International
General Insurance Holdings Ltd.

07
ANNUAL REPORT

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ABOUT IGIH

International General Insurance Holdings Limited (IGIH) is registered in the Dubai International Financial Centre with operations in Bermuda (IGI Bermuda), the United Kingdom, Jordan and Malaysia.

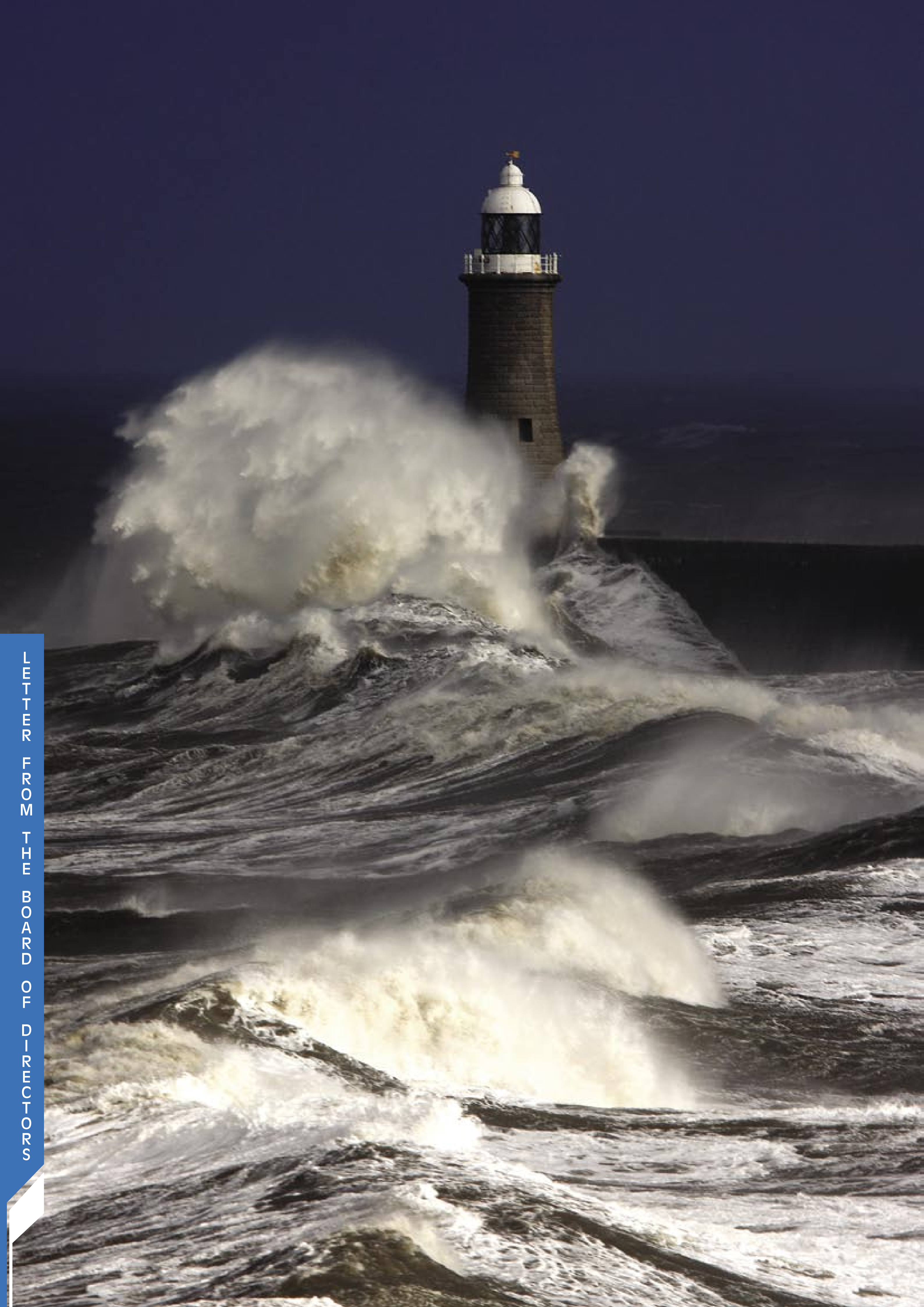
IGI Bermuda is a class 3 (re)insurer regulated by the Bermuda Monetary Authority and is rated A- (“Excellent”) by A.M. Best Company Inc. This subsidiary is the principal underwriting entity for the Group with the Jordan office providing all management, underwriting and operational functions. The Group also has a subsidiary company in Labuan, Malaysia registered as a first tier reinsurer.

IGI Bermuda underwrites a worldwide portfolio of energy, property, marine, engineering, financial institutions and non-proportional reinsurance treaty business with the main geographical focus on the Afro-Asian markets

IGIH has assets of more than US$ 375 million and total shareholders’ equity in excess of US$ 187 million, as at 31st March, 2008.

at 31st MARCH 2008

- Mr. Akbar Habib
  Chairman (C.E.O. Oman National Investment Corporation)
- Mr. Wasef Jabsheh
  Vice Chairman and C.E.O.
- Mr. Mohammed Abu Ghazaleh
  Director (Chairman and C.E.O. Del Monte Fresh Produce, USA)
- Mr. Amir Abu Ghazaleh
  Director (General Manager/Partner, Abu Ghazaleh International Co. (LLC) Dubai, UAE)
- Mr. Khalifah Al Mulhem
  Director (Chairman, Advanced Polypropylene Co. Ltd. Saudi Arabia)
- Mr. Rateb Wazani
  Director (Former Minister of Justice, Government of Jordan)
- Mr. Khaled Sifri
  Director (C.E.O. of Arab Emirates Investment Bank P.J.S.C.)
- Dr. Adnan Steitieh
  Director (Executive Director, Salam International Investment Ltd., State of Qatar)
- Mr. Jonathan Silver
  Director (Partner, Clyde & Co., Dubai, UAE)
- Mr. Hani Tarazi
  Director (Director, Saba & Co.)
- Mr. Iyad Duwaji
  Director (C.E.O. Shuaa Capital psc)



LETTER FROM THE BOARD OF DIRECTORS

The Board of Directors of International General Insurance Holdings Limited (IGIH) is pleased to report that the Group has achieved its goals for the 2007 year with satisfactory results for the period, posting a net profit for the Group's sixth year of operations. We would like to thank you all for your continued support.

This result should be reviewed against the backdrop of weakening rates in the international (re)insurance market, particularly for the Property and Engineering lines of business in the MENA region. We have witnessed what we consider to be extremely competitive pricing along with an apparent desire to generate income based on market share underwriting. If this trend were to continue for these lines of business, we believe that direct insurers', and in turn their treaty reinsurers', future results will be adversely impacted.

IGI has and will continue to maintain its strict underwriting controls and criteria and does not compromise its core underwriting philosophy to compete with unsustainable rate reductions, and we have thereby fulfilled our operating profit in line with our planned projections.

During the course of the reporting year, we have achieved significant developments which will underpin the continuing success of the Group.

A major achievement and milestone for the Company was the attainment in March 2008 of a financial rating of A- ("Excellent") from A M Best Company Incorporated. The lack of an excellent rating has been an impediment in the expansion of the portfolio. This development, however, will accelerate the growth of the Company, both in terms of premium and net profit. The Company will continue to work diligently to improve the financial rating.

2007 has seen the successful restructuring of the group with the establishment of a class three (re)insurer in Bermuda, regulated by the Bermuda Monetary Authority (BMA). The existing portfolio was successfully transferred to the new entity and underwriting in Amman is now undertaken against the Bermuda capital.

We are also in the final stages of submitting an application to the Irish Financial Services Regulatory Authority (IFSRA) for establishing a separately capitalised subsidiary of the Bermuda Company in Dublin. This will then be followed by a branch office in London. It is anticipated that the Dublin entity will be licensed during the second half of 2008.

To support the growth objectives and raise the profile of the group, we are establishing a "coverholder" office in the Dubai International Financial Centre (DIFC). We are also in the process of establishing a marketing office in Kuala Lumpur to support and develop our Labuan Company. We have recruited a well known figure in the Malaysian market to lead this operation.

IGI continues to diversify its product lines and has added Financial Institutions to its portfolio with a dedicated, experienced individual employed to underwrite the account.

Substantial progress has also been made in strengthening the IGI brand. The success is attributable to greater consistency in the implementation of our brand and judicious investments in advertising and sponsorship in the MENA region. The development of the S R Bishop Underwriting Limited operation further serves to raise our profile with London and European markets.

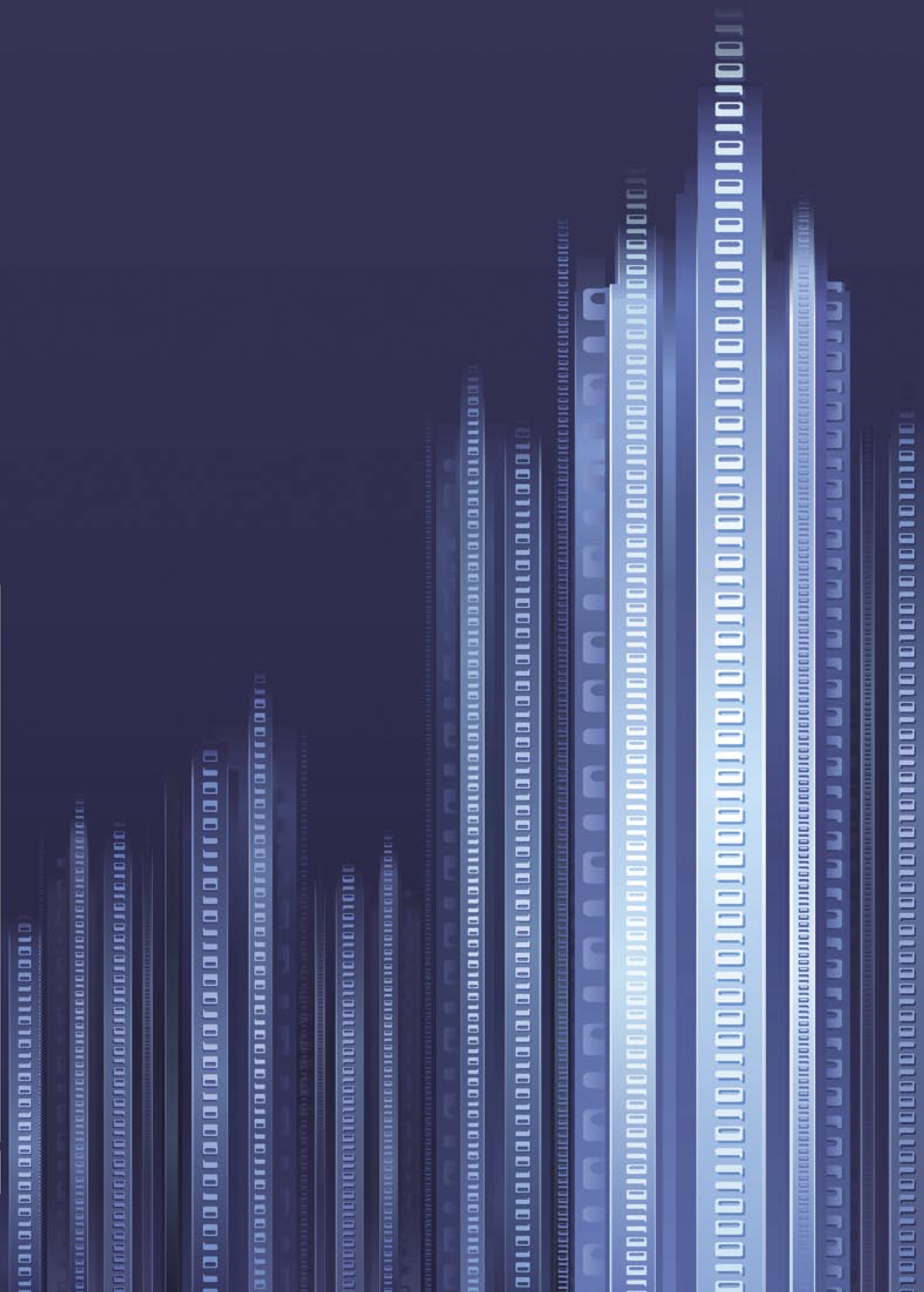
Our joint equity Partner, Saudi United Co-operative Insurance Company, received limited approval to commence underwriting from the Saudi Arabian Monetary Authority in the second half of the year and is expected to be fully operational during 2008.

In reviewing the report for 2007, we are pleased to announce the following financial highlights:

- Net income increased from US$ 14.8 mil to US$ 20.4 million reflecting a growth of 38%
- Gross Written Premium increased US$ 89 million to US$ 116.5 million, a 30% increase
- Net underwriting profit increased from US$ 12.2 million to US$ 14.1 million
- Investment Income increased from US$ 6.2 million to US$ 11.9 million, an increase of 92% over the previous period
- Total assets now stand in excess of US$ 375 million, up from last year's total of US$ 293 million

The excellent result has been achieved as a consequence of the management's commitment to sound underwriting practices and a loyal and dedicated management team. We would like to thank all employees for their significant contribution this year.

We look forward to working together in 2008 to fulfill the visions and ambitions of the Company and to further establish IGI as the (re)insurer of choice for the region.



FINACIAL STATEMENTS

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INDEPENDENT AUDITORS? REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of International General Insurance Holdings Limited and its subsidiaries('the Group'), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair preparation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFS Law No. 3 of 2006. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors ' Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the financial statement.

We believed 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 of 31 December 2007, 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. 3 of 2006. 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 other violations of the Companies Law pursuant to DIFC Law No. 3 of 2006 have occurred during the year which would have had a material effect on the business of the Group or on its financial position.

Ernst & Young

25 May 2008
Dubai, United Arab Emirates

A member firm of Ernst & Young Global Limited

CONSOLIDATED BALANCE SHEET *As at 31 March 2008*

	Notes	2008 USD	2007 USD
ASSETS			
Premises and equipment	3	**1,292,975**	324,536
Intangible assets	4	**622,312**	93,941
Investment in associated companies	5	**8,467,399**	8,420,116
Financial assets held to maturity		**1,690,141**	-
Financial assets available-for-sale	6	**105,176,677**	74,334,388
Deferred policy acquisition costs	17	**12,917,781**	8,809,373
Receivables arising from insurance contracts	7	**93,963,104**	59,279,319
Other receivables	8	**2,384,242**	1,500,115
Reinsurers' share of unearned premiums	12	**10,380,698**	7,145,158
Reinsurers' share of outstanding claims	13	**22,864,403**	23,561,963
Cash and short term deposits	9	**115,679,069**	109,746,590
TOTAL ASSETS		**375,438,801**	293,215,499
EQUITY AND LIABILITIES Equity			
attributable to equity holders of parent			
Paid in capital	10	**143,375,678**	143,375,678
Foreign currency translation adjustment		**8,764**	-
Cumulative changes in fair values		**15,560,227**	(1,995,393)
Retained earnings		**28,268,242**	12,657,112
		187,212,911	154,037,397
Minority interest		**503,449**	-
Total equity		**187,716,360**	154,037,397
LIABILITIES			
Liabilities arising from insurance contracts			
Unearned premiums	12	**69,756,299**	54,794,404
Outstanding claims	13	**76,542,762**	53,332,485
		146,299,061	108,126,889
Other liabilities	14	**981,407**	402,101
Reinsurance payable		**28,408,347**	20,538,819
Reinsurance deposit		**11,116,376**	9,465,362
Deferred ceded commission		**917,250**	644,931
Total liabilities		**187,722,441**	139,178,102
TOTAL EQUITY AND LIABILITIES		**375,438,801**	293,215,499

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 25 May 2008.

The attached notes 1 to 23 form part of these consolidated financial statements

	Notes	2008 USD	2007 USD
Insurance premiums earned	15	**101,973,615**	73,012,625
Reinsurers' share of earned premiums	15	**(26,634,345)**	(27,785,048)
Net premiums earned		**75,339,270**	45,227,577
Claims	16	**(60,840,941)**	(43,534,481)
Reinsurers' share of claims	16	**16,860,138**	21,146,142
Policy acquisition costs	17	**(15,366,118)**	(10,593,446)
NET UNDERWRITING RESULT		**15,992,349**	12,245,792
Investment income	18	**7,159,599**	5,728,186
Loss from trading investments		**-**	(1,811,801)
Commission income		**135,719**	-
Net realised gains from sale of financial assets available-for-sale	19	**3,904,956**	1,716,673
Income from associated companies	5	**47,283**	195,352
General and administrative expenses		**(7,514,843)**	(3,648,400)
Gain on exchange		**683,350**	374,971
PROFIT FOR THE YEAR		**20,408,413**	14,800,773
Attributable to			
Equity holders of the parent		**20,417,223**	14,800,773
Minority interest		**(8,810)**	-
		20,408,413	14,800,773

The attached notes 1 to 23 form part of these consolidated financial statements. 3

CONSOLIDATED STATEMENT OF CASH FLOWS *For the year ended 31 March 2008*

OPERATING ACTIVITIES	Notes	2008 USD	2007 USD
Profit for the year		**20,408,413**	14,800,773
Adjustments for:			
Depreciation and amortization	3, 4	**131,050**	117,994
Net gains on sale of financial assets available-for sale	19	**(3,904,956)**	(1,716,673)
Realized loss from financial assets held for trading		**-**	1,811,801
Investment income	18	**(7,159,599)**	(5,728,186)
Income from associated companies	5	**(47,283)**	(195,352)
Reinsurers' share of unearned premiums		**(3,235,540)**	(2,234,878)
Movement in unearned premiums		**14,961,895**	15,969,255
Operating profit before changes in operating assets and liabilities		**21,153,980**	22,824,734
Deferred policy acquisition costs		**(4,108,408)**	(2,455,229)
Receivables arising from insurance and reinsurance contracts		**(26,090,200)**	(24,424,688)
Other receivables		**(832,723)**	(1,049,997)
Movement in outstanding claims		**23,210,277**	13,117,661
Reinsurers' share of outstanding claims		**697,560**	3,596,741
Deferred ceded commission		**272,319**	242,109
Trading investments		**-**	3,272,729
Other liabilities		**2,230,320**	3,931,024
Net cash from operating activities		**16,533,125**	19,055,084
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	**(1,035,619)**	(125,412)
Purchase of intangible assets	4	**(250,719)**	(17,099)
Purchase of financial assets available-for-sale		**(23,460,731)**	(8,163,727)
Proceeds from sale of financial assets available-for sale		**12,858,699**	4,244,842
Cash outflow on acquisition net of cash acquired	4	**(595,960)**	
Dividends received from associates		**-**	155,365
Purchase of financial assets held to maturity		**(1,690,141)**	-
Deposits maturing after 3 months		**(11,889,624)**	20,000,000
Investment income	18	**7,159,599**	5,728,186
Net cash (used in) from investing activities		**(18,904,496)**	21,822,155
FINANCING ACTIVITIES			
Dividends paid	11	**(3,585,774)**	(1,342,884)
Net cash used in financing activities		**(3,585,774)**	(1,342,884)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(5,957,145)**	39,534,355
Cash and cash equivalents at the beginning of the year		**109,746,590**	70,212,235
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**103,789,445**	109,746,590

The attached notes 1 to 23 form part of these consolidated financial statements. 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *For the year ended 31 March 2008*

	Attributable to equity holders of the parent									
	Paid- in capital	Additional paid in capital	Statutory reserve	Special reserve	Foreign currency translation adjustment	Cumulative change in fair value	Retained earnings	Total	Minority interest	Total equity
	USD	USD	USD	USD		USD	USD	USD		
Balance as 1 April 2006	2,556,172	71,602,279	1,716,242	48,591,549	-	6,273,856	13,978,464	144,718,562	-	144,718,562
Issuance of shares in connection with the reverse acquisition (Note 2a)	143,375,678	-	-	-	-	-	-	143,375,678	-	143,375,678
Adjustment to reflect the Group's legal equity	(2,556,172)	(71,602,279)	(1,716,242)	(48,591,549)	-	(6,273,856)	(12,635,580)	(143,375,678)	-	(143,375,678)
Recognised gains and losses on available for – sale investments during the year	-	-	-	-	-	2,143,661	(2,143,661)	-	-	-
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	(4,139,054)	-	(4,139,054)	-	(4,139,054)
Total income and expenses for the year recognised directly in equity	-	-	-	-	-	(1,995,393)	(2,143,661)	(4,139,054)	-	(4,139,054)
Profit for the year	-	-	-	-	-	-	14,800,773	14,800,773	-	14,800,773
Total income and expenses for the year	-	-	-	-	-	(1,995,393)	12,657,112	10,661,719	-	10,661,719
Dividends paid by IGI-Jordan (Note 11)	-	-	-	-	-	-	(1,342,884)	(1,342,884)	-	(1,342,884)
Balance as of 31 March 2007	143,375,678	-	-	-	-	(1,995,393)	12,657,112	154,037,397	-	154,037,397
Minority interest resulting from the acquisition of SR Bishop (Note 4)	-	-	-	-	-	-	-	-	503,839	503,839
Foreign currency translation adjustment	-	-	-	-	8,764	-	-	8,764	8,420	17,184
Recognised gains and losses on available for – sale investments during the year	-	-	-	-	-	1,220,319	(1,220,319)	-	-	-
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	16,335,301	-	16,335,301	-	16,335,301
Total income and expenses for the year recognised directly in equity	-	-	-	-	8,764	17,555,620	(1,220,319)	16,344,065	8,420	16,352,485
Profit for the year	-	-	-	-	-	-	20,417,223	20,417,223	(8,810)	20,408,413
Total income and expenses for the year	-	-	-	-	8,764	17,555,620	19,196,904	36,761,288	(390)	36,760,898
Dividends paid (Note 11)	-	-	-	-	-	-	(3,585,774)	(3,585,774)	-	(3,585,774)
Balance as of 31 March 2008	**143,375,678**	**-**	**-**	**-**	**8,764**	**15,560,227**	**28,268,242**	**187,212,911**	**503,449**	**187,716,360**

The attached notes 1 to 23 form part of these consolidated financial statements. 5

1- ACTIVITIES

International General Insurance Holdings Limited "IGIH" is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2004 on 7 May 2006 and is engaged in the business of re-insurance and insurance. The Company's registered office is in Dubai International Financial Centre.

The company operates in four countries, Dubai, Bermuda, Jordan and Malaysia.

2- BASIS OF PREPARATION

2a SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 financial assets available-for-sale.

Except as noted below, the Group's accounting policies are consistent with those used in the previous year:

IAS 1 – Presentation of Financial Statements (revised 2005)

The standard requires the presentation of additional disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

IFRS 7 – Financial Instruments: Disclosure

The standard requires disclosures that enable users of the financial statements to evaluate the significance of the entity's financial instruments and the nature and extent of risks arising from those financial instruments.

Acquisition of International General Insurance-Jordan "IGI-Jordan"

Effective 1 April 2006, the Company and IGI-Jordan entered into a share purchase agreement (SPA). Pursuant to this agreement, IGI-Jordan's shareholders sold their holding in IGI-Jordan in consideration for the issuance of 143,375,678 shares of the company. As a result of the issuance of shares, the shareholders of IGI-Jordan obtained control of the Company. Accordingly, the transaction was accounted for as a reverse acquisition in accordance with IFRS 3"Business Combinations". For financial reporting purposes, IGI-Jordan (the legal subsidiary) is the acquirer and the Company (the legal parent) is the acquiree.

The consolidated financial statements prepared following the reverse acquisition are issued under the name of the Company, but they are a continuance of the financial statements of IGI-Jordan, because such consolidated financial statements represent a continuation of the financial statements of IGI-Jordan:

a) The assets and liabilities of IGI-Jordan have been recognized as measured in the consolidated financial statements at their pre-combination carrying amounts.

b) The retained earnings and other equity balances recognized in the consolidated financial statements are the retained earnings and other equity balances of IGI-Jordan immediately before the business combination.

c) The equity structure (number of shares) appearing in the consolidated financial statements reflects the equity structure of the Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of IGIH and its subsidiaries as at 31 March:

-International General Insurance/Bermuda, which IGIH owns 100% of its paid in capital amounting to USD 120,000 as of 31 March 2008. The company was established on 2 May 2007. The Company is engaged in the business of re-insurance and insurance.

-International General Insurance Underwriting/Jordan, which IGIH owns 100% of its paid in capital amounting to USD 2,676,171 as of 31 March 2008. The company was established on 4 October 2001. The Company main operation is insurance brokerage.

-SR Bishops Underwriting Limited/London, which IGIH owns 51% of its paid in capital amounting to USD 19,625 as of 31 March 2008. The company was acquired on 1 April 2007. The Company main operation is insurance brokerage.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the IGIH.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognised in assets or liabilities, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to IGIH. Control is achieved where IGIH has the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by IGIH and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

New standard issued but not yet effective

The following standard has been issued by the International Accounting Standards Board (IASB) but is not yet mandatory for these financial statements:

- IAS 1 -Presentation of financial statements (Revised) (effective for annual periods commencing 1 January 2009)

The application of the above is not expected to have a material impact on the financial statements as and when it becomes effective. However, the application of IAS 1 (Revised) will result in amendments to the presentation of the financial statements.

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unearned premium of coverage. The change in the provision for unearned premiums is taken to the income statement in order that revenue is recognised over the period of risk.

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 balance sheet date.

The Group generally estimates its claims based on appointed loss adjusters or leading underwriter's 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 balance sheet date for the fiscal year. Any difference between the provisions at the balance sheet date and settlements and provisions for the following year is included in the underwriting account for that year.

Policy acquisition costs

Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

Liability adequacy test

At each balance sheet 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 insurance liabilities (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 to be paid within one year of the balance sheet date.

Reinsurance

The Group cedes insurance risk in the normal course of business for all classes of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are calculated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

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

Premiums and claims on assumed reinsurance are recognised as income and 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 calculated in a manner consistent with the associated 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.

Interest revenue

Interest revenue 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 revenue

Dividend revenue 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. Deprecation is calculated on a straight-line basis over the estimated useful lives of the assets ranging between 5 to 10 years.

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 income statement as an expense.

Intangible assets

a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising from the investment in subsidiaries is separately shown under intangible assets, while that arising from the investment in associates is shown as part of investment in associates and subsequently adjusted for any impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is from the date of acquisition allocated to each of the Group's cash-generating units, or groups of cash-generating units. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment loss is recognised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount. Impairment losses are transferred to the income statement.

b) Intangible assets

Intangible assets acquired through business combination 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 life, 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 income statement.

Indications of impairment of intangible assets are reviewed for 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 programmes. These intangibles assets are amortised evenly over their estimated economic useful lives of 5 years.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet 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 income statement.

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.

c) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the effective interest rates.

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

These investments in associated companies are carried in the balance sheet at cost plus post – acquisition changes in the Group's share of net assets of associates, less any impairment in value. The income statement reflects the share of the results of the operations of the associates.

Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial assets that are designated as financial assets available-for-sale. These investments are initially recorded at cost. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

If a financial assets available-for-sale is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as financial assets available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified at financial assets available-for-sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

Financial assets held to maturity

Held to maturity investments are initially recognised at cost, being the fair value of consideration given including directly attributable transaction costs. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

Trade and settlement date accounting

Purchases and sales of financial assets are recognised on the trade date (that being the date at which the sale or purchase takes place).

Cash and cash equivalents

For the purpose of the 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, net of outstanding bank overdrafts.

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.

Offsetting

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in equity

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is transferred to the income statement.

Leases

The Group has no finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Fair values

The fair value of financial instruments that are actively traded in organized 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 balance sheet 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 can not 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:

Classification 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.

Impairment of investments

The group treats financial assets available for sale 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. 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet 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.

Reinsurance

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

3 PREMISES AND EQUIPMENT

	Office furniture	Computers	Equipment	Decorations & leasehold improvements	Vehicles	Total
	USD	USD	USD	USD	USD	USD
Cost						
At 1 April 2007	73,872	167,809	55,843	100,880	156,253	554,657
Additions	299,155	21,867	37,861	614,437	62,299	1,035,619
At 31 March 2008	**373,027**	**189,676**	**93,704**	**715,317**	**218,552**	**1,590,276**
Depreciation						
At 1 April 2007	23,629	87,307	25,960	37,873	55,352	230,121
Additions	7,466	32,670	4,823	4,239	17,982	67,180
At 31 March 2008	**31,095**	**119,977**	**30,783**	**42,112**	**73,334**	**297,301**
Net carrying amount						
At 31 March 2008	**341,932**	**69,699**	**62,921**	**673,205**	**145,218**	**1,292,975**

	Office furniture	Computers	Equipment	Decorations & leasehold improvements	Vehicles	Total
	USD	USD	USD	USD	USD	USD
Cost						
At 1 April 2006	67,553	127,196	52,017	50,875	131,604	429,245
Additions	6,319	40,613	3,826	50,005	24,649	125,412
At 31 March 2007	73,872	167,809	55,843	100,880	156,253	554,657
Depreciation						
At 1 April 2006	16,522	56,520	17,503	27,931	36,005	154,481
Additions	7,107	30,787	8,457	9,942	19,347	75,640
At 31 March 2007	23,629	87,307	25,960	37,873	55,352	230,121
Net carrying amount						
At 31 March 2007	50,243	80,502	29,883	63,007	100,901	324,536

The depreciation charge for the year of USD 67,180 (2007: USD 75,640) has been included in general and administrative expenses.

4- INTANGIBLE ASSETS

	Goodwill*	Computers software	Total	Computers software
	USD	USD	USD	USD
		2008		2007
Cost				
At 1 April	-	**194,434**	**194,434**	177,335
Additions	**341,522**	**250,719**	**592,241**	17,099
At 31 March	**341,522**	**445,153**	**786,675**	194,434
Amortization				
At 1 April	-	**100,493**	**100,493**	58,139
Additions	-	**63,870**	**63,870**	42,354
At 31 March	-	**164,363**	**164,363**	100,493
Net book value	**341,522**	**280,790**	**622,312**	93,941

* Effective 1 April 2007, the Group completed the acquisition of 51% of S R Bishop Underwriting Limited.

The details of the fair values of the assets and liabilities acquired and goodwill arising on the acquisition are as follows:

	1 April 2007	
	Carrying value	Fair value
Insurance receivables	1,312,321	1,312,321
Other receivables	51,404	51,404
Cash and deposits	269,966	269,966
Reinsurance payables	(605,448)	(605,448)
	1,028,243	1,028,243
Less: minority interest (49%)		(503,839)
Net assets		524,404

Goodwill arising on the acquisition is as follows:

	Amount
Total payments made	865,926
Less: Fair value of net assets acquired	524,404
Goodwill	341,522
Cash outflow on acquisition:	
Payments made for acquisition	(865,926)
Cash on hand and at banks from S R Bishop	269,966
Net cash outflow	(595,960)

During the year S R Bishop net loss amounted to USD 17,979 before minority interest.

There were no purchases or acquisitions of other businesses.

IMPAIRMENT TESTING OF GOODWILL

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATION

The recoverable amount of S R Bishop Underwriting Limited has been determined based on the value in use calculation, using cash flow projections based on financial budgets approved by senior management covering a five-year period based on S R Bishop Underwriting Limited performance assumptions.

The discount rate used by the Group is 10%.

In the opinion of the Group's management based on the discounted cash flow projections, goodwill is not impaired

5- INVESTMENT IN ASSOCIATED COMPANIES

During July 2002 the Group acquired a 33% equity ownership interest in real estate limited liabilities companies registered in Lebanon.

The Group has the following investments in associates:

	Country of incorporation	Ownership	
		2008	2007
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%

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

	2008	2007
	USD	USD
Share of associates' balance sheets:		
Current assets	**69,743**	3,621,652
Non-current assets	**14,025,915**	11,951,698
Current liabilities	**(5,628,259)**	(7,153,234)
Net assets	**8,467,399**	8,420,116
Share of associates' revenues and results:		
Revenues	**333,030**	464,048
Results	**47,283**	195,352

6- FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2008	2007
	USD	USD
Quoted investments		
Bonds and debt securities with fixed interest rate	**50,301,287**	52,398,516
Equity securities	**37,566,618**	16,334,005
Funds and alternative investments	**11,130,431**	-
Unquoted investments*		
Government bonds and debt securities with fixed interest rate	**1,763,047**	-
Equity securities	**4,415,294**	5,601,867
	105,176,677	74,334,388

Equity securities have no fixed maturity dates and are generally not exposed to interest rate risk.

* Included in unquoted bonds and equities are investments carried at cost with value of USD 6,178,341 (2007: USD 5,601,867). The investments were stated at cost since the fair value could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

7- RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

	2008	2007
	USD	USD
Receivables from insurance companies and intermediaries	**66,644,042**	40,241,070
Reinsurers – amounts due in respect of claims paid	**27,319,062**	19,038,249
	93,963,104	59,279,319

All of the above amounts are due within twelve months of the balance sheet date.

8- OTHER RECEIVABLES

	2008	2007
	USD	USD
Prepaid expenses	**370,234**	65,868
Refundable deposits	**-**	85
Employees receivables	**14,369**	113,906
Advance payment on investments*	**580,828**	-
Trade receivables	**96,512**	3,675
Accrued interest income	**915,234**	1,030,299
Accrued dividends income	**281,633**	214,362
Others	**125,432**	71,920
	2,384,242	1,500,115

* This represent payments made in advance to acquire the remaining 49% of S R Bishop share capital, which will be transferred in the name of IGI on or after 30 April 2011. If IGIH decided not to acquire the remaining 49% the advance payment will be refunded.

9- CASH AND SHORT TERM DEPOSITS

Cash and cash equivalents included in the statement of cash flows include the following balance sheet amounts:

	2008	2007
	USD	USD
Cash and bank balances	**7,390,562**	8,497,643
Time deposits	**96,398,883**	81,132,344
Demand deposits	**11,889,624**	20,116,603
	115,679,069	109,746,590

The time deposits, which are substantially denominated in US Dollars, are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Demand deposits maturing after three months amounted to USD 11,889,624 as of 31 March 2008 (2007:nil).

10- SHARE CAPITAL

	Authorised		Issued and fully paid	
	2008	2007	2008	2007
	USD			USD
Shares of USD 1 each	**143,375,678**	143,375,678	**143,375,678**	143,375,678

11- DIVIDENDS PAID

The Board of directors and shareholders of IGI approved on their meeting held on 21 May 2007 to distribute cash dividends amounting to USD 3,585,774 (USD 0.03 per share). (2007: USD 1,342,884 (USD 0.01 per share)).

12- UNEARNED PREMIUMS

	2008			2007		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Unearned premiums	**69,756,299**	**(10,380,698)**	**59,375,601**	54,794,404	(7,145,158)	47,649,246

Details of the movements of the provision for unearned premium and the related reinsurers' share is contained in (Note 15).

13- OUTSTANDING CLAIMS

The movement in the provision for outstanding claims, and the related reinsurers' share, was as follows:

	2008			2007		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
At the beginning of the year						
Claims incurred	**49,832,485**	**(23,561,963)**	**26,270,522**	38,214,824	(27,158,704)	11,056,120
Claims incurred but not reported	**3,500,000**	**-**	**3,500,000**	2,000,000	-	2,000,000
	53,332,485	**(23,561,963)**	**29,770,522**	40,214,824	(27,158,704)	13,056,120
Insurance claims paid in the year	**(37,630,664)**	**17,557,698**	**(20,072,966)**	(30,416,820)	24,742,883	(5,673,937)
Provided during the year	**60,840,941**	**(16,860,138)**	**43,980,803**	43,534,481	(21,146,142)	22,388,339
At the end of the year	**76,542,762**	**(22,864,403)**	**53,678,359**	53,332,485	(23,561,963)	29,770,522
Analysis of outstanding claims						
At the end of the year						
Claims incurred	**71,042,762**	**(22,864,403)**	**48,178,359**	49,832,485	(23,561,963)	26,270,522
Claims incurred but not reported	**5,500,000**	**-**	**5,500,000**	3,500,000	-	3,500,000
	76,542,762	**(22,864,403)**	**53,678,359**	53,332,485	(23,561,963)	29,770,522

There are no material amounts for which amount and timing of claims payment is not resolved within one year of the balance sheet date.

The carrying amounts disclosed above reasonably approximate fair value at balance sheet date.

Claims development (Gross)

Underwriting year	2002	2003	2004	2005	2006	2007	2008
	USD	USD	USD	USD	USD	USD	USD
Year 1	785,399	2,882,715	2,636,351	27,196,242	14,169,367	23,280,006	-
Year 2	3,242,945	4,973,033	9,280,790	47,999,136	40,889,955	-	-
Year 3	3,525,326	8,559,142	14,954,618	58,363,593	-	-	-
Year 4	3,736,717	10,117,423	17,709,267	-	-	-	-
Year 5	3,515,448	10,948,303	-	-	-	-	-
Year 6	3,471,996	-	-	-	-	-	-
Current estimate of cumulative claims	3,471,996	10,948,303	17,709,267	58,363,593	40,889,955	23,280,006	154,663,120
Cumulative payment to date	3,136,545	7,441,877	12,046,126	36,728,190	15,102,641	3,664,979	78,120,358
Total cumulative claims recognised in the balance sheet date	335,451	3,506,426	5,663,141	21,635,403	25,787,314	19,615,027	76,542,762

14- OTHER LIABILITIES

	2008	2007
	USD	USD
Accounts payable	**231,865**	13,451
Amounts due to related parties (note 22)	**-**	29,978
Accrued expenses	**749,542**	358,672
	981,407	402,101

15- NET INSURANCE PREMIUM REVENUE

	2008	2007
	USD	USD
Insurance premiums	**116,935,510**	88,981,880
Change in unearned premiums	**(14,961,895)**	(15,969,255)
Gross premiums	**101,973,615**	73,012,625
Reinsurers’ share of insurance premiums	**(29,869,885)**	(30,019,926)
Reinsurers’ share of change in unearned premiums	**3,235,540**	2,234,878
Reinsurers’ share of gross premiums	**(26,634,345)**	(27,785,048)
	75,339,270	45,227,577

During the year the Company has revised the estimates of unearned premiums reserves on construction risk policies based on project duration vis-a-vis related risks and this has resulted in an increase in net earned premium an amount of USD 2.2 million.

16- CLAIMS

	2008			2007		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Claims paid	**37,630,664**	**(17,557,698)**	**20,072,966**	30,416,820	(24,742,883)	5,673,937
Change in provision for outstanding claims	**23,210,277**	**697,560**	**23,907,837**	13,117,661	3,596,741	16,714,402
	60,840,941	**(16,860,138)**	**43,980,803**	43,534,481	(21,146,142)	22,388,339

17- DEFERRED POLICY ACQUISITION COSTS

	2008	2007
	USD	USD
At 1 April	**8,809,373**	6,354,144
Additions	**19,474,526**	13,048,675
Amortisation	**(15,366,118)**	(10,593,446)
At 31 March	**12,917,781**	8,809,373

18- INVESTMENT INCOME

	2008	2007
	USD	USD
Financial assets available-for-sale		
Dividends	**928,482**	552,743
Interest	**6,231,117**	5,175,443
	7,159,599	5,728,186

19- NET REALISED GAINS ON FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2008	2007
	USD	USD
Realised gains		
Equity securities	**3,904,956**	1,716,673

20- CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances in the statement of cash flows consist of the following balances:

	2008	2007
	USD	USD
Cash and bank balances	**7,390,562**	8,497,643
Time and demand deposit	**108,288,507**	101,248,947
Less: Demand deposits maturing after 3 months	**(11,889,624)**	-
	103,789,445	109,746,590

21- COMMITMENTS AND CONTINGENCIES

As of the date of the financial statements, the Group is contingently liable to the followings:

Letters of guarantee amounting to USD 10,563 (2007: USD 8,450) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 1,056 (2007: USD 845).

Letters of credit amounting to USD 23,809,705 to the order of reinsurance companies(2007: USD 19,377,854).

The Group has entered into commercial leases on certain apartments and offices where it is not in the best interest of the Group to purchase these assets. These leases have an average life 1 year with renewal terms included in the contracts. Renewals are at the option of the Group.

22- RELATED PARTY TRANSACTIONS

Transactions with related party (Eastern Insurance Brokers Company) included in the financial statements are as follows:

	2008	2007
	USD	USD
Accounts Receivable/(Payable)	**610,471**	(29,692)
Commission paid	**211,228**	32,811

Compensation of key management personnel of the Group, consisting of salaries and benefits, was USD 1,179,694 (2007: USD 1,028,139).

23- RISK MANAGEMENT

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

Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Group only issues short term insurance contracts in connection with property and energy (collectively known as fire and accident), and marine risks,

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and most are settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property and energy

Property and energy insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property and energy insurance contracts the main risks are fire and business interruption. In recent years the Group has mostly underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Geographical concentration of risks

Approximately, 51%, 15% , 15% and 19% of the Group's insurance risk relates to policies written in the Middle/Far East and Asia, Europe, USA and the rest of the world respectively. (2007 : 48%, 22%, 18% and 12%)

Reinsurance risk

In common with other insurance companies, 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 effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers approved by the board of directors, which are generally rated A or above by international rating agencies.

Financial risk

The Group's principal financial instruments are financial financial assets available-for-sale, receivables arising from insurance and reinsurance contracts, trading investments 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:

31 March 2008

	Less than 1 year	1 to 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
	USD	USD	USD	USD	%
Financial assets available-for-sale	**-**	**50,301,287**	**54,875,390**	**105,176,677**	**5.00**
Financial assets held to maturity	**-**	**1,690,141**	**-**	**1,690,141**	**9.50**
Cash and short term deposits	**115,679,069**	**-**	**-**	**115,679,069**	**5.45**
	115,679,069	**51,991,428**	**54,875,390**	**222,545,887**	

31 March 2007

	Less than 1 year	1 to 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
	USD	USD	USD	USD	%
Financial assets available-for-sale	-	52,398,516	21,935,872	74,334,388	3.65
Cash and short term deposits	109,746,590	-	-	109,746,590	3.75
	109,746,590	52,398,516	21,935,872	184,080,978	

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

The following table demonstrates the sensitivity of income statement and the Group's equity 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 March 2008.

	Increase/ decrease in basis	Effect on profit points for the year
		USD
2008	**+ 25**	**289,187**
	- 50	**(578,395)**
2007	+ 25	274,366
	- 50	(548,732)

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 most of there 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. For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the balance sheet.

The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

The Group portfolio is managed by the Vice-Chairman and CEO in accordance with the investment policy established by the board of directors.

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:

31 March 2008

	Neither past due nor impaired				
	investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	Total
	USD	USD	USD	USD	USD
Financial assets available- for-sale	**50,301,287**	**54,875,390**	**-**	**-**	**105,176,677**
Financial assets held to maturity	**-**	**1,690,141**	**-**	**-**	**1,690,141**
Receivables arising from insurance and reinsurance contracts	**-**	**93,963,104**	**-**	**-**	**93,963,104**
Reinsurers' share of unearned premium	**-**	**10,380,698**	**-**	**-**	**10,380,698**
Reinsurers' share of outstanding claims	**21,054,522**	**1,809,881**	**-**	**-**	**22,864,403**
Cash and short term deposits	**55,225,009**	**60,454,060**	**-**	**-**	**115,679,069**
	126,580,818	**223,173,274**	**-**	**-**	**349,754,092**

31 March 2007

	Neither past due nor impaired				
	investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	Total
	USD	USD	USD	USD	USD
Financial assets available- for-sale	32,398,516	41,935,872	-	-	74,334,388
Receivables arising from insurance and reinsurance contracts	-	59,279,319	-	-	59,279,319
Reinsurers' share of unearned premium	-	7,145,158	-	-	7,145,158
Reinsurers' share of outstanding claims	21,802,997	1,758,966	-	-	23,561,963
Cash and short term deposits	50,235,634	59,510,956	-	-	109,746,590
	104,437,147	169,630,271	-	-	274,067,418

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

	Neither past due nor impaired	Past due but not impaired				
		Up to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Total
	USD	USD	USD	USD	USD	USD
31 March 2008	**63,544,785**	**14,597,258**	**13,934,188**	**672,494**	**1,214,379**	**93,963,104**
31 March 2007	27,156,021	13,084,602	15,326,945	1,256,975	2,454,776	59,279,319

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 income statement 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.

	Change in equity price	Effect on equity	Change in equity price	Effect on equity
	2008		2007	
	USD	USD	USD	USD
Amman Stock Exchange	**+5%**	**712,879**	+5%	784,680
Saudi Arabia	**+5%**	**1,040,319**	-	-
Dubai International Financial Exchange	**+5%**	**70,755**	-	-
Other quoted	**+5%**	**54,377**	+5%	32,020

The company'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 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.

The Company 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 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.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities are non-interest bearing liabilities.

	31 March 2008			
	Less than one year	More than one year	No term	Total
ASSETS				
Premises and equipment	-	1,292,975	-	1,292,975
Intangible assets	-	622,312	-	622,312
Investment in associated companies	-	8,467,399	-	8,467,399
Financial assets available-for-sale	16,760,238	52,064,334	36,352,105	105,176,677
Financial assets held to maturity	-	1,690,141	-	1,690,141
Deferred policy acquisition costs	10,980,114	1,937,667	-	12,917,781
Receivables arising from insurance contracts	66,644,042	27,319,062	-	93,963,104
Other receivables	2,384,242	-	-	2,384,242
Reinsurers' share of unearned premiums	8,512,000	1,868,698	-	10,380,698
Reinsurers' share of outstanding claims	17,526,433	5,337,970	-	22,864,403
Cash and short term deposits	115,679,069	-	-	115,679,069
TOTAL ASSETS	238,486,138	100,600,558	36,352,105	375,438,801
EQUITY AND LIABILITIES				
Equity				
Paid in capital	-	-	143,375,678	143,375,678
Foreign currency translation adjustment	-	-	8,764	8,764
Cumulative changes in fair values	-	-	15,560,227	15,560,227
Retained earnings	-	-	28,268,242	28,268,242
	-	-	187,212,911	187,212,911
Minority interest	-	-	503,449	503,449
Total equity	-	-	187,716,360	187,716,360
Liabilities				
Liabilities arising from insurance contracts Unearned premiums	59,292,854	10,463,445	-	69,756,299
Outstanding claims	57,407,072	19,135,690	-	76,542,762
Other liabilities	981,407	-	-	981,407
Reinsurance payable	28,408,347	-	-	28,408,347
Reinsurance deposit	-	11,116,376	-	11,116,376
Deferred ceded commission	779,662	137,588	-	917,250
Total liabilities	146,869,342	40,853,099	-	187,722,441
TOTAL EQUITY AND LIABILITIES	146,869,342	40,853,099	187,716,360	375,438,801

	31 March 2007			
	Less than one year	More than one year	No term	Total
ASSETS				
Premises and equipment	-	324,536	-	324,536
Intangible assets	-	93,941	-	93,941
Investment in associated companies	-	8,420,116	-	8,420,116
Financial assets available-for-sale	16,760,238	51,972,283	5,601,867	74,334,388
Deferred policy acquisition costs	7,487,967	1,321,406	-	8,809,373
Receivables arising from insurance contracts	37,142,374	22,136,945	-	59,279,319
Other receivables	1,500,115	-	-	1,500,115
Reinsurers' share of unearned premiums	6,073,384	1,071,774	-	7,145,158
Reinsurers' share of outstanding claims	17,526,433	6,035,530	-	23,561,963
Cash and short term deposits	109,746,590	-	-	109,746,590
TOTAL ASSETS	196,237,101	91,376,531	5,601,867	293,215,499
EQUITY AND LIABILITIES				
Equity				
Paid in capital	-	-	143,375,678	143,375,678
Cumulative changes in fair values	-	-	(1,995,393)	(1,995,393)
Retained earnings	-	-	12,657,112	12,657,112
Total equity	-	-	154,037,397	154,037,397
Liabilities				
Liabilities arising from insurance contracts Unearned premiums	46,575,244	8,219,160	-	54,794,404
Outstanding claims	40,001,200	13,331,285	-	53,332,485
Other liabilities	402,101	-	-	402,101
Reinsurance payable	20,538,819	-	-	20,538,819
Reinsurance deposit	-	9,465,362	-	9,465,362
Deferred ceded commission	548,191	96,740	-	644,931
Total liabilities	108,065,555	31,112,547	-	139,178,102
TOTAL EQUITY AND LIABILITIES	108,065,555	31,112,547	154,037,397	293,215,499

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

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CORPORATE OFFICERS

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  Executive Vice President
- **Ms. Rachel A Butler**
  Senior Vice President Operations
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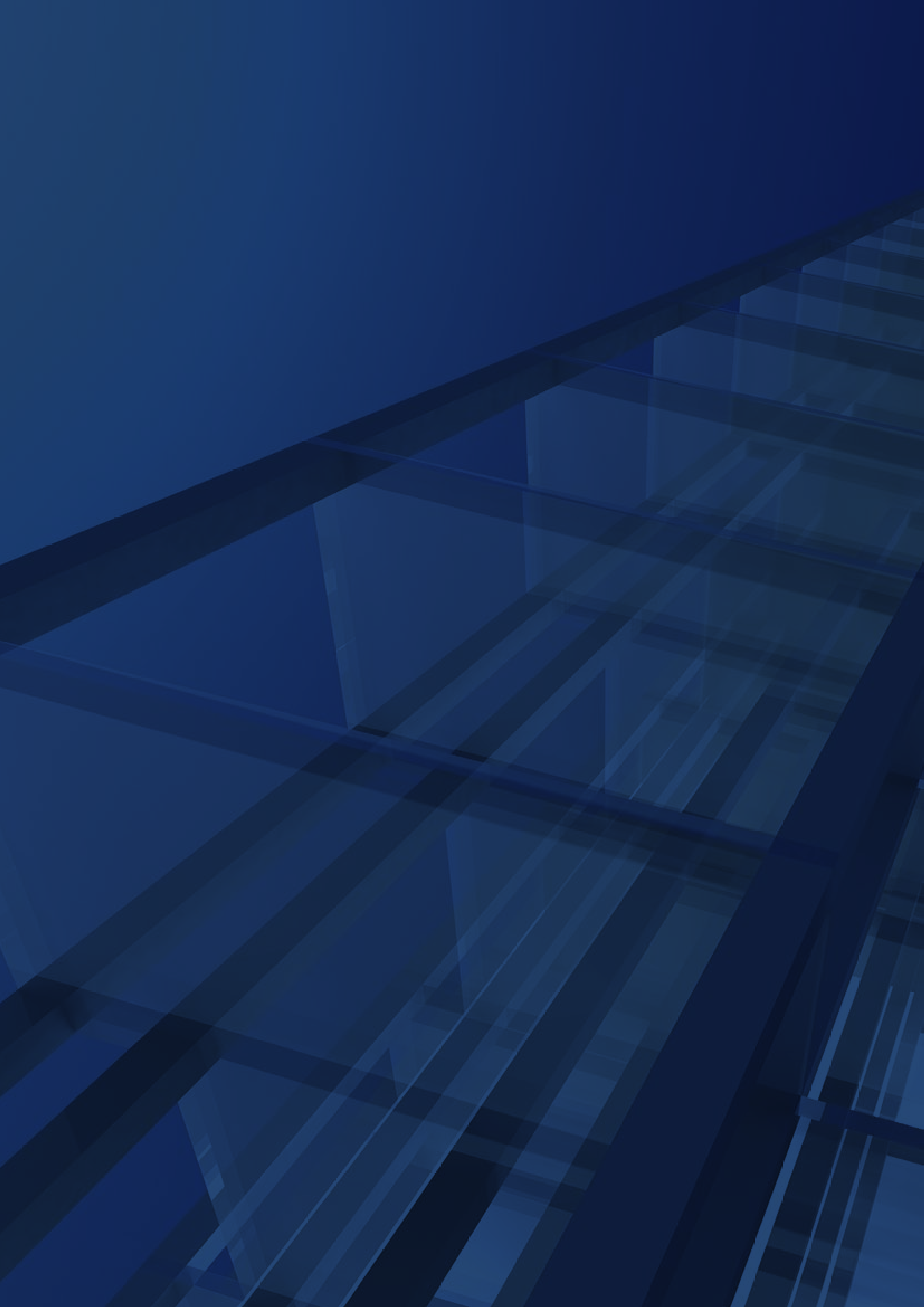

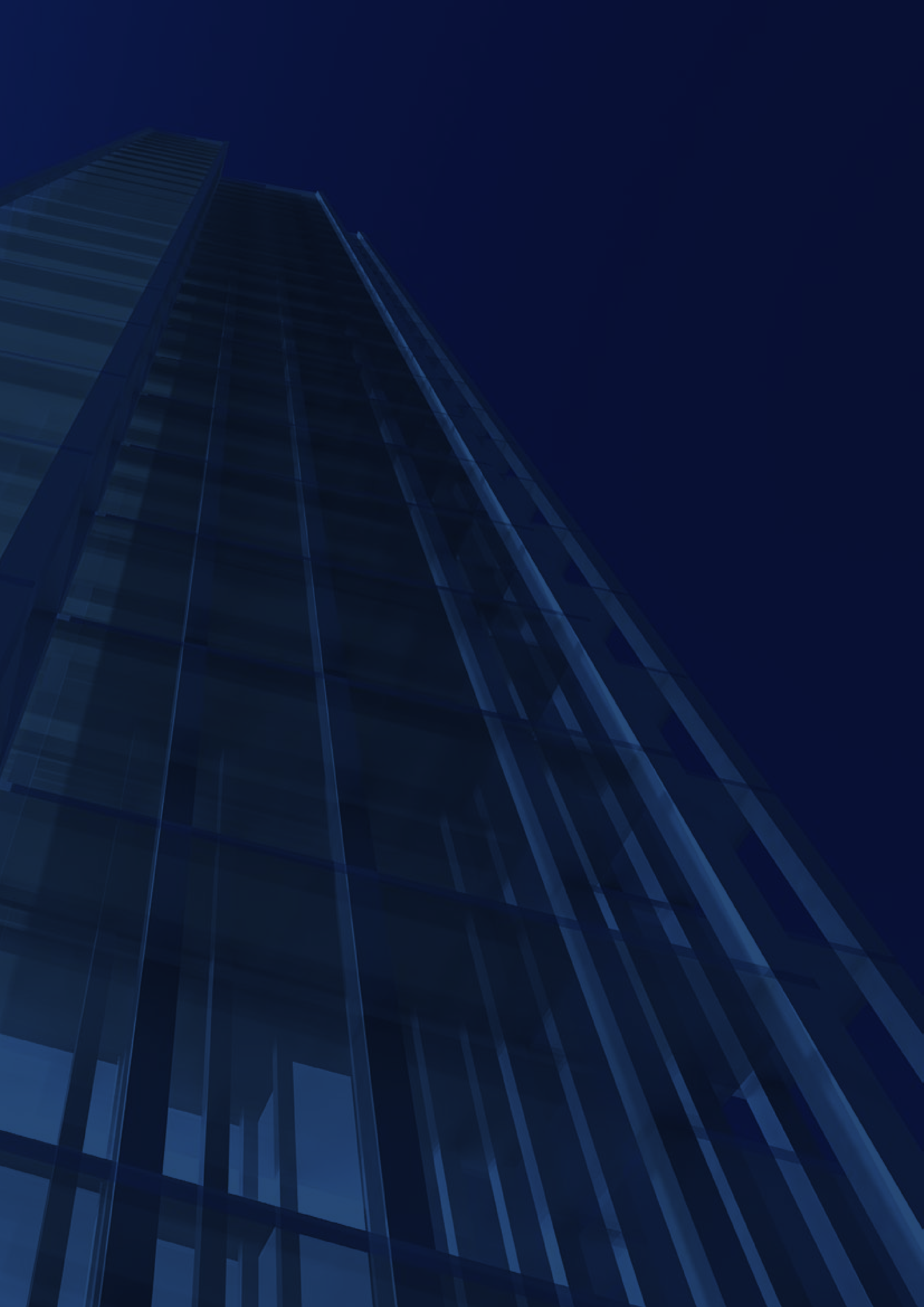

International General Insurance Holdings Ltd.