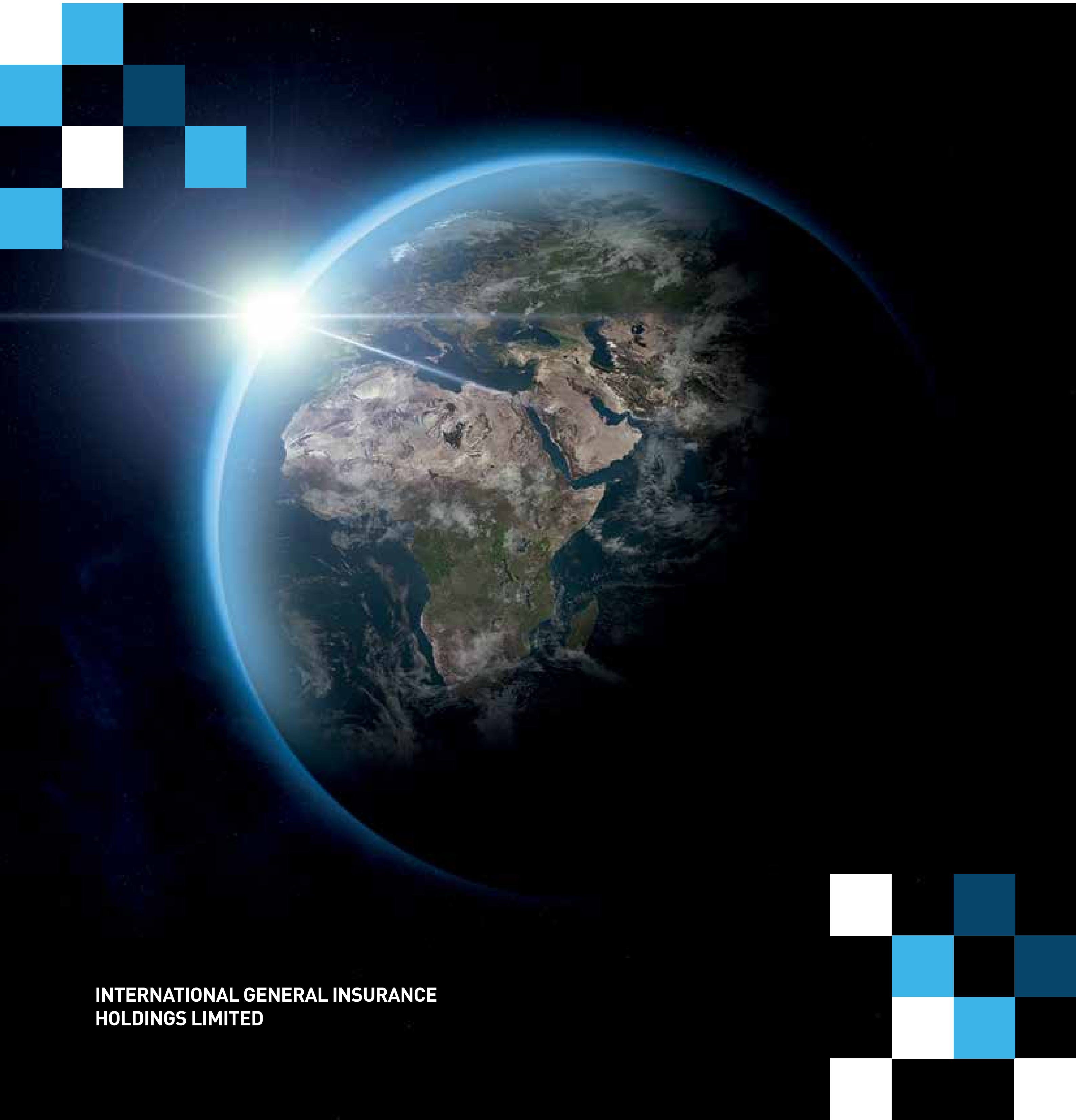
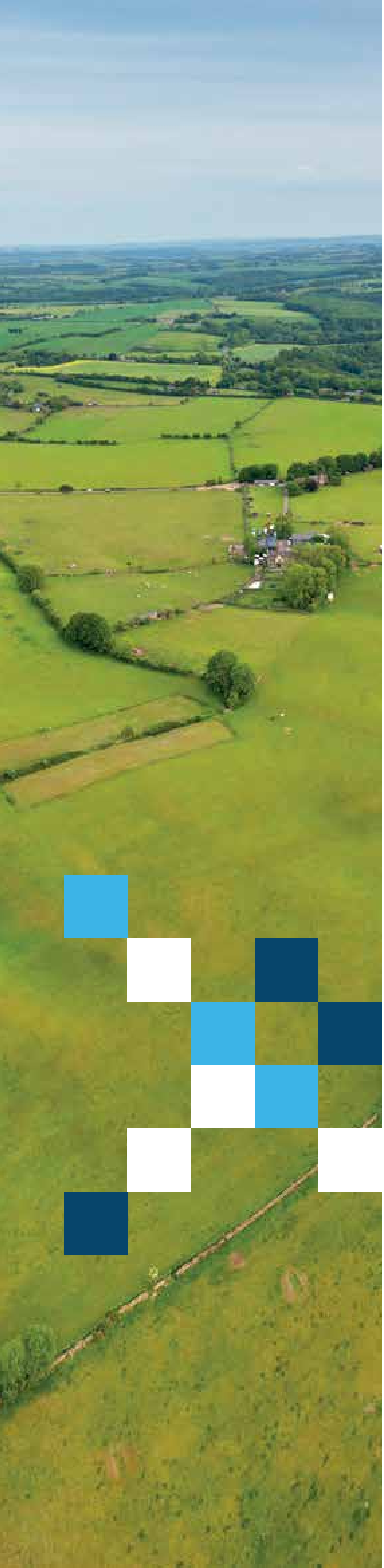
ANNUAL REPORT & ACCOUNTS 2017



INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED

ANNUAL REPORT & ACCOUNTS 2017

INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED



CONTENTS

ABOUT US

WE ARE A LEADING INTERNATIONAL SPECIALIST COMMERCIAL INSURER AND REINSURER, UNDERWRITING A DIVERSIFIED PORTFOLIO OF SPECIALTY LINES.

Established in 2001, we are an entrepreneurial business with a worldwide portfolio. Registered in the Dubai International Financial Centre with operations in Bermuda, London, Amman, Kuala Lumpur and Casablanca, we are renowned for delivering outstanding levels of service to our clients and brokers.

BUSINESS CLASSES

ENERGY
Upstream Energy
Downstream Energy

MARINE & AVIATION
Ports & Terminals
Marine Liability
General Aviation

PROPERTY
Property
Forestry
Construction & Engineering
Political Violence

PROFESSIONAL & FINANCIAL LIABILITIES
Financial Institutions
Professional Indemnity
Directors' & Officers'
Casualty
Legal Expenses

REINSURANCE
Treaty reinsurance

OFFICE LOCATIONS

1. BERMUDA
44 Church Street
Hamilton HM 12
Bermuda

2. CASABLANCA
32-42, Bd Abdelmoumen
Residence Walili 25
4th Floor P.O. Box 20000
Casablanca
Morocco

3. LONDON
15-18 Lime Street
London EC3M 7AN
England

4. AMMAN
74 Abdel Hamid Sharaf St.
P.O. Box 941428
Amman 11194
Jordan

5. DUBAI
Office 606, Level 6, Tower 1
Al Fattan Currency House,
Dubai International
Financial Centre,
P.O. Box 506646, Dubai
United Arab Emirates

6. LABUAN
Level 1, LOT 7, Block F
Saguking Commercial
Building
Jalan Patau – Patau
87000 Labuan
Malaysia

KUALA LUMPUR
Marketing Office
29th Floor, Menara TA One
Jalan P Ramlee 50250
Kuala Lumpur
Malaysia

BOARD OF DIRECTORS

MOHAMMAD ABU GHAZALEH
Chairman
(Chairman and CEO, Fresh Del Monte Produce Inc. – Miami)

WASEF JABSHEH
CEO & Vice Chairman

KHALIFA AL MULHEM
Director
(Chairman, National Polypropylene Company Limited – Saudi Arabia)

DAVID KING
Director
(Non-executive Director of the Board of Directors of Forex Capital Markets Limited)

SOUMITRA BISWAS
Director

HANI JABSHEH
Director
(Co-founder Albawaba.com)

ABDULAZIZ AL BALUSHI
Director
(Group CEO of Oman International Development and Investment Company SAOG 'OMINVEST')

LETTER FROM THE BOARD: FOCUS ON THE FUTURE

A CLEAR STRATEGY FOR MEASURED GROWTH AND AN EMPHASIS ON PRUDENT UNDERWRITING TO DELIVER BOTTOM LINE PROFIT. THIS WAS THE MAIN GOAL FOR 2017, CONSIDERING THE OVERCAPACITY IN THE MARKET AND THE CONTINUAL EROSION OF RATES.

Despite our best intentions to have another great year, Mother Nature had other ideas, bringing a stream of disasters, including two Caribbean Hurricanes, Irma and Maria, plus two Mexican earthquakes that resulted in the worst catastrophe year on record. We missed the Californian wildfires and Hurricane Harvey that caused major flooding in Houston. Whilst the company's bottom line has been impacted by these catastrophes, we have accomplished a great deal in the year and are pleased to report that IGI has continued along its journey of profitable growth during these challenging market conditions. The Board fully understands that we are in the risk business and is supportive of the executive team. The results have not dampened our underwriters' commitment to achieve an underwriting profit in the coming years.

Despite a competitive trading and rate environment in 2017 and significant natural disasters throughout the year, our underwriters continued to produce premium growth, whilst maintaining disciplined underwriting.

The Group announced a 19% increase in gross written premiums (GWP) from US$231.43 million in December 2016 to US$275.34 million in 2017, which demonstrated impressive growth in GWP in all of IGI's major lines of business from last year.

While 2017 saw the most expensive year for catastrophe losses, IGI's exposure was limited to Property and Reinsurance inward treaty. Effective reinsurance protection helped to mitigate the severity of IGI's losses at net level, indicated by a 31% increase in net incurred claims year-on-year, compared to a 95% increase in gross level claims year-on-year.

Meanwhile, the Group posted a net profit of US$7.9 million in 2017 compared to US$32.1 million the year before. The Group saw its combined ratio reach up to 103% at the end of 2017, compared to 87.5% in 2016.

2017 CATASTROPHES

Following the series of catastrophes in 2017, there was plenty of talk in the market about the need to return to sensible and prudent underwriting. Price increases, however, did not reflect this in the January 2018 renewals. Whilst there was some movement in pricing and terms and conditions, it was muted. However, the cost of these catastrophes is yet to be established and price adjustments may still materialize.

The 2017 hurricane season illustrated the role the insurance and reinsurance sectors play in society and the support extended to clients. Helping companies and communities get back on their feet after disasters is what the industry does – bringing much needed cover and relief when nature strikes, allowing governments and businesses to get back up and running. IGI was proud to have paid its first claims related to Hurricane Irma just four days after the event.

> “In 2017, the Group announced a 19% increase in gross written premiums (GWP).”

LOOKING AHEAD – A CLEAR STRATEGY FOR GROWTH

IGI has been focusing on future-proofing the business, with ambitious plans to grow in new and existing markets via a measured profitable growth strategy. We have several initiatives in place as part of this strategic plan, which will continue to lay down the tracks for future success that is consistent with our philosophy of prudent underwriting and continued profitability.

As part of this strategy, organisational changes in management structure have been implemented to efficiently deal with IGI's growth ambitions, which includes enhancing the Group's geographic platforms and expanding business lines and underwriting teams throughout our various offices.

Meanwhile, we continue to look for ways to strengthen our offering in the Far East, with a planned growth strategy in Kuala Lumpur to expand the Asia hub.

IMPORTANT ACCOMPLISHMENTS IN 2017

IGI has made a substantial investment in improving our risk management, actuarial and capital modelling systems as part of the Group's investment in providing our underwriters with the support services required in today's marketplace. The aim is to improve and stabilise earnings over time, and give the Group a more sophisticated capital management platform.

We have good news on the ratings front as well. In July 2017, A.M. Best upgraded the company's rating to A- (Excellent), with a Positive outlook, while Standard & Poor's reaffirmed IGI's financial strength ratings of 'A-' Stable Outlook.

Meanwhile, IGI continues to increase its visibility in the market via various marketing campaigns and selected conferences to raise our profile in targeted markets.

During 2017, IGI continued its support of cancer research and charitable organisations. IGI also promoted various local and international cultural initiatives and sporting activities such as the Equal Playing Field's recent Guinness World Record soccer game on Mount Kilimanjaro in 2017, an initiative that challenges gender disparity in sports.

Moving forward, we have a clear focus on driving improved performance in 2018 and beyond. We know that market challenges and pricing headwinds persist. Even with this expectation, 2018 is all about delivering fully on our strategy and plan.

We would like to thank all our brokers and clients for their continued support and the confidence placed in IGI.

We would also like to thank all our employees for their continued commitment and dedication, and we look forward to working together as a team to ensure we achieve our plans.

> “In July 2017, A.M. Best upgraded the company's rating to A- (excellent) with a positive outlook.”

FINANCIAL HIGHLIGHTS

NET UNDERWRITING PROFIT
$25m

INVESTMENT INCOME
$12.7m

SHAREHOLDERS' EQUITY
$312.4m

GROSS WRITTEN PREMIUM
$275.3m

PROFIT FOR THE PERIOD/YEAR
$7.9m

POSITIVE OUTLOOK RATING
A- by A.M. Best

STABLE OUTLOOK RATING
A- by S&P

FINANCIAL STATEMENTS & ACCOUNTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTERNATIONAL GENERAL INSURANCE HOLDINGS LTD.

OPINION

We have audited the 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 2017, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Ernst and Young
James Potter
Partner

15 March 2018
Dubai, United Arab Emirates

EY
Building a better working world

Ernst and Young Dubai
P.O. Box 9267
28th floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
dubai@ae.ey.com
ey.com/mena

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 USD	2016 USD
ASSETS			
Property, premises and equipment	3	**13,090,537**	14,079,841
Intangible assets	4	**2,029,015**	931,557
Investment in associates	5	**11,827,854**	11,628,581
Investment properties	6	**30,374,290**	30,110,179
Investments	7	**235,880,566**	235,134,534
Deferred policy acquisition costs	8	**32,915,965**	28,286,248
Insurance receivables	9	**113,290,374**	88,084,048
Other assets	10	**5,309,729**	8,917,037
Deferred tax assets	25	**991,449**	1,032,988
Reinsurance share of unearned premiums	11	**41,126,963**	32,138,490
Reinsurance share of outstanding claims	12	**180,020,116**	143,065,708
Deferred XOL premiums		**11,612,654**	8,878,968
Cash and bank balances	13	**210,322,741**	216,168,331
TOTAL ASSETS		**888,792,253**	818,456,510

The attached notes 1 to 28 form part of these consolidated financial statements.

	Notes	2017 USD	2016 USD
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital	14	**143,375,678**	143,375,678
Additional paid in capital	15	**2,773,000**	2,773,000
Foreign currency translation reserve		**(269,206)**	(362,735)
Cumulative changes in fair value		**15,708,956**	10,994,423
Retained earnings		**150,817,319**	154,424,965
TOTAL EQUITY		**312,405,747**	311,205,331
LIABILITIES			
Gross outstanding claims	12	**383,227,441**	335,171,294
Gross unearned premiums	11	**156,694,025**	133,670,895
Other liabilities	17	**7,093,914**	5,084,049
Insurance payables	18	**19,017,107**	25,032,842
Unearned commissions	19	**10,354,019**	8,292,099
TOTAL LIABILITIES		**576,386,506**	507,251,179
TOTAL EQUITY AND LIABILITIES		**888,792,253**	818,456,510

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 of March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 USD	2016 USD
Gross written premiums	11	**275,340,636**	231,427,789
Change in unearned premiums		**(23,023,130)**	9,892,639
GROSS EARNED PREMIUMS	11	**252,317,506**	241,320,428
Reinsurers' share of insurance premiums	11	**(106,497,204)**	(82,759,821)
Reinsurers' share of change in unearned premiums		**8,988,473**	(1,657,288)
REINSURERS' SHARE OF GROSS EARNED PREMIUMS	11	**(97,508,731)**	(84,417,109)
NET PREMIUMS EARNED		**154,808,775**	156,903,319
Claims	12	**(252,154,218)**	(129,113,544)
Reinsurers' share of claims	12	**158,651,778**	57,657,321
Commissions earned	19	**16,709,347**	15,583,880
Policy acquisition costs	8	**(52,941,057)**	(50,339,568)
NET UNDERWRITING RESULT		**25,074,625**	50,691,408
Net investment income	20	**12,546,694**	12,760,339
Net share of profit (loss) from associates	5	**199,274**	84,694
General and administrative expenses	21	**(29,853,666)**	(31,007,651)
Other (loss) income – net	22	**(2,008,772)**	14,292
Gain (loss) on exchange		**1,884,885**	(1,410,707)
PROFIT BEFORE TAX		**7,843,040**	31,132,375
Tax expense	25	**19,368**	936,588
PROFIT FOR THE YEAR		**7,862,408**	32,068,963

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 USD	2016 USD
PROFIT FOR THE YEAR		**7,862,408**	32,068,963
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Fair value changes		**4,714,533**	8,710,046
Currency translation differences		**93,529**	(101,418)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**4,808,062**	8,608,628
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,670,470**	40,677,591

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 USD	2016 USD
OPERATING ACTIVITIES			
Profit before tax		**7,843,040**	31,132,375
ADJUSTMENTS FOR:			582,816
Depreciation and amortization	3,4	**1,485,134**	(2,692,435)
Gain on sale of available-for-sale investments	20	**(3,133,556)**	–
Provision for doubtful debts	9	**–**	250,000
Impairment (reversal of impairment) of investments	20	**71,863**	(13,304)
Gain on sale of premises and equipment		**(18,967)**	(1,458,395)
Fair value gain on investment property	20	**–**	245,991
Loss on revaluation of held for trading investments	20	**(95,582)**	(9,616,437)
Dividends and interest income	20	**(10,123,067)**	(84,694)
Net Share of (profit) loss from associates	5	**(199,274)**	1,410,707
Net foreign exchange differences		**(1,884,885)**	19,756,624
CASH (USED IN) FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		**(6,055,294)**	19,756,624
WORKING CAPITAL ADJUSTMENTS			
Reinsurance share of unearned premiums		**(8,988,473)**	1,657,288
Reinsurance share of outstanding claims		**(36,954,408)**	(29,866,739)
Deferred XOL premium		**(2,733,686)**	(60,428)
Gross outstanding claims		**48,056,147**	34,503,696
Gross unearned premiums		**23,023,130**	(9,892,639)
Deferred policy acquisition costs		**(4,629,717)**	985,932
Insurance receivables		**(25,206,326)**	5,585,181
Other assets		**3,761,745**	956,788
Unearned commission		**2,061,920**	(549,824)
Insurance payables		**(6,015,735)**	7,275,967
Other liabilities		**2,009,865**	(255,563)
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES BEFORE TAX		**(11,670,832)**	30,096,283
INCOME TAX PAID	25	**–**	–
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES AFTER TAX		**(11,670,832)**	30,096,283

The attached notes 1 to 28 form part of these consolidated financial statements.

	Notes	2017 USD	2016 USD
INVESTING ACTIVITIES			
Purchase of property, premises and equipment	3	**(448,954)**	(11,465,562)
Proceeds from sale of premises and equipment		**50,394**	13,304
Purchase of intangible assets	4	**(1,175,761)**	(618,927)
Purchase of available-for-sale investments		**(49,829,438)**	(75,984,676)
Proceeds from maturity of held to maturity investments		**3,000,000**	–
Purchase of investment property	6	**(264,111)**	(40,019)
Dividends from associated companies	5	**–**	254,964
Proceeds from sale of available-for-sale investments		**53,873,230**	37,434,405
Proceeds from redemption of trading securities		**81,984**	13,081
Dividends and interest income	20	**10,123,067**	9,616,437
Term deposits from 3 months to 1 year		**16,338,936**	(38,205,415)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**31,749,347**	(78,982,408)
FINANCING ACTIVITIES			
Dividends paid	16	**(11,470,054)**	(14,337,567)
Net cash flows used in financing activities		**(11,470,054)**	(14,337,567)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**8,608,461**	(63,223,692)
Net foreign exchange differences		**1,884,885**	(1,410,707)
Cash and cash equivalents at the beginning of the year		**106,112,367**	170,746,766
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**116,605,713**	106,112,367

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Issued share capital USD	Additional paid in capital USD	Foreign currency translation reserve USD	Cumulative change in fair value USD	Retained earnings USD	Total USD
AT 1 JANUARY 2017	**143,375,678**	**2,773,000**	**(362,735)**	**10,994,423**	**154,424,965**	**311,205,331**
Profit for the year	**–**	**–**	**–**	**–**	**7,862,408**	**7,862,408**
Other comprehensive income	**–**	**–**	**93,529**	**4,714,533**	**–**	**4,808,062**
Total comprehensive income			**93,529**	**4,714,533**	**7,862,408**	**12,670,470**
Dividends paid during the year (note 16)	**–**	**–**	**–**	**–**	**(11,470,054)**	**(11,470,054)**
AT 31 DECEMBER 2017	**143,375,678**	**2,773,000**	**(269,206)**	**15,708,956**	**150,817,319**	**312,405,747**
AT 1 JANUARY 2016	143,375,678	2,773,000	(261,317)	2,284,377	136,693,569	284,865,307
Profit for the year	–	–	–	–	32,068,963	32,068,963
Other comprehensive income	–	–	(101,418)	8,710,046	–	8,608,628
Total comprehensive income			(101,418)	8,710,046	32,068,963	40,677,591
Dividends paid during the year (note 16)	–	–	–	–	(14,337,567)	(14,337,567)
AT 31 DECEMBER 2016	**143,375,678**	**2,773,000**	**(362,735)**	**10,994,423**	**154,424,965**	**311,205,331**

The attached notes 1 to 28 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

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, Morocco, Malaysia, and Cayman Island.

2. BASIS OF PREPARATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

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:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises 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 2017	Ownership 2016
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%
IGI Services Limited	Cayman Island	Owning and chartering aircraft	**100%**	100%

CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

The Group plans to adopt the new standard on the effective date and will not restate comparative information.

(a) Classification and Measurement

The impact on the Group balance sheet or equity on applying the new classification and measurement category of IFRS 9 will be as shown in the table overleaf.

The majority of the Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of USD 16,111,838 related to those securities which is currently presented as accumulated OCI, will be reclassified to retained earnings.

Measurement of debt securities are expected to continue at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

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The equity shares in non-listed companies are intended to be held for the near future. An impairment losses amounted to USD 3,278,860 that were recognised in profit or loss during prior periods for these investments will be reclassified to accumulated OCI. The Group will apply the option to present fair value changes in OCI for those investments.

The net impact of IFRS 9 will be a reclassification between retained earnings and cumulative changes in fair value with total amount of USD 19,390,698 with no impact on total equity.

The following tables shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 31 December 2017:

IAS 39 Classification	Measurement USD	IFRS 9 Classification	Measurement USD
Held to maturity – bonds and debt securities	**3,987,288**	Amortized cost	**3,987,288**
Held for trading equities	**160,420**	Fair value through profit and loss	**160,420**
Available for sale – bonds and debt securities	**185,806,397**	Fair value through other comprehensive income	**185,806,397**
Available for sale – quoted equities	**32,017,989**	Fair value through profit and loss	**26,599,594**
		Fair value through other comprehensive income	**5,418,395**
Available for sale – funds	**7,971,825**	Fair value through profit and loss	**7,971,825**
Available for sale – unquoted equities	**5,936,647**	Fair value through other comprehensive income	**5,936,647**
	235,880,566		**235,880,556**

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt instrument financial assets classified as amortized cost or FVTOCI, and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables and its debt instrument financial assets classified as amortized cost or FVTOCI will not be material compared to the current requirements of provisioning for doubtful trade receivables and impairment for debt instrument financial assets classified as amortized cost or FVTOCI.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 – Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

During 2017, the Group has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 15, whereas,

The Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

Amendments to IFRS 10 and IAS 28:Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

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Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

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 judgment 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 profit or loss.

Gains or losses on buying reinsurance are recognised in the consolidated statement of profit or loss 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 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 de-recognised 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.

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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.

Chartered flights revenues

Chartered flights revenues are recognized when the transportation is provided.

Property, premises and equipment

Property, 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:

	Years
Office buildings	20
Aircraft	12.5
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 de-recognised 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 statement of profit or loss when the asset is de-recognised.

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 profit or loss 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 profit or loss.

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.

Work in progress assets

Work in progress assets are stated at cost, and include other direct costs and it is not depreciated until it is available for use.

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 profit or loss.

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 consolidated 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 profit or loss 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 profit or loss. 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 statement of profit or loss.

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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 profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are de-recognised 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 profit or loss 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 consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss. The Group has not designated any financial assets upon initial recognition as at fair value through consolidated statement of profit or loss.

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 profit or loss.

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 de-recognised, 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 profit or loss and removed from the available-for-sale reserve.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less after deducting bank overdraft balances and short-term deposits with an original maturity ranges from three months to one year.

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 profit or loss unless required or permitted by any accounting standard or interpretation.

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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 re-translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss. 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 profit or loss 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 profit or loss.

Taxation

The charge or credit for taxation is based upon the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 utilized.

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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized 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

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

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

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

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

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

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 consolidated 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 until 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 profit or loss. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

3. PROPERTY, PREMISES AND EQUIPMENT

	Office buildings USD	Aircraft USD	Office furniture USD	Computers USD
COST				
At 1 January 2017	**2,661,944**	**–**	**1,439,242**	**1,224,416**
Additions	**7,819**	**93,554**	**67,268**	**159,565**
Written off and disposals	**–**	**–**	**–**	**(6,359)**
Transfers	**–**	**11,196,851**	**7,321**	**35,560**
At 31 December 2017	**2,669,763**	**11,290,405**	**1,513,831**	**1,413,182**
DEPRECIATION				
At 1 January 2017	**635,188**	**–**	**1,173,601**	**1,039,597**
Deprecation for the year	**69,031**	**903,232**	**99,446**	**150,271**
Written off and disposals	**–**	**–**	**–**	**(5,751)**
At 31 December 2017	**704,219**	**903,232**	**1,273,047**	**1,184,117**
NET CARRYING AMOUNT				
At 31 December 2017	**1,965,544**	**10,387,173**	**240,784**	**229.065**
COST				
At 1 January 2016	2,656,651	–	1,365,278	1,061,492
Additions	5,293	–	52,937	162,924
Written off and disposals	–	–	–	–
Transfers	–	–	21,027	–
At 31 December 2016	2,661,944	–	1,439,242	1,224,416
DEPRECIATION				
At 1 January 2016	547,346	–	1,081,054	928,740
Deprecation for the year	87,842	–	92,547	110,857
Written off and disposals	–	–	–	–
At 31 December 2016	635,188	–	1,173,601	1,039,597
NET CARRYING AMOUNT				
At 31 December 2016	2,026,756	–	265,641	184,819

The depreciation charge for the year of USD 503,599 (2016: USD 501,362) has been included in general and administrative expenses.

Fully depreciated property, premises and equipment still in use amounted to USD 3,881,072 as at 31 December 2017 (2016: 3,953,453).

* The aircraft is registered in the name of IGI Services Limited being a company registered in Cayman Islands and wholly owned subsidiary of IGI Co Ltd. The aircraft was put in use on 1 January 2017 after the completion of the pre-commissioning testing. The depreciation of the aircraft amounted to USD 903,232 was charged to the other (loss) income (note 22).

Equipment USD	Leasehold improvements USD	Vehicles USD	Work in progress* USD	Total USD
272,105	**1,177,342**	**945,081**	**11,239,732**	**18,959,862**
2,328	**–**	**118,420**	**–**	**448,954**
–	**–**	**(98,970)**	**–**	**(105,329)**
–	**–**	**–**	**(11,239,732)**	**–**
274,433	**1,177,342**	**964,531**	**–**	**19,303,487**
267,238	**1,139,393**	**625,004**	**–**	**4,880,021**
5,368	**37,948**	**141,535**	**–**	**1,406,831**
–	**–**	**(68,151)**	**–**	**(73,902)**
272,606	**1,177,341**	**698,388**	**–**	**6,212,950**
1,827	**1**	**266,143**	**–**	**13,090,537**
270,669	1,123,884	986,354	71,245	7,535,573
1,436	3,240	–	11,239,732	11,465,562
–	–	(41,273)	–	(41,273)
–	50,218	–	(71,245)	–
272,105	1,177,342	945,081	11,239,732	18,959,862
242,136	1,079,205	541,451	–	4,419,932
25,102	60,188	124,826	–	501,362
–	–	(41,273)	–	(41,273)
267,238	1,139,393	625,004	–	4,880,021
4,867	37,949	320,077	11,239,732	14,079,841

4. INTANGIBLE ASSETS

	2017			2016		
	Computer software / licenses USD	Work in progress* USD	Total USD	Computer software / licenses USD	Work in progress* USD	Total USD
COST						
Beginning balance	**1,168,633**	**700,743**	**1,869,376**	1,168,633	81,816	1,250,449
Additions	**2,501**	**1,173,260**	**1,175,761**	–	618,927	618,927
Ending balance	**1,171,134**	**1,874,003**	**3,045,137**	1,168,633	700,743	1,869,376
AMORTIZATION						
Beginning balance	**937,819**	**–**	**937,819**	856,365	–	856,365
Additions	**78,303**	**–**	**78,303**	81,454	–	81,454
Ending balance	**1,016,122**	**–**	**1,016,122**	937,819	–	937,819
NET CARRYING AMOUNT	**155,012**	**1,874,003**	**2,029,015**	230,814	700,743	931,557

* Work in progress balance represents the payments towards purchase of new insurance software; the management expects that the software will be launched during the third quarter of 2018.

5. INVESTMENT IN ASSOCIATES

The Group holds a 33% equity ownership interest in companies registered in Lebanon as shown below, the investments in associated companies are accounted for using the equity method:

	Country of incorporation	Ownership	
		2017	2016
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:

	2017 USD	2016 USD
Opening balance	**11,628,580**	11,798,851
Net share of profit from associated companies	**199,274**	84,694
Dividends received	**–**	(254,965)
	11,827,854	11,628,580

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

2017	Star Rock SAL Lebanon USD	Sina SAL Lebanon USD	Silver Rock SAL Lebanon USD	Golden Rock SAL Lebanon USD	Total USD
Current assets	**141,254**	**31,382**	**181,360**	**688,654**	**1,042,650**
Non-current assets	**4,869,502**	**3,872,799**	**5,703,348**	**36,838,278**	**51,283,927**
Current liabilities	**2,450,051**	**2,490,518**	**1,917,315**	**9,626,711**	**16,484,595**
NET ASSETS	**2,560,705**	**1,413,663**	**3,967,393**	**27,900,221**	**35,841,982**
IGI SHARE OF NET ASSETS	**845,032**	**466,509**	**1,309,240**	**9,207,073**	**11,827,854**
ASSOCIATES' REVENUES AND RESULTS					
Revenues	**162,808**	**52,727**	**148,125**	**1,271,123**	**1,634,783**
(Loss) profit	**(39,853)**	**39,627**	**41,352**	**562,733**	**603,859**
IGI SHARE OF (LOSS) PROFIT	**(13,151)**	**13,077**	**13,646**	**185,702**	**199,274**

2016	Star Rock SAL Lebanon USD	Sina SAL Lebanon USD	Silver Rock SAL Lebanon USD	Golden Rock SAL Lebanon USD	Total USD
Current assets	185,897	27,733	233,361	1,169,919	1,616,910
Non-current assets	1,715,831	1,598,386	1,710,527	9,656,077	14,680,821
Revaluation Gain	3,153,669	2,274,414	3,988,190	27,207,296	36,623,569
Current liabilities	2,454,838	2,526,498	2,006,036	10,695,803	17,683,175
NET ASSETS	2,600,559	1,374,035	3,926,042	27,337,489	35,238,125
IGI SHARE OF NET ASSETS	858,184	453,432	1,295,594	9,021,370	11,628,580
ASSOCIATES' REVENUES AND RESULTS					
Revenues	87,900	47,428	184,507	1,422,087	1,741,922
(Loss) profit	30,316	(5,525)	(2,927)	234,786	256,650
IGI SHARE OF (LOSS) PROFIT	10,004	(1,823)	(966)	77,479	84,694

The associates' main business is investing in investment properties. The Investment properties of the associates are stated at fair value, which has been determined based on valuations performed by professional independent third party 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 year and the prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

6. INVESTMENT PROPERTIES

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

2017	Commercial building USD	Land* USD	Total USD
Opening balance	**20,189,934**	**9,920,245**	**30,110,179**
Additions	**2,524**	**261,587**	**264,111**
CLOSING BALANCE	**20,192,458**	**10,181,832**	**30,374,290**

2016	Commercial building USD	Land* USD	Total USD
Opening balance	20,149,915	8,461,850	28,611,765
Additions	40,019	–	40,019
Fair value adjustments (note 20)	–	1,458,395	1,458,395
ENDING BALANCE	20,189,934	9,920,245	30,110,179

* Land amounting to USD 10,181,832 as at 31 December 2017 (2016: USD 9,920,245) is registered in the name of the Directors of the Group. The Group has obtained an irrevocable proxy over this investment property.

As at 31 December 2017 and 2016, the fair values of the properties are based on valuations performed by accredited independent valuer who is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

7. INVESTMENTS

	2017 USD	2016 USD
HELD TO MATURITY		
Unquoted bonds*	**3,987,288**	6,987,287
HELD FOR TRADING		
Quoted funds	**160,420**	179,465
AVAILABLE-FOR-SALE		
Quoted bonds and debt securities with fixed interest rate	**185,806,397**	173,177,246
Quoted equities	**32,017,989**	42,311,449
Quoted funds and alternative investments	**7,971,825**	6,542,440
Unquoted equities	**5,936,647**	5,936,647
	231,732,858	227,967,782
	235,880,566	235,134,534

* Maturity of these bonds as at 31 December 2017 are as follows:

Maturity	Carrying amount	Effective interest rate
6 December 2016**	**987,287**	10%
19 April 2018	**3,000,000**	6%
	3,987,288	

** These bonds are denominated in JOD (USD pegged currency) issued by 'Specialized investment compound co., a local company based in Jordan with maturity date of 22nd February 2016; Said Company is currently under liquidation, due to which 85% of original bond holdings with nominal value of USD 1,237,288 has not been paid on the maturity date.

Bonds are backed up by a collateral of 105% of its nominal value. However, the Group management has provided USD 250,000 during 2016 for potential impairment against the investment.

No additional provision for impairment was recorded in the consolidated statement of profit or loss during the year 2017 as the Company is negotiating a settlement agreement to settle the outstanding bond balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

8. DEFERRED POLICY ACQUISITION COSTS

	2017 USD	2016 USD
Opening balance	**28,286,248**	29,272,180
Acquisition costs	**57,570,774**	49,353,636
Charged to consolidated income statement	**(52,941,057)**	(50,339,568)
	32,915,965	28,286,248

9. INSURANCE RECEIVABLES

	2017 USD	2016 USD
Receivables from insurance companies and intermediaries	**116,154,724**	90,948,398
Less: Provision for doubtful debts	**(2,864,350)**	(2,864,350)
	113,290,374	88,084,048

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

	2017 USD	2016 USD
Opening balance	**(2,864,350)**	2,864,350
Provision for the year	**–**	–
	(2,864,350)	2,864,350

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 USD	Up to 90 days USD	91 to 180 days USD	181 to 270 days USD	271 to 360 days USD	Over 360 days USD	Total USD
31 December 2017	**89,809,095**	**16,133,317**	**5,995,891**	**1,137,328**	**–**	**214,743**	**113,290,374**
31 December 2016	74,426,953	8,210,369	2,758,224	1,036,459	1,203,181	448,862	88,084,048

It is not the practice of the Group to hold collaterals as security, therefore the receivable are unsecured.

10. OTHER ASSETS

	2017 USD	2016 USD
Accrued interest income	**1,784,012**	1,610,151
Advances for purchase of investments	**–**	1,976,935
Prepaid expenses	**1,078,932**	921,644
Refundable deposits	**107,099**	293,921
Employees receivables	**652,723**	14,776
Funds held in trust account with reinsurance company	**826,217**	437,212
Proceeds receivable from a sale of investment	**–**	2,980,568
Income tax receivables	**161,650**	399,952
Trade receivable*	**436,126**	114,286
Others	**262,970**	167,593
	5,309,729	8,917,038

*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.

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 USD	Up to 90 days USD	91 to 180 days USD	Total USD
31 December 2017	**–**	**–**	**436,126**	**436,126**
31 December 2016	–	114,286	–	114,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

11. UNEARNED PREMIUMS

	2017 Gross USD	2017 Reinsurers' share USD	2017 Net USD	2016 Gross USD	2016 Reinsurers' share USD	2016 Net USD
Opening balance	**133,670,895**	**(32,138,490)**	**101,532,405**	143,563,534	(33,795,778)	109,767,756
Premiums written	**275,340,636**	**(106,497,204)**	**168,843,432**	231,427,789	(82,759,821)	148,667,968
Premiums earned	**(252,317,506)**	**97,508,731**	**(154,808,775)**	(241,320,428)	84,417,109	(156,903,319)
	156,694,025	**(41,126,963)**	**115,567,062**	133,670,895	(32,138,490)	101,532,405

12. OUTSTANDING CLAIMS

MOVEMENT IN OUTSTANDING CLAIMS

	2017 Gross USD	2017 Reinsurers' share USD	2017 Net USD	2016 Gross USD	2016 Reinsurers' share USD	2016 Net USD
At the beginning of the year						
Reported claims	**244,216,392**	**(122,735,801)**	**121,480,591**	205,125,387	(93,820,351)	111,305,036
Claims incurred but not reported	**90,954,902**	**(20,329,907)**	**70,624,995**	95,542,211	(19,378,618)	76,163,593
	335,171,294	**(143,065,708)**	**192,105,586**	300,667,598	(113,198,969)	187,468,629
Claims paid	**(204,098,071)**	**121,697,370**	**(82,400,701)**	(94,609,848)	27,790,582	(66,819,266)
Provided during the year related to current accident year	**278,298,318**	**(161,385,081)**	**116,913,237**	175,094,042	(76,323,343)	98,770,699
Provided during the year related to previous accident years	**(26,144,100)**	**2,733,303**	**(23,410,797)**	(45,980,498)	18,666,022	(27,314,476)
At the end of the year	**383,227,441**	**(180,020,116)**	**203,207,325**	335,171,294	(143,065,708)	192,105,586
At the end of the year						
Reported claims	**303,254,937**	**(172,045,315)**	**131,209,622**	244,216,392	(122,735,801)	121,480,591
Claims incurred but not reported	**79,972,504**	**(7,974,801)**	**71,997,703**	90,954,902	(20,329,907)	70,624,995
	383,227,441	**(180,020,116)**	**203,207,325**	335,171,294	(143,065,708)	192,105,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

CLAIMS DEVELOPMENT

The following table 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.

	2004 USD	2005 USD	2006 USD	2007 USD	2008 USD	2009 USD
At end of accident year	1,488,772	25,362,416	25,254,263	37,939,544	114,560,922	94,375,639
One year later	8,005,487	44,520,499	35,110,485	54,041,148	125,149,178	75,295,485
Two years later	7,714,673	47,504,859	40,894,923	53,379,611	119,412,667	67,118,529
Three years later	7,573,398	47,354,940	39,641,082	53,971,648	121,676,478	68,496,704
Four years later	7,961,530	46,820,976	37,331,379	53,468,989	119,839,220	68,217,208
Five years later	7,862,214	46,391,258	37,665,596	53,393,860	113,090,591	67,908,658
Six years later	7,763,419	47,224,929	36,800,576	50,534,739	112,125,348	67,807,370
Seven years later	7,778,981	46,211,206	35,600,935	49,718,456	110,400,053	67,613,678
Eight years later	7,842,871	46,232,192	35,318,464	49,552,802	110,588,511	68,114,668
Nine years later	7,729,592	46,224,784	34,796,272	49,374,891	111,162,234	–
Ten years later	7,731,054	45,737,657	34,609,372	49,361,720	–	–
Eleven years later	7,659,919	45,608,779	34,553,537	–	–	–
Twelve years later	7,691,568	45,609,384	–	–	–	–
Thirteen Years Later	7,689,074	–	–	–	–	–
Current estimate of cumulative claims incurred	7,689,074	45,609,384	34,553,537	49,361,720	111,162,234	68,114,668
Cumulative payments to date	7,672,823	45,601,382	33,659,797	49,171,827	108,655,161	66,313,667
TOTAL LIABILITY INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION						

2010 USD	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD	2016 USD	2017 USD	Total USD
122,323,418	128,498,162	133,595,104	159,549,092	152,384,186	174,601,048	175,094,042	**278,298,318**	
108,522,816	106,566,918	119,424,721	155,958,329	114,972,073	160,100,166	173,369,296	**–**	
105,943,110	100,764,212	108,556,804	148,160,641	101,352,163	149,533,104	–	**–**	
100,572,066	110,286,014	110,046,062	142,309,348	92,846,420	–	–	**–**	
99,513,334	114,464,267	103,996,492	133,916,518	–	–	–	**–**	
101,599,381	110,266,231	104,540,662	–	–	–	–	**–**	
100,198,544	111,774,284	–	–	–	–	–	**–**	
100,302,961	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
–	–	–	–	–	–	–	**–**	
100,302,961	111,774,284	104,540,662	133,916,518	92,846,420	149,533,104	173,369,296	**278,298,318**	**1,461,072,180**
99,048,999	99,543,746	91,266,174	125,079,631	77,680,964	122,279,384	102,429,108	**49,442,076**	**1,077,844,739**
								383,227,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

13. CASH AND BANK BALANCES

	2017 USD	2016 USD
Cash and bank balances	**74,161,936**	76,636,467
Time deposits – short term	**136,160,805**	139,531,864
	210,322,741	216,168,331

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 depending on the immediate cash requirements of the Group.

All deposits earned an average variable interest rate of 2.46% (2016: 2.08%).

The cash and cash equivalents at 31 December 2017 in the consolidated statement of cash flows represent the balance of cash and short-term deposits netted by the balance of term deposits from three months to one year as of 31 December 2017.

	2017 USD	2016 USD
Cash and short-term deposits	**210,322,741**	216,168,331
Less: short-term deposits averages from three months to one year	**(93,717,028)**	(110,055,964)
Cash and cash equivalents	**116,605,713**	106,112,367

14. ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2017 USD	2016 USD
Shares of USD 1 each	**143,375,678**	143,375,678

15. TREASURY SHARES

The General Shareholders meeting approved in its extraordinary meeting held on 22 April 2015 to sell 7,900,000 of treasury shares in accordance with the DIFC laws and regulations at price of USD 1.87 per share to the existing shareholders. The foregoing sale transaction amounting to USD 14,773,000 has eliminated treasury shares recorded at an amount of USD 12,000,000 and resulted in an additional paid in capital of USD 2,773,000 within the group equity.

16. DIVIDENDS PAID

The Board of Directors resolved to pay the following dividends:

- On 9 March 2017: USD 5,735,027 (2016, on 17 March 2016: USD 7,168,783)
- On 16 August 2017: USD 5,735,027 (2016, on 25 August 2016: USD 7,168,784)

17. OTHER LIABILITIES

	2017 USD	2016 USD
Accounts payable	**2,676,641**	1,128,945
Accrued expenses	**4,417,273**	3,955,104
	7,093,914	5,084,049

18. INSURANCE PAYABLES

	2017 USD	2016 USD
Payables due to insurance companies and intermediaries	**707,704**	2,372,596
Reinsurers – amounts due in respect of ceded premium	**18,309,403**	22,660,246
	19,017,107	25,032,842

19. UNEARNED COMMISSIONS

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

	2017 USD	2016 USD
As at 1 January	**8,292,099**	8,841,923
Commissions received	**18,771,267**	15,034,056
Commissions earned	**(16,709,347)**	(15,583,880)
As at 31 December	**10,354,019**	8,292,099

20. NET INVESTMENT INCOME

	2017 USD	2016 USD
Interest income	**8,632,460**	7,991,878
Dividends	**1,490,607**	1,624,559
Net gain on sale of available-for-sale investments	**3,133,556**	2,692,435
Fair value gain on Investment property (note 6)	**–**	1,458,395
Fair value changes of held for trading investments	**95,582**	(245,991)
Impairment Charge on held to maturity investments (note 7)	**–**	(250,000)
Impairment reversal of available for sale investments (note 7)	**(71,863)**	–
Investments custodian fees and other investments expenses	**(1,741,631)**	(1,505,941)
Income from real estate	**1,007,983**	995,004
	12,546,694	12,760,339

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2017 USD	2016 USD
Human resources expenses	**21,695,853**	21,183,051
Business promotion, travel and entertainment	**2,123,002**	2,696,545
Statutory, advisory and rating	**1,816,318**	2,070,915
Information technology and software	**1,542,740**	2,082,246
Office operation	**1,491,240**	1,462,654
Depreciation and amortization	**503,599**	582,816
Bank charges	**129,750**	155,008
Board of directors expenses	**551,164**	722,200
	29,853,666	31,007,651

22. OTHER (LOSS) INCOME – NET

	2017 USD	2016 USD
Chartered flights net revenue	**837,712**	–
Aircraft operational cost	**(1,962,080)**	–
Aircraft depreciation expense	**(903,232)**	–
Net loss of aircraft operation	**(2,027,600)**	–
Others	**18,828**	14,292
	(2,008,772)	14,292

23. COMMITMENTS AND CONTINGENCIES

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

- Letters of Credit amounting to USD 9,039,158 to the order of reinsurance companies for collateralizing insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2016: USD 5,213,988).
- Letter of Guarantee amounting to USD 326,315 to the order of Friends Provident Life Assurance limited for collateralizing rent payment obligation in one of the Group entity's office premises (31 December 2016: USD 297,914).
- One of the Group's entities has committed to contribute an amount of USD 1,250,000 to the University of California, San Francisco Foundation to support cancer research projects in five instalments over the next five years. The entity has paid USD 750,000 during the years 2016 and 2017 and the entity is still committed to pay the remaining instalments amounted to USD 500,000 during the years 2018, and 2019.

LITIGATIONS

During the year 2016, one of the Group's entities filed a lawsuit with Customs Court of First Instance to object to a fine imposed on the Company by the Jordanian Customs Department amounting to USD 577,238 relating to equipment imported during the construction phase of the commercial building owned by the Company. The customs court ordered on 23 November 2017 to irrevocably dismiss the case with no liabilities of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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24. 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.

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 8,379,883 (2016: USD 8,588,074). Out of the total amount of key management personnel compensation, an amount of USD 318,076 (2016: USD 518,779) 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 during 2011. The scheme is applicable to senior executives responsible for the management, growth and protection of business of the Group. 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 five years starting on the first anniversary of continued employment following the date on which it is granted. The bonus due amounts to the excess of book value of shares on vesting date over grant date as determined in the latest audited financial statements as of 31 of December of the year prior to vesting and grant date respectively plus an additional 20% on the value of the excess.

Moreover, the Group rented a boat for business promotion from a company owned by major shareholder, the total expense charged to the general and administrative expenses was USD 211,739 (2016: USD 476,836). In addition to this the Group has paid an aircraft management fees amounted to 168,221 as to Arab wings Co. which is owned by major shareholder.

25. DEFERRED TAX ASSETS

Following is the movement on the deferred tax assets:

	2017 USD	2016 USD
Opening balance	**1,032,988**	32,660
Amortization of deferred tax assets	**(60,907)**	–
Deferred tax assets for the year	**19,368**	1,000,328
ENDING BALANCE	**991,449**	1,032,988

The income tax expense appearing in the consolidated statement of profit or loss represent the following:

	2017 USD	2016 USD
Income tax benefit expense for IGI UK	**19,368**	1,000,328
Income tax expense for NorthStar	**–**	(63,740)
Income tax expense for IGI Underwriting	**–**	–
TAX BENEFIT FOR THE YEAR	**19,368**	936,588

26. RISK MANAGEMENT

The risks faced by the Group and the way these risks are mitigated by management are summarized 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 include defined underwriting authorities, guidelines by class of business, rate monitoring and underwriting peer reviews.

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

The Group has in place effective exposure management systems. Aggregate exposure is modelled and tested against different stress scenarios to ensure adherence to Group's overall risk appetite and alignment with reinsurance programs 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 an in house experienced actuarial function reviewing and monitoring the reserving policy and its implementation at quarterly intervals. They work closely with the underwriting and claims team to ensure an understanding of the Group's exposure and loss experience.

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

In order to minimize 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.

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GEOGRAPHICAL CONCENTRATION OF RISKS

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

2017	Gross written premiums USD	Concentration Percentage %
Africa	**9,753,768**	**4**
Asia	**34,125,799**	**12**
Central America	**45,667,413**	**17**
Europe	**74,876,824**	**27**
MENA	**41,012,782**	**15**
North America	**1,140,625**	**0.4**
South America	**33,666,249**	**12**
Worldwide	**35,097,176**	**13**
	275,340,636	

2016	Gross written premiums USD	Concentration Percentage %
Africa	11,663,028	5
Asia	43,384,541	19
Central America	35,387,824	15
Europe	43,012,038	19
MENA	39,446,587	17
North America	1,769,742	1
South America	21,769,628	9
Worldwide	34,994,401	15
	231,427,789	

LINE OF BUSINESS CONCENTRATION OF RISK

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

2017	Gross written premiums USD	Concentration Percentage %
Energy	**87,937,007**	**32**
Property	**51,272,773**	**19**
Engineering	**10,375,952**	**4**
Marine	**2,014,461**	**1**
Reinsurance	**17,890,905**	**6**
Financial	**14,271,496**	**5**
Casualty	**43,119,887**	**16**
Aviation	**18,998,073**	**7**
Ports & Terminals	**17,263,245**	**6**
Political Violence	**9,730,839**	**4**
Forestry	**2,465,998**	**1**
	275,340,636	

2016	Gross written premiums USD	Concentration Percentage %
Energy	77,742,981	34
Property	39,419,057	17
Engineering	14,992,250	6
Marine	2,636,281	1
Reinsurance	12,638,374	5
Financial	11,352,020	5
Casualty	20,746,679	9
Aviation	17,088,108	7
Ports & Terminals	17,519,232	8
Political Violence	16,083,045	7
Forestry	1,209,762	1
	231,427,789	

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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% greater than from that reported in the statement of financial position. The impact on gross claims liabilities assumes that recovered rates remain constant

	%	Impact on gross insurance contract claims liabilities USD	Impact on net insurance contract claims liabilities USD	Impact on profit USD
2017	**+ 5**	**19,161,372**	**10,160,366**	**10,160,366**
2016	+ 5	16,758,565	9,605,279	9,605,279

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 summarized 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:

2017	Less than 1 year USD	1 to 5 years USD	More than 5 years USD	Non-interest bearing items USD	Total USD	Effective Interest Rate on interest bearing assets (%)
Investments held for trading	**–**	**–**	**–**	**160,420**	**160,420**	**–**
Available-for-sale investments	**40,433,675**	**135,457,031**	**9,915,693**	**45,926,459**	**231,732,858**	**2.78**
Held to maturity investments	**3,987,288**	**–**	**–**	**–**	**3,987,288**	**3.87**
Cash and bank balances	**210,322,741**	**–**	**–**	**–**	**210,322,741**	**1.59**
	254,743,704	**135,457,031**	**9,915,693**	**46,086,879**	**446,203,307**	
2016						
Investments held for trading	–	–	–	179,465	179,465	–
Available-for-sale investments	24,824,294	130,087,251	16,920,910	56,135,326	227,967,781	2.76
Held to maturity investments	3,987,288	3,000,000	–	–	6,987,288	3.34
Cash and bank balances	216,168,331	–	–	–	216,168,331	1.39
	244,979,913	133,087,251	16,920,910	56,314,791	451,302,865	

The following table demonstrates the sensitivity of profit or loss 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
2017	**+ 25**	**1,629,772**
	- 50	**814,886**
2016	+ 25	799,241
	- 50	(1,598,482)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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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 55% 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				
2017	**Investment grade USD**	**Non investment grade (satisfactory) USD**	**Non investment grade (unsatisfactory) USD**	**Past due but not impaired USD**	**Total USD**
Available for sale investments – bonds and debt securities	**183,175,820**	**2,630,577**	**–**	**–**	**185,806,397**
Held to maturity investments – bonds and debt securities	**–**	**3,000,000**	**–**	**987,288**	**3,987,288**
Insurance receivables	**–**	**89,809,095**	**–**	**23,481,279**	**113,290,374**
Reinsurance share of unearned premiums	**–**	**41,126,963**	**–**	**–**	**41,126,963**
Reinsurance share of outstanding claims	**160,665,999**	**19,354,117**	**–**	**–**	**180,020,116**
Deferred XOL premium	**–**	**11,612,654**	**–**	**–**	**11,612,654**
Cash and bank balances	**163,416,461**	**46,906,280**	**–**	**–**	**210,322,741**
	507,258,280	**214,439,686**	**–**	**24,468,567**	**746,166,533**
2016					
Available for sale investments – bonds and debt securities	169,800,542	3,376,703	–	–	173,177,245
Held to maturity investments – bonds and debt securities	3,000,000	3,000,000	–	987,288	6,987,288
Insurance receivables	–	74,426,953	–	13,657,095	88,084,048
Reinsurance share of unearned premiums	–	32,138,490	–	–	32,138,490
Reinsurance share of outstanding claims	137,758,910	5,306,798	–	–	143,065,708
Deferred XOL premium	–	8,878,968	–	–	8,878,968
Cash and bank balances	166,293,369	49,874,962	–	–	216,168,331
	476,852,821	177,002,874	–	14,644,383	668,500,078

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 profit or loss 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 Schedule below shows the distribution of bonds and debt securities with fixed interest rate according to the international agencies classification:

Rating grade 2017	Bonds and debt securities USD	Unquoted bonds USD	Total USD
A	31,581,864	–	**31,581,864**
A-	23,326,257	–	**23,326,257**
A+	20,561,108	–	**20,561,108**
A1	4,002,610	–	**4,002,610**
A2	5,267,194	–	**5,267,194**
A3	17,680,818	–	**17,680,818**
A5	951,775	–	**951,775**
AA	7,553,019	–	**7,553,019**
AA-	23,361,272	–	**23,361,272**
AA+	5,602,497	–	**5,602,497**
Aa2	2,621,590	–	**2,621,590**
Aa3	750,180	–	**750,180**
AAA	3,320,507	–	**3,320,507**
BB+	209,000	–	**209,000**
BBB	10,515,726	–	**10,515,726**
BBB-	6,653,025	–	**6,653,025**
BBB+	20,378,152	–	**20,378,152**
Not rated	1,469,803	3,987,288	**5,457,091**
TOTAL	**185,806,397**	**3,987,288**	**189,793,685**

Rating grade 2016	Bonds and debt securities USD	Unquoted bonds USD	Total USD
A	16,170,130	–	16,170,130
A-	19,864,924	–	19,864,924
A+	5,512,725	–	5,512,725
A1	13,480,048	–	13,480,048
A2	13,388,475	–	13,388,475
A3	9,992,165	–	9,992,165
A5	1,344,789	–	1,344,789
AA	12,228,408	–	12,228,408
AA-	23,261,919	–	23,261,919
AA+	4,864,373	–	4,864,373
Aa1	759,641		759,641
Aa2	8,756,370	–	8,756,370
Aa3	9,662,695	–	9,662,695
AAA	6,809,439	–	6,809,439
Baa1	1,760,006		1,760,006
BB+	1,000,668	–	1,000,668
BB-	208,000	–	208,000
BBB	5,930,678	–	5,930,678
BBB-	1,126,203	–	1,126,203
BBB+	19,232,343	–	19,232,343
Not rated	823,246	3,987,288	4,810,534
TOTAL	176,177,245	3,987,288	180,164,533

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The schedule below shows the geographical distribution of bonds and debt securities with fixed interest rate:

Country 2017	Total USD
Australia	3,360,039
Bahrain	209,000
Canada	5,573,350
Europe	19,649,099
Global	951,775
Jordan	3,987,288
KSA	3,843,760
Kuwait	1,003,850
Oman	14,947
Pacific basin	29,528,702
Qatar	6,579,031
Russia	600,750
South America	2,062,011
UAE	17,471,710
UK	15,858,744
USA	79,099,629
TOTAL	**189,793,685**

Country 2016	Total USD
Australia	3,951,220
Bahrain	208,000
Canada	4,550,763
Europe	19,930,334
Global	922,639
Jordan	3,987,288
KSA	1,763,620
Oman	26,003
Pacific basin	34,307,831
Qatar	5,926,255
Russia	1,606,668
South America	1,010,983
UAE	19,951,122
UK	10,562,474
USA	71,459,333
TOTAL	180,164,533

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.

2017	Change in equity price USD	Effect on profit for the year USD	Effect on equity USD
New York Stock Exchange	+5%	–	233,869
Amman Stock Exchange	+5%	–	45,559
Saudi Stock Exchange	+5%	–	902,416
Qatar Stock Exchange	+5%	–	30,688
Kuwait stock exchange	+5%	8,021	96,348
Abu Dhabi security exchange	+5%	–	234,419
NASDAQ Dubai	+5%	–	22,264
Other quoted	+5%	–	485,735

2016	Change in equity price USD	Effect on profit for the year USD	Effect on equity USD
New York Stock Exchange	+5%	–	291,285
Amman Stock Exchange	+5%	–	50,197
Saudi Stock Exchange	+5%	–	627,363
Qatar Stock Exchange	+5%	–	332,106
Kuwait Stock Exchange	+5%	8,973	79,361
Abu Dhabi security exchange	+5%	–	390,197
NASDAQ Dubai	+5%	–	73,998
Other quoted	+5%	–	598,187

The Group also has unquoted investment carried at fair value determined based on valuation techniques as per level 2 and 3 of fair value hierarchy.

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

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At 31 December 2017

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 summarizes the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted payments:

2017	Less than one year USD	More than one year USD	Total USD
Gross outstanding claims	**268,259,209**	**114,968,232**	**383,227,441**
Gross unearned premiums	**109,685,817**	**47,008,208**	**156,694,025**
Other liabilities	**7,093,914**	**–**	**7,093,914**
Insurance payable	**19,017,107**	**–**	**19,017,107**
Unearned commissions	**7,247,814**	**3,106,205**	**10,354,019**
TOTAL LIABILITIES	**411,303,861**	**165,082,645**	**576,386,506**
2016			
Gross outstanding claims	234,619,906	100,551,388	335,171,294
Gross unearned premiums	93,569,627	40,101,268	133,670,895
Other liabilities	4,454,674	629,375	5,084,049
Insurance payable	25,032,842	–	25,032,842
Unearned commissions	5,804,469	2,487,630	8,292,099
TOTAL LIABILITIES	363,481,518	143,769,661	507,251,179

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

31 December 2017	Less than one year USD	More than one year USD	No term USD	Total USD
ASSETS				
Premises and equipment	–	13,090,537	–	13,090,537
Intangible assets	–	2,029,015	–	2,029,015
Investment in associated companies	–	–	11,827,854	11,827,854
Investment property	–	–	30,374,290	30,374,290
Investments	44,420,961	145,372,724	46,086,881	235,880,566
Deferred policy acquisition costs	23,041,175	9,874,790	–	32,915,965
Insurance receivables	113,075,631	214,743	–	113,290,374
Deferred tax assets	991,449	–	–	991,449
Other assets	5,309,729	–	–	5,309,729
Reinsurance share of unearned premiums	28,788,874	12,338,089	–	41,126,963
Reinsurance share of outstanding claims	126,014,081	54,006,035	–	180,020,116
Deferred XOL premium	11,612,654	–	–	11,612,654
Cash and short term deposits	210,322,741	–	–	210,322,741
TOTAL ASSETS	563,577,295	236,925,933	88,289,025	888,792,253
EQUITY AND LIABILITIES				
EQUITY				
Share capital	–	–	143,375,678	143,375,678
Contributed Capital	–	–	2,773,000	2,773,000
Foreign currency translation reserve	–	–	(269,206)	(269,206)
Cumulative changes in fair value	–	–	15,708,956	15,708,956
Retained earnings	–	–	150,817,319	150,817,319
TOTAL EQUITY	–	–	312,405,747	312,405,747
LIABILITIES				
Gross outstanding claims	268,259,209	114,968,232	–	383,227,441
Gross unearned premiums	109,685,817	47,008,208	–	156,694,025
Other liabilities	7,093,914	–	–	7,093,914
Insurance payable	19,017,107	–	–	19,017,107
Unearned commissions	7,247,814	3,106,205	–	10,354,019
TOTAL LIABILITIES	411,303,861	165,082,645	–	576,386,506
TOTAL EQUITY AND LIABILITIES	411,303,861	165,082,645	312,405,747	888,792,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2017

31 December 2016	Less than one year USD	More than one year USD	No term USD	Total USD
ASSETS				
Premises and equipment	–	14,079,841	–	14,079,841
Intangible assets	–	931,557	–	931,557
Investment in associated companies	–	–	11,628,581	11,628,581
Investment property	–	–	30,110,179	30,110,179
Investments	28,811,582	150,008,161	56,314,791	235,134,534
Deferred policy acquisition costs	19,800,374	8,485,874	–	28,286,248
Insurance receivables	87,635,185	448,863	–	88,084,048
Deferred tax assets	–	1,032,988	–	1,032,988
Other assets	8,917,037	–	–	8,917,037
Reinsurance share of unearned premiums	22,496,942	9,641,548	–	32,138,490
Reinsurance share of outstanding claims	100,145,996	42,919,712	–	143,065,708
Deferred XOL premium	8,878,968	–	–	8,878,968
Cash and short term deposits	216,168,331	–	–	216,168,331
TOTAL ASSETS	492,854,415	227,548,544	98,053,551	818,456,510
EQUITY AND LIABILITIES				
EQUITY				
Share capital	–	–	143,375,678	143,375,678
Contributed Capital	–	–	2,773,000	2,773,000
Foreign currency translation reserve	–	–	(362,735)	(362,735)
Cumulative changes in fair value	–	–	10,994,423	10,994,423
Retained earnings	–	–	154,424,965	154,424,965
TOTAL EQUITY	–	–	311,205,331	311,205,331
LIABILITIES				
Gross outstanding claims	234,619,906	100,551,388	–	335,171,294
Gross unearned premiums	93,569,626	40,101,269	–	133,670,895
Other liabilities	4,454,674	629,375	–	5,084,049
Insurance payable	25,032,842	–	–	25,032,842
Unearned commissions	5,804,469	2,487,630	–	8,292,099
TOTAL LIABILITIES	363,481,517	143,769,662	–	507,251,179
TOTAL EQUITY AND LIABILITIES	363,481,517	143,769,662	311,205,331	818,456,510

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 maximize 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 2017	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Held for trading	**160,420**	**–**	**–**	**160,420**
Available-for-sale	**225,796,210**	**–**	**5,936,648**	**231,732,858**
Investment properties	**–**	**30,374,290**	**–**	**30,374,290**
	225,956,630	**30,374,290**	**5,936,648**	**262,267,568**

31 December 2016	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Held for trading	179,465	–	–	179,465
Available-for-sale	222,031,135	4,900,485	1,036,161	227,967,781
Investment properties	–	30,110,179	–	30,110,179
	222,210,600	35,010,664	1,036,161	258,257,425

27. SUBSEQUENT EVENTS

There have been no material events between 31 December 2017 and the date of this report which are required to be disclosed.

28. COMPARATIVE FIGURES

Some of 2016 balances were reclassified to correspond with those of 2017 presentation. The reclassification has no effect on the profit for the year and equity.

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