International
General Insurance Holdings Ltd.

2014

ANNUAL REPORT

International
General Insurance Holdings Ltd.

WWW.IGINSURE.COM

Head Office Bldg-Amman, Jordan

CONTENTS

About IGIH:

International General Insurance Holdings Limited (IGIH) is registered in the Dubai International Financial Centre (DIFC) with operations in Bermuda, Jordan, Malaysia, Morocco 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.

IGI Bermuda is rated A- with a stable outlook by Standard & Poor's and A- (Excellent) with a stable outlook by A.M Best Company.

IGI UK is rated A- (Excellent) by A.M Best Company.

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$ 710 million as at 31st December, 2014.

Board Of Directors

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

Mr. Wasef Jabsheh
CEO & Vice Chairman

Mr. Khalifa Al Mulhem
Director (Chairman, National Polypropylene Company Limited – Saudi Arabia)

Mr. Hani Tarazi
Director (Saba IP & Co. – Dubai, UAE)

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

Al Sayyida Rawan Al Said
Director (Vice Chairman and CEO of Takaful Oman SOAG,
member of the Board of Directors of ONIC Holding)

David King
Director (Non-executive Director of the Board of Directors of FXCM Securities Limited)

Letter From the Board of Directors

It gives us great pleasure to include herewith the full report on International General Insurance Holdings Ltd.'s 2014 financial performance. The past year has seen continued success for IGI, as we have achieved both record profits and a healthier combined ratio.

Although 2014 witnessed a growth rate of 4.8% in gross written premium, net profits increased 9.9% year over year. This can be attributable to disciplined underwriting, reduction in reinsurance costs and consistent investment profits.

The Company experienced another year with record income levels, helping provide investors a 13.05% return on equity, as compared to 12.69 % in previous year. Our results further demonstrate that IGI's overall business and investment strategy present a sound and comprehensive business approach to today's evolving reinsurance market.

2014 was a fairly uneventful one in the insurance market, with losses at relatively benign levels. According to a Swiss Re sigma study, global insured losses from natural catastrophes and man-made disasters were around 35 billion US Dollars which is well below the 10 year average of US$ 64. Ultimately, IGI was able to outperform its budgeted loss ratio and realize a 52.95% loss ratio versus 54.68% in 2013.

The year was also met with increased volatility on the geopolitical front in the MENA region due to continued civil strife in Iraq, Syria and Yemen. There was also a large increase in volatility in the global financial markets, with oil prices dropping by approximately 50%, Europe announcing their version of quantitative easing, a strengthening US Dollar and the US Federal Reserve showing signs that a rate hike is imminent. Although these headlines have caused confusion in the energy and financial markets, we were able to mitigate the volatility with a major reduction in our GCC equity exposures and continued geographical diversification of our insurance business lines.

In 2014, the Company was pleased to have been granted approval from the Casablanca Finance City Authority (CFCA) to establish a representative office within Casablanca Finance City (CFC). This new venture will create a foundation for IGI's presence and focused growth in Africa as we aim to increase our exposure in the continent. This new platform will provide greater access to the Northern, Central and West African markets from within the CFC.

We did not introduce any new lines of business in 2014; rather, our aim was to focus on strengthening existing ones whilst discontinuing any business we deemed non profitable. As a result, as of April 1, 2014, we decided to cease underwriting marine cargo and hull due to the unhealthy pricing conditions and unfavorable profit margins.

Highlights for the year 2014 include the following:

- Gross written premium in 2014 was US$ 251.52 million, an increase of 4.8% compared to US$ 240.01 million for 2013.
- Underwriting profit grew to US$ 50.1 million for 2014, an increase of 14.9% from US$ 43.55 million in 2013.
- Investment income for the year stood at US$ 12.2 million, an increase of 29% compared to US$ 9.46 million for 2013.
- The combined ratio for 2014 was 87.11 % compared to 87.93 % for 2013.
- Net Profit amounted to US$ 34.34 million for 2014 against US$ 31.26 million for 2013, an increase of 9.9%
- Total assets were US$ 712.18 million at the end of 2014, an increase of 6% compared to US$ 672 million as of 31st December, 2013.
- Shareholders' equity rose to US$ 263.17 million at the end of 2014, up 6.9% compared to US$ 246.32 million as of 31st December, 2013.

For 2015, it is with great pleasure that we announce that in the first quarter, S&P Rating Services has decided to upgrade IGI to A- Stable outlook from BBB+ Positive. This rating upgrade is further validation of IGI's successful business strategy coupled with its disciplined underwriting and strong financial flexibility. Our new rating will enable us to grow our current lines of business as well as introduce new lines of business that are rating sensitive.

In 2015, we expect to see continued pressure on pricing due to the prevalent excess capital in the insurance market. This is a normal part of the insurance business cycle and we are well positioned to mitigate any softness in the market.

With regards to falling oil prices, we anticipate a slowdown in new energy projects. We expect this to affect future growth in the energy insurance market but IGI is well placed to compensate for such shortage with other lines of business.

Looking forward into 2015, whilst our Casablanca office will aid us in our expansion plans, we will continue to fortify our UK and Dubai platforms. We also intend to continue building new relationships as well as reinforcing and expanding our existing business partnerships. We will be actively seeking new business opportunities, new business lines and increasing our geographic footprint.

Our investment policy will remain very conservative as we anticipate a rate hike in the US sometime in 2015 and continued volatility in the global markets. To mitigate such volatility, we continue to increase our cash holdings, reduce equity exposure and invest in shorter duration fixed income securities allowing us to take advantage of any aberrations in the markets. Following a strengthening in realized investment gains in 2014, we anticipate a further increase in 2015 as we continue to actively manage our portfolio and look for investment opportunities.

We remain confident in forging ahead into 2015 with our broad strategy of underwriting discipline, conservative investment management and business diversification. We are extremely pleased with our current market position and 2014 results, and we plan to build on our successes as the leading (re)insurer in the MENA region.

As always, we would like to extend a thank you to all our clients and producers for their unremitting support throughout 2014. We would also like to thank all our employees for their significant effort and contribution this year. We look forward to working together in 2015 to fulfill the visions and ambitions of the Company and to further promote our position as the lead underwriting operation in the region.

Board of Directors

Ernst & Young
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INDEPENDENT AUDITOR'S 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 2014 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 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

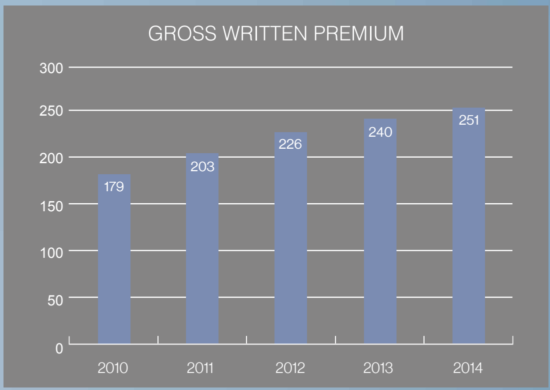
Report on other legal and regulatory requirements

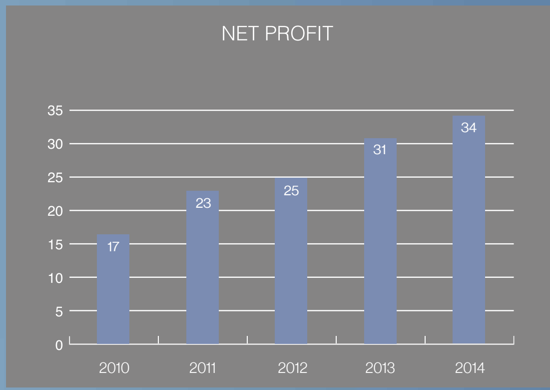
We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit. To 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.

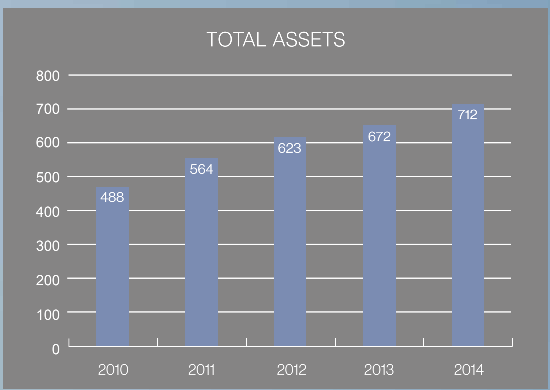
Ernst & Young

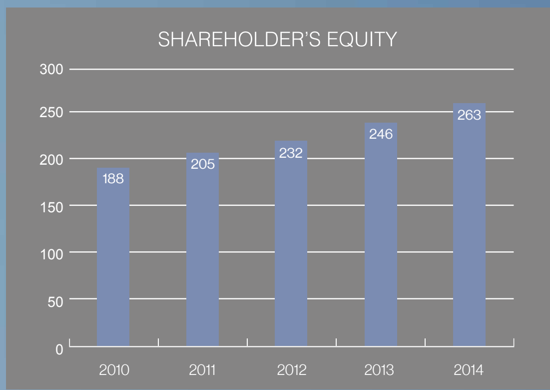
Dubai, United Arab Emirates
19 March 2015

FINANCIAL RESULTS









	Notes	2014 USD	2013 USD
ASSETS			
Premises and equipment	3	3,330,145	3,849,915
Intangible assets	4	334,010	180,389
Investment in associates	5	11,087,334	11,703,630
Investment properties	6	28,611,765	28,550,500
Investments	7	183,021,032	198,297,422
Deferred policy acquisition costs	8	27,500,132	27,621,280
Insurance receivables	9	95,349,999	95,109,788
Other assets	10	10,955,090	2,779,279
Deferred tax assets	24	400,784	730,618
Reinsurance share of unearned premiums	11	27,649,371	22,136,020
Reinsurance share of outstanding claims	12	81,072,936	63,302,805
Deferred XOL premium		10,765,781	8,288,678
Cash and bank balances	13	232,104,743	209,457,108
TOTAL ASSETS		**712,183,122**	**672,007,432**
EQUITY AND LIABILITIES			
Equity			
Issued share capital	14	143,375,678	143,375,678
Treasury shares	15	(12,000,000)	(12,000,000)
Foreign currency translation reserve		(237,135)	(214,298)
Cumulative changes in fair values		18,900,541	22,821,709
Retained earnings		113,139,208	92,346,727
Total equity		**263,178,292**	**246,329,816**
Liabilities			
Gross outstanding claims	12	276,467,451	252,541,549
Gross unearned premiums	11	139,595,616	139,154,406
Other liabilities	17	4,899,398	3,111,273
Insurance payables	18	20,345,945	24,241,201
Unearned commissions	19	7,696,420	6,629,187
Total liabilities		449,004,830	425,677,616
TOTAL EQUITY AND LIABILITIES		**712,183,122**	**672,007,432**

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 March 2015.

	Notes	2014 USD	2013 USD
Gross written premiums	11	251,525,833	240,008,259
Change in unearned premiums		(441,210)	1,058,400
Gross earned premiums	11	251,084,623	241,066,659
Reinsurers' share of insurance premiums	11	(67,057,242)	(58,767,697)
Reinsurers' share of change in unearned premiums		5,513,351	(1,649,773)
Reinsurers' share of gross earned premiums	11	(61,543,891)	(60,417,470)
Net premiums earned		**189,540,732**	**180,649,189**
Claims	12	(143,893,992)	(123,021,028)
Reinsurers' share of claims	12	43,537,262	24,246,187
Commissions earned	19	10,329,307	9,350,877
Policy acquisition costs	8	(49,409,574)	(47,667,348)
Net underwriting result		**50,103,735**	**43,557,877**
Net investment income	20	14,961,731	9,985,201
Share of (loss) profit from associates	5	(184,651)	408,709
General and administrative expenses		(24,483,717)	(21,169,540)
Provision for doubtful debts		(864,350)	(494,000)
Other expenses	21	(2,295,573)	-
Other income		6,086	14,375
Loss on exchange		(2,573,378)	(949,291)
PROFIT BEFORE TAX		**34,669,883**	**31,353,331**
Tax expense	24	(329,834)	(89,924)
PROFIT FOR THE YEAR		**34,340,049**	**31,263,407**

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

	2014	**2013**
	USD	*USD*
Profit for the year	34,340,049	31,263,407
Other comprehensive income to be reclassified to profit		
or loss in subsequent periods:		
Fair value changes	(3,921,168)	7,496,682
Currency translation differences	(22,837)	16,697
Other comprehensive income for the year	(3,944,005)	7,513,379
Total comprehensive income for the year	**30,396,044**	**38,776,786**

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

	Notes	2014 USD	2013 USD
OPERATING ACTIVITIES			
Profit before tax		34,669,883	31,353,331
Adjustments for:			
Depreciation and amortization	3,4	969,320	961,457
Gain on sale of available-for-sale investments	20	(7,656,785)	(1,622,258)
Provision for doubtful debts	9	864,350	494,000
Impairment of available-for-sale investments	20	1,581,007	895,203
Gain on sale of premises and equipment		(6,086)	(14,375)
Loss on revaluation of held for trading investments	20	538,755	3,972
Dividends and interest income	20	(9,779,951)	(9,628,530)
Share of loss (profit) from associates	5	184,651	(408,709)
Net foreign exchange differences		2,573,378	949,291
Cash from operations before working capital changes		**23,938,522**	**22,983,382**
Working capital adjustments			
Reinsurance share of unearned premiums		(5,513,351)	1,649,773
Reinsurance share of outstanding claims		(17,770,131)	4,509,482
Deferred XOL premium		(2,477,103)	102,369
Gross outstanding claims		23,925,902	34,133,831
Gross unearned premiums		441,210	(1,058,400)
Deferred policy acquisition costs		121,148	3,133,312
Insurance receivables		(1,104,561)	2,138,473
Other assets		(8,198,648)	(435,577)
Unearned commission		1,067,233	(2,087,926)
Insurance payables		(3,895,256)	4,673,729
Other liabilities		1,788,125	(538,010)
Net cash from operating activities		**12,323,090**	**69,204,438**
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(351,045)	(432,633)
Proceeds from sale of premises and equipment		6,643	32,097
Purchase of intangible assets	4	(252,683)	(11,170)
Purchase of available-for-sale investments		(38,174,885)	(60,568,769)
Proceeds from maturity of held to maturity investments		84,746	79,972
Proceeds from sale of available-for-sale investments		54,982,384	21,514,036
Proceeds from redemption of trading securities		-	113,546
Purchase of investment properties		(61,265)	-
Dividends received from associates	5	431,645	933,651
Dividends and interest income	20	9,779,951	9,628,530
Net cash from (used in) investing activities		**26,445,491**	**(28,710,740)**
FINANCING ACTIVITIES			
Dividends paid	16	(13,547,568)	(12,587,811)
Purchase of treasury shares	15	-	(12,000,000)
Net cash used in financing activities		**(13,547,568)**	**(24,587,811)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**25,221,013**	**15,905,887**
Net foreign exchange differences		(2,573,378)	(949,291)
Cash and cash equivalents at the beginning of the year		209,457,108	194,500,512
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**232,104,743**	**209,457,108**

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

	Issued share capital	Treasury shares	Foreign currency translation reserve	Cumulative change in fair value of investments	Retained earnings	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
At 1 January 2014	143,375,678	(12,000,000)	(214,298)	22,821,709	92,346,727	246,329,816
Profit for the year	-	-	-	-	34,340,049	34,340,049
Other comprehensive income	-	-	(22,837)	(3,921,168)	-	(3,944,005)
Total comprehensive income	-	-	(22,837)	(3,921,168)	34,340,049	30,396,044
Dividends paid during the year (note 16)	-	-	-	-	(13,547,568)	(13,547,568)
At 31 December 2014	**143,375,678**	**(12,000,000)**	**(237,135)**	**18,900,541**	**113,139,208**	**263,178,292**
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 16)	-	-	-	-	(12,587,811)	(12,587,811)
Purchase of treasury shares (note 15)	-	(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**

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, Dubai International Financial Centre.

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	
			2014	2013
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 Co. 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%

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective as of 1 January 2014:

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

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

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 and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

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

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

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

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not ex-

pected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

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

Summary of significant accounting policies

Revenue recognition

Gross written premiums

Gross 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 also include estimates for pipeline premiums, representing amounts due on business written but not yet notified. The Group generally estimates the pipeline premium based on management's judgement and prior experience.

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 associates

The Group's investment in its associates 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.

.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.

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 2014	2,656,651	1,266,250	886,319	255,660	1,063,978	765,759	51,700	6,946,317
Additions		4,927	81,484	3,757	16,411	228,162	16,304	351,045
Transfers	-	24,509	-	-	43,495	-	(68,004)	-
Written off and disposals	-	-	(881)	(626)	-	(24,563)	-	(26,070)
At 31 December 2014	**2,656,651**	**1,295,686**	**966,922**	**258,791**	**1,123,884**	**969,358**	**-**	**7,271,292**
Depreciation								
At 1 January 2014	341,830	778,802	595,820	185,797	826,450	367,703	-	3,096,402
Deprecation for the year	102,536	194,846	187,807	30,986	201,641	152,442	-	870,258
Written off and disposals	-	-	(881)	(69)	-	(24,563)	-	(25,513)
At 31 December 2014	444,366	973,648	782,746	216,714	1,028,091	495,582	-	3,941,147
Net carrying amount								
At 31 December 2014	**2,212,285**	**322,038**	**184,176**	**42,077**	**95,793**	**473,776**	**-**	**3,330,145**
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**

The depreciation charge for the year of USD 870,258 (2013: USD 880,178) has been included in general and administrative expenses.

Fully depreciated premises and equipment still in use amounted to USD 2,249,547 as at 31 December 2014 (2013: 589,615).

4 - INTANGIBLE ASSETS

	Computer software / licenses	
	2014 *USD*	2013 *USD*
Cost		
Opening balance	937,447	926,277
Additions	252,683	11,170
Closing balance	1,190,130	937,447
Amortisation		
Opening balance	757,058	675,779
Amortisation for the year	99,062	81,279
Closing balance	856,120	757,058
Net book value	**334,010**	**180,389**

5 - INVESTMENT IN ASSOCIATES

The Group has a 33% equity ownership interest in companies registered in Lebanon as shown below:

	Country of incorporation	Ownership	
		2014	2013
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:

	2014 *USD*	2013 *USD*
Opening balance	11,703,630	12,228,572
Share of (loss) profit of results of associates	(184,651)	408,709
Dividends received	(431,645)	(933,651)
	11,087,334	**11,703,630**

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

	2014 *USD*	2013 *USD*
Share of associates' statement of financial position		
Current assets	575,058	904,393
Non-current assets	16,949,782	16,908,960
Current liabilities	(6,437,506)	(6,109,723)
Net assets	**11,087,334**	**11,703,630**
Share of associates' revenues and results		
Revenues	**565,983**	**650,485**
(Loss)/ profit	**(184,651)**	**408,709**

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:

	2014		
	Commercial building USD	*Land* USD*	*Total USD*
Opening balance	20,088,650	8,461,850	28,550,500
Additions	61,265	-	61,265
Closing balance	**20,149,915**	**8,461,850**	**28,611,765**

	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**

* *Land amounting to USD 8,461,850 as at 31 December 2014 (2013: 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 2013, 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 properties based on valuations performed by independent valuer.

7 - INVESTMENTS

	2014 USD	2013 USD
Held to maturity		
Unquoted bonds*	4,355,931	4,440,677
Held for trading		
Quoted funds	805,647	1,344,402
Available-for-sale		
Quoted bonds and debt securities with fixed interest rate	101,753,733	107,360,804
Quoted equities	63,060,020	71,331,460
Quoted funds and alternative investments	7,288,261	7,392,004
Unquoted equities	5,757,440	6,428,075
	177,859,454	192,512,343
	183,021,032	198,297,422

** Maturity of these bonds as at 31 December 2014 are as follows:*

Maturity	Carrying amount	Effective interest rate
6 December 2015	1,355,931	10%
27 October 2017	3,000,000	2%
	4,355,931	

Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 1,581,007 (2013: USD 895,203).

8 - DEFERRED POLICY ACQUISITION COSTS

	2014 USD	2013 USD
Opening balance	27,621,280	30,754,592
Acquisition costs	49,288,426	44,534,036
Charged to consolidated income statement	(49,409,574)	(47,667,348)
	27,500,132	**27,621,280**

9 - INSURANCE RECEIVABLES

	2014 USD	2013 USD
Receivables from insurance companies and intermediaries	98,214,349	97,109,788
Less: Provision for doubtful debts	(2,864,350)	(2,000,000)
	95,349,999	**95,109,788**

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

	2014 USD	2013 USD
Opening balance	(2,000,000)	(1,800,000)
Provision for the year	(1,000,000)	(494,000)
Bad debts written off	-	294,000
Recoveries	135,650	-
	(2,864,350)	**(2,000,000)**

Out of the above amounts, only USD 15,823 (2013: USD 17,951) are due for more than twelve months of the statement of financial position date (Note 26). It is not the practice of the Group to hold collaterals as security, therefore the receivable are unsecured.

10 - OTHER ASSETS

	2014 USD	2013 USD
Accrued interest income	1,584,685	1,532,759
Prepaid expenses	801,493	647,662
Refundable deposits	296,427	108,746
Employees receivables	11,361	9,550
Funds held in trust account with reinsurance company	7,500,000	-
Income tax receivables	194,072	175,332
*Trade receivable	52,831	73,933
Others	514,221	231,297
	10,955,090	**2,779,279**

* This amount represents the balances due from the Specialty Malls 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 - UNEARNED PREMIUMS

	2014			2013		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Opening balance	139,154,406	(22,136,020)	117,018,386	140,212,806	(23,785,793)	116,427,013
Premiums written	251,525,833	(67,057,242)	184,468,591	240,008,259	(58,767,697)	181,240,562
Premiums earned	(251,084,623)	61,543,891	(189,540,732)	(241,066,659)	60,417,470	(180,649,189)
	139,595,616	**(27,649,371)**	**111,946,245**	**139,154,406**	**(22,136,020)**	**117,018,386**

12 - OUTSTANDING CLAIMS

Movement in outstanding claims

	2014			2013		
	Gross USD	*Reinsurers' share USD*	*Net USD*	*Gross USD*	*Reinsurers' share USD*	*Net USD*
At the beginning 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 paid	(119,968,090)	25,767,131	(94,200,959)	(88,887,197)	28,755,669	(60,131,528)
Provided during the year related to current accident year	152,384,189	(36,534,522)	115,849,667	159,549,092	(35,996,585)	123,552,507
Provided during the year related to previous accident years	(8,490,197)	(7,002,740)	(15,492,937)	(36,528,064)	11,750,398	(24,777,666)
At the end of the year	**276,467,451**	**(81,072,936)**	**195,394,515**	**252,541,549**	**(63,302,805)**	**189,238,744**
At the end of the year						
Reported claims	171,474,760	(49,580,245)	121,894,515	164,884,549	(47,020,671)	117,863,878
Claims incurred but not reported	104,992,691	(31,492,691)	73,500,000	87,657,000	(16,282,134)	71,374,866
	276,467,451	**(81,072,936)**	**195,394,515**	**252,541,549**	**(63,302,805)**	**189,238,744**

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	2014	Total
	USD	*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	128,498,162	133,595,104	159,549,092	152,384,186	
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	155,958,329	-	
Two years later	222,953	3,678,280	7,714,673	47,504,859	40,894,923	53,379,611	119,412,667	67,118,529	105,943,110	100,764,212	108,558,479	-	-	
Three years later	285,814	3,509,176	7,573,398	47,354,940	39,641,082	53,971,648	121,676,478	68,496,704	100,572,066	110,286,014	-	-	-	
Four years later	275,552	3,488,022	7,961,530	46,820,976	37,331,379	53,468,989	119,839,220	68,217,208	99,513,334	-	-	-	-	
Five years later	320,449	3,438,076	7,862,214	46,391,258	37,665,596	53,393,860	113,090,591	67,908,658	-	-	-	-	-	
Six years later	294,568	3,312,519	7,763,419	47,224,929	36,800,576	50,534,739	112,125,348	-	-	-	-	-	-	
Seven years later	271,568	3,312,891	7,778,981	46,211,206	35,600,935	49,718,456	-	-	-	-	-	-	-	
Eight years later	271,568	3,296,004	7,842,871	46,232,192	35,318,464	-	-	-	-	-	-	-	-	
Nine years later	271,568	3,296,848	7,729,592	46,224,784	-	-	-	-	-	-	-	-	-	
Ten years later	271,568	3,296,098	7,731,054	-	-	-	-	-	-	-	-	-	-	
Eleven years later	267,568	3,178,329	-	-	-	-	-	-	-	-	-	-	-	
Twelve years later	267,568	-	-	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**267,568**	**3,178,329**	**7,731,054**	**46,224,784**	**35,318,464**	**49,718,456**	**112,125,348**	**67,908,658**	**99,513,334**	**110,286,014**	**108,558,479**	**155,958,329**	**152,384,186**	**949,173,003**
Cumulative payments to date	**267,568**	**3,178,329**	**7,668,017**	**46,021,616**	**34,184,756**	**48,997,388**	**107,390,795**	**64,259,757**	**94,207,493**	**84,326,536**	**79,225,610**	**86,965,748**	**16,011,939**	**672,705,552**
Total liability included in the consolidated statement of financial position														**276,467,451**

13 -CASH AND BANK BALANCES

	2014 USD	2013 USD
Cash and bank balances	106,193,838	101,372,446
Time deposits – short term	125,910,905	108,084,662
	232,104,743	**209,457,108**

The time deposits, which are denominated in US Dollars and US Dollars pegged currencies, are made for varying periods between one month to one year (2013: between one month to one year) depending on the immediate cash requirements of the Group.

All deposits earned an average variable interest rate of 2.91% (2013: 3.07%).

14 -ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2014 USD	2013 USD
Shares of USD 1 each	143,375,678	143,375,678

15 - 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 2014 (2013: 12,000,000).

16 - DIVIDENDS PAID

At a meeting held on 20 March 2014, the shareholders resolved to pay a dividend of USD 0.05 (2013: USD 0.05) per share amounting to USD 6,773,784 (2013: USD 7,168,784) related to the year ended 31 December 2013. Further, the shareholders also resolved on 6 November 2014 to pay interim dividends of USD 0.05 (2013: USD 0.04) per share amounting to USD 6,773,784 (2013: USD 5,419,027) related to the current year.

17 - OTHER LIABILITIES

	2014 USD	2013 USD
Accounts payable	662,056	429,311
Accrued expenses	4,237,342	2,681,962
	4,899,398	3,111,273

18 - INSURANCE PAYABLES

	2014 USD	2013 USD
Payables due to insurance companies and intermediaries	2,773,562	940,890
Reinsurers – amounts due in respect of ceded premium	17,572,383	23,300,311
	20,345,945	**24,241,201**

19 - UNEARNED COMMISSIONS

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

	2014 USD	2013 USD
As at 1 January	6,629,187	8,717,113
Commissions received	11,396,540	7,262,951
Commissions earned	(10,329,307)	(9,350,877)
As at 31 December	**7,696,420**	**6,629,187**

20 - INVESTMENT INCOME

	2014 USD	2013 USD
Interest	7,439,887	7,679,292
Dividends	2,340,064	1,949,238
Gain on sale of available-for-sale investments	7,656,785	1,622,258
Fair value changes of held for trading investments	(538,755)	(3,972)
Impairment of available-for-sale investments (note 7)	(1,581,007)	(895,203)
Investments custodian fees and other investments expenses	(1,333,883)	(1,269,361)
Rental income, net	978,640	902,949
	14,961,731	**9,985,201**

21 - OTHER EXPENSES

Other expenses represent expenditure incurred during the year in relation to an intended public offering of shares (I.P.O). However, market conditions were not conducive to proceed with the I.P.O.

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 (2013: USD 14,124) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 1,412 (2013: USD 1,412).
- Letters of Credit amounting to USD 11,209,398 to the order of reinsurance companies for collateralising insurance contract liabilities in accordance with the reinsurance arrangements (2013: USD 29,258,076).
- Letter of Guarantee amounting to USD 375,146 to the order of Friends Provident Life Assurance Ltd. for collateralising rent payment obligation in one of the Group entity's office premises (2013: USD 398,258).

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:

	2014 *USD*	2013 *USD*
Consolidated statement of income		
Commission paid		
Eastern Insurance Brokers Ltd – Owned by immediate family member of the major shareholder	-	**2,532**

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 6,530,043 (2013: USD 5,268,841). Out of the total amount of key management personnel compensation, an amount of USD 451,682 (2013: USD 285,533) 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

Tax expense 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:

	2014 *USD*	2013 *USD*
Opening balance	730,618	820,542
Tax expense	(329,834)	(89,924)
Ending balance	**400,784**	**730,618**

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	*%*
2014		
Europe	52,906,856	21%
Middle / Far East & Africa	111,946,311	44%
North America	3,957,757	2%
Rest of the World	82,714,909	33%
	251,525,833	

	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	

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	*%*
2014		
Energy	100,617,644	40%
Property	38,042,809	15%
Engineering	15,529,176	6%
Marine	7,588,753	3%
Reinsurance	16,784,494	7%
Financial	16,143,556	6%
Casualty	13,126,893	5%
Aviation	8,322,341	3%
Ports & Terminals	19,044,512	8%
Political Violence	16,325,655	7%
	251,525,833	

	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	

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 (2013: 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*
2014	+ 5	13,823,373	9,769,726	(9,769,726)
2013	+ 5	12,627,077	9,461,937	(9,461,937)

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
2014	*USD*	*USD*	*USD*	*USD*	*USD*	*(%)*
Investments held for trading	-	-	-	805,647	805,647	-
Available-for-sale investments	11,246,465	75,295,583	15,211,686	76,105,720	177,859,454	3.78
Held to maturity investments	1,355,931	3,000,000	-	-	4,355,931	4.42
Cash and bank balances	232,104,743	-	-	-	232,104,743	1.47
	244,707,139	**78,295,583**	**15,211,686**	**76,911,367**	**415,125,775**	

2013						
Investments held for trading	-	-		1,344,402	1,344,402	-
Available-for-sale investments	19,212,887	55,849,807	28,499,244	88,950,405	192,512,343	3.56
Held to maturity investments	1,440,677	-	3,000,000	-	4,440,677	4.47
Cash and bank balances	209,457,108	-	-	-	209,457,108	1.78
	230,110,672	**55,849,807**	**31,499,244**	**90,294,807**	**407,754,530**	

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
2014	+ 25	580,051
	- 50	(1,160,103)
2013	+ 25	549,720
	- 50	(1,099,441)

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 71% 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*
2014					
Available for sale investments - bonds and debt securities	98,211,898	3,541,835	-	-	101,753,733
Held to maturity investments - bonds and debt securities	3,000,000	1,355,931	-	-	4,355,931
Insurance receivables	-	81,729,144	-	13,620,855	95,349,999
Reinsurance share of unearned premiums	-	27,649,371	-	-	27,649,371
Reinsurance share of outstanding claims	66,085,198	14,987,738	-	-	81,072,936
Deferred XOL premium	-	10,765,781	-	-	10,765,781
Cash and bank balances	180,211,320	51,893,423	-	-	232,104,743
	347,508,416	**191,923,223**	**-**	**13,620,855**	**553,052,494**
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 share of unearned premiums	-	22,136,020	-	-	22,136,020
Reinsurance share of outstanding claims	39,944,033	23,358,772	-	-	63,302,805
Deferred XOL premium	-	8,288,678	-	-	8,288,678
Cash and bank balances	157,364,065	52,093,043	-	-	209,457,108
	301,959,490	**188,796,042**	**-**	**19,340,348**	**510,095,880**

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 2014	**81,729,144**	**10,092,919**	**2,170,839**	**699,601**	**641,673**	**15,823**	**95,349,999**
31 December 2013	80,178,750	8,938,857	2,205,496	1,914,961	1,853,773	17,951	95,109,788

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 Malls 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 2014	**-**	**52,831**	**-**	**52,831**
31 December 2013	-	73,933	-	73,933

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*
2014			
New York Stock Exchange	+5%	-	1,298,470
Amman Stock Exchange	+5%	-	51,345
Saudi Stock Exchange	+5%	-	618,203
Qatar Stock Exchange	+5%	-	626,106
NASDAQ Dubai	+5%	-	67,679
Other quoted	+5%	40,282	855,612

	Change in equity price	Effect on profit for the year	Effect on equity
	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

The Group also has unquoted investments carried at fair value determined based on valuation techniques as per level 2 of fair value hierarchy.

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*
2014				
Gross outstanding claims	193,527,216	82,940,235	-	276,467,451
Gross unearned premiums	97,716,931	41,878,685	-	139,595,616
Other liabilities	4,381,688	517,710	-	4,899,398
Insurance payable	20,345,945	-	-	20,345,945
Unearned commissions	5,387,494	2,308,926	-	7,696,420
Total liabilities	**321,359,274**	**127,645,556**	**-**	**449,004,830**
2013				
Gross outstanding claims	189,406,162	63,135,387	-	252,541,549
Gross unearned premiums	104,365,804	34,788,602	-	139,154,406
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**

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:

	2014			
	Less than one year	**More than one year**	**No term**	**Total**
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,330,145	-	3,330,145
Intangible assets	-	334,010	-	334,010
Investment in associates	-	-	11,087,334	11,087,334
Investments	12,602,395	93,507,269	76,911,368	183,021,032
Investment properties	-	-	28,611,765	28,611,765
Deferred policy acquisition costs	19,250,092	8,250,040	-	27,500,132
Insurance receivables	95,334,176	15,823	-	95,349,999
Other assets	10,464,591	490,499	-	10,955,090
Deferred tax assets	-	400,784	-	400,784
Reinsurance share of unearned premiums	19,354,560	8,294,811	-	27,649,371
Reinsurance share of outstanding claims	56,751,055	24,321,881	-	81,072,936
Deferred XOL premium	10,765,781	-	-	10,765,781
Cash and bank balances	232,104,743	-	-	232,104,743
TOTAL ASSETS	**456,627,393**	**138,945,262**	**116,610,467**	**712,183,122**
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	-	-	(237,135)	(237,135)
Cumulative changes in fair values of investments	-	-	18,900,541	18,900,541
Retained earnings	-	-	113,139,208	113,139,208
Total equity	**-**	**-**	**263,178,292**	**263,178,292**
	-	-		
LIABILITIES				
Gross outstanding claims	193,527,216	82,940,235	-	276,467,451
Gross unearned premiums	97,716,931	41,878,685	-	139,595,616
Other liabilities	4,381,688	517,710	-	4,899,398
Insurance payable	20,345,945	-	-	20,345,945
Unearned commissions	5,387,494	2,308,926	-	7,696,420
Total liabilities	321,359,274	127,645,556	-	449,004,830
TOTAL EQUITY AND LIABILITIES	**321,359,274**	**127,645,556**	**263,178,292**	**712,183,122**

	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 associates	-	-	11,703,630	11,703,630
Investments	20,653,564	87,349,051	90,294,807	198,297,422
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
Other assets	2,670,534	108,745	-	2,779,279
Deferred tax assets	-	730,618	-	730,618
Reinsurance share of unearned premiums	16,602,015	5,534,005	-	22,136,020
Reinsurance share of outstanding claims	47,477,104	15,825,701	-	63,302,805
Deferred XOL premium	8,288,678	-	-	8,288,678
Cash and bank balances	209,457,108	-	-	209,457,108
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				
Gross outstanding claims	189,406,162	63,135,387	-	252,541,549
Gross unearned premiums	104,365,804	34,788,602	-	139,154,406
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**

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 2014		
	Level 1 *USD*	**Level 2** *USD*	**Total** *USD*
Held for trading	805,647	-	805,647
Available-for-sale	172,102,014	5,757,440	177,859,454
Investment properties	-	28,611,765	28,611,765
	172,907,661	**34,369,205**	**207,276,866**

	31 December 2013		
	Level 1 *USD*	**Level 2** *USD*	**Total** *USD*
Held for trading	1,344,402	-	1,344,402
Available-for-sale	186,084,268	6,428,075	192,512,343
Investment properties	-	28,550,500	28,550,500
	187,428,670	**34,978,575**	**222,407,245**

There were no transfers between Level 1, 2 and 3 during the year or in either the years ended 31 December 2014 or 31 December 2013.

There are no level 3 investments.

26 - COMPARATIVE FIGURES

Some of 2013 balances were reclassified to correspond with 31 December 2014. Classifications have no effect on net profit and equity.

	Reported in previous year	Reclassifications	Reclassified in current year
	USD	*USD*	*USD*
Reinsurance assets*	93,727,503	(93,727,503)	-
Reinsurance share of unearned premiums*	-	22,136,020	22,136,020
Reinsurance share of outstanding claims*	-	63,302,805	63,302,805
Deferred XOL premium*	-	8,288,678	8,288,678
Total	**93,727,503**	**-**	**93,727,503**
Insurance contracts liabilities*	391,695,955	(391,695,955)	-
Gross outstanding claims*	-	252,541,549	252,541,549
Gross unearned premiums*	-	139,154,406	139,154,406
	391,695,955	**-**	**391,695,955**
INVESTMENTS**	202,096,288	(3,798,866)	198,297,422
CASH AND BANK BALANCES**	205,658,242	3,798,866	209,457,108
TOTAL	**407,754,530**	**-**	**407,754,530**

* *In accordance with the industry's best practice, line items constituting "Reinsurance assets' and 'Insurance contract liabilities' are separately disclosed on the face of statement of financial position.*

** *Reclassification of cash held under investment portfolios from "Investments" reflected within line item "Quoted funds and alternative investments" to "Cash and bank balances".*

27 - SUBSEQUENT EVENTS

There have been no material events between 31 December 2014 and the date of this report which are required to be disclosed.

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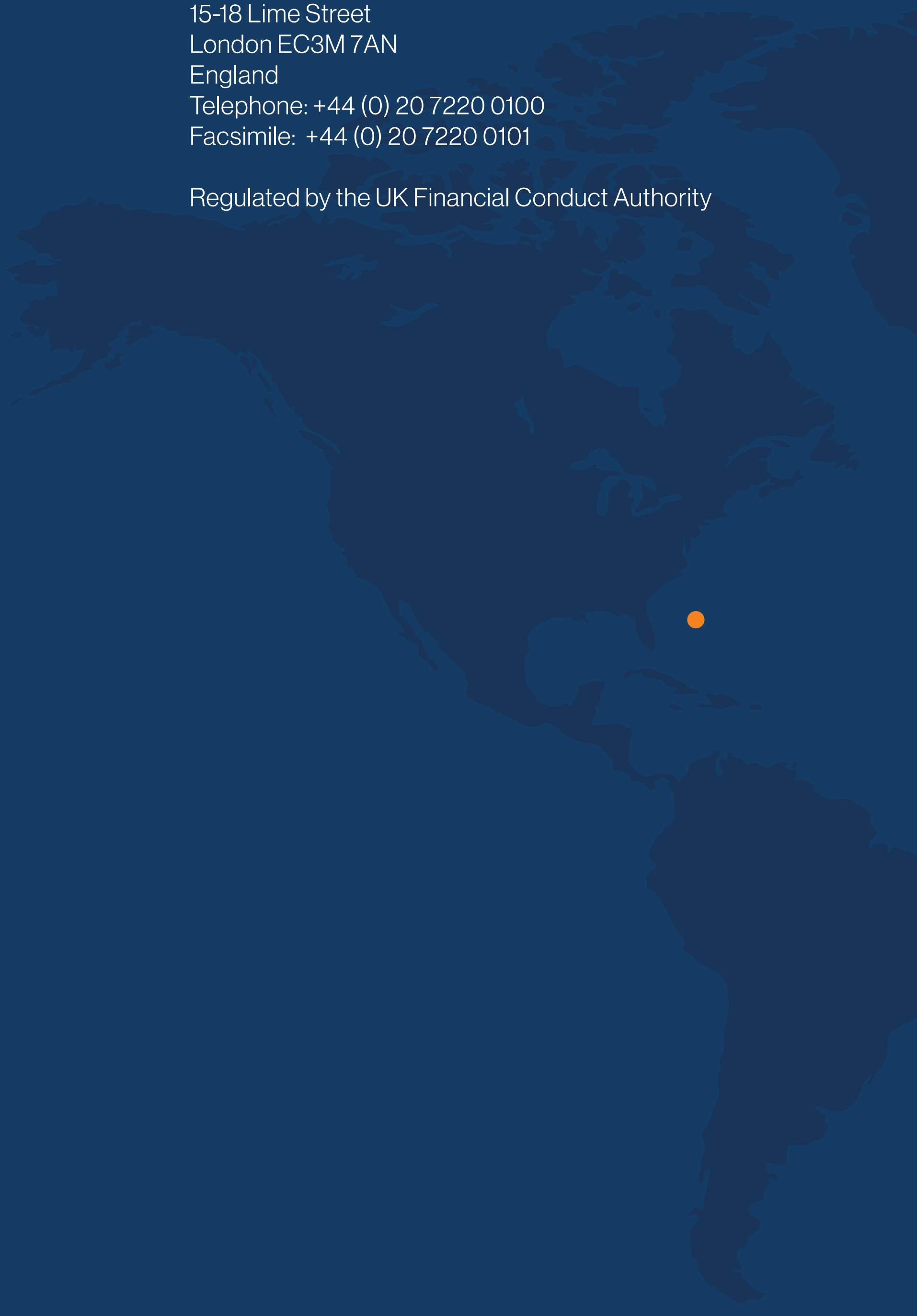

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