, the Group and the Company has adopted the following ammendments, which did not have any significant impact on the Group and the Company:

- IAS 1 *Clarification of the requirement for comparative information* (Amendment)
- IAS 19 *Employee Benefits* (Revised 2011)

Summary of significant accounting policies

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

Investment in subsidiaries
Investment in subsidiaries are stated at cost less impairment.

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Technical reserves

i) Outstanding claims reserve
The outstanding claims reserve is made up of:

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

The outstanding claims reserve is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

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

- For Facultative business and Treaty Non-Proportional business, these premiums are calculated for each insurance policy on a pro-rata temporis basis using the 365ths method.

- For Treaty Proportional business the same approach is used, however one extra year is allowed from the expiry date of the policy.

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group or Company as a lessee
Finance leases that transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated and separate statements of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group or the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the consolidated and separate statements of income on a straight-line basis over the lease term.

Properties held for sale
Properties held for sale 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 or the Company. Expenditure on maintaining the properties in their current condition during marketing of the real estate for sale is capitalised up to the date when the properties are sold. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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

On revaluation, any increase in the carrying amount of the land and building is carried in the consolidated and separate statements 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 retained earnings upon sale of the property and realisation of profit.

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill
Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of the acquisition. Goodwill arising on the acquisition of an associate or a joint venture is included in the carrying amount of the respective associate or joint venture and, therefore, is not separately tested for impairment. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the consolidated statement of financial position. Any excess, at the date of acquisition, of the Group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised in the consolidated statement of income.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Goodwill (continued)
Goodwill is stated at cost less impairment losses. Goodwill of subsidiaries is allocated to cash-generating units and is tested annually for impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs to sell, and its value in use. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a part of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

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

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

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

Rental income
Rental income is recognised on an accrual basis.

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of income and comprehensive income and within equity, separately from the parent's shareholders' equity.

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

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

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

When the salvage amount is known at the time of claims settlement, it is deducted from the claim amount and the net amount is credited to the reinsured. If salvage recovery is done later, the amount is credited to the claims paid account by charging the reinsured account. Subrogation and other recoveries, which will take place after claims settlement, are treated as above.

The corresponding refund to the reinsurers is done simultaneously with the accounting of recoveries for salvage, subrogation etc and other recoveries from third parties.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Derecognition of financial assets and financial liabilities

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

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

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

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group and the Company reasonably expect to be applicable at a future date. The Group and the Company intend to adopt those standards (where applicable) when they become effective:

IFRS 9 *Financial Instruments*
IFRS 9, as issued, reflects the first phase of the IASB's work although the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2015, but amendments to IFRS 9 issued in November 2013, removed the mandatory effective date of 1 January 2015 for IFRS 9. A new mandatory date for IFRS 9 will be determined by the IASB when IFRS 9 is closer to completion. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group and Company's financial assets, but will not have an impact on classification and measurements of the Group and Company's financial liabilities. The Group and Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are eeffective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group and the Company.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

Revaluation of investment properties and property and equipment
The Group and Company carry their investment properties at fair value, with changes in fair value being recognised in the consolidated and separate statement of income. In addition, they measure land and building and property held for future use as owner occupied property at revalued amounts with changes in fair value being recognised in the consolidated and separate statements of comprehensive income. The Group and Company engaged independent valuation specialists to determine fair value as at 31 December 2013.

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

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

7 CASH AND BANK BALANCES

	2013 Group US$ '000	**2013 Company US$ '000**	2012 Group US$ '000	2012 Company US$ '000
Cash in hand	**33**	**32**	19	18
Bank balances	**364,224**	**353,752**	250,231	240,046
Cash and cash equivalents	**364,257**	**353,784**	250,250	240,064
Statutory deposit (note 7.1)	**398**	**398**	398	398
Deposits with banks with maturity of more than 3 months	**26,372**	**26,372**	5,739	5,739
	391,027	**380,554**	256,387	246,201

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

8 AVAILABLE-FOR-SALE INVESTMENTS

	2013 Group US$ '000	**2013 Company US$ '000**	2012 Group US$ '000	2012 Company US$ '000
Quoted				
Equities	**113,269**	**107,515**	105,765	99,239
Debts	**63,196**	**24,670**	54,167	11,137
Unquoted				
Equities	**6,185**	**6,185**	2,464	2,464
	182,650	**138,370**	162,396	112,840

Unquoted available-for-sale equity investments are carried at cost less impairment in the absence of a reliable measure of fair value. It is not practical to obtain a reliable measure of fair value for these investments due to their illiquid nature. There are no markets for these investments.

9 DUE FROM PARENT

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

10 INSURANCE AND OTHER RECEIVABLES

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$ '000*	*2012 Company US$ '000*
Insurance receivables	**44,983**	**36,084**	45,527	34,813
Reinsurance receivables	**31,603**	**25,070**	26,625	19,215
Less: Provision for doubtful debts (note 10.1)	**(4,911)**	**(4,911)**	(3,728)	(3,728)
	71,675	**56,243**	68,424	50,300
Inward pipeline premium accruals	**94,778**	**94,778**	88,744	88,744
Inward treaty premium reserve and loss deposit	**26,021**	**24,809**	28,920	28,179
Due from related parties (note 30)	**2,042**	**19,168**	1,395	17,693
Other debtors and prepayments	**6,596**	**3,329**	41,703	37,887
Deferred tax asset (note 21)	**594**	**-**	499	-
	201,706	**198,327**	229,685	222,803

At 31 December 2013, the gross amount of impaired insurance and reinsurance receivables amounted to US$ 4.9 million (2012: US$ 3.7 million).

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

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$ '000*	*2012 Company US$ '000*
At 1 January	**3,728**	**3,728**	3,365	3,365
Charge for the year	**950**	**950**	250	250
Recoveries	**233**	**233**	113	113
At 31 December	**4,911**	**4,911**	3,728	3,728

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

10.2 *Group*

		Past due but not impaired			
	Total US$ '000	*Less than 90 days US$ '000*	*90 to 180 days US$ '000*	*181 to 365 days US$ '000*	*More than 365 days US$ '000*
2013	**71,675**	**49,320**	**14,246**	**6,311**	**1,798**
2012	68,424	50,783	13,181	4,460	-

10 INSURANCE AND OTHER RECEIVABLES (continued)

10.3 *Company*

		Past due but not impaired			
	Total US$ '000	Less than 90 days US$ '000	90 to 180 days US$ '000	181 to 365 days US$ '000	More than 365 days US$ '000
2013	**56,243**	**37,746**	**10,388**	**6,311**	**1,798**
2012	50,300	37,190	8,650	4,460	-

11 GROSS DEFERRED ACQUISITION COSTS

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$' 000*	*2012 Company US$' 000*
At 1 January	**41,710**	**36,994**	42,421	38,036
Acquisition costs	**87,078**	**83,673**	72,934	70,899
Amortisation for the year	**(85,264)**	**(81,491)**	(73,976)	(71,941)
Exchange difference	**(23)**	**-**	331	-
At 31 December	**43,501**	**39,176**	41,710	36,994

12 TECHNICAL RESERVES

12.1 *Group*

	2013			*2012*		
	Gross US$ '000	***Reinsurers' share US$ '000***	***Net US$ '000***	*Gross US$ '000*	*Reinsurers' share US$ '000*	*Net US$ '000*
Unearned premium reserve	**199,421**	**(69,965)**	**129,456**	185,912	(59,577)	126,335
Outstanding claims reserve	**486,825**	**(189,280)**	**297,545**	449,588	(206,957)	242,631
	686,246	**(259,245)**	**427,001**	635,500	(266,534)	368,966

Unearned premium reserve

	2013			*2012*		
	Gross US$ '000	***Reinsurers' share US$ '000***	***Net US$ '000***	*Gross US$ '000*	*Reinsurers' share US$ '000*	*Net US$ '000*
At 1 January	**185,912**	**(59,577)**	**126,335**	185,238	(72,537)	112,701
Premiums written (ceded)	**398,032**	**(138,568)**	**259,464**	343,600	(110,030)	233,570
Premiums (earned) amortised	**(384,420)**	**128,165**	**(256,255)**	(344,265)	123,630	(220,635)
Exchange difference	**(103)**	**15**	**(88)**	1,339	(640)	699
At 31 December	**199,421**	**(69,965)**	**129,456**	185,912	(59,577)	126,335

12 TECHNICAL RESERVES (continued)

12.1 *Group (continued)*

Outstanding claims reserve

	2013 Gross US$ '000	2013 Reinsurers' share US$ '000	2013 Net US$ '000	2012 Gross US$ '000	2012 Reinsurers' share US$ '000	2012 Net US$ '000
At 1 January						
Reported claims	356,273	(181,571)	174,702	293,041	(128,763)	164,278
Incurred But Not Reported claims	93,315	(25,386)	67,929	102,386	(58,566)	43,820
	449,588	(206,957)	242,631	395,427	(187,329)	208,098
Incurred during the year	218,010	(62,618)	155,392	228,242	(84,287)	143,955
(Paid) recovered during the year	(180,511)	80,242	(100,269)	(176,988)	68,629	(108,359)
Exchange difference	(262)	53	(209)	2,907	(3,970)	(1,063)
At 31 December	486,825	(189,280)	297,545	449,588	(206,957)	242,631
At 31 December						
Reported claims	386,791	(165,451)	221,340	356,273	(181,571)	174,702
Incurred But Not Reported claims	100,034	(23,829)	76,205	93,315	(25,386)	67,929
	486,825	(189,280)	297,545	449,588	(206,957)	242,631

12.2 *Company*

	2013 Gross US$ '000	2013 Reinsurers' share US$ '000	2013 Net US$ '000	2012 Gross US$ '000	2012 Reinsurers' share US$ '000	2012 Net US$ '000
Unearned premium reserve	180,761	(67,168)	113,593	164,393	(56,386)	108,007
Outstanding claims reserve	440,193	(179,517)	260,676	393,926	(195,984)	197,942
	620,954	(246,685)	374,269	558,319	(252,370)	305,949

Unearned premium reserve

	2013 Gross US$ '000	2013 Reinsurers' share US$ '000	2013 Net US$ '000	2012 Gross US$ '000	2012 Reinsurers' share US$ '000	2012 Net US$ '000
At 1 January	164,393	(56,386)	108,007	165,209	(61,797)	103,412
Premiums written (ceded)	389,072	(138,113)	250,959	332,704	(109,172)	223,532
Premiums (earned) amortised	(372,704)	127,331	(245,373)	(333,520)	114,583	(218,937)
At 31 December	180,761	(67,168)	113,593	164,393	(56,386)	108,007

12 TECHNICAL RESERVES (continued)

12.2 *Company (continued)*

Outstanding claims reserve

	2013			*2012*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	US$ '000	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
At 1 January						
Reported claims	**300,611**	**(170,598)**	**130,013**	239,982	(126,075)	113,907
Incurred But Not Reported claims	**93,315**	**(25,386)**	**67,929**	102,386	(58,565)	43,821
	393,926	**(195,984)**	**197,942**	342,368	(184,640)	157,728
Incurred during the year	**222,219**	**(65,660)**	**156,559**	226,596	(81,653)	144,943
(Paid) recovered during the year	**(175,952)**	**82,127**	**(93,825)**	(175,038)	70,309	(104,729)
At 31 December	**440,193**	**(179,517)**	**260,676**	393,926	(195,984)	197,942
At 31 December						
Reported claims	**340,159**	**(155,688)**	**184,471**	300,611	(170,598)	130,013
Incurred But Not Reported claims	**100,034**	**(23,829)**	**76,205**	93,315	(25,386)	67,929
	440,193	**(179,517)**	**260,676**	393,926	(195,984)	197,942

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

The adequacy of technical reserves as of 31 December 2013 and 31 December 2012 were also peer reviewed by an international firm of actuaries.

12 TECHNICAL RESERVES (continued)

Claims development - Group and Company

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

Gross	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At end of underwriting year	14,572	1,649	468	3,672	1,400	3,084	1,485	908	3,969	
One year later	44,169	44,205	36,439	63,158	73,498	85,848	81,441	83,383	-	
Two years later	74,006	68,776	77,499	107,420	150,409	212,336	172,059	-	-	
Three years later	85,368	70,549	87,837	118,853	162,571	238,037	-	-	-	
Four years later	87,105	69,368	86,930	118,499	162,889	-	-	-	-	
Five years later	87,149	66,914	86,205	117,446	-	-	-	-	-	
Six years later	87,159	67,075	86,806	-	-	-	-	-	-	
Seven years later	87,116	67,241	-	-	-	-	-	-	-	
Eight years later	86,847	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	86,847	67,241	86,806	117,446	162,889	238,037	172,059	83,383	3,969	**1,018,677**
Cumulative payments to date	(83,756)	(62,498)	(76,196)	(101,903)	(129,742)	(169,886)	(76,559)	(10,603)	2,403	**(708,740)**
Incurred But Not Reported	(54)	(14)	58	1,112	1,768	6,294	26,284	51,569	13,264	**100,281**
	3,037	4,729	10,668	16,655	34,915	74,445	121,784	124,349	19,636	**410,218**
Liability in respect of prior years										**29,975**
Total liability included in the Company's separate statement of financial position										**440,193**
Trust Underwriting Ltd										**46,632**
Total liability included in the consolidated statement of financial position										**486,825**

12 TECHNICAL RESERVES (continued)

Claims development - Group and Company (continued)

Net	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At end of underwriting year	3,691	682	302	2,508	484	2,067	1,005	656	2,611	
One year later	11,324	8,311	15,463	26,244	35,089	58,677	25,596	54,462	-	
Two years later	18,411	15,002	33,611	46,140	79,171	128,488	91,765	-	-	
Three years later	21,503	16,238	34,660	47,975	84,650	147,691	-	-	-	
Four years later	22,026	16,007	34,847	47,895	82,129	-	-	-	-	
Five years later	22,177	15,448	35,495	48,357	-	-	-	-	-	
Six years later	22,174	15,567	35,427	-	-	-	-	-	-	
Seven years later	22,162	15,484	-	-	-	-	-	-	-	
Eight years later	22,094	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	22,094	15,484	35,427	48,357	82,129	147,691	91,765	54,462	2,611	**500,020**
Cumulative payments to date	(21,370)	(14,534)	(31,079)	(43,001)	(63,163)	(105,289)	(33,178)	(7,323)	1,795	**(317,142)**
Incurred But Not Reported	(17)	(8)	13	295	941	5,628	20,253	39,073	10,075	**76,253**
	707	942	4,361	5,651	19,907	48,030	78,840	86,212	14,481	**259,131**
Liability in respect of prior years										**1,545**
Total net liability included in the Company's separate statement of financial position										**260,676**
Trust Underwriting Ltd										**36,869**
Total net liability included in the consolidated statement of financial position										**297,545**

13 INVESTMENT PROPERTIES

Group and Company

	2013 US$ '000	2012 US$ '000
Leasehold properties	**1,707**	1,707

The Group's and the Company's two leasehold properties are located in the United Kingdom (UK). The duration of the first lease is for 125 years starting from 1984. The second lease was initially for 99 years starting from 1974. However, the lease period was extended for another 90 years starting from the year 2073 (2012: 2073).

These properties are valued every two years by an independent firm of professional valuers. The external valuation performed at the end of year 2013 did not result in any material change in the fair value of these properties.

14 PROPERTIES HELD FOR SALE

Group

Properties held for sale comprise of residential properties. The movement in properties held for sale is as follows:

	2013 US$ '000	2012 US$ '000
Balance at 1 January	**8,946**	8,686
Exchange difference	**283**	260
Balance at 31 December	**9,229**	8,946

15 PROPERTY AND EQUIPMENT

15.1 Group

	Land and Building US$ '000	Motor vehicles US$ '000	Computer hardware and software US$ '000	Furniture and fixtures US$ '000	Total US$ '000
Fair value / Cost					
At 1 January 2013	11,798	450	2,326	4,628	19,202
Additions	189	101	230	337	857
Disposals	-	(46)	(2)	(4)	(52)
Exchange differences	61	-	2	10	73
At 31 December 2013	**12,048**	**505**	**2,556**	**4,971**	**20,080**
Depreciation					
At 1 January 2013	-	343	1,903	4,411	6,657
Charge for the year	-	44	237	160	441
Disposals		(46)	(2)	(2)	(50)
Exchange differences	-	-	2	10	12
At 31 December 2013	**-**	**341**	**2,140**	**4,579**	**7,060**
Net book value					
At 31 December 2013	**12,048**	**164**	**416**	**392**	**13,020**
At 31 December 2012	11,798	107	423	217	12,545

15 PROPERTY AND EQUIPMENT (continued)

15.2 Company

	Land and Building US$ '000	*Motor vehicles US$ '000*	*Computer hardware and software US$ '000*	*Furniture and fixtures US$ '000*	*Total US$ '000*
Fair value / Cost					
At 1 January 2013	9,885	407	1,737	4,166	16,195
Additions	189	101	177	336	803
Disposal	-	(46)	(2)	(4)	(52)
At 31 December 2013	**10,074**	**462**	**1,912**	**4,498**	**16,946**
Depreciation					
At 1 January 2013	-	325	1,524	4,001	5,850
Charge for the year	-	44	140	118	302
Disposal	-	(46)	(2)	(2)	(50)
At 31 December 2013	**-**	**323**	**1,662**	**4,117**	**6,102**
Net book value					
At 31 December 2013	**10,074**	**139**	**250**	**381**	**10,844**
At 31 December 2012	9,885	82	213	165	10,345

16 INTANGIBLE ASSETS

Group

	Licence US$ '000	*Underwriting capacity US$ '000*	*Total US$ '000*
Cost			
At 1 January 2012	19	2,094	2,113
Disposals	-	(137)	(137)
Exchange difference	-	137	137
At 31 December 2012	19	2,094	2,113
Exchange difference	-	(12)	(12)
At 31 December 2013	**19**	**2,082**	**2,101**
Amortisation			
At 1 January 2012	-	1,697	1,697
Charge for the year	-	201	201
Disposals	-	(120)	(120)
Exchange difference	-	118	118
At 31 December 2012	-	1,896	1,896
Charge for the year	19	111	130
Exchange difference	-	(10)	(10)
At 31 December 2013	19	**1,997**	**2,016**
Carrying value			
At 31 December 2013	**-**	**85**	**85**
At 31 December 2012	19	198	217

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

17 GOODWILL

Goodwill arose on acquisition of a controlling stake in Ventura Del Mar, the Group's subsidiary engaged in property development. The goodwill is annually tested for impairment by reference to the fair value of the underlying properties. As of 31 December 2013 and 31 December 2012 no indications of impairment were observed. Goodwill is entirely allocated to a single cash generating unit (CGU) of the Group.

18 EQUITY AND RESERVES

Share capital

	2013 ***US$ '000***	*2012* *US$ '000*
Authorised:		
2,000,000 shares of US$100 each (2012: 1,000,000 shares of US$100 each)	**200,000**	100,000
Issued and fully paid up:		
1,400,000 shares of US$100 each (2012: 1,000,000 shares of US$100 each)	**140,000**	100,000

Increase in share capital

Following a resolution by the shareholders of the Company at an Extraordinary General Meeting held on 26 March 2013 and necessary regulatory approvals, the Company's issued and paid up share capital increased from US$ 100,000 thousand to US$ 140,000 thousand and it's authorised share capital from US$ 100,000 thousand to US$ 200,000 thousand.

Statutory reserve

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

19 REINSURERS' SHARE OF DEFERRED ACQUISITION COSTS

	2013 ***Group*** ***US$ '000***	***2013*** ***Company*** ***US$ '000***	*2012* *Group* *US$ '000*	*2012* *Company* *US$ '000*
At 1 January	**14,018**	**14,018**	16,738	16,738
Acquisition costs - reinsurer	**29,250**	**29,250**	24,357	24,357
Amortisation for the year - reinsurer	**(28,604)**	**(28,604)**	(27,077)	(27,077)
At 31 December	**14,664**	**14,664**	14,018	14,018

20 INSURANCE AND OTHER PAYABLES

	2013 ***Group*** ***US$ '000***	***2013*** ***Company*** ***US$ '000***	*2012* *Group* *US$ '000*	*2012* *Company* *US$ '000*
Insurance payables	**17,314**	**16,069**	16,066	13,268
Outward pipeline premium provision	**39,159**	**39,159**	35,690	35,690
Outward treaty premium reserves loss deposit	**14,312**	**14,312**	27,708	27,708
Due to related parties (note 30)	**339**	**746**	201	3,627
Other accounts payable and accruals	**21,672**	**3,902**	22,334	3,720
Deposits from cedants recognised under deposit accounting method	**7,314**	**7,314**	9,998	9,998
Current tax liability (note 27)	**200**	**200**	10	10
	100,310	**81,702**	112,007	94,021

21 DEFERRED TAXATION

The movement in deferred taxation is as follows:

21.1 Deferred tax asset

	Tax losses carried forward US$ '000	*Underwriting profits not subject to taxation US$ '000*	*Claims equalisation US$ '000*	*Total US$ '000*
At 1 January 2012	665	(202)	(208)	255
Released during the year	17	286	(86)	217
Exchange difference	28	(3)	2	27
At 31 December 2012	710	81	(292)	499
Movement during the year	309	(250)	21	80
Exchange difference	12	1	2	15
At 31 December 2013	**1,031**	**(168)**	**(269)**	**594**

22 OPERATING EXPENSES

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$ '000*	*2012 Company US$ '000*
Staff costs	**9,930**	**9,930**	8,454	8,454
Occupancy costs	**3,414**	**3,414**	1,935	1,935
Marketing and business travel	**1,339**	**1,339**	1,305	1,305
Corporate costs	**1,259**	**1,259**	1,284	1,284
Professional expenses	**1,133**	**1,133**	862	862
Administration expenses	**698**	**698**	748	748
Information technology costs	**459**	**459**	232	232
Others	**1,378**	**1,378**	858	858
	19,610	**19,610**	15,678	15,678

23 INVESTMENT INCOME

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$ '000*	*2012 Company US$ '000*
Dividend income	**2,263**	**2,263**	1,840	1,840
(Loss) gain on sale of available-for-sale investments	**(72)**	**(72)**	1,500	1,500
Interest income on debt securities	**625**	**625**	1,350	1,350
Impairment loss on available for-sale-investment	**(445)**	**(445)**	-	-
Others	**-**	**-**	18	-
	2,371	**2,371**	4,708	4,690

24 INCOME FROM INVESTMENT PROPERTIES

	2013 Group US$ '000	***2013 Company US$ '000***	*2012 Group US$ '000*	*2012 Company US$ '000*
Rental income	**478**	**478**	312	312

25 GENERAL AND ADMINISTRATION EXPENSES

	2013 Group US$ '000	**2013 Company US$ '000**	2012 Group US$ '000	2012 Company US$ '000
Employee related costs	**2,962**	**2,317**	2,511	1,935
Occupancy costs	**4,442**	**4,327**	2,294	2,201
Other	**3,978**	**1,416**	3,006	1,229
	11,382	**8,060**	7,811	5,365

26 OTHER INCOME AND LOSSES

	2013 Group US$ '000	**2013 Company US$ '000**	2012 Group US$ '000	2012 Company US$ '000
Management fees	**3,160**	**3,225**	2,130	2,930
Loss from contracts recognised under deposit accounting method	**(163)**	**(163)**	(2,124)	(2,124)
Miscellaneous income	**860**	**351**	1,493	1,279
	3,857	**3,413**	1,499	2,085

27 TAXATION

The Group's branch in Cyprus is subject to a taxation charge of 12.5% (2012: 10%) on its chargeable income for the year. The branch has made a profit during the year and a provision of tax amounting to US$ 200 thousand (2012: US$ 10 thousand) has been made during the year. The branch in Labuan, Malaysia elected to pay a fixed tax of Malaysian Ringitt 20 thousand (US$ 6 thousand) for the year 2013 (2012: US$ Nil). 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. During the year, the subsidiary has made a profit of approximately US$ 68 thousand (€ 50thousand) [2012: Loss of US$ 176 thousand (€132 thousand)] arising in Spain. The subsidiaries in the USA and Spain are also subject to local taxation.

The tax charge (credit) is analysed as follows:

	2013 Group US$ '000	**2013 Company US$ '000**	2012 Group US$ '000	2012 Company US$ '000
Corporation tax (including previous years)	**227**	**206**	38	10
Deferred tax charge	**(80)**	-	(216)	-
	147	**206**	(178)	10

28 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2013 and 31 December 2012, financial instruments have been classified for the purpose of measurement under IAS 39 'Financial Instruments: Recognition and Measurement' as follows:

28.1 *Group*

	2013		
	Available-for-sale US$ '000	***Loans and receivables / amortised cost US$ '000***	***Total US$ '000***
Financial assets			
Cash and bank balances	-	**391,027**	**391,027**
Available-for-sale investments	**182,650**	-	**182,650**
Due from parent	-	**2,919**	**2,919**
Insurance and other receivables	-	**99,738**	**99,738**
Reinsurers' share of outstanding claims reserve - reported claims	-	**165,451**	**165,451**
	182,650	**659,135**	**841,785**
Financial liabilities			
Outstanding claims reserve - reported claims	-	**386,791**	**386,791**
Reinsurance payables	-	**31,068**	**31,068**
Insurance and other payables	-	**39,279**	**39,279**
Borrowings	-	**981**	**981**
	-	**458,119**	**458,119**

	2012		
	Available-for-sale US$ '000	*Loans and receivables / amortised cost US$ '000*	*Total US$ '000*
Financial assets			
Cash and bank balances	-	256,387	256,387
Available-for-sale investments	162,396	-	162,396
Due from the parent	-	9,634	9,634
Trade and other receivables	-	98,739	98,739
Reinsurers' share of outstanding claims reserve - reported claims	-	181,571	181,571
	162,396	546,331	708,727
Financial liabilities			
Outstanding claims reserve - reported claims	-	356,273	356,273
Reinsurance payables	-	20,855	20,855
Trade and other payables	-	53,973	53,973
Borrowings	-	1,139	1,139
	-	432,240	432,240

28 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

28.2 *Company*

	2013		
	Available-for-sale US$ '000	***Loans and receivables / amortised cost US$ '000***	***Total US$ '000***
Financial assets			
Cash and bank balances	**-**	**380,554**	**380,554**
Available-for-sale investments	**138,370**	**-**	**138,370**
Due from the parent	**-**	**2,919**	**2,919**
Trade and other receivables	**-**	**100,220**	**100,220**
Reinsurers' share of outstanding claims reserve - reported claims	**-**	**155,688**	**155,688**
	138,370	**639,381**	**777,751**
Financial liabilities			
Outstanding claims reserve - reported claims	**-**	**340,159**	**340,159**
Reinsurance payables	**-**	**27,000**	**27,000**
Trade and other payables	**-**	**38,441**	**38,441**
	-	**405,600**	**405,600**

	2012		
	Available-for-sale US$ '000	*Loans and receivables / amortised cost US$ '000*	*Total US$ '000*
Financial assets			
Cash and bank balances	-	246,201	246,201
Available-for-sale investments	112,840	-	112,840
Due from the parent	-	8,469	8,469
Insurance and other receivables	-	96,172	96,172
Reinsurers' share of outstanding claims reserve - reported claims	-	170,598	170,598
	112,840	521,440	634,280
Financial liabilities			
Outstanding claims reserve - reported claims	-	300,611	300,611
Reinsurance payables	-	16,440	16,440
Trade and other payables	-	54,601	54,601
	-	371,652	371,652

29 FAIR VALUE MEASUREMENT

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. The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

29 FAIR VALUE MEASUREMENT (continued)

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.

29.1 *Group*

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 December 2013:

	2013		
	Level 1	***Level 2***	***Total***
	US$ '000	***US$ '000***	***US$ '000***
Investment properties	**-**	**1,707**	**1,707**
Property and equipment (Land and building only)	**-**	**12,048**	**12,048**
Available-for-sale investments			
Equities	**113,269**	**-**	**113,269**
Debts	**63,196**	**-**	**63,196**
	176,465	**13,755**	**190,220**

	2012		
	Level 1	*Level 2*	*Total*
	US$ '000	*US$ '000*	*US$ '000*
Investment properties	-	1,707	1,707
Property and equipment (Land and building only)	-	11,798	11,798
Available-for-sale investments			
Equities	105,765	-	105,765
Debts	54,167	-	54,167
	159,932	-	159,932

29.2 *Company*

	2013		
	Level 1	***Level 2***	***Total***
	US$ '000	***US$ '000***	***US$ '000***
Investment properties	**-**	**1,707**	**1,707**
Property and equipment (Land and building only)	**-**	**10,074**	**10,074**
Available-for-sale investments			
Equities	**107,515**	**-**	**107,515**
Debt	**24,670**	**-**	**24,670**
	132,185	**11,781**	**143,966**

	2012		
	Level 1	*Level 2*	*Total*
	US$ '000	*US$ '000*	*US$ '000*
Investment properties	-	1,707	1,707
Property and equipment (Land and building only)	-	9,885	9,885
Available-for-sale investments			
Equities	99,239	-	99,239
Debt	11,137	-	11,137
	110,376	11,592	121,968

29 FAIR VALUE MEASUREMENT (continued)

29.3 *Group and Company*

Unquoted equities classified as available-for-sale amounted to US$ 6,185 thousand (2012: US$ 2,464 thousand) and are carried at cost due to their illiquid nature and accordingly are not included in the fair value measurement hierarchy table above.

Valuations are dated 31 December each year.

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value hierarchies.

30 RELATED PARTY TRANSACTIONS

30.1 *Group*

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

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

	Entities related to shareholders	*Entities related to shareholders*
	2013	*2012*
	US$ '000	*US$ '000*
Gross premiums written	**4,552**	4,943
Gross claims paid	**1,554**	1,400
Policy acquisition costs	**1,739**	1,172

The expenses included US$ 7,000 thousand (2012: US$ 3,500 thousand) in respect of building rent and US$ 1,000 thousand (2012: US$ 1,000 thousand) in respect of management fees paid to shareholder.

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

	Shareholder	***Entities related to shareholders***	*Shareholder*	*Entities related to shareholders*
	2013	***2013***	*2012*	*2012*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Insurance and other receivables	**-**	**2,042**	-	1,395
Insurance and other payables	**-**	**339**	-	201
Due from parent	**2,919**	**-**	9,634	-

30 RELATED PARTY TRANSACTIONS (continued)

30.1 *Group (continued)*

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

	2013 ***US$ '000***	*2012* *US$ '000*
Directors' remuneration	**295**	400
Salaries and benefits	**822**	1,229
End of service benefits	**47**	54
	1,164	1,683

30.2 *Company*

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

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

	Entities related to shareholders	*Entities related to shareholders*
	2013 ***US$ '000***	*2012* *US$ '000*
Gross premiums written	**4,552**	4,943
Gross claims paid	**1,554**	1,400
Policy acquisition costs	**1,739**	1,172

The expenses included US$ 7,000 thousand (2012: US$ 3,500 thousand) in respect of building rent and US$ 1,000 thousand (2012: US$ 1,000 thousand) in respect of management fees paid to shareholder. Further, other income includes US$ 233 thousand (2012: US$ 789 thousand) in respect of management fees and facility fees from a subsidiary.

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

	Shareholder	***Entities related to shareholders***	*Shareholder*	*Entities related to shareholders*
	2013 ***US$ '000***	***2013*** ***US$ '000***	*2012* *US$ '000*	*2012* *US$ '000*
Insurance and other receivables	**-**	**19,168**	-	17,693
Insurance and other payables	**-**	**746**	-	3,627
Due from parent	**2,919**	**-**	8,469	-

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

	2013 ***US$ '000***	*2012* *US$ '000*
Directors' remuneration	**295**	400
Salaries and benefits	**822**	1,229
End of service benefits	**47**	54
	1,164	1,683

31 CONTINGENT LIABILITIES

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

32 RISK MANAGEMENT

Governance framework

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

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

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

Regulatory framework

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

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

Reinsurance risk

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

Reinsurance ceded contracts do not relieve the Group or the Company from their obligations to policyholders and consequently the Group and the Company remain liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

In order to limit their exposure to significant losses that might arise from large claims from insolvent reinsurers the Group and the Company continuously evaluate their reinsurers' financial condition and follow up developments in their areas of operations.

32 RISK MANAGEMENT (continued)

Reinsurance risk (continued)

Concentration of reinsurance risk

The Group and the Company do not have any single reinsurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or reinsurance contracts covering risks for single incidents that expose the Group or the Company to multiple insurance risks. The Group and the Company has adequately reinsured for reinsurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the consolidated and separate statement of income (2012: same).

Syndicate risk (Trust Underwriting Limited)

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 Lloyds 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 Lloyds and the Financial Services Authority provide additional controls over the syndicate's management of risks.

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

Financial risks

(a) Currency risk

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

32 RISK MANAGEMENT (continued)

(a) Currency risk (continued)

Currency risk - Group

	31 December 2013				
	US Dollars	*Euro*	*British Pound*	*Other*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	354,628	20,868	10,122	5,409	391,027
Available-for-sale investments	128,988	3,281	47,341	3,040	182,650
Due from parent	2,919	-	-	-	2,919
Insurance and other receivables	84,634	1,559	2,635	10,911	99,738
Reinsurers' share of technical reserves - reported claims	115,888	3,412	10,120	36,031	165,451
	687,057	29,120	70,219	55,391	841,785
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	219,543	8,209	47,236	111,803	386,791
Reinsurance payables	27,000	-	4,068	-	31,068
Insurance and other payables	30,407	803	2,445	5,624	39,279
Borrowings	-	981	-	-	981
	276,950	9,993	53,749	117,427	458,119

	31 December 2012				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	220,877	12,804	16,228	6,478	256,387
Available-for-sale investments	107,957	-	50,986	3,453	162,396
Due from parent	9,634	-	-	-	9,634
Insurance and other receivables	118,439	4,667	10,003	7,832	140,941
Reinsurers' share of technical reserves - reported claims	122,549	1,022	11,356	46,644	181,571
	579,456	18,493	88,573	64,407	750,929
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	166,933	3,343	56,367	129,630	356,273
Reinsurance payables	16,440	-	4,415	-	20,855
Insurance and other payables	51,687	2,000	19,313	3,317	76,317
	235,060	5,343	80,095	132,947	453,445

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

32 RISK MANAGEMENT (continued)

Currency risk - Group (continued)

Currency	*Change in variables*	***2013* Impact on Profit before tax US$ '000**	*2012 Impact on Profit before tax US$ '000*
GBP	**+/- 10%**	**1,647**	848
Euro	**+/- 10%**	**1,913**	1,315

Currency risk - Company

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

	31 December 2013				
	US Dollars	*Euro*	*British Pound*	*Other*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	**352,572**	**20,794**	**1,779**	**5,409**	**380,554**
Available-for-sale investments	**128,988**	**3,281**	**3,061**	**3,040**	**138,370**
Investment in subsidiaries	**3,009**	**27,146**	**655**	**-**	**30,810**
Due from parent	**2,919**	**-**	**-**	**-**	**2,919**
Insurance and other receivables	**84,634**	**1,559**	**3,117**	**10,911**	**100,220**
Reinsurers' share of technical					**-**
reserves - reported claims	**115,888**	**3,412**	**357**	**36,031**	**155,688**
	688,010	**56,192**	**8,969**	**55,391**	**808,561**
LIABILITIES					
Technical reserves					
Outstanding claims					
reserves - reported claims	**219,543**	**8,209**	**604**	**111,803**	**340,159**
Reinsurance payables	**27,000**	**-**	**-**	**-**	**27,000**
Insurance and other payables	**30,407**	**803**	**1,607**	**5,624**	**38,441**
	276,950	**9,012**	**2,211**	**117,427**	**405,600**

	31 December 2012				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	220,877	12,804	6,042	6,478	246,201
Available-for-sale investments	107,957	-	1,430	3,453	112,840
Investment in subsidiaries	1,533	27,146	654	-	29,333
Due from parent	8,469	-	-	-	8,469
Insurance and other receivables	118,439	4,680	3,108	7,832	134,059
Reinsurers' share of technical					
reserves - reported claims	122,549	1,022	383	46,644	170,598
	579,824	45,652	11,617	64,407	701,500
LIABILITIES					
Technical reserves					
Outstanding claims					
reserves - reported claims	166,933	3,343	705	129,630	300,611
Reinsurance payables	16,440	-	-	-	16,440
Insurance and other payables	51,687	2,000	1,327	3,317	58,331
	235,060	5,343	2,032	132,947	375,382

32 RISK MANAGEMENT (continued)

Currency risk - Company (continued)

Currency	*Change in variables*	***2013*** ***Impact on Profit before tax*** ***US$ '000***	*2012* *Impact on Profit before tax* *US$ '000*
GBP	**+/- 10%**	**676**	959
Euro	**+/- 10%**	**4,718**	4,031

(b) Interest rate risk - Group and Company

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

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

A 50 basis point change in interest rates would impact the consolidated and separate statements of income by US$ 1,749 thousand (2012: US$ 821 thousand).

(c) Market risk - Group and Company

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

Geographical concentration of investments

	Group ***2013*** ***US$ '000***	***Company*** ***2013*** ***US$ '000***	*Group* *2012* *US$ '000*	*Company* *2012* *US$ '000*
Bahrain	**1,372**	**1,372**	1,372	1,372
Other GCC countries	**115,158**	**115,158**	96,595	96,595
Europe	**58,238**	**13,958**	62,593	13,037
Rest of the world	**7,882**	**7,882**	1,836	1,836
	182,650	**138,370**	162,396	112,840

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

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

32 RISK MANAGEMENT (continued)

(c) Market risk - Group and Company (continued)

		2013	*2012*
	Change in variables	***Impact on equity US$ '000***	*Impact on equity US$ '000*
Market indices			
Muscat stock exchange	**+/- 15%**	**1,161**	239
Doha stock exchange	**+/- 15%**	**2,685**	1,716

(d) Liquidity risk

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

32 RISK MANAGEMENT (continued)

(d) Liquidity risk - Group

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

	2013							
	Less than 1 month US$ '000	*1 to 3 months US$ '000*	*3 months to 1 year US$ '000*	*Total of up to 1 year US$ '000*	*More than 1 year and less than 5 years US$ '000*	*More than 5 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
ASSETS								
Cash and bank balances	240,320	124,961	5,576	370,857	20,170	-	-	391,027
Available-for-sale investments	-	-	23,300	23,300	36,679	3,217	119,454	182,650
Due from parent	-	2,919	-	2,919	-	-	-	2,919
Insurance and other receivables	26,598	65,276	60,249	152,123	45,903	3,680	-	201,706
Reinsurers' share of technical reserves	11,448	22,896	95,085	129,429	109,946	19,871	-	259,245
Investment properties	-	-	-	-	-	-	1,707	1,707
Property and equipment	-	-	-	-	-	-	13,020	13,020
Intangible assets	-	-	-	-	-	-	85	85
	278,366	216,052	184,209	678,627	212,698	26,768	134,266	1,052,359
LIABILITIES								
Technical reserves	29,930	59,860	265,168	354,958	281,036	50,252	-	686,246
Insurance and other payables	9,384	40,955	34,444	84,783	13,905	1,622	-	100,310
Reinsurance payables	9,000	22,068	-	31,068	-	-	-	31,068
Borrowings	-	-	203	203	778	-	-	981
	48,314	122,883	299,815	471,012	295,719	51,874	-	818,605

32 RISK MANAGEMENT (continued)

(d) Liquidity risk - Group (continued)

	2012							
	US$ '000	*1 to 3 months US$ '000*	*3 months to 1 year US$ '000*	*Total of up to 1 year US$ '000*	*More than 1 year and less than 5 years US$ '000*	*More than 5 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
ASSETS								
Cash and bank balances	112,325	138,323	5,739	256,387	-	-	-	256,387
Available-for-sale investments	-	-	-	-	54,167	-	108,229	162,396
Due from parent	-	-	9,634	9,634	-	-	-	9,634
Insurance and other receivables	58,488	59,613	66,524	184,625	43,577	1,483	-	229,685
Reinsurers' share of technical reserves	15,272	30,543	112,476	158,291	98,316	9,927	-	266,534
Investment properties	-	-	-	-	-	-	1,707	1,707
Properties held for sale	-	-	-	-	-	-	8,946	8,946
Property and equipment	-	-	-	-	-	-	12,545	12,545
Intangible assets	-	-	-	-	-	-	217	217
	186,085	228,479	194,373	608,937	196,060	11,410	131,644	948,051
LIABILITIES								
Technical reserves	36,470	72,941	271,467	380,878	233,325	21,297	-	635,500
Insurance and other payables	7,806	23,539	61,488	92,833	18,793	381	-	112,007
Reinsurance payables	6,952	13,903	-	20,855	-	-	-	20,855
Borrowings	-	-	187	187	952	-	-	1,139
	51,228	110,383	333,142	494,753	253,070	21,678	-	769,501

32 RISK MANAGEMENT (continued)

(d) Liquidity risk - Company

	2013							
	Less than 1 month US$ '000	*1 to 3 months US$ '000*	*3 months to 1 year US$ '000*	*Total of up to 1 year US$ '000*	*More than 1 year and less than 5 years US$ '000*	*More than 5 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
ASSETS								
Cash and bank balances	240,320	114,488	5,576	360,384	20,170	-	-	380,554
Available-for-sale investments	-	-	4,037	4,037	17,416	3,217	113,700	138,370
Investment in subsidiaries	-	-	-	-	-	-	30,810	30,810
Due from parent	-	2,919	-	2,919	-	-	-	2,919
Insurance and other receivables	26,598	61,896	60,249	148,743	45,903	3,680	-	198,326
Reinsurers' share of technical reserves	11,448	22,896	88,805	123,149	103,666	19,871	-	246,686
Investment properties	-	-	-	-	-	-	1,707	1,707
Property and equipment	-	-	-	-	-	-	10,844	10,844
	278,366	202,199	158,667	639,232	187,155	26,768	157,061	1,010,216
LIABILITIES								
Technical reserves	29,930	59,860	232,522	322,312	248,390	50,252	-	620,954
Reinsurance payables	9,000	18,000	-	27,000	-	-	-	27,000
Insurance and other payables	9,384	22,346	34,444	66,174	13,905	1,622	-	81,701
	48,314	100,206	266,966	415,486	262,295	51,874	-	729,655

32 RISK MANAGEMENT (continued)

(d) Liquidity risk - Company (continued)

	2012							
	Less than 1 month US$ '000	*1 to 3 months US$ '000*	*3 months to 1 year US$ '000*	*Total of up to 1 year US$ '000*	*More than 1 year and less than 5 years US$ '000*	*More than 5 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
ASSETS								
Cash and bank balances	102,139	138,323	5,739	246,201	-	-	-	246,201
Available-for-sale investments	-	-	-	-	11,137		101,703	112,840
Investment in subsidiaries	-	-	-	-	-	-	29,333	29,333
Due from parent	-	-	8,469	8,469	-	-	-	8,469
Insurance and other receivables	58,488	59,613	59,642	177,743	43,577	1,483	-	222,803
Reinsurers' share of technical reserves	15,272	30,543	101,853	147,668	94,775	9,927	-	252,370
Investment properties	-	-	-	-	-	-	1,707	1,707
Property and equipment	-	-	-	-	-	-	10,345	10,345
	175,899	228,479	175,703	580,081	149,489	11,410	143,088	884,068
LIABILITIES								
Technical reserves	36,470	72,941	213,581	322,992	214,030	21,297	-	558,319
Reinsurance payables	5,480	10,960	-	16,440	-	-	-	16,440
Insurance and other payables	7,806	23,539	43,502	74,847	18,793	381	-	94,021
	49,756	107,440	257,083	414,279	232,823	21,678	-	668,780

32 RISK MANAGEMENT (continued)

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk on receivables is limited to receivables from policyholders which are carried net of impairment losses, and to insurance and reinsurance companies. The Group and the Company manage credit risk with respect to receivables from policyholders by monitoring risks in accordance with defined policies and procedures.

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

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

Credit risk - Group

The group's maximum exposure to credit risk is US$ 729,488 thousand [2012: US$ 613,774 thousand] out of which US$ 442,037 thousand [2012: US$ 278,210 thousand] falls under the ratings category between A+ to A-, US$ 185,132 thousand [2012: US$ 125,525 thousand] lower than A-, and US$ 102,319 thousand [2012: US$ 210,039 thousand] is unrated.

Credit risk - Company

The company's maximum exposure to credit risk is US$ 667,348 thousand [2012: US$ 542,285 thousand] out of which US$ 380,742 thousand [2012: US$ 207,886 thousand] falls under the ratings category between A+ to A-, US$ 184,287 thousand [2012: US$ 125,525 thousand] lower than A-, and US$ 102,319 thousand [2012: US$ 208,874 thousand] is unrated.

(f) Regulatory risk

The Group is subject to continuing approval by the Central Bank of Bahrain, the United Kingdom Financial Conduct Authority, the Corporation of Lloyds of London, the Labuan Financial Services Authority, and the Cyprus Insurance Companies Control Services. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to these regulators. For Trust Underwriting Limited, the capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Group is able to support.

(g) Operational risk

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

32 RISK MANAGEMENT (continued)

(h) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Except for investments of US$ 6,185 thousand (2012: US$ 2,464 thousand) carried at cost less impairment, the fair value of the Group and Company's financial instruments such as cash and bank balances, due from parent, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the consolidated and separate statements of financial position.

(i) Capital management

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

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

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