Head Office Bldg-Amman, Jordan

International General Insurance Holdings Ltd.

ANNUAL REPORT 2013

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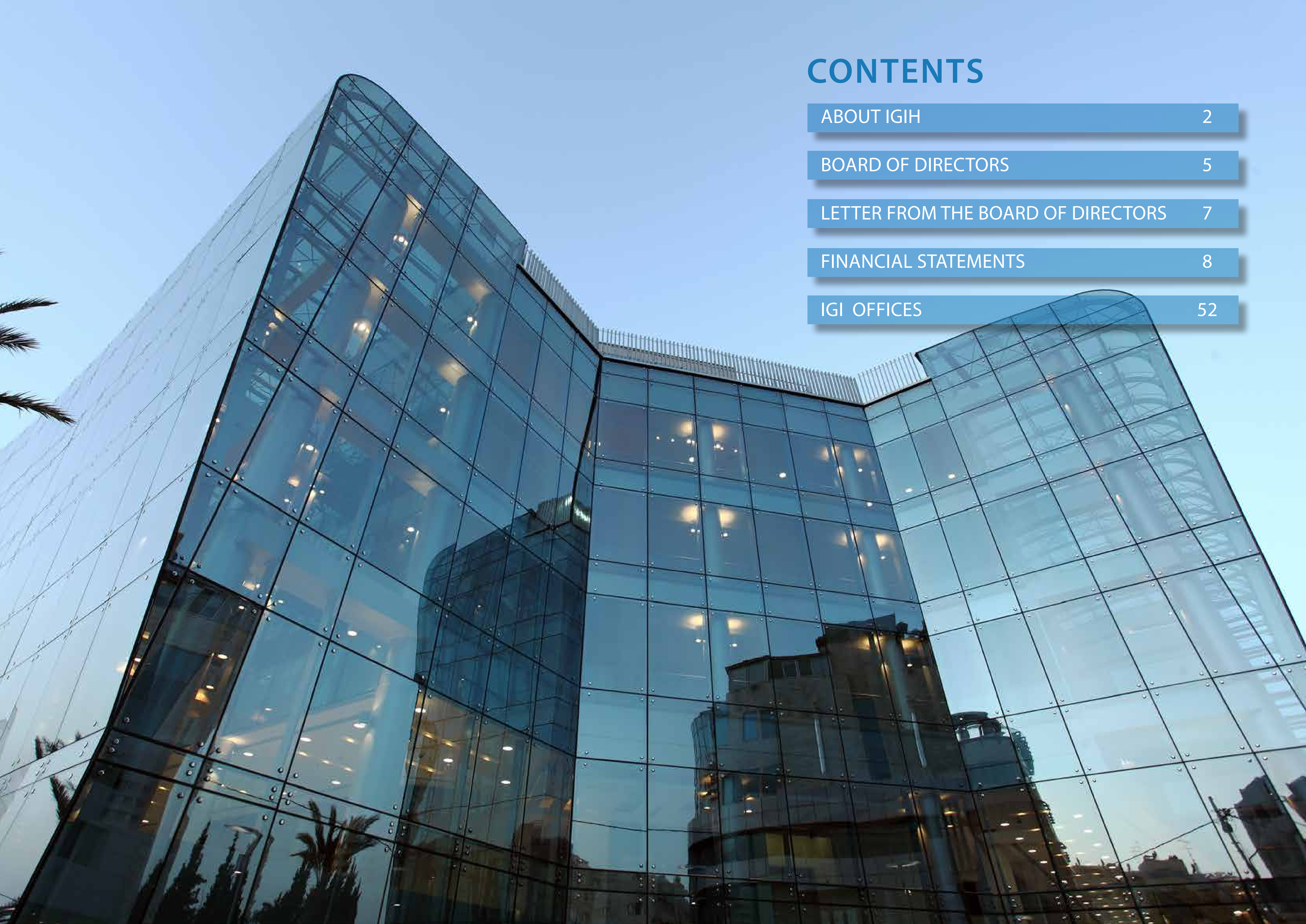


About IGIH

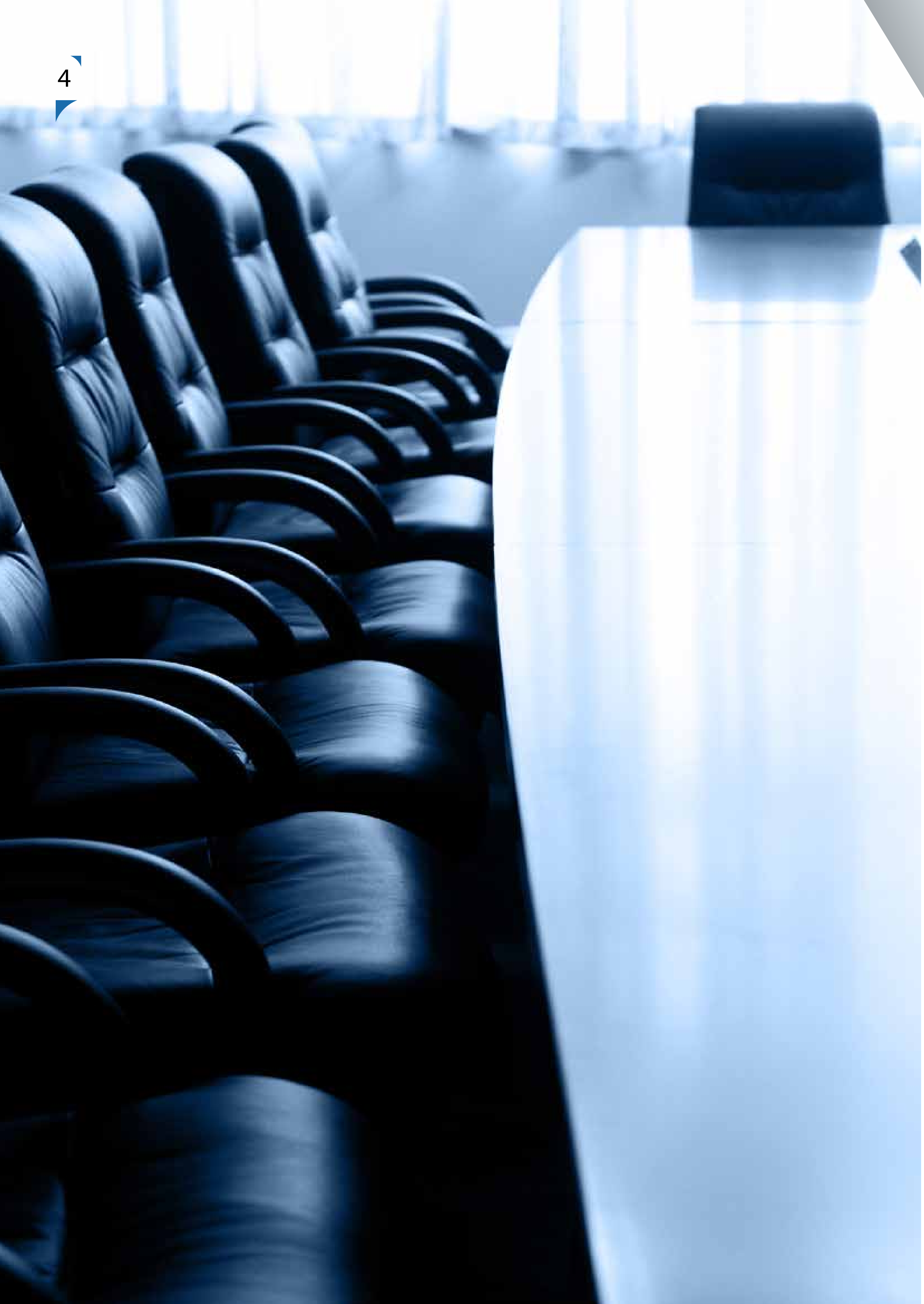
International General Insurance Holdings Limited (IGIH) is registered in the Dubai International Financial Centre (DIFC) with operations in Bermuda, Jordan, Malaysia and a wholly owned subsidiary in the U.K.

IGI Bermuda is a class 3B (re)insurer regulated by the Bermuda Monetary Authority (BMA). This subsidiary is the principal underwriting entity for the Group. The Group also has a branch in Labuan, Malaysia, registered as a second-tier offshore reinsurer.

Both Bermuda and UK subsidiaries are rated A- (Excellent) by A.M. Best Company Inc.

IGI Group of companies underwrites a worldwide portfolio of energy, property, marine, engineering, casualty, financial institutions, general aviation, ports & terminals, political violence and non-proportional reinsurance treaty business with the main geographical focus being the Afro-Asian markets.

IGIH has assets in excess of US$ 672 million as at 31st December, 2013.



Board Of Directors

Mr. Mohammed Abu Ghazaleh
Chairman (Chairman and CEO, Fresh Del Monte Produce Inc. - USA)

Mr. Wasef Jabsheh
CEO & Vice Chairman

Mr. Khalifa Al Mulhem
Director (Chairman, National Polypropylene Company Limited - KSA)

Mr. Hani Tarazi
Director (Saba IP & Co. - UAE)

Mr. Khaled Sifri
Director (CEO of Arab Emirates Investment Bank - UAE)

Mr. Hani Jabsheh
Director (CEO, Al Bawaba.com)

Al Sayyida Rawan Al Said
Director (Managing Director & Group Chief Executive of ONIC Holding Group)

Letter From the Board of Directors

It gives us great pleasure to include herewith the full report on our 2013 performance. The past year has proven to be another successful year for IGI, achieving record profits over the Company's twelve year history.

Despite a flood of new capital entering the insurance market in 2013, IGI was able to realize a healthy growth rate. Our top line growth represented a 6.4% increase, with net income growing by 23.8%. 2013 saw the highest income levels in the Company's career, allowing it to offer investors a 12.7% return on equity. 2013's figures confirm that IGI's business strategy, underwriting management and cost efficiency collectively are able to withstand the current competitive environment.

2013 was a year of minimal catastrophes, with hail storms in Germany, flooding in the UK and Europe, and super typhoon Haiyan as the only major incidents to afflict the international insurance market. Estimated costs to the industry were US$ 31 billion which falls well below the average figures of the past 10 years of US$56 billion.

The continued civil and political unrest in the Middle East region with its resounding negative effects on global political and economic dynamics has galvanized the Company to integrate and innovate relevant lines of business to counteract market turbulence. In early 2013, we further diversified our overall portfolio in response to such changing market conditions. We introduced political violence as a new class of business, which has gained traction and proven to be a valuable addition. We also continued to grow our Ports and Terminals book profitably.

For 2014, we anticipate a greater level of competition, ultimately placing the insurance industry in a softer market. IGI will remain vigilant in seeking out geographical expansion over the coming year, and will continue to be opportunistic, whether through current business line expansion or new product offerings. We expect our casualty book to grow robustly in 2014 and we intend to increase IGI's presence in leading complex business.

We continue to grow our operations in Dubai and the UK. We have boosted our capacity by expanding underwriting resources in both office locations. Alongside seeking out further expansion, we will press on with our strategy of optimizing resources and increasing efficiency of assets deployed to further increase shareholder equity.

Finally, one activity which we expect to remain generally unchanged in the financial year of 2014 is investments: last year's return of 2.11% reflected our management team's successful hands-on approach, and an improvement on the previous year's 1.92%. Although we do not expect to see any major changes in the portfolio mix, we will remain vigilant in seeking out investment opportunities which provide the best return for our shareholders whilst keeping our conservative principles intact.

Highlights for 2013 include the following:

- Gross written premium in 2013 was US$ 240 million, an increase of 6.4% compared to US$ 225 million for 2012.
- Underwriting profit grew to US $ 43.5 million for 2013, an increase of 18.5% from US$ 36.7 million in 2012.
- Investment income for the year stood at $9.4 million, an increase of 27% compared to US$ 7.4 million for 2012.
- The Combined Ratio for 2013 was 87.93% compared to 88.01% for 2012.
- Net Profit amounted to US$ 31.2 million for 2013 against US$ 25.2 million for 2012, an increase of 24%.
- Total assets were US$ 672 million at the end of 2013, an increase of 10.4% compared to US$ 623 million as of 31st December, 2012.
- Shareholders' equity rose to US$ 246.3 million at the end of 2013, up 7.8% compared to US$ 232.1 million as of 31st December, 2012.

As always, we would like to extend a thank you to all our clients and producers for their untiring support throughout 2013. We would also like to express our appreciation to all our employees for their unique efforts and contributions this year. We look forward to working together in 2014 to fulfill the visions and ambitions of the Company and to further raising the bar on industry standards. We plan to replicate our successes while consolidating our position as a leading underwriting operation in the region.

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GENERAL INSURANCE HOLDINGS Ltd.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International General Insurance Holdings Ltd ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company as a body, for our audit work, for this report, or for the opinions we have formed. 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 financial statements in order to design audit procedures that are appropriate for 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

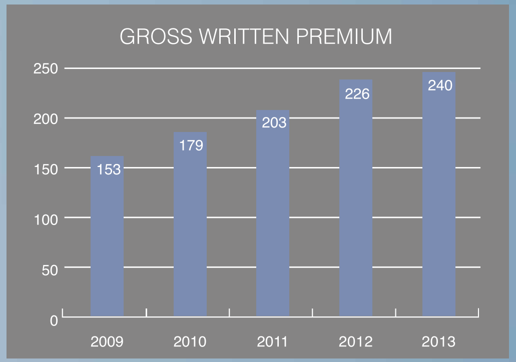
Report on other legal and regulatory requirements

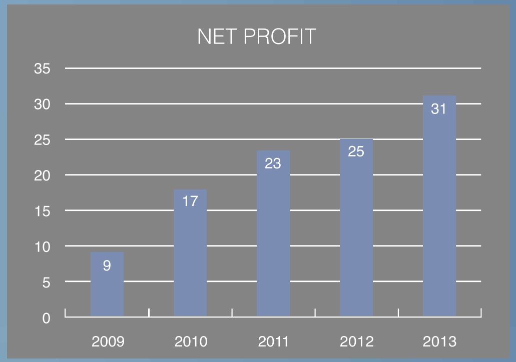
We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit. To the best of our knowledge and belief, no violations of the companies law pursuant to Law No. 2 of 2009 have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

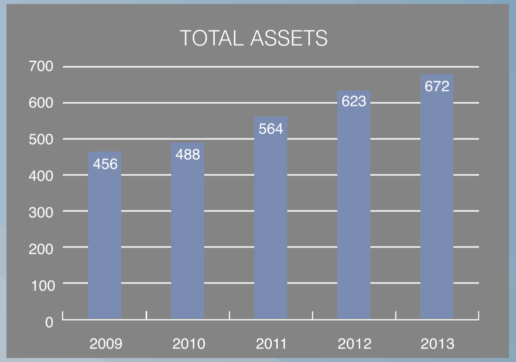
Ernst & Young

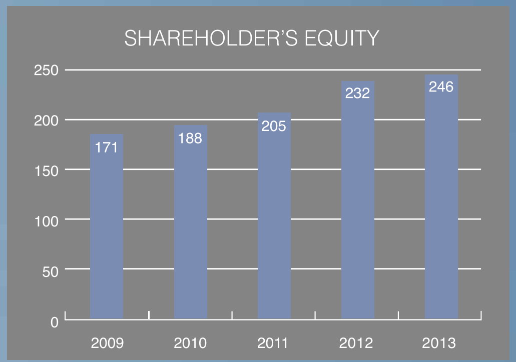
16 March 2014
Dubai, United Arab Emirates

FINANCIAL RESULTS









	Notes	2013 USD	2012 USD
ASSETS			
Premises and equipment	3	3,849,915	3,525,920
Intangible assets	4	180,389	250,498
Investment in associated companies	5	11,703,630	12,228,572
Investment properties	6	28,550,500	29,339,762
Investments	7	202,096,288	151,216,442
Deferred policy acquisition costs	8	27,621,280	30,754,592
Insurance receivables	9	95,109,788	97,742,261
Trade receivables	10	73,933	137,982
Other assets	11	2,705,346	2,189,023
Deferred tax assets	24	730,618	820,542
Reinsurance assets	13	93,727,503	99,989,127
Cash and bank balances	14	205,658,242	194,500,512
TOTAL ASSETS		**672,007,432**	**622,695,233**
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15	143,375,678	143,375,678
Treasury shares	16	(12,000,000)	-
Foreign currency translation reserve		(214,298)	(230,995)
Cumulative changes in fair values		22,821,709	15,325,027
Retained earnings		92,346,727	73,671,131
Total equity		**246,329,816**	**232,140,841**
Liabilities			
Insurance contracts liabilities	12	391,695,955	358,620,524
Other liabilities	18	3,111,273	3,649,283
Insurance payables	19	24,241,201	19,567,472
Unearned commissions	20	6,629,187	8,717,113
Total liabilities		425,677,616	390,554,392
TOTAL EQUITY AND LIABILITIES		**672,007,432**	**622,695,233**

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 16 March 2014.

The attached notes 1 to 27 form part of these consolidated financial statements

	Notes	2013 USD	2012 USD
Gross written premiums	12 (a)	240,008,259	225,569,256
Change in unearned premiums		1,058,400	(19,265,207)
Gross earned premiums	12 (a)	241,066,659	206,304,049
Reinsurers' share of insurance premiums	12 (a)	(58,767,697)	(49,760,815)
Reinsurers' share of change in unearned premiums		(1,649,773)	(8,100,260)
Reinsurers' share of gross earned premiums	12 (a)	(60,417,470)	(57,861,075)
Net premiums earned		**180,649,189**	**148,442,974**
Claims	12 (b)	(123,021,028)	(106,735,933)
Reinsurers' share of claims	12 (b)	24,246,187	24,299,306
Commissions earned	20	9,350,877	14,361,470
Policy acquisition costs	8	(47,667,348)	(43,579,118)
Net underwriting result		**43,557,877**	**36,788,699**
Net investment income	21	9,985,201	6,937,296
Share of profit from associated companies	5	408,709	525,655
General and administrative expenses		(21,663,540)	(19,739,392)
Other income		14,375	50,700
Loss on exchange		(949,291)	(9,778)
Profit before tax		**31,353,331**	**24,553,180**
Tax (expense) credit on results of subsidiary	24	(89,924)	702,010
PROFIT FOR THE YEAR		**31,263,407**	**25,255,190**

The attached notes 1 to 27 form part of these consolidated financial statements

	2013 USD	2012 USD
Profit for the year	31,263,407	25,255,190
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Fair value changes	7,496,682	9,998,748
Currency translation differences	16,697	55,657
Other comprehensive income for the year	7,513,379	10,054,405
Total comprehensive income for the year	**38,776,786**	**35,309,595**

The attached notes 1 to 27 form part of these consolidated financial statements

	Notes	2013 USD	2012 USD
OPERATING ACTIVITIES			
Profit before tax		31,353,331	24,553,180
Adjustments for:			
Depreciation and amortization	3,4	961,457	785,420
Gain on sale of available-for-sale investments	21	(1,622,258)	(366,140)
Provision for doubtful debts	9	494,000	900,000
Impairment of available-for-sale investments	21	895,203	1,231,640
Gain on sale of premises and equipment		(14,375)	(6,127)
Loss on revaluation of held for trading investments	21	3,972	63,782
Dividends and interest income	21	(9,628,530)	(8,073,959)
Share of profit from associated companies	5	(408,709)	(525,655)
Net foreign exchange differences		949,291	9,778
Cash from operations before working capital changes		**22,983,382**	**18,571,919**
Working capital adjustments			
Reinsurance assets		6,261,624	8,154,930
Insurance contracts liabilities		33,075,431	36,272,149
Deferred policy acquisition costs		3,133,312	(1,302,646)
Insurance receivables		2,138,473	1,759,972
Trade receivables		64,049	98,312
Other assets		(499,626)	418,766
Unearned commission		(2,087,926)	(497,278)
Insurance payables		4,673,729	(18,259,540)
Other liabilities		(538,010)	763,689
Net cash from operating activities		**69,204,438**	**45,980,273**
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(432,633)	(1,009,428)
Proceeds from sale of premises and equipment		32,097	8,454
Purchase of intangible assets	4	(11,170)	(152,812)
Purchase of available-for-sale investments		(64,367,635)	(24,705,631)
Proceeds from maturity of held to maturity investments		79,972	169,492
Proceeds from sale of available-for-sale investments		21,514,036	16,841,394
Proceeds from redemption of trading securities		113,546	-
Purchase of investment properties		-	(176,608)
Dividends received from associated companies	5	933,651	-
Matured time deposits – long term		-	5,444,160
Dividends and interest income	21	9,628,530	8,073,959
Net cash (used in) from investing activities		**(32,509,606)**	**4,492,980**
FINANCING ACTIVITIES			
Dividends paid	17	(12,587,811)	(8,602,540)
Purchase of treasury shares	16	(12,000,000)	-
Net cash used in financing activities		**(24,587,811)**	**(8,602,540)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**12,107,021**	**41,870,713**
Net foreign exchange differences		(949,291)	(9,778)
Cash and cash equivalents at the beginning of the year		194,500,512	152,639,577
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**14**	**205,658,242**	**194,500,512**

The attached notes 1 to 27 form part of these consolidated financial statements

	Issued share capital USD	Treasury shares USD	Foreign currency translation reserve USD	Cumulative change in fair value of investments USD	Retained earnings USD	Total USD
At 1 January 2013	143,375,678	-	(230,995)	15,325,027	73,671,131	232,140,841
Profit for the year	-	-	-	-	31,263,407	31,263,407
Other comprehensive income	-	-	16,697	7,496,682	-	7,513,379
Total comprehensive income	-	-	16,697	7,496,682	31,263,407	38,776,786
Dividends paid during the year (note 17)	-	-	-	-	(12,587,811)	(12,587,811)
Purchase of treasury shares (note 16)		(12,000,000)	-	-	-	(12,000,000)
At 31 December 2013	**143,375,678**	**(12,000,000)**	**(214,298)**	**22,821,709**	**92,346,727**	**246,329,816**
At 1 January 2012	143,375,678	-	(286,652)	5,326,279	57,018,481	205,433,786
Profit for the year	-	-	-	-	25,255,190	25,255,190
Other comprehensive income	-	-	55,657	9,998,748	-	10,054,405
Total comprehensive income	-	-	55,657	9,998,748	25,255,190	35,309,595
Dividends paid during the year (note 17)	-	-	-	-	(8,602,540)	(8,602,540)
At 31 December 2012	**143,375,678**	**-**	**(230,995)**	**15,325,027**	**73,671,131**	**232,140,841**

The attached notes 1 to 27 form part of these consolidated financial statements

1 - ACTIVITIES

International General Insurance Holdings Ltd ("the Company") is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2009 on 7 May 2006 and is engaged in the business of insurance and re-insurance. The Company's registered office is at unit 1, Gate Village 01, P. O. Box 506646, International Financial Centre, Dubai.

The Company and its subsidiaries (together "the Group") operate in the United Arab Emirates, Bermuda, United Kingdom, Jordan and Malaysia.

2 - BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE laws.

The consolidated financial statements have been presented in United States Dollars "USD" which is the Group's functional currency.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets available-for-sale, financial assets held for trading and investment properties.

Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 statement of comprehensive income 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 change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity, if any;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses, including dividends resulting from intra-group transactions, are eliminated in full.

The Group has the following subsidiaries

	Country of incorporation	Activity	Ownership	
			2013	2012
International General Insurance Underwriting	Jordan	Underwriting agency	100%	100%
North Star Underwriting Limited	United Kingdom	Underwriting agency	100%	100%
International General Insurance Co. Ltd.	Bermuda	Reinsurance and insurance	100%	100%
The following entities are wholly owned by the subsidiary International General Insurance Company Ltd. Bermuda				
International General Insurance Company Ltd. Labuan Branch	Malaysia	Reinsurance and insurance	100%	100%
International General Insurance Company (UK) Limited	United Kingdom	Reinsurance and insurance	100%	100%
International General Insurance Company Dubai Ltd.	United Arab Emirates	Insurance intermediation and insurance management	100%	100%
Specialty Malls Investment Co.*	Jordan	Real estate properties development and lease	100%	100%

** During 2012, the ownership of %100 of equity shares of Specialty Malls Investments Co. was transferred from the subsidiary International General Insurance Underwriting Company - Jordan to the subsidiary International General Insurance Company Ltd. Bermuda.*

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment became effective starting from 1 January 2013.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements, does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendments did not have any impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments became effective for annual periods beginning on or after 1 January 2013 and did not impact the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The application of this new standard did not impact the financial position and performance of the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard did not impact the accounting of joint ventures held by the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group does not have subsidiaries with material non-controlling interests which are considered significant at the Group level. There are no unconsolidated structured entities and IFRS 12 disclosures are not considered significant for disclosure in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard became effective for annual periods starting from 1 January 2013. The application of the new standards did not have a significant impact on the financial position or performance of the Group.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In November 2013 the IASB amended the Financial Instruments (Hedge accounting and IFRS 9, IFRS7, and IAS39), moved the mandatory date. A new mandatory date for IFRS 9 will be determined by the IASB when IFRS 9 is closer to completion.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

Summary of significant accounting policies

Revenue recognition

Gross premiums

Gross general insurance written premiums 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.
Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the consolidated statement of financial position date.

The Group generally estimates its claims based on appointed loss adjusters or leading underwriters' recommendations. In addition a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the consolidated statement of financial position date.

Policy acquisition costs

Policy acquisition costs represent commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts which are deferred and expensed over the terms of the insurance contracts to which they relate as premiums are earned.

Liability adequacy test

At each statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its unearned premiums (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected be paid within one year of the statement of financial position date.

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its 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 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 will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

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

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement 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.

Interest income

Interest income included in investment income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividend revenue included in investment income is recognised when right to receive the payment is established.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives using the following are the estimated useful lives (Note 3).

	Years
Office Buildings	20
Office Furniture	5
Computers	3
Equipment	4
Leasehold Improvement	5
Vehicles	5

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no 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 income statement when the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year-end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable.
Impairment losses are recognised in the consolidated statement of income as an expense.

Intangible assets
Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortised over the useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalised and are expensed in the consolidated statement of income.

Indications of impairment of intangible assets are reviewed and their useful economic lives are reassessed at each reporting date.
Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortised on a straight line basis over their estimated economic useful lives of 5 years.

Impairment and uncollectibility of financial assets
An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value;
b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rates.

The group treats financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists.

The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the income statement except for equity instruments classified as available for sale investments for which the reversal is recognized in the statement of other comprehensive income.

Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Investment in associated companies
The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the consolidated statement of income. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining 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 remaining investment and proceeds from disposal is recognised in profit or loss.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification as follows:

Insurance receivables

Insurance companies and intermediaries receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.
Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. 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 income statement.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income. The Group has not designated any financial assets upon initial recognition as at fair value through consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Impairment losses are recognised in the consolidated statement of income.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the consolidated statement of income and removed from the available-for-sale reserve.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Cash settled - Share based payment plan

A phantom share option plan linked to the value of an ordinary share of the Group as approved by the Board of directors has been declared during 2011. The scheme is applicable to senior executives with more than 12 months service. The amount of bonus is determined by reference to the increase in the book value of shares covered by the option. No shares are actually issued or transferred to the option holder on the exercise of the option.

The options vest equally over a span of 5 years from the grant date. The bonus due amounts to the excess of book value on vesting date over grant date plus an additional 20% on the value of the excess.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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 statement of income unless required or permitted by any accounting standard or interpretation.

Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars, which is also the functional currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in consolidated statement of comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries were the group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Leasing

The Group has no finance lease arrangements.

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

Group as a lessee

Finance leases that transfer to the Group substantially all of 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 cost in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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.

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Group as a lessor

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income from operating leases is recognised on a straight-line basis over the term of lease.

Fair values

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the consolidated statement of financial position date. If quoted market prices are not available, reference is also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Operating lease commitments-group as lessor

The Group has entered into commercial property leases on its premises and equipment. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of its property and so accounts for them as operating leases.

Going concern

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

Classifcation of investments

Management decides on acquisition of an investment whether it should be classified as held for trading or available for sale or held to maturity.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Financial assets are classified as held to maturity if the Group has the positive intention and ability to hold up till maturity.

All other investments are classified as financial assets available -for- sale.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Investment properties

Investment properties are stated at fair value which is determined based on valuations performed by professional independent valuers.

Impairment losses on available for sale investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment losses on held-to-maturity investments

The Group reviews its individually significant held-to-maturity investments at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment losses on receivables

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 judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

3 - PREMISES AND EQUIPMENT

	Office building	Office furniture	Computers	Equipment	Leasehold improvements	Vehicles	Work in progress	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Cost								
At 1 January 2013	1,867,389	1,318,770	797,733	243,810	1,026,403	515,759	92,057	5,861,921
Additions	-	1,943	91,396	14,042	23,552	250,000	51,700	432,633
Transfers	-	78,034	-	-	14,023	-	(92,057)	-
Transfers from investment properties (note 6)	789,262	-	-	-	-	-	-	789,262
Written off and disposals	-	(132,497)	(2,810)	(2,192)	-	-	-	(137,499)
At 31 December 2013	**2,656,651**	**1,266,250**	**886,319**	**255,660**	**1,063,978**	**765,759**	**51,700**	**6,946,317**
Depreciation								
At 1 January 2013	240,861	648,814	422,276	150,117	589,375	284,558	-	2,336,001
Deprecation for the year	100,969	246,784	176,354	35,851	237,075	83,145	-	880,178
Written off and disposals	-	(116,796)	(2,810)	(171)	-	-	-	(119,777)
At 31 December 2013	341,830	778,802	595,820	185,797	826,450	367,703	-	3,096,402
Net carrying amount								
At 31 December 2013	**2,314,821**	**487,448**	**290,499**	**69,863**	**237,528**	**398,056**	**51,700**	**3,849,915**
Cost								
At 1 January 2012	1,851,593	1,238,115	514,582	165,355	915,827	416,653	-	5,102,125
Additions	15,796	160,463	379,875	79,432	161,456	120,349	92,057	1,009,428
Written off and disposals	-	(79,808)	(96,724)	(977)	(50,880)	(21,243)	-	(249,632)
At 31 December 2012	**1,867,389**	**1,318,770**	**797,733**	**243,810**	**1,026,403**	**515,759**	**92,057**	**5,861,921**
Depreciation								
At 1 January 2012	170,093	504,280	434,043	123,334	438,006	240,682	-	1,910,438
Deprecation for the year	70,768	224,342	84,957	27,575	202,249	62,977	-	672,868
Written off and disposals	-	(79,808)	(96,724)	(792)	(50,880)	(19,101)	-	(247,305)
At 31 December 2012	240,861	648,814	422,276	150,117	589,375	284,558	-	2,336,001
Net carrying amount								
At 31 December 2012	**1,626,528**	**669,956**	**375,457**	**93,693**	**437,028**	**231,201**	**92,057**	**3,525,920**

The depreciation charge for the year of USD 880,178 (2012: USD 672,868) has been included in general and administrative expenses.

Fully depreciated premises and equipment still in use amounted to USD 589,615 as at 31 December 2013 (2012: 565,134).

4 - INTANGIBLE ASSETS

	Computer software / licenses	
	2013	**2012**
	USD	*USD*
Cost		
Opening balance	926,277	773,465
Additions	11,170	152,812
CLOSING BALANCE	937,447	926,277
Amortisation		
Opening balance	675,779	563,227
Amortisation for the year	81,279	112,552
Closing balance	757,058	675,779
Net book value	**180,389**	**250,498**

5 - INVESTMENT IN ASSOCIATED COMPANIES

In 2002, the Group acquired a 33% equity ownership interest in companies registered in Lebanon as shown below:

	Country of incorporation	Ownership	
		2013	**2012**
Star Rock SAL Lebanon	Lebanon	33%	33%
Sina SAL Lebanon	Lebanon	33%	33%
Silver Rock SAL Lebanon	Lebanon	33%	33%
Golden Rock SAL Lebanon	Lebanon	33%	33%

Movement on investment in associates is as follows:

	2013	2012
	USD	*USD*
Opening balance	12,228,572	11,702,917
Share of profit of results of associated companies	408,709	525,655
Dividends received	(933,651)	-
	11,703,630	**12,228,572**

The following table includes summarised information of the Group's investments in associates:

	2013 USD	2012 USD
Share of associates' statement of financial position		
Current assets	904,393	467,624
Non-current assets	16,908,960	16,910,445
Current liabilities	(6,109,723)	(5,149,497)
Net assets	**11,703,630**	**12,228,572**
Share of associates' revenues and results		
Revenues	**650,485**	**796,590**
Profit	**408,709**	**525,655**

Investment properties of the associates are stated at fair value, which has been determined based on valuations performed by professional independent valuers who are specialists in valuing these types of investment properties. The fair value represents the amount, which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the date of valuation. All the investment properties generated rental income during the current period and the prior years.

6 - INVESTMENT PROPERTIES

The following table includes summarised information of the Group's investment properties:

	2013		
	Commercial building USD	*Land* USD*	*Total USD*
Opening balance	20,877,912	8,461,850	29,339,762
Transfers to office building (Note 3) **	(789,262)	-	(789,262)
Closing balance	**20,088,650**	**8,461,850**	**28,550,500**

	2012		
	Commercial building USD	*Land* USD*	*Total USD*
Opening balance	20,701,304	8,461,850	29,163,154
Additions	176,608	-	176,608
Closing balance	**20,877,912**	**8,461,850**	**29,339,762**

** Land amounting to USD 8,461,850 as at 31 December 2013 (2012: USD 8,461,850) is registered in the name of the Directors of the Group. The Group has obtained an irrevocable proxy over this investment property.*

*** During the year there was an addition to the portion of commercial building used as an office premises for an amount of USD 789,262 which has reduced the share of building treated as an investment property.*

The carrying amount approximates the fair value of the investment property based on valuations performed by independent valuer.

7 - INVESTMENTS

	2013 USD	2012 USD
Held to maturity		
Unquoted bonds*	4,440,677	4,520,649
Held for trading		
Quoted funds	1,344,402	1,461,920
Available-for-sale		
Quoted bonds and debt securities with fixed interest rate	107,360,804	69,409,224
Quoted equities	76,818,015	64,017,190
Quoted funds and alternative investments	5,704,315	4,476,243
Unquoted equities	6,428,075	7,331,216
	196,311,209	145,233,873
	202,096,288	151,216,442

** Maturity of these bonds as at 31 December 2013 are as follows:*

	Carrying amount	Effective interest rate
Maturity		
6 December 2015	1,440,677	10%
27 October 2017	3,000,000	2%
	4,440,677	

Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 895,203 (2012: USD 1,231,640).

8 - DEFERRED POLICY ACQUISITION COSTS

	2013 USD	2012 USD
Opening balance	30,754,592	29,451,946
Acquisition costs	44,534,036	44,881,764
Charged to consolidated income statement	(47,667,348)	(43,579,118)
	27,621,280	**30,754,592**

9 - INSURANCE RECEIVABLES

	2013 USD	2012 USD
Receivables from insurance companies and intermediaries	97,109,788	99,542,261
Less: Provision for doubtful debts	(2,000,000)	(1,800,000)
	95,109,788	**97,742,261**

The movement in the provision of doubtful debts is as follows:

	2013 USD	2012 USD
Opening balance	(1,800,000)	(900,000)
Provision for the year	(494,000)	(900,000)
Bad debts written off	294,000	-
	(2,000,000)	**(1,800,000)**

Out of the above amounts, only USD 17,951 (2012: Nil) are due for more than twelve months of the statement of financial position date (Note 25). It is not the practice of the Group to hold collaterals as security, therefore the receivable are unsecured.

10 - TRADE RECEIVABLES

This amount represents the balances due from the Specialty Mall customers against rental income. There are no impaired trade receivables and management believes that the trade receivables will be recovered in full. The aging of the trade receivables is less than 180 days.

11 - OTHER ASSETS

	2013 USD	2012 USD
Accrued interest income	1,532,759	1,290,773
Prepaid expenses	647,662	567,412
Dividend receivable	-	43,459
Refundable deposits	108,746	125,144
Employees receivables	9,550	10,444
Income tax receivables	175,332	89,200
Others	231,297	62,591
	2,705,346	**2,189,023**

12 - INSURANCE CONTRACTS LIABILITIES

	2013			2012		
	Gross USD	*Reinsurers' share USD*	*Net USD*	*Gross USD*	*Reinsurers' share USD*	*Net USD*
Unearned premiums	139,154,406	(22,136,020)	117,018,386	140,212,806	(23,785,793)	116,427,013
Outstanding claims	252,541,549	(63,302,805)	189,238,744	218,407,718	(67,812,287)	150,595,431
	391,695,955	**(85,438,825)**	**306,257,130**	**358,620,524**	**(91,598,080)**	**267,022,444**

a) Unearned premiums

	2013			2012		
	Gross USD	*Reinsurers' share USD*	*Net USD*	*Gross USD*	*Reinsurers' share USD*	*Net USD*
Opening balance	140,212,806	(23,785,793)	116,427,013	120,947,599	(31,886,053)	89,061,546
Premiums written	240,008,259	(58,767,697)	181,240,562	225,569,256	(49,760,815)	175,808,441
Premiums earned	(241,066,659)	60,417,470	(180,649,189)	(206,304,049)	57,861,075	(148,442,974)
	139,154,406	**(22,136,020)**	**117,018,386**	**140,212,806**	**(23,785,793)**	**116,427,013**

b) Outstanding claims

Movement in outstanding claims

	2013			2012		
	Gross USD	*Reinsurers' share USD*	*Net USD*	*Gross USD*	*Reinsurers' share USD*	*Net USD*
At the beginning of the year						
Reported claims	147,595,718	(54,000,287)	93,595,431	138,288,776	(55,956,166)	82,332,610
Claims incurred but not reported	70,812,000	(13,812,000)	57,000,000	67,559,000	(18,259,000)	49,300,000
	218,407,718	**(67,812,287)**	**150,595,431**	**205,847,776**	**(74,215,166)**	**131,632,610**
Claims paid	(88,887,197)	28,755,669	(60,131,528)	(94,175,991)	30,702,185	(63,473,806)
Provided during the year related to current accident year	159,549,092	(35,996,585)	123,552,507	133,595,104	(33,476,316)	100,118,788
Provided during the year related to previous accident years	(36,528,064)	11,750,398	(24,777,666)	(26,859,171)	9,177,010	(17,682,161)
At the end of the year	**252,541,549**	**(63,302,805)**	**189,238,744**	**218,407,718**	**(67,812,287)**	**150,595,431**
At the end of the year						
Reported claims	164,884,549	(47,020,671)	117,863,878	147,595,718	(54,000,287)	93,595,431
Claims incurred but not reported	87,657,000	(16,282,134)	71,374,866	70,812,000	(13,812,000)	57,000,000
	252,541,549	**(63,302,805)**	**189,238,744**	**218,407,718**	**(67,812,287)**	**150,595,431**

Claims development

The following tables show the estimate of cumulative incurred claims, including both reported claims and claim incurred but not reported for each successive accident year at each statement of financial position date, together with cumulative payments to date.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
At end of accident year	7,727	454,132	1,488,772	25,362,416	25,254,263	37,939,544	114,560,922	94,375,639	122,323,418	128,498,163	133,595,104	159,549,092	
One year later	40,716	1,708,845	8,005,487	44,520,499	35,110,485	54,041,148	125,149,178	75,295,485	108,522,816	106,566,918	119,424,721	-	
Two years later	222,953	3,678,280	7,714,673	47,504,859	40,894,923	53,379,611	119,412,667	67,096,525	105,943,110	100,764,212	-	-	
Three years later	285,814	3,509,176	7,573,398	47,354,940	39,641,082	53,971,648	121,645,037	68,496,704	100,572,066	-	-	-	
Four years later	275,552	3,488,022	7,961,530	46,820,976	37,331,379	53,468,921	119,839,220	68,217,208	-	-	-	-	
Five years later	320,449	3,438,076	7,862,214	46,391,258	37,665,596	53,393,860	113,090,591	-	-	-	-	-	
Six years later	294,568	3,312,519	7,763,419	47,224,929	36,800,576	50,534,739	-	-	-	-	-	-	
Seven years later	271,568	3,312,891	7,778,981	46,211,206	35,600,935	-	-	-	-	-	-	-	
Eight years later	271,568	3,296,004	7,842,871	46,232,192	-	-	-	-	-	-	-	-	
Nine years later	271,568	3,296,848	7,729,592	-	-	-	-	-	-	-	-	-	
Ten years later	271,568	3,296,098	-	-	-	-	-	-	-	-	-	-	
Eleven years Later	267,568	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**267,568**	**3,296,098**	**7,729,592**	**46,232,192**	**35,600,935**	**50,534,739**	**113,090,591**	**68,217,208**	**100,572,066**	**100,764,212**	**119,424,721**	**159,549,092**	**805,279,014**
Cumulative payments to date	**267,568**	**3,296,098**	**7,666,555**	**44,884,788**	**34,167,838**	**48,379,667**	**106,789,094**	**62,525,862**	**90,965,713**	**79,264,408**	**57,971,570**	**16,558,304**	**552,737,465**
Total liability included in the consolidated statement of financial position													**252,541,549**

13 - REINSURANCE ASSETS

	2013	2012
	USD	*USD*
Reinsurance share of unearned premiums (note 12)	22,136,020	23,785,793
Reinsurance share of outstanding claims (note 12)	63,302,805	67,812,287
Deferred XOL premium	8,288,678	8,391,047
	93,727,503	**99,989,127**

14 - CASH AND BANK BALANCES

	2013	2012
	USD	*USD*
Cash and bank balances	97,573,580	63,992,637
Time deposits – short term	108,084,662	130,507,875
	205,658,242	**194,500,512**

The time deposits, which are substantially denominated in US Dollars, are made for varying periods between one month to one year (2012: between one month to one year) depending on the immediate cash requirements of the Group.

All deposits earned an average variable interest rate of 3.07% (2012: 2.21%).

15 - ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2013	2012
	USD	*USD*
Shares of USD 1 each	143,375,678	143,375,678

16 - TREASURY SHARES

The general shareholders meeting approved in its extraordinary meeting dated 24 November 2013 the purchase of 5.51% of issued stock to be treated as treasury stock in accordance with the DIFC laws and regulations. The number of treasury shares as of 31 December 2013 amounted to 7,900,000 shares. These shares were recorded at an amount of USD 12,000,000 as of 31 December 2013 (2012: Nil).

17 - DIVIDENDS PAID

At a meeting held on 20 March 2013, the shareholders resolved to pay dividend of USD 0.05 (2012: USD 0.04) per share amounting to USD 7,168,784 (2012: USD 5,735,027) related to the year ended 31 December 2012. Further, the shareholders also resolved on 28 July 2013 to pay interim dividends of USD 0.04 (2012: USD 0.02) per share amounting to USD 5,419,027 (2012: USD 2,867,513) related to the current year.

18 - OTHER LIABILITIES

	2013 USD	2012 USD
Accounts payable	429,311	537,226
Accrued expenses	2,681,962	3,112,057
	3,111,273	3,649,283

19 - INSURANCE PAYABLES

	2013 USD	2012 USD
Payables due to insurance companies and intermediaries	940,890	2,183,916
Reinsurers – amounts due in respect of ceded premium	23,300,311	17,383,556
	24,241,201	**19,567,472**

20 - UNEARNED COMMISSIONS

The movement in unearned commissions in the consolidated statement of financial position is as follows:

	2013 USD	2012 USD
As at 1 January	8,717,113	9,214,391
Commissions received	7,262,951	13,864,192
Commissions earned	(9,350,877)	(14,361,470)
As at 31 December	**6,629,187**	**8,717,113**

21 - INVESTMENT INCOME

	2013 USD	2012 USD
Interest	7,679,292	6,482,521
Dividends	1,949,238	1,591,438
Gain on sale of available-for-sale investments	1,622,258	366,140
Fair value changes of held for trading investments	(3,972)	(63,782)
Impairment of available-for-sale investments (note 7)	(895,203)	(1,231,640)
Investments custodian fees and other investments expenses	(1,269,361)	(1,087,858)
Rental income, net	902,949	880,477
	9,985,201	**6,937,296**

22 - COMMITMENTS AND CONTINGENCIES

As of the date of the financial statements, the Group is contingently liable for the following:

- Letters of Guarantee amounting to USD 14,124 (31 December 2012: USD 9,181) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 1,412 (31 December 2012: USD 918).
- Letters of Credit amounting to USD 29,258,076 to the order of reinsurance companies for collateralising insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2012: USD 28,256,883).
- Letter of Guarantee amounting to USD 398,258 to the order of Friends Provident Life Assurance Ltd. for collateralising rent payment obligation in one of the Group entity's office premises (31 December 2012: USD 373,192).

23 - RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties, pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	2013 USD	2012 USD
Consolidated statement of income Commision paid		
Eastern Insurance Brokers Ltd – Owned by immediate family member of the major shareholder	**2,532**	**278,412**

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 5,268,841 (31 December 2012: USD 4,884,474). Out of the total amount of key management personnel compensation, an amount of USD 285,533 (2012: USD 83,311) represents long term benefits. These long term benefits represents a phantom share option plan linked to the value of an ordinary share of the Group as approved by the board of directors has been declared during 2011. The scheme is applicable to senior executives with more than 12 months service. The amount of bonus is determined by reference to the increase in the book value of shares covered by the option. No shares are actually issued or transferred to the option holder on the exercise of the option. The options vest equally over a span of 5 years from the grant date. The bonus due amounts to the excess of book value on vesting date over grant date plus an additional 20% on the value of the excess.

24 - TAX (EXPENSE) CREDIT ON RESULTS OF SUBSIDIARY

Tax (expense) credit on results of subsidiary resulted from the profit/ losses recorded in International General Insurance Company (UK) Ltd. which is subject to the United Kingdom income tax laws. Following is the movement on the deferred tax assets:

	2013 USD	2012 USD
Opening balance	820,542	118,532
Tax (expense) credit on profit/ losses of the subsidiary IGI UK	(89,924)	702,010
Ending balance	**730,618**	**820,542**

25 - RISK MANAGEMENT

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk includes the risks of inappropriate underwriting, ineffective management of underwriting, inadequate controls over exposure management in relation to catastrophic events and insufficient reserves for losses including claims incurred but not reported.

To manage this risk, the Group's underwriting function is conducted in accordance with a number of technical analytical protocols which includes defined underwriting authorities, guidelines by class of business, rate monitoring and underwriting peer reviews.

The risk is further protected by reinsurance programmes which respond to various arrays of loss probabilities.

The Group has in place effective exposure management system. Aggregate exposure is modelled and tested against different stress scenarios to ensure adherence to Group's overall risk appetite and alignment with reinsurance programmes and underwriting strategies.

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Group. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position. The Group has in house experienced actuarial set up reviewing and monitoring the reserving policy and its implementation at quarterly intervals. They work closely with the underwriting and claims team to ensure understanding of the Group's exposure and loss experience.

In addition, the Group receives external independent analysis of its reserve requirements on quarterly basis.

In order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Geographical concentration of risks

The Group's insurance risk based on geographical concentration of risk is illustrated in the table below:

	Gross written premiums	Concentration Percentage
	USD	*%*
2013		
Europe	42,010,789	18%
Middle / Far East & Africa	100,686,543	42%
North America	2,967,044	1%
Rest of the World	94,343,883	39%
	240,008,259	

	Gross written premiums	Concentration Percentage
	USD	*%*
2012		
Europe	37,502,898	17%
Middle / Far East & Africa	95,355,232	42%
North America	3,204,828	1%
Rest of the World	89,506,298	40%
	225,569,256	

Line of business concentration of risk

The Group's insurance risk based on line of business concentration is illustrated in the table below:

	Gross written premiums	Concentration Percentage
	USD	*%*
2013		
Energy	96,513,100	40%
Property	45,414,264	19%
Engineering	11,603,367	5%
Marine	13,566,699	6%
Reinsurance	19,655,499	8%
Financial	16,147,305	7%
Casualty	5,711,979	2%
Aviation	9,629,808	4%
Ports & Terminals	14,107,291	6%
Political Violence	7,658,947	3%
	240,008,259	

	Gross written premiums	Concentration Percentage
	USD	*%*
2012		
Energy	85,296,674	38%
Property	40,592,533	18%
Engineering	20,925,530	9%
Marine	20,978,588	9%
Reinsurance	20,416,389	9%
Financial	16,497,299	7%
Casualty	3,110,218	1%
Aviation	11,228,325	5%
Ports & Terminals	6,523,700	3%
	225,569,256	

Sensitivities

The analysis below shows the estimated impact on gross and net insurance contracts claims liabilities and on profit before tax, of an ultimate development on net claims liabilities of 5% different from that reported in the statement of financial position (2012: 5%). The impact on gross claims liabilities assumes that recovered rates remain constant.

	%	Impact on gross insurance contract claims liabilities	Impact on net insurance contract claims liabilities	Impact on profit
		USD	*USD*	*USD*
2013	+ 5	12,627,077	9,461,937	(9,461,937)
2012	+ 5	10,920,386	7,529,772	(7,529,772)

Financial risk

The Group's principal financial instruments are financial assets available-for-sale, financial assets held for trading, financial assets held to maturity, receivables arising from insurance, investment in associates, investment properties and reinsurance contracts, and cash and cash equivalents.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

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 is exposed to interest rate risk on certain of its investments and cash and cash equivalents. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Details of maturities of the major classes of financial assets are as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
2013	*USD*	*USD*	*USD*	*USD*	*USD*	*(%)*
Investments held for trading	-	-	-	1,344,402	1,344,402	-
Available-for-sale investments	23,011,753	55,849,807	28,499,244	88,950,405	196,311,209	3.56
Held to maturity investments	1,440,677	-	3,000,000	-	4,440,677	4.47
Cash and bank balances	205,658,242	-	-	-	205,658,242	1.78
	230,110,672	**55,849,807**	**31,499,244**	**90,294,807**	**407,754,530**	

2012						
Investments held for trading	-	-	-	1,461,920	1,461,920	-
Available-for-sale investments	13,231,115	31,427,215	24,750,898	75,824,645	145,233,873	4.75
Held to maturity investments	1,520,649	-	3,000,000	-	4,520,649	6.86
Cash and bank balances	194,500,512	-	-	-	194,500,512	1.48
	209,252,276	**31,427,215**	**27,750,898**	**77,286,565**	**345,716,954**	

There is no significant difference between contractual repricing or maturity dates.

The following table demonstrates the sensitivity of income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December.

	Increase/decrease in basis points	Effect on profit for the year
		USD
2013	+ 25	793,649
	- 50	(1,587,299)
2012	+ 25	671,076
	- 50	(1,342,152)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations since predominantly 80% of the business transactions are in US Dollars and consequently the Group does not hedge its foreign currency exposure.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk primarily from unpaid insurance receivables and fixed income instruments.

The Group has in place credit appraisal policies and procedures for inward business and receivables from insurance transactions are monitored on an ongoing basis to restrict Group's exposure to doubtful debts.

The Group has in place security standards applicable to all reinsurance purchases and monitors the financial status of all reinsurance debtors at regular intervals.

The Group's portfolio of fixed income investment is managed by the investments committee in accordance with the investment policy established by the board of directors which has various credit standards for investment in fixed income securities.

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might cause them to fall below the Group's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Group.

The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors.

There are no significant concentrations of credit risk within the Group. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties:

	Neither past due nor impaired				
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due but not impaired	Total
	USD	*USD*	*USD*	*USD*	*USD*
2013					
Available for sale investments - bonds and debt securities	101,651,392	5,709,412	-	-	107,360,804
Held to maturity investments - bonds and debt securities	3,000,000	1,440,677	-	-	4,440,677
Insurance receivables	-	75,769,440	-	19,340,348	95,109,788
Reinsurance assets	39,944,033	53,783,470	-	-	93,727,503
Cash and bank balances	154,594,047	51,064,195	-	-	205,658,242
	299,189,472	**187,767,194**	**-**	**19,340,348**	**506,297,014**
2012					
Available for sale investments - bonds and debt securities	58,705,108	10,704,116	-	-	69,409,224
Held to maturity investments - bonds and debt securities	3,000,000	1,520,649	-	-	4,520,649
Insurance receivables	-	73,585,206	-	24,157,055	97,742,261
Reinsurance assets	45,619,688	54,369,439	-	-	99,989,127
Cash and bank balances	109,458,867	85,041,645	-	-	194,500,512
	216,783,663	**225,221,055**	**-**	**24,157,055**	**466,161,773**

The following table provides an aging analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

		Past due but not impaired					
	Neither past due nor impaired	Up to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
31 December 2013	**80,178,750**	**8,938,857**	**2,205,496**	**1,914,961**	**1,853,773**	**17,951**	**95,109,788**
31 December 2012	73,585,206	14,359,342	5,226,747	2,664,185	1,906,781	-	97,742,261

For assets to be classified as 'past due and impaired' contractual payments are in arrears for more than 360 days and an impairment adjustment is recorded in the consolidated statement of income for this or when collectability of the amount is otherwise assessed as being doubtful. When the credit exposure is adequately secured, arrears more than 360 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

The following table provides an aging analysis of trade receivables arising from Specialty Mall customers past due but not impaired:

	Past due but not impaired			
	Neither past due nor impaired	Up to 90 days	91 to 180 days	Total
	USD	*USD*	*USD*	*USD*
31 December 2013	**-**	**73,933**	**-**	**73,933**
31 December 2012	85,607	30,591	21,784	137,982

For assets to be classified as 'past due and impaired' contractual payments are in arrears for more than 360 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured, arrears more than 360 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), 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's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The following table demonstrates the sensitivity of the profit for the period and the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price	Effect on profit for the year	Effect on equit
	USD	USD	USD
2013			
New York Stock Exchange	+5%	-	964,694
Amman Stock Exchange	+5%	-	53,085
Saudi Stock Exchange	+5%	-	1,244,885
Qatar Stock Exchange	+5%	-	739,153
NASDAQ Dubai	+5%	-	554,637
Other quoted	+5%	67,220	284,447

	Change in equity price	Effect on profit for the year	Effect on equity
	USD	USD	USD
2012			
New York Stock Exchange	+5%	-	725,665
Amman Stock Exchange	+5%	-	49,153
Saudi Stock Exchange	+5%	-	1,216,700
Qatar Stock Exchange	+5%	-	563,495
NASDAQ Dubai	+5%	-	426,262
Other quoted	+5%	73,096	945,291

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

The Group limits market risk by maintaining a diversified portfolio and by monitoring of developments in equity markets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

The Group continually monitors its cash and investments to ensure that the Group meets its liquidity requirements. The Group's asset allocation is designed to enable insurance liabilities to be met with current assets.

All liabilities are non-interest bearing liabilities.
The table below summarises the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted payments:

	Less than one year	More than one year	No term	Total
	USD	USD	USD	USD
2013				
Insurance contracts liabilities	293,771,966	97,923,989	-	391,695,955
Other liabilities	3,111,273	-	-	3,111,273
Insurance payable	24,241,201	-	-	24,241,201
Unearned commissions	4,971,890	1,657,297	-	6,629,187
Total liabilities	**326,096,330**	**99,581,286**	**-**	**425,677,616**
2012				
Insurance contracts liabilities	268,965,393	89,655,131	-	358,620,524
Other liabilities	3,649,283	-	-	3,649,283
Insurance payable	19,567,472	-	-	19,567,472
Unearned commissions	6,537,835	2,179,278	-	8,717,113
Total liabilities	**298,719,983**	**91,834,409**	**-**	**390,554,392**

Maturity analysis of assets and liabilities

The table below shows analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	2013			
	Less than one year	**More than one year**	**No term**	**Total**
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,849,915	-	3,849,915
Intangible assets	-	180,389	-	180,389
Investment in associated companies	-	-	11,703,630	11,703,630
Investments	24,452,430	87,349,051	90,294,807	202,096,288
Investment properties	-	-	28,550,500	28,550,500
Deferred policy acquisition costs	20,715,960	6,905,320	-	27,621,280
Insurance receivables	95,091,837	17,951	-	95,109,788
Trade receivables	73,933	-	-	73,933
Other assets	2,596,601	108,745	-	2,705,346
Deferred tax assets	-	730,618	-	730,618
Reinsurance assets	72,367,797	21,359,706	-	93,727,503
Cash and bank balances	205,658,242	-	-	205,658,242
TOTAL ASSETS	**420,956,800**	**120,501,695**	**130,548,937**	**672,007,432**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Treasury shares	-	-	(12,000,000)	(12,000,000)
Foreign currency translation reserve	-	-	(214,298)	(214,298)
Cumulative changes in fair values of investments	-	-	22,821,709	22,821,709
Retained earnings	-	-	92,346,727	92,346,727
Total equity	**-**	**-**	**246,329,816**	**246,329,816**
LIABILITIES				
Insurance contracts liabilities	293,771,966	97,923,989	-	391,695,955
Other liabilities	3,111,273	-	-	3,111,273
Insurance payable	24,241,201	-	-	24,241,201
Unearned commissions	4,971,890	1,657,297	-	6,629,187
Total liabilities	**326,096,330**	**99,581,286**	**-**	**425,677,616**
TOTAL EQUITY AND LIABILITIES	**326,096,330**	**99,581,286**	**246,329,816**	**672,007,432**

	2012			
	Less than one year	**More than one year**	**No term**	**Total**
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,525,920	-	3,525,920
Intangible assets	-	250,498	-	250,498
Investment in associated companies	-	-	12,228,572	12,228,572
Investments	14,751,763	59,178,109	77,286,570	151,216,442
Investment properties	-	-	29,339,762	29,339,762
Deferred policy acquisition costs	23,065,944	7,688,648	-	30,754,592
Insurance receivables	97,742,261	-	-	97,742,261
Trade receivables	137,982	-	-	137,982
Other assets	2,033,616	155,407	-	2,189,023
Deferred tax assets	-	820,542	-	820,542
Reinsurance assets	77,089,607	22,899,520	-	99,989,127
Cash and bank balances	194,500,512	-	-	194,500,512
TOTAL ASSETS	**409,321,685**	**94,518,644**	**118,854,904**	**622,695,233**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(230,995)	(230,995)
Cumulative changes in fair values of investments	-	-	15,325,027	15,325,027
Retained earnings	-	-	73,671,131	73,671,131
Total equity	**-**	**-**	**232,140,841**	**232,140,841**
LIABILITIES				
Insurance contracts liabilities	268,965,393	89,655,131	-	358,620,524
Other liabilities	3,649,283	-	-	3,649,283
Insurance payable	19,567,472	-	-	19,567,472
Unearned commissions	6,537,835	2,179,278	-	8,717,113
Total liabilities	**298,719,983**	**91,834,409**	**-**	**390,554,392**
TOTAL EQUITY AND LIABILITIES	**298,719,983**	**91,834,409**	**232,140,841**	**622,695,233**

Capital management

The Group manages its capital by 'Enterprise Risk Management' techniques, using a dynamic financial analysis model. The Asset Liability match is reviewed and monitored on regular basis to maintain a strong credit rating and healthy capital adequacy ratios to support its business objectives and maximise shareholders' value.

Adjustments to capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities.

Fair value

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2013		
	Level 1	**Level 2**	**Total**
	USD	*USD*	*USD*
Held for trading	1,344,402	-	1,344,402
Available-for-sale	189,883,134	6,428,075	196,311,209
	191,227,536	**6,428,075**	**197,655,611**

	31 December 2012		
	Level 1	**Level 2**	**Total**
	USD	*USD*	*USD*
Held for trading	1,461,920	-	1,461,920
Available-for-sale	137,902,657	7,331,216	145,233,873
	139,364,577	**7,331,216**	**146,695,793**

There were no transfers between Level 1, 2 and 3 during the year or in either the years ended 31 December 2013 or 31 December 2012.

There are no level 3 investments.

26 - COMPARATIVE FIGURES

Some of 2012 balances were reclassified to correspond with 31 December 2013. Classifications have no effect on net profit and equity.

	Reported in previous year	**Reclassifications**	**Reclassified in current year**
	USD	*USD*	*USD*
Claims*	(111,182,933)	4,447,000	(106,735,933)
Reinsurers' share of claims*	28,746,306	(4,447,000)	24,299,306
Reinsurance assets*	86,177,127	13,812,000	99,989,127
Insurance contracts liabilities*	344,808,524	(13,812,000)	358,620,524
Other assets**	2,167,665	21,358	2,189,023
Deferred tax assets**	841,900	(21,358)	820,542
TOTAL	**3,009,565**		**3,009,565**

**The change represents grossing up the IBNR for the prior year to reflect Gross IBNR and Reinsurers' share of IBNR separately. The grossing up of IBNR had no effect on net profit or equity.*

*** The above reclassification has resulted from recording an amount of USD 21,358 in the deferred tax assets that should had been recorded in other assets. Foregoing reclassification had no effect on net profit or equity.*

27 - SUBSEQUENT EVENTS

There have been no material events between 31 December 2013 and the date of this report which are required to be disclosed.

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