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

CONSOLIDATED AND COMPANY'S SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

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AUDITORS

Ernst & Young	P O Box	: 140
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BOARD OF DIRECTORS

Kamel Abunahl	-	Non-executive Chairman
Frixos Savvides	-	Deputy Chairman (Independent, non-executive)
Fadi AbuNahl	-	Member & Chief Executive Officer
Ghazi Abunahl	-	Member (Shareholder representative)
Mehran Eftekhar	-	Member & Board Secretary (Shareholder representative)
Jamal Abunahl	-	Member (independent, non-executive)
Prof. Derek Atkins	-	Member (independent, non-executive)
Ferid Benbouzid	-	Member (independent, non-executive)
Bakary Kamara	-	Member (independent, non-executive)
Stavros Stavrou	-	Member (independent, non-executive)

AUDIT COMMITTEE

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

RISK COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

GENERAL MANAGEMENT

Fadi AbuNahl	-	Chief Executive Officer
Romel Tabaja	-	Deputy Chief Executive Officer
Michail Karafoulidis	-	Corporate Services Officer (resigned on 10 September 2015)
Mark Buisseret	-	Planning & Business Development Officer
Kamal Tabaja	-	Chief Operating 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 2015, 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 2015, 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 consolidated and separate 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 2015 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

Partner's registration no. 115
23 March 2016
Manama, Kingdom of Bahrain

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	*2015 Group US$ '000*	*2014 Group US$ '000*
ASSETS			
Cash and bank balances	7	**468,040**	471,967
Available-for-sale investments	8	**281,018**	235,351
Investment in associate	9	**5,697**	-
Insurance and other receivables	10	**298,309**	246,858
Gross deferred acquisition costs	11	**53,535**	48,605
Reinsurers' share of technical reserves	12.1	**296,515**	258,066
Investment properties	13	**18,786**	1,906
Property and equipment	14.1	**3,511**	12,150
Intangible assets	15	**17**	29
TOTAL ASSETS		**1,425,428**	1,274,932
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**200,000**	170,000
Statutory reserve	16	**31,795**	28,777
Retained earnings		**120,827**	93,072
Cumulative changes in fair value		**77,165**	93,541
Foreign currency translation reserve		**(201)**	(203)
Total equity		**429,586**	385,187
Liabilities			
Technical reserves	12.1	**786,809**	724,123
Reinsurers' share of deferred acquisition costs	17	**21,600**	17,954
Reinsurance payables		**29,815**	21,918
Insurance and other payables	18	**157,618**	125,750
Total liabilities		**995,842**	889,745
TOTAL EQUITY AND LIABILITIES		**1,425,428**	1,274,932

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Chief Executive Officer

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

COMPANY'S SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	*2015 Company US$ '000*	*2014 Company US$ '000*
ASSETS			
Cash and bank balances	7	**462,646**	465,268
Available-for-sale investments	8	**242,042**	193,747
Investment in subsidiaries		**3,967**	3,701
Investment in associate	9	**5,697**	-
Insurance and other receivables	10	**282,707**	229,788
Gross deferred acquisition costs	11	**49,854**	44,799
Reinsurers' share of technical reserves	12.2	**287,370**	247,381
Investment properties	13	**18,786**	1,906
Property and equipment	14.2	**2,863**	12,051
TOTAL ASSETS		**1,355,932**	1,198,641
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**200,000**	170,000
Statutory reserve	16	**31,795**	28,777
Retained earnings		**121,055**	93,897
Cumulative changes in fair value		**77,165**	93,541
Total equity		**430,015**	386,215
Liabilities			
Technical reserves	12.2	**736,122**	669,835
Reinsurers' share of deferred acquisition costs	17	**21,600**	17,954
Reinsurance payables		**29,815**	21,918
Insurance and other payables	18	**138,380**	102,719
Total liabilities		**925,917**	812,426
TOTAL EQUITY AND LIABILITIES		**1,355,932**	1,198,641

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2015

	Note	*2015 Group US$ '000*	*2014 Group US$ '000*
Gross premiums written	12.1	**475,929**	452,580
Premiums ceded	12.1	**(176,447)**	(158,937)
		299,482	293,643
Unearned premium adjustments		**(9,130)**	(16,185)
Net earned premium		**290,352**	277,458
Gross claims paid	12.1	**(225,692)**	(223,939)
Recoveries on premiums ceded	12.1	**59,886**	77,002
Outstanding claims adjustments		**(15,672)**	(36,849)
Claims and related expenses		**(181,478)**	(183,786)
Commission income	17	**32,360**	30,220
Policy acquisition costs	11	**(99,465)**	(88,357)
Other operating income		**415**	526
Operating expenses	20	**(24,676)**	(24,396)
		(91,366)	(82,007)
Underwriting profit		**17,508**	11,665
Investment income - net	21	**17,774**	6,999
Income from investment properties	22	**267**	421
Gain on sale of subsidiaries		**-**	3,084
General and administration expenses	23	**(11,309)**	(11,781)
Finance income		**6,114**	6,701
Foreign exchange loss		**(6,471)**	(7,760)
Other income - net	24	**7,120**	6,184
Profit before tax		**31,003**	15,513
Income tax	25	**(230)**	(102)
PROFIT FOR THE YEAR		**30,773**	15,411
Attributable to:			
Shareholders of the parent		**30,773**	15,414
Non-controlling interests		**-**	(3)
		30,773	15,411

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Chief Executive Officer

COMPANY'S SEPARATE STATEMENT OF INCOME

Year ended 31 December 2015

	Note	*2015 Company US$ '000*	*2014 Company US$ '000*
Gross premiums written	12.2	**464,943**	444,944
Premiums ceded	12.2	**(174,726)**	(158,352)
		290,217	286,592
Unearned premium adjustments		**(8,764)**	(16,706)
Net earned premium		**281,453**	269,886
Gross claims paid	12.2	**(225,996)**	(224,508)
Recoveries on premiums ceded	12.2	**59,999**	75,401
Outstanding claims adjustments		**(17,534)**	(31,479)
Claims and related expenses		**(183,531)**	(180,586)
Commission income	17	**32,360**	30,220
Policy acquisition costs	11	**(90,671)**	(85,870)
Other operating income		**355**	387
Operating expenses	20	**(24,676)**	(24,396)
		(82,632)	(79,659)
Underwriting profit		**15,290**	9,641
Investment income - net	21	**17,774**	6,999
Income from investment properties	22	**267**	421
General and administration expenses	23	**(9,178)**	(9,211)
Finance income		**6,112**	6,693
Foreign exchange loss		**(6,112)**	(7,560)
Other income - net	24	**6,034**	5,191
Profit before tax		**30,187**	12,174
Income tax (expense) credit	25	**(11)**	18
PROFIT FOR THE YEAR		**30,176**	12,192

Kamel Abunahl
Chairman

Fadi AbuNahl
Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 Group US$ '000	*2014 Group US$ '000*
Profit for the year	**30,773**	15,411
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	**1,326**	42,098
Transfer to consolidated statement of income on disposal	**(17,702)**	(3,147)
	(16,376)	38,951
Currency translation adjustments:		
Currency translation adjustments arising during the year	**2**	2,373
Net other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods	**(16,374)**	41,324
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**14,399**	56,735
Attributable to:		
Shareholders of the parent	**14,399**	56,738
Non-controlling interests	**-**	(3)
	14,399	56,735

COMPANY'S SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 Company US$ '000	*2014 Company US$ '000*
Profit for the year	**30,176**	12,192
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	**1,326**	42,098
Transfer to Company's separate statement of income on disposal	**(17,702)**	(3,147)
Net other comprehensive (loss) income to be reclassified to Company's seperate statement of income in subsequent periods	**(16,376)**	38,951
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,800**	51,143

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	*2015 Group US$ '000*	*2014 Group US$ '000*
OPERATING ACTIVITIES			
Profit before tax		**31,003**	15,513
Adjustments for:			
Depreciation	14.1	**543**	469
Amortisation of intangible assets	15	**11**	130
Provision for bad debts - net	10.1	**1,000**	1,654
Impairment loss on available-for-sale investment	21	**7,035**	755
Gain on sale of subsidiaries		**-**	(3,084)
Gain on disposal of available-for-sale investments	21	**(17,702)**	(3,147)
Loss (gain) on revaluation of investment properties	22	**122**	(199)
Loss (gain) on revaluation of own use property	14.1	**184**	(1,136)
Change in unearned premium		**22,186**	28,248
Change in reinsurers' share of unearned premium		**(14,215)**	(13,759)
Deferred acquisition costs - net		**(1,284)**	(1,814)
Operating profit before changes in operating assets and liabilities		**28,883**	23,630
Changes in operating assets and liabilities:			
Outstanding claims		**40,500**	9,629
Reinsurers' share of outstanding claims		**(24,234)**	14,938
Insurance and other receivables		**(52,451)**	(38,560)
Insurance and other payables		**31,868**	25,440
Reinsurance payables		**7,897**	782
Other non-cash items		**(5,697)**	-
		26,766	35,859
Taxation		**(230)**	(102)
Net cash from operating activities		**26,536**	35,757
INVESTING ACTIVITIES			
Purchase of investments		**(106,695)**	(42,082)
Proceeds from sale of available-for-sale investments		**55,319**	30,650
Proceeds from sale of subsidiaries		**-**	27,150
Purchase of property and equipment	14.1	**(3,365)**	(469)
Purchase of investment property	13	**(5,752)**	-
Proceeds from disposal of property and equipment		**-**	28
Bank deposits with maturity of more than three months		**26,707**	(34,331)
Net cash used in investing activities		**(33,786)**	(19,054)
FINANCING ACTIVITIES			
Increase in share capital	16	**30,000**	30,000
Repayment of borrowings		**-**	(51)
Net cash from financing activities		**30,000**	29,949
Foreign currency translation adjustments		**30**	(43)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**22,780**	46,609
Cash and cash equivalents at beginning of the year		**410,866**	364,257
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**433,646**	410,866

COMPANY'S SEPARATE STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	*2015 Company US$ '000*	*2014 Company US$ '000*
OPERATING ACTIVITIES			
Profit before tax		**30,187**	12,174
Adjustments for:			
Depreciation	14.2	**463**	379
Provision for bad debts - net	10.1	**1,000**	1,654
Impairment loss on available-for-sale investment	21	**7,035**	755
Gain on disposal of available-for-sale investments	21	**(17,702)**	(3,147)
Loss (gain) on revaluation of investment properties	22	**122**	(199)
Loss (gain) on revaluation of own use property	14.2	**184**	(1,136)
Change in unearned premium		**23,088**	31,189
Change in reinsurers' share of unearned premium		**(14,324)**	(14,483)
Deferred acquisition costs - net		**(1,409)**	(2,333)
Operating profit before changes in operating assets and liabilities		**28,644**	24,853
Changes in operating assets and liabilities:			
Outstanding claims		**43,199**	17,692
Reinsurers' share of outstanding claims		**(25,665)**	13,787
Insurance and other receivables		**(53,919)**	(40,128)
Insurance and other payables		**35,661**	21,017
Reinsurance payables		**7,897**	4,850
Other non-cash items		**(5,697)**	-
		30,120	42,071
Taxation		**(11)**	18
Net cash from operating activities		**30,109**	42,089
INVESTING ACTIVITIES			
Purchase of investments		**(106,695)**	(42,008)
Proceeds from sale of available-for-sale investments		**52,691**	27,971
Purchase of property and equipment	14.2	**(2,709)**	(450)
Purchase of investment properties	13	**(5,752)**	-
Investment in a subsidiary		**(266)**	(38)
Proceeds from disposal of subsidiaries		**-**	27,150
Bank deposits with maturity of more than three months		**26,707**	(34,331)
Net cash used in investing activities		**(36,024)**	(21,706)
FINANCING ACTIVITY			
Increase in share capital	16	**30,000**	30,000
Net cash from financing activity		**30,000**	30,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		**24,085**	50,383
Cash and cash equivalents at beginning of the year		**404,167**	353,784
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**428,252**	404,167

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	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 2015	170,000	28,777	93,072	93,541	(203)	385,187	-	385,187
Profit for the year	-	-	30,773	-	-	30,773	-	30,773
Other comprehensive (loss) income	-	-	-	(16,376)	2	(16,374)	-	(16,374)
Total comprehensive income (loss)	-	-	30,773	(16,376)	2	14,399	-	14,399
Increase in share capital (note 16)	30,000	-	-	-	-	30,000	-	30,000
Transfer to statutory reserve (note 16)	-	3,018	(3,018)	-	-	-	-	-
Balance at 31 December 2015	**200,000**	**31,795**	**120,827**	**77,165**	**(201)**	**429,586**	**-**	**429,586**
Balance at 1 January 2014	140,000	27,558	78,877	54,590	(2,576)	298,449	(89)	298,360
Profit (loss) for the year	-	-	15,414	-	-	15,414	(3)	15,411
Other comprehensive income	-	-	-	38,951	2,373	41,324	-	41,324
Total comprehensive income (loss)	-	-	15,414	38,951	2,373	56,738	(3)	56,735
Increase in share capital (note 16)	30,000	-	-	-	-	30,000	-	30,000
Disposal of subsidiaries	-	-	-	-	-	-	92	92
Transfer to statutory reserve (note 16)	-	1,219	(1,219)	-	-	-	-	-
Balance at 31 December 2014	170,000	28,777	93,072	93,541	(203)	385,187	-	385,187

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 2015

	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 2015	170,000	28,777	93,897	93,541	386,215
Profit for the year	-	-	30,176	-	30,176
Other comprehensive loss	-	-	-	(16,376)	(16,376)
Total comprehensive income (loss)	-	-	30,176	(16,376)	13,800
Increase in share capital (note 16)	30,000	-	-	-	30,000
Transfer to statutory reserve (note 16)	-	3,018	(3,018)	-	-
Balance at 31 December 2015	**200,000**	**31,795**	**121,055**	**77,165**	**430,015**
Balance at 1 January 2014	140,000	27,558	82,924	54,590	305,072
Profit for the year	-	-	12,192	-	12,192
Other comprehensive income	-	-	-	38,951	38,951
Total comprehensive income	-	-	12,192	38,951	51,143
Increase in share capital (note 16)	30,000	-	-	-	30,000
Transfer to statutory reserve (note 16)	-	1,219	(1,219)	-	-
Balance at 31 December 2014	170,000	28,777	93,897	93,541	386,215

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, Labuan, India and Morocco. Details of the Group's subsidiaries are further disclosed in note 3.

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

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

The consolidated and separate financial statements were authorised for issue by the Board of Directors on 23 March 2016.

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, 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, property and equipment (land and building only) and derivative financial instruments.

Functional and presentation currency
The consolidated and separate financial statements have been presented in United States Dollar (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 2015. 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.

3 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

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

The following are the subsidiaries of the Group:

Name of the subsidiary	*Country of incorporation*	*Effective ownership*		*Principal activity*
		2015	*2014*	
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%**	100%	Travel assistance
Trust International Insurance and Reinsurance Company, Sociétè Anonyme	Morocco	**100%**	100%	Liaison office
Trust Insurance Management W.L.L.	Kingdom of Bahrain	**100%**	-	Insurance Management

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments to following standards and interpretations effective as of 1 January 2015.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The Group does not currently have share based payment plan, and therefore, the above amendments are not relevant to the Group.

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group or Company's accounting policy.

IFRS 8 *Operating Segments*
An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., gross written premiums and gross underwriting margin) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Group and the Company is not required to report operating segments, hence this amendment does not impact the Group or Company's accounting policy.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group and the Company receives some management services from its parent company which falls under the definition of management entity. The transactions with the parent are disclosed in accordance with the accounting policy of the Group. The amendment does not have any impact on the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements 2011-2013 Cycle

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; or
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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

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.

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Technical reserves (continued)

i) Outstanding claims reserve (continued)
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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

Leases (continued)

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.

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

Foreign currency translation
The consolidated and separate financial statements are presented in 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.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies (continued)

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)

Financial assets (continued)
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 the 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*
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group is currently assessing the impact on the results as a result of adoption of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Insurance contracts are excluded from the scope of IFRS 15. The standard is primarily applicable to one of the subsidiary of the Group engaged in vehicle assistance services. The Group is currently assessing impact on the results as a result of adoption of IFRS 15.

IFRS 16 *Leases*
The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is currently assessing the impact on the results as a result of adoption of IFRS 16.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 7 *Statement of cash flows*
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments should be applied for annual periods beginning on or after 1 January 2017. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 12 *Income Taxes*
The amendments, *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are applicate for annual periods beginning on or after 1 January 2017. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated and the Company's separate financial statements.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 10 and IAS 28: ***Sale or Contribution of Assets between an Investor and its Associate***
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 19 *Employee Benefits*
- IAS 34 *Interim Financial Reporting*

These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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:

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

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 2015.

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

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$ '000*	*2014 Company US$ '000*
Cash in hand	**35**	**31**	32	30
Bank balances	**433,611**	**428,221**	410,834	404,137
Cash and cash equivalents	**433,646**	**428,252**	410,866	404,167
Statutory deposit (note 7.1)	**398**	**398**	398	398
Deposits with banks with maturity of more than 3 months	**33,996**	**33,996**	60,703	60,703
	468,040	**462,646**	471,967	465,268

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

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$ '000*	*2014 Company US$ '000*
Quoted				
Equities	**150,571**	**144,668**	157,947	152,974
Debt securities	**120,255**	**87,182**	68,499	31,868
Unquoted				
Equities	**10,192**	**10,192**	8,905	8,905
	281,018	**242,042**	235,351	193,747

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 readily available markets for these investments.

9 INVESTMENT IN ASSOCIATE

The Group owns 19.85% stake in Jordan Expatriates Investments Holding (the "Associate"). The Company is engaged in investment holdings and brokerage. The Company is incorporated in Jordan. Although the Group holds less than 20% of the equity shares of the Associate, the Group exercises significant influence by virtue of its representation in the board of directors of the Associate and has the power to participate in the financial and operating policy decisions. The Associate was transferred on 31 December 2015 as part of the portfolio transfer (note 28.3). Therefore, the Group's share of profits and other comprehensive income for the year ended 31 December 2015 is nil.

9 INVESTMENT IN ASSOCIATE (continued)

The summarised financial statements as at 31 December 2015 of the Associate are listed below and the balances listed are also assessed as provisional fair values of the identifiable assets and liabilities of the Associate as at the date of transfer:

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$ '000*	*2014 Company US$ '000*
Current assets	**23,518**	**23,518**	-	-
Non-current assets	**9,114**	**9,114**	-	-
Current liabilities	**(863)**	**(863)**	-	-
	31,769	**31,769**	-	-
Non-controlling interest	**(1,808)**	**(1,808)**		
	29,961	**29,961**	-	-
Proportion of ownership	**19.85%**	**19.85%**	-	-
Share of net assets of associate	**5,947**	**5,947**	-	-
Less: other provisional adjustments	**(250)**	**(250)**	-	-
Carrying amount of the investment in an associate	**5,697**	**5,697**	-	-

10 INSURANCE AND OTHER RECEIVABLES

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$ '000*	*2014 Company US$ '000*
Insurance receivables	**53,195**	**38,994**	49,192	34,266
Reinsurance receivables	**16,657**	**16,657**	16,685	16,685
Less: Provision for doubtful debts (note 10.1)	**(7,740)**	**(7,740)**	(8,009)	(8,009)
	62,112	**47,911**	57,868	42,942
Inward pipeline premium accruals	**163,516**	**163,516**	128,935	128,936
Inward treaty premium reserve and loss deposit	**25,028**	**24,108**	20,458	19,580
Due from related parties (note 28) *	**31,621**	**33,457**	22,833	24,633
Other debtors and prepayments	**14,710**	**12,393**	16,380	13,344
Current tax asset	**372**	**372**	-	-
Deferred tax asset (note 19)	-	-	31	-
Fair value of currency forward exchange contract (note 30)	**950**	**950**	353	353
	298,309	**282,707**	246,858	229,788

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

At 31 December 2015, the gross amount of impaired insurance and reinsurance receivables amounted to US$7,740 thousand (2014: US$ 8,009 thousand).

10 INSURANCE AND OTHER RECEIVABLES (continued)

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

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$ '000*	*2014 Company US$ '000*
At 1 January	**8,009**	**8,009**	4,911	4,911
Charge for the year	**1,000**	**1,000**	1,654	1,654
(Write off) / recoveries	**(1,269)**	**(1,269)**	1,444	1,444
At 31 December	**7,740**	**7,740**	8,009	8,009

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*
2015	**62,112**	**39,847**	**13,651**	**5,985**	**2,629**
2014	57,868	36,058	14,913	6,897	-

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*
2015	**47,911**	**29,835**	**9,828**	**5,619**	**2,629**
2014	42,942	25,168	11,100	6,674	-

11 GROSS DEFERRED ACQUISITION COSTS

	2015 Group US$ '000	*2015 Company US$ '000*	*2014 Group US$' 000*	*2014 Company US$' 000*
At 1 January	**48,605**	**44,799**	43,501	39,176
Acquisition costs	**104,519**	**95,726**	93,980	91,493
Amortisation for the year	**(99,465)**	**(90,671)**	(88,357)	(85,870)
Exchange difference	**(124)**	**-**	(519)	-
At 31 December	**53,535**	**49,854**	48,605	44,799

12 TECHNICAL RESERVES

12.1 *Group*

	2015 Gross US$ '000	2015 Reinsurers' share US$ '000	2015 Net US$ '000	2014 Gross US$ '000	2014 Reinsurers' share US$ '000	2014 Net US$ '000
Unearned premium reserve	249,855	(97,939)	151,916	227,669	(83,724)	143,945
Outstanding claims reserve	536,954	(198,576)	338,378	496,454	(174,342)	322,112
	786,809	(296,515)	490,294	724,123	(258,066)	466,057

Unearned premium reserve

	2015 Gross US$ '000	2015 Reinsurers' share US$ '000	2015 Net US$ '000	2014 Gross US$ '000	2014 Reinsurers' share US$ '000	2014 Net US$ '000
At 1 January	227,669	(83,724)	143,945	199,421	(69,965)	129,456
Premiums written (ceded)	475,929	(176,447)	299,482	452,580	(158,937)	293,643
Premiums (earned) amortised	(452,992)	162,640	(290,352)	(423,308)	145,033	(278,275)
Exchange difference	(751)	(408)	(1,159)	(1,024)	145	(879)
At 31 December	249,855	(97,939)	151,916	227,669	(83,724)	143,945

Outstanding claims reserve

	2015 Gross US$ '000	2015 Reinsurers' share US$ '000	2015 Net US$ '000	2014 Gross US$ '000	2014 Reinsurers' share US$ '000	2014 Net US$ '000
At 1 January						
Reported claims	392,347	(147,308)	245,039	386,791	(165,451)	221,340
Incurred But Not Reported claims	104,107	(27,034)	77,073	100,034	(23,829)	76,205
	496,454	(174,342)	322,112	486,825	(189,280)	297,545
Incurred during the year	267,268	(85,790)	181,478	236,106	(62,611)	173,495
(Paid) recovered during the year	(225,692)	59,886	(165,806)	(223,939)	77,002	(146,937)
Exchange difference	(1,076)	1,670	594	(2,538)	547	(1,991)
At 31 December	536,954	(198,576)	338,378	496,454	(174,342)	322,112
At 31 December						
Reported claims	414,589	(167,215)	247,374	392,347	(147,308)	245,039
Incurred But Not Reported claims	122,365	(31,361)	91,004	104,107	(27,034)	77,073
	536,954	(198,576)	338,378	496,454	(174,342)	322,112

12 TECHNICAL RESERVES (continued)

12.2 *Company*

	2015			2014		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Unearned premium reserve	235,038	(95,975)	139,063	211,950	(81,651)	130,299
Outstanding claims reserve	501,084	(191,395)	309,689	457,885	(165,730)	292,155
	736,122	(287,370)	448,752	669,835	(247,381)	422,454

Unearned premium reserve

	2015			2014		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
At 1 January	211,950	(81,651)	130,299	180,761	(67,168)	113,593
Premiums written (ceded)	464,943	(174,726)	290,217	444,944	(158,352)	286,592
Premiums (earned) amortised	(441,855)	160,402	(281,453)	(413,755)	143,869	(269,886)
At 31 December	235,038	(95,975)	139,063	211,950	(81,651)	130,299

Outstanding claims reserve

	2015			2014		
	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	353,778	(138,696)	215,082	340,159	(155,688)	184,471
Incurred But Not Reported claims	104,107	(27,034)	77,073	100,034	(23,829)	76,205
	457,885	(165,730)	292,155	440,193	(179,517)	260,676
Incurred during the year	269,195	(85,664)	183,531	242,200	(61,614)	180,586
(Paid) recovered during the year	(225,996)	59,999	(165,997)	(224,508)	75,401	(149,107)
At 31 December	501,084	(191,395)	309,689	457,885	(165,730)	292,155
At 31 December						
Reported claims	378,719	(160,034)	218,685	353,778	(138,696)	215,082
Incurred But Not Reported claims	122,365	(31,361)	91,004	104,107	(27,034)	77,073
	501,084	(191,395)	309,689	457,885	(165,730)	292,155

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 2015 and 31 December 2014 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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	US$ '000	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	1,649	468	3,672	1,400	3,084	1,485	908	3,969	3,236	6,789	
One year later	44,205	36,439	63,158	73,498	85,848	81,441	83,383	108,426	119,068	-	
Two years later	68,776	77,499	107,420	150,409	212,336	172,059	174,260	191,642	-	-	
Three years later	70,549	87,837	118,853	162,571	238,037	205,175	203,482	-	-	-	
Four years later	69,368	86,930	118,499	162,889	239,341	206,363	-	-	-	-	
Five years later	66,914	86,205	117,446	158,656	243,957	-	-	-	-	-	
Six years later	67,075	86,806	115,609	160,133	-	-	-	-	-	-	
Seven years later	67,241	86,736	115,139	-	-	-	-	-	-	-	
Eight years later	66,323	85,165	-	-	-	-	-	-	-	-	
Nine years later	65,862	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	65,862	85,165	115,139	160,133	243,957	206,363	203,482	191,642	119,068	6,789	1,397,600
Cumulative payments to date	(63,724)	(79,074)	(108,264)	(146,697)	(212,619)	(157,680)	(140,918)	(115,392)	(25,018)	1,261	(1,048,125)
Incurred But Not Reported	(52)	(58)	(91)	(231)	(376)	847	4,799	27,596	74,557	15,572	122,563
	2,086	6,033	6,784	13,205	30,962	49,530	67,363	103,846	168,607	23,622	472,038
Liability in respect of years prior to 2006											29,046
Total liability included in the Company's separate statement of financial position											501,084
Trust Underwriting Ltd											35,870
Total liability included in the consolidated statement of financial position											536,954

12 TECHNICAL RESERVES (continued)

Claims development - Group and Company (continued)

Net	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	US$ '000	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	682	302	2,508	484	2,067	1,005	656	2,611	2,442	(10,873)	
One year later	8,311	15,463	26,244	35,089	58,677	25,596	54,462	79,012	88,501	-	
Two years later	15,002	33,611	46,140	79,171	128,488	91,765	121,824	138,745	-	-	
Three years later	16,238	34,660	47,975	84,650	147,691	116,129	143,066	-	-	-	
Four years later	16,007	34,847	47,895	82,129	149,324	116,025	-	-	-	-	
Five years later	15,448	35,495	48,357	78,123	152,322	-	-	-	-	-	
Six years later	15,567	35,427	47,707	79,505	-	-	-	-	-	-	
Seven years later	15,484	35,477	47,053	-	-	-	-	-	-	-	
Eight years later	15,288	34,695	-	-	-	-	-	-	-	-	
Nine years later	15,127	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	15,127	34,695	47,053	79,505	152,322	116,025	143,066	138,745	88,501	(10,873)	804,166
Cumulative payments to date	(14,610)	(32,279)	(44,653)	(71,300)	(131,764)	(86,976)	(101,628)	(86,940)	(17,818)	918	(587,050)
Incurred But Not Reported	(15)	(23)	(37)	(116)	(440)	676	3,515	20,562	54,473	12,447	91,042
	502	2,393	2,363	8,089	20,118	29,725	44,953	72,367	125,156	2,492	308,158
Liability in respect of years prior to 2006											1,531
Total net liability included in the Company's separate statement of financial position											309,689
Trust Underwriting Ltd											28,689
Total net liability included in the consolidated statement of financial position											338,378

13 INVESTMENT PROPERTIES

Group and Company

	2015			2014
	US$ '000 Land	US$ '000 Building	US$ '000 Total	US$ '000 Total
Balance at 1 January	-	1,906	1,906	1,707
Purchased during the year	-	5,752	5,752	-
Transfer from property and equipment	10,456	794	11,250	-
Revaluation gain (loss) during the year (note 22)	119	(241)	(122)	199
Balance at 31 December	10,575	8,211	18,786	1,906

Investment properties are stated at fair value. These properties are located in Bahrain, Malaysia and United Kingdom. All valuations are performed as at 31 December 2015 and 31 December 2014 respectively. The independent valuers used are specialists in valuing these types of investment properties and have recent experience in the location and category of the investment properties being valued.

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

14 PROPERTY AND EQUIPMENT

14.1 Group

	Land and building US$ '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 2015	11,249	512	2,331	3,462	17,554
Additions	2,044	119	815	387	3,365
Transfer to investment properties (note 13)	(11,250)	-	-	-	(11,250)
Revaluation (note 24)	(184)	-	-	-	(184)
Disposals	-		(8)	(1)	(9)
Exchange differences	(21)	(2)	-	(12)	(35)
At 31 December 2015	**1,838**	**629**	**3,138**	**3,836**	**9,441**
Depreciation					
At 1 January 2015	-	391	1,931	3,082	5,404
Charge for the year	-	63	288	192	543
Disposals	-	-	(8)	(1)	(9)
Exchange differences	-	-	-	(8)	(8)
At 31 December 2015	**-**	**454**	**2,211**	**3,265**	**5,930**
Net book value					
At 31 December 2015	**1,838**	**175**	**927**	**571**	**3,511**
At 31 December 2014	11,249	121	400	380	12,150

14 PROPERTY AND EQUIPMENT (continued)

14.2 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 2015	11,250	512	1,735	3,290	16,787
Additions	1,515	79	801	314	2,709
Transfer to investment properties (note 13)	(11,250)	-	-	-	(11,250)
Disposals	-	-	(8)	(1)	(9)
Revaluation (note 24)	(184)	-	-	-	(184)
At 31 December 2015	**1,331**	**591**	**2,528**	**3,603**	**8,053**
Depreciation					
At 1 January 2015	-	391	1,424	2,921	4,736
Charge for the year	-	53	233	177	463
Disposals	-	-	(8)	(1)	(9)
At 31 December 2015	**-**	**444**	**1,649**	**3,097**	**5,190**
Net book value					
At 31 December 2015	**1,331**	**147**	**879**	**506**	**2,863**
At 31 December 2014	11,250	121	311	369	12,051

15 INTANGIBLE ASSETS

Group	*Licence US$ '000*	*Underwriting capacity US$ '000*	*Total US$ '000*
Cost			
At 1 January 2014	19	2,081	2,100
Exchange difference	(2)	(120)	(122)
At 31 December 2014	17	1,961	1,978
Exchange difference	(2)	(89)	(91)
At 31 December 2015	**15**	**1,872**	**1,887**
Amortisation			
At 1 January 2014	19	1,996	2,015
Charge for the year		53	53
Exchange difference	(2)	(117)	(119)
At 31 December 2014	17	1,932	1,949
Charge for the year	-	11	11
Exchange difference	(2)	(88)	(90)
At 31 December 2015	**15**	**1,855**	**1,870**
Carrying value			
At 31 December 2015	**-**	**17**	**17**
At 31 December 2014	-	29	29

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

16 EQUITY AND RESERVES

Share capital

	2015 US$ '000	2014 US$ '000
Authorised:		
2,000,000 shares of US$100 each	**200,000**	200,000
Issued and fully paid up:		
2,000,000 shares of US$100 each (2014: 1,700,000 shares of US$100 each)	**200,000**	170,000

Increase in share capital

Following a resolution by the shareholders of the Company at an Extraordinary General Meeting held on 26 March 2015 and necessary regulatory approvals, the Company's issued and paid up share capital increased from US$ 170,000 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.

Proposed dividend

The Board of Directors proposes to recommend a cash dividend of US$ 7.50 per share for the approval of shareholders at the Annual General Meeting (2014: nil).

17 REINSURERS' SHARE OF DEFERRED ACQUISITION COSTS

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
At 1 January	**17,954**	**17,954**	14,664	14,664
Acquisition costs - reinsurer	**36,006**	**36,006**	33,510	33,510
Amortisation for the year - reinsurer	**(32,360)**	**(32,360)**	(30,220)	(30,220)
At 31 December	**21,600**	**21,600**	17,954	17,954

18 INSURANCE AND OTHER PAYABLES

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
Insurance payables	**20,961**	**16,440**	18,923	14,192
Outward pipeline premium provision	**68,727**	**68,727**	51,535	51,535
Outward treaty premium reserves loss deposit	**22,174**	**22,174**	21,518	21,518
Due to related parties (note 28)	**8,914**	**9,050**	369	369
Other accounts payable and accruals	**30,591**	**15,904**	23,195	4,895
Deposits from cedants recognised under deposit accounting method	**6,085**	**6,085**	10,000	10,000
Current tax liability	**-**	**-**	210	210
Deferred tax liability (note 19)	**166**	**-**	-	-
	157,618	**138,380**	125,750	102,719

19 DEFERRED TAXATION

The movement in deferred taxation is as follows:

	Tax losses carried forward US$ '000	*Underwriting profits not subject to taxation US$ '000*	*Claims equalisation US$ '000*	*Total US$ '000*
At 1 January 2014	1,031	(168)	(269)	594
Movement during the year	168	(194)	(75)	(101)
Derecognised on disposal of susidiaries	(457)	-	-	(457)
Exchange difference	(40)	16	19	(5)
At 31 December 2014	702	(346)	(325)	31
Movement during the year	(116)	(11)	(73)	(200)
Exchange difference	(29)	16	16	3
At 31 December 2015	**557**	**(341)**	**(382)**	**(166)**

20 OPERATING EXPENSES

	2015 Group US$ '000	***2015 Company US$ '000***	*2014 Group US$ '000*	*2014 Company US$ '000*
Staff costs	**13,768**	**13,768**	12,360	12,360
Occupancy costs	**3,672**	**3,672**	3,422	3,422
Marketing and business travel	**1,816**	**1,816**	2,571	2,571
Professional expenses	**1,449**	**1,449**	1,813	1,813
Corporate costs	**1,278**	**1,278**	1,313	1,313
Administration expenses	**705**	**705**	482	482
Information technology costs	**592**	**592**	562	562
Others	**1,396**	**1,396**	1,873	1,873
	24,676	**24,676**	24,396	24,396

21 INVESTMENT INCOME - NET

	2015 Group US$ '000	***2015 Company US$ '000***	*2014 Group US$ '000*	*2014 Company US$ '000*
Dividend income	**5,781**	**5,781**	3,829	3,829
Gain on sale of available-for-sale investments (note 21.1)	**17,702**	**17,702**	3,147	3,147
Interest income on debt securities	**1,326**	**1,326**	778	778
Impairment loss on available-for-sale investments	**(7,035)**	**(7,035)**	(755)	(755)
	17,774	**17,774**	6,999	6,999

21.1 Investment income included a gain on sale of available-for-sale investments to the Parent. Total consideration settled amounted to USD 23,300 thousand and gain amounted to USD 16,815 thousand (note 28).

22 INCOME FROM INVESTMENT PROPERTIES

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
Rental income	389	389	222	222
Revaluation of investment properties (note13)	(122)	(122)	199	199
	267	267	421	421

23 GENERAL AND ADMINISTRATION EXPENSES

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
Staff costs	4,010	3,171	3,659	2,881
Occupancy costs	4,426	4,334	4,420	4,328
Other	2,873	1,673	3,702	2,002
	11,309	9,178	11,781	9,211

24 OTHER INCOME AND LOSSES

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
Management fees	3,061	2,816	2,020	1,947
Profit (loss) from contracts recognised under deposit accounting method	315	315	(87)	(87)
Fair value gain on forward exchange contracts	2,853	2,853	992	992
Miscellaneous income	1,075	234	2,123	1,203
(Loss) gain on revaluation of own use property (note 14)	(184)	(184)	1,136	1,136
	7,120	6,034	6,184	5,191

25 TAXATION

The Group's branch in Cyprus is subject to a taxation charge of 12.5% (2014: 12.5%) on its chargeable income for the year. The branch has made a provision of tax amounting to US$ 10 thousand during the year (2014: US$ nil). The branch in Labuan, Malaysia elected to pay a tax on actual taxable income for the year. However, due to current losses in Labuan branch, no provision for tax has been made for the year 2015 (2014: US$ nil). The subsidiary in the USA is also subject to local taxation.

The tax charge (credit) is analysed as follows:

	2015 Group US$ '000	2015 Company US$ '000	2014 Group US$ '000	2014 Company US$ '000
Corporation tax (including previous years)	30	11	1	(18)
Deferred tax charge	200	-	101	-
	230	11	102	(18)

26 CLASSIFICATION OF FINANCIAL INSTRUMENTS

At 31 December 2015 and 31 December 2014, financial instruments have been classified for the purpose of measurement under IAS 39 *'Financial Instruments: Recognition and Measurement'* as follows:

26.1 *Group*

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

	2014			
	At fair value through income statement US$ '000	*Available-for-sale US$ '000*	*Loans and receivables / amortised cost US$ '000*	*Total US$ '000*
Financial assets				
Cash and bank balances	-	-	471,967	471,967
Available-for-sale investments	-	235,351	-	235,351
Insurance and other receivables	-	-	101,159	101,159
Reinsurers' share of outstanding claims reserve - reported claims	-	-	147,308	147,308
Forward foreign exchange contracts	353	-	-	353
	353	235,351	720,434	956,138
Financial liabilities				
Outstanding claims reserve - reported claims	-	-	392,347	392,347
Reinsurance payables	-	-	21,918	21,918
Trade and other payables	-	-	50,810	50,810
	-	-	465,075	465,075

26 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

26.2 *Company*

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

	2014			
	At fair value through income statement US$ '000	*Available-for-sale US$ '000*	*Loans and receivables / amortised cost US$ '000*	*Total US$ '000*
Financial assets				
Cash and bank balances	-	-	465,268	465,268
Available-for-sale investments	-	193,747	-	193,747
Insurance and other receivables	-	-	87,155	87,155
Reinsurers' share of outstanding claims reserve - reported claims	-	-	138,696	138,696
Forward foreign exchange contracts	353	-	-	353
	353	193,747	691,119	885,219
Financial liabilities				
Outstanding claims reserve - reported claims	-	-	353,778	353,778
Reinsurance payables	-	-	21,918	21,918
Trade and other payables	-	-	46,079	46,079
	-	-	421,775	421,775

26 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

27 FAIR VALUE MEASUREMENT

Fair 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.

Level 1, 2 and 3 are explained in note 4 under "Fair value measurement".

27.1 *Group*

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 December 2015:

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

27 FAIR VALUE MEASUREMENT (continued)

27.1 Group (continued)

	2014		
	Level 1 US$ '000	*Level 2 US$ '000*	*Total US$ '000*
Investment properties	-	1,906	1,906
Property and equipment (Land and building only)	-	11,249	11,249
Available-for-sale investments			
Equities			
Financial services	148,715	-	148,715
Others	9,232	-	9,232
Debt securities			
Financial services	9,428	-	9,428
Government	4,576	-	4,576
Energy	5,407	-	5,407
Others	49,088	-	49,088
Derivative financial instruments	-	353	353
	226,446	13,508	239,954

27.2 Company

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

	2014		
	Level 1 US$ '000	*Level 2 US$ '000*	*Total US$ '000*
Investment properties	-	1,906	1,906
Property and equipment (Land and building only)	-	11,250	11,250
Available-for-sale investments			
Equities			
Financial services	148,715	-	148,715
Others	4,259	-	4,259
Debt securities			
Financial services	9,428	-	9,428
Government	4,576	-	4,576
Energy	5,407	-	5,407
Others	12,457	-	12,457
Derivative financial instruments	-	353	353
	184,842	13,509	198,351

27 FAIR VALUE MEASUREMENT (continued)

27.3 *Group and Company*

Unquoted equities classified as available-for-sale amounted to US$ 10,192 thousand (2014: US$ 8,905 thousand) and are carried at cost less impairment due to their illiquid nature and accordingly are not included in the fair value measurement hierarchy table above.

Valuations are dated 31 December each year.

During the years ended 31 December 2015 and 31 December 2014, there were no transfers between Level 1 and Level 2 fair value hierarchies.

28 RELATED PARTY TRANSACTIONS

28.1 *Group*

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

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

	Entities related to shareholders	
	2015	*2014*
	US$ '000	*US$ '000*
Gross premiums written	**7,572**	6,937
Gross claims paid	**2,877**	1,655
Policy acquisition costs	**2,166**	1,444
Investment income - net	**16,815**	-

The expenses included US$ 7,000 thousand (2014: US$ 7,000 thousand) in respect of building rent and US$ 1,000 thousand (2014: 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*
	2015	***2015***	*2014*	*2014*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Insurance and other receivables	**670**	**30,951**	1,047	21,786
Insurance and other payables	**-**	**8,914**	-	369

For transfer for porfolio, refer below note 28.3.

28 RELATED PARTY TRANSACTIONS (continued)

28.1 *Group (continued)*

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

	2015 *US$ '000*	*2014* *US$ '000*
Directors' remuneration	**300**	292
Salaries and benefits	**1,265**	1,329
End of service benefits	**103**	295
	1,668	1,916

28.2 *Company*

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

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

	Entities related to shareholders	*Entities related to shareholders*
	2015 *US$ '000*	*2014* *US$ '000*
Gross premiums written	**7,572**	6,937
Gross claims paid	**2,877**	1,655
Policy acquisition costs	**2,166**	1,444
Investment income - net	**16,815**	-

The expenses included US$ 7,000 thousand (2014: US$ 7,000 thousand) in respect of building rent and US$ 1,000 thousand (2014: US$ 1,000 thousand) in respect of management fees paid to shareholder. Further, other income includes US$ 79 thousand (2014: US$ 233 thousand) in respect of management 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*
	2015 *US$ '000*	*2015* *US$ '000*	*2014* *US$ '000*	*2014* *US$ '000*
Insurance and other receivables	**670**	**32,787**	1,047	23,586
Insurance and other payables	-	**9,050**	-	369

28 RELATED PARTY TRANSACTIONS (continued)

28.2 *Company (continued)*

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

	2015	*2014*
	US$ '000	*US$ '000*
Directors' remuneration	**300**	292
Salaries and benefits	**1,265**	1,329
End of service benefits	**103**	295
	1,668	1,916

28.3 Group and Company

During the year, the Group entered into an assignment of portfolio management and run-off agreement with one of its related companies. Under the agreement, the Group has accepted the transfer of a porfolio of contracts, as well as assets and liabilities associated with the portfolio. The assets and libilities amounted to USD 27,977 thousand and USD 27,977 thousand respectively. The Group will service these contracts and manage the run-off of these contracts till expiry. The portfolio does not transfer underwriting risks to the Group.

The Group has received guarantee from a related company to compensate the Group, in case of decline in value of the assets transferred. Therefore, the Group is not expeosed to any credit, market, or fair value risk in respect of the above assets.

28.4 Group and Company

Loans to related parties
The following table provides the interest received during the year ended 31 December 2015 and 31 December 2014, as well as the loans outstanding from related parties as at 31 December 2015 and 31 December 2014:

	2015	*2014*
	US$ '000	*US$ '000*
Amounts owed by related party*	**2,375**	3,852

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

	2015	*2014*
	US$ '000	*US$ '000*
Interest received	**149**	173

29 CONTINGENT LIABILITIES

The Group has issued a guarantee of approximately US$ 1.0 million (€900 thousand) [(2014: US$ 1.1 million (€900 thousand)] as a statutory requirement by the Superintendent of Insurance in Cyprus in respect of its Cyprus branch.

30 DERIVATIVES

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

			Notional amounts by term to maturity		
31 December 2015	*Positive fair value US$ 000*	*Negative fair value US$ 000*	*Notional amount Total US$ 000*	*Within 3 months US$ 000*	*3 - 12 months US$ 000*
Derivatives*					
Forward foreign exchange	**950**	-	**22,954**	**22,954**	-
31 December 2014					
Derivatives*					
Forward foreign exchange	353	-	24,329	-	24,329

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

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

31 RISK MANAGEMENT

Governance framework

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

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

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

31 RISK MANAGEMENT (continued)

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

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

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

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

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

Concentration of reinsurance risk
The Group and the Company do not have any single reinsurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or reinsurance contracts covering risks for single incidents that expose the Group or the Company to multiple insurance risks. The Group and the Company has adequately reinsured for reinsurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the consolidated and separate statement of income (2014: same).

Syndicate risk (Trust Underwriting Limited)
The syndicates' activities expose one subsidiary to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with 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 Conduct Authority provide additional controls over the syndicate's management of risks.

31 RISK MANAGEMENT (continued)

Reinsurance risk (continued)

Syndicate risk (Trust Underwriting Limited) (continued)
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 the Euro and British Pound (GBP) are not pegged to the United States Dollar. The table below summarises the Group's exposure to foreign currency exchange rate risk at the consolidated statement of financial position date by categorising monetary assets and liabilities by major currencies.

Currency risk - Group

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

31 RISK MANAGEMENT (continued)

Currency risk - Group (continued)

	31 December 2014				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	439,564	25,496	1,417	5,490	471,967
Available-for-sale investments	231,377	1,832	2,142	-	235,351
Insurance and other receivables	76,393	2,651	3,144	19,324	101,512
Reinsurers' share of technical reserves - reported claims	103,746	5,059	341	38,162	147,308
	851,080	35,038	7,044	62,976	956,138
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	248,027	12,771	987	130,562	392,347
Reinsurance payables	21,918	-	-	-	21,918
Insurance and other payables	46,410	1,419	-	2,981	50,810
Borrowings	-	-	-	-	-
	316,355	14,190	987	133,543	465,075
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	6,082	-	-	6,082
Forward currency sale contracts	-	30,411	-	-	30,411
	-	(24,329)	-	-	(24,329)
Net exposure	534,725	(3,481)	6,057	(70,567)	466,734

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.

Currency	*Change in variables*	***2015* Impact on Profit before tax US$ '000**	*2014 Impact on Profit before tax US$ '000*
GBP	**+/- 10%**	**259**	606
Euro	**+/- 10%**	**(805)**	(348)

31 RISK MANAGEMENT (continued)

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 2015				
	US Dollars	*Euro*	*British Pound*	*Other*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	450,988	7,090	1,707	2,861	462,646
Available-for-sale investments	230,465	10,321	1,256	-	242,042
Investment in subsidiaries	3,275	-	655	37	3,967
Investment in associate	-	-	-	5,697	5,697
Insurance and other receivables	73,579	5,904	3,505	23,810	106,798
Reinsurers' share of technical reserves - reported claims	112,626	3,751	2,811	40,846	160,034
	870,933	27,066	9,934	73,251	981,184
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	233,227	10,518	6,690	128,284	378,719
Reinsurance payables	29,815	-	-	-	29,815
Insurance and other payables	47,173	1,644	1,480	3,452	53,749
	310,215	12,162	8,170	131,736	462,283
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	-	-	-	-
Forward currency sale contracts	-	22,954	-	-	22,954
	-	(22,954)	-	-	(22,954)
Net exposure	560,718	(8,050)	1,764	(58,485)	495,947

31 RISK MANAGEMENT (continued)

Currency risk - Company (continued)

	31 December 2014				
	US Dollars	*Euro*	*British Pound*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
ASSETS					
Cash and bank balances	432,865	25,496	1,417	5,490	465,268
Available-for-sale investments	189,773	1,832	2,142	-	193,747
Investment in subsidiaries	3,009	-	655	37	3,701
Insurance and other receivables	62,389	2,651	3,144	19,324	87,508
Reinsurers' share of technical reserves - reported claims	95,134	5,059	341	38,162	138,696
	783,170	35,038	7,699	63,013	888,920
LIABILITIES					
Technical reserves					
Outstanding claims reserves - reported claims	209,458	12,771	987	130,562	353,778
Reinsurance payables	21,918	-	-	-	21,918
Insurance and other payables	40,402	1,419	1,277	2,981	46,079
	271,778	14,190	2,264	133,543	421,775
OFF BALANCE SHEET ITEMS					
Forward currency purchase contracts	-	6,082	-	-	6,082
Forward currency sale contracts	-	(30,411)	-	-	(30,411)
	-	(24,329)	-	-	(24,329)
Net exposure	511,392	(3,481)	5,435	(70,530)	442,816

Currency	***Change in variables***	***2015 Impact on Profit before tax US$ '000***	*2014 Impact on Profit before tax US$ '000*
GBP	**+/- 10%**	**176**	543
Euro	**+/- 10%**	**(805)**	(348)

31 RISK MANAGEMENT (continued)

(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$ 2,350 thousand (2014: US$ 2,290 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 2015 US$ '000	*Company 2015 US$ '000*	*Group 2014 US$ '000*	*Company 2014 US$ '000*
Bahrain	**3,288**	**3,288**	3,709	3,709
GCC countries (excluding Bahrain)	**152,610**	**152,610**	162,199	162,199
Europe	**69,633**	**30,657**	51,934	10,330
Rest of the world	**55,487**	**55,487**	17,509	17,509
	281,018	**242,042**	235,351	193,747

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

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

	Change in variables	*2015 Impact on equity US$ '000*	*2014 Impact on equity US$ '000*
Market indices			
Muscat stock exchange	**+/- 15%**	**856**	691
Doha stock exchange	**+/- 15%**	**10,778**	2,320
UAE stock exchange	**+/- 15%**	**146**	167
Riyadh stock exchange	**+/- 15%**	**837**	316
London Stock Exchange	**+/- 15%**	**263**	45
Morgan Stanley Composite Index	**+/- 15%**	**854**	-

31 RISK MANAGEMENT (continued)

(d) Liquidity risk - Group

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

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

	2015							
	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	218,785	245,159	3,698	467,642	-	-	398	468,040
Available-for-sale investments	-	-	3,281	3,281	108,090	14,787	154,860	281,018
Investment in associate	-	-	-	-	-	-	5,697	5,697
Insurance and other receivables	23,197	39,701	164,226	227,124	59,232	11,953	-	298,309
Gross deferred acquisition costs	4,360	8,720	27,287	40,367	12,895	273	-	53,535
Reinsurers' share of technical reserves	14,702	29,405	114,473	158,580	129,125	8,811	-	296,515
Investment properties	-	-	-	-	-	-	18,786	18,786
Property and equipment	-	-	-	-	-	-	3,511	3,511
Intangible assets	-	-	-	-	-	-	17	17
	261,044	322,985	312,965	896,994	309,342	35,824	183,269	1,425,428
LIABILITIES								
Technical reserves	42,103	84,207	305,898	432,208	332,049	22,553	-	786,809
Reinsurers' share of deferred acquisition costs	1,133	2,267	10,061	13,461	7,955	184	-	21,600
Insurance and other payables	13,599	18,977	81,834	114,410	33,188	10,020	-	157,618
Reinsurance payables	9,938	19,877	-	29,815	-	-	-	29,815
	66,773	125,328	397,793	589,894	373,192	32,757	-	995,842

31 RISK MANAGEMENT (continued)

(d) Liquidity risk - Group (continued)

	2014							
	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	201,422	248,073	22,074	471,569	-	-	398	471,967
Available-for-sale investments	-	499	493	992	63,951	3,556	166,852	235,351
Insurance and other receivables	18,164	32,035	132,880	183,079	54,421	9,358	-	246,858
Gross deferred acquisition costs	4,254	8,508	26,200	38,962	9,302	341	-	48,605
Reinsurers' share of technical reserves	13,069	26,138	86,898	126,105	119,539	12,423	-	258,066
Investment properties	-	-	-	-	-	-	1,906	1,906
Property and equipment	-	-	-	-	-	-	12,150	12,150
Intangible assets	-	-	-	-	-	-	29	29
	236,909	315,253	268,545	820,707	247,213	25,678	181,335	1,274,932
LIABILITIES								
Technical reserves	35,875	71,750	254,260	361,885	330,383	31,855	-	724,123
Reinsurers' share of deferred acquisition costs	1,616	3,231	8,430	13,277	4,401	276	-	17,954
Insurance and other payables	10,977	14,859	60,114	85,950	30,644	9,156	-	125,750
Reinsurance payables	7,306	14,612	-	21,918	-	-	-	21,918
	55,774	104,452	322,804	483,030	365,428	41,287	-	889,745

31 RISK MANAGEMENT (continued)

(d) Liquidity risk - Company

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

	2015							
	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	213,391	245,159	3,698	462,248	-	-	398	462,646
Available-for-sale investments	-	-	3,281	3,281	69,114	14,787	154,860	242,042
Investment in subsidiaries	-	-	-	-	-	-	3,967	3,967
Investment in associate	-	-	-	-	-	-	5,697	5,697
Insurance and other receivables	23,197	39,701	148,624	211,522	59,232	11,953	-	282,707
Gross deferred acquisition costs	4,360	8,720	25,447	38,527	11,054	273	-	49,854
Reinsurers' share of technical reserves	14,702	29,405	109,900	154,007	124,552	8,811	-	287,370
Investment properties	-	-	-	-	-	-	18,786	18,786
Property and equipment	-	-	-	-	-	-	2,863	2,863
	255,650	322,985	290,950	869,585	263,952	35,824	186,571	1,355,932
LIABILITIES								
Technical reserves	42,103	84,207	280,554	406,864	306,705	22,553	-	736,122
Reinsurers' share of deferred acquisition costs	1,133	2,267	10,061	13,461	7,955	184	-	21,600
Reinsurance payables	9,938	19,877	-	29,815	-	-	-	29,815
Insurance and other payables	13,599	18,977	62,596	95,172	33,188	10,020	-	138,380
	66,773	125,328	353,211	545,312	347,848	32,757	-	925,917

31 RISK MANAGEMENT (continued)

(d) Liquidity risk - Company (continued)

	2014							
	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	194,723	248,073	22,074	464,870		-	398	465,268
Available-for-sale investments	-	499	493	992	27,320	3,556	161,879	193,747
Investment in subsidiaries	-	-	-	-	-	-	3,701	3,701
Insurance and other receivables	18,164	32,035	115,810	166,009	54,421	9,358	-	229,788
Gross deferred acquisition costs	4,254	8,508	24,297	37,059	7,399	341	-	44,799
Reinsurers' share of technical reserves	13,069	26,138	81,555	120,762	114,196	12,423	-	247,381
Investment properties	-	-	-	-	-	-	1,906	1,906
Property and equipment	-	-	-	-	-	-	12,051	12,051
	230,210	315,253	244,229	789,692	203,336	25,678	179,935	1,198,641
LIABILITIES								
Technical reserves	35,875	71,750	227,116	334,741	303,239	31,855	-	669,835
Reinsurers' share of deferred acquisition costs	1,616	3,231	8,430	13,277	4,401	276	-	17,954
Reinsurance payables	7,306	14,612	-	21,918	-	-	-	21,918
Insurance and other payables	10,977	14,859	37,083	62,919	30,644	9,156	-	102,719
	55,774	104,452	272,629	432,855	338,284	41,287	-	812,426

31 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$ 887,870 thousand [2014: US$ 815,597 thousand] out of which US$ 673,256 thousand [2014: US$ 551,683 thousand] falls under the ratings category between A+ to A-, US$ 126,942 thousand [2014: US$ 116,773 thousand] lower than A-, and US$ 87,672 thousand [2014: US$ 147,141 thousand] is unrated.

Credit risk - Company
The company's maximum exposure to credit risk is US$ 826,624 thousand [2014: US$ 746,586 thousand] out of which US$ 615,910 thousand [2014: US$ 483,517 thousand] falls under the ratings category between A+ to A-, US$ 123,041 thousand [2014: US$ 115,928 thousand] lower than A-, and US$ 87,673 thousand [2014: US$ 147,141 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.

31 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$ 10,192 thousand (2014: US$ 8,905 thousand) carried at cost less impairment, the fair value of the Group's and Company's financial instruments such as cash and bank balances, outstanding claims reserve - reported claims (both gross and reinsurers' share), insurance and other receivables, reinsurance payables and insurance and other payables are not materially different from their carrying values largely due to the short term maturities of these instruments as shown in the consolidated and separate statements of financial position.

(i) Capital management

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

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

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

32 COMPARATIVE INFORMATION

Prior to 1 January 2015, the reinsurance receivables under "insurance and other receivables" and reinsurance payables were reported on a gross basis. During the year ended 31 December 2015, the reinsurance receivables and reinsurance payables have been reported on a net basis. Management believes this provides a more meaningful presentation. Accordingly comparatives have also been restated as set out below:

	Group		*Company*	
	2014		*2014*	
	Restated	*Previously reported*	*Restated*	*Previously reported*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Consolidated and separate statements of financial position				
Insurance and other receivables	246,858	256,790	229,788	239,720
Reinsurance payables	21,918	31,850	21,918	31,850

The above restatements did not result in any changes in previously reported retained earnings and profit as at and for the year ended 31 December 2014.