International
General Insurance Co. Ltd.

ANNUAL REPORT 2011

Contents

About IGIH	2
Board of Directors	4
Letter from the Board of Directors	6
Financial Statements	8
IGI Offices	48

About IGIH

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

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

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

IGIH has assets of more than US$ 564 million as at 31st December, 2011.

Time
Long - term strategy

120
100
80
60
40
20
0

BOARD OF DIRECTORS

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

Mr. Wasef Jabsheh
CEO & Vice Chairman

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

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

Mr. Khaled Sifri
Director (CEO, Arab Emirates Investment Bank – Dubai, UAE)

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

Al Sayyida Rawan Al Said
MD and Group CE of ONIC Holding

6
5
4
3
2
1
0

Letter from the Board of Directors

The close of 2011 marks our tenth anniversary and yet another successful year. 2011 proved to be a very difficult year for all insurers due to the excess capacity in the market and the unprecedented level of natural catastrophe losses arising mainly from the earthquakes in New Zealand and Japan as well as the floods in Thailand. Their impact on the global economy is estimated at $350 billion whilst the impact on the insurance industry is estimated to be at $116 billion, up 142% from the previous year, proving to be the second worst year with respect to catastrophe losses.

Although IGIH was impacted by these major catastrophes, incurred losses were well within our comfort zone and risk tolerance. Despite a challenging 2011, IGIH was able to achieve a very healthy combined ratio and record net profits. This is a testament to IGIH's sound management, strict and selective underwriting policies, rigorous exposure management and market vision. Since inception, IGIH has grown materially from its historical core of energy, property and engineering underwriting, with a compound annual growth rate of 36.92% on gross premiums from 2002 to 2011.

On the geopolitical front, 2011 was the year of the Arab Spring, which has led to revolts in several countries in the Middle East and North Africa (MENA). We are continually monitoring the geopolitical risks associated with our operations in the region, but we also believe that IGIH is in a very strong position to take advantage of all the new investments being carried out by Governments and Sovereign Wealth Funds in the MENA region. These investments mainly consist of new infrastructure construction, energy and industrial projects which fit perfectly within IGIH's insurance portfolio.

2011 was also a noteworthy year for IGIH in respect of development and expansion. Among the major accomplishments during the year were:

- International General Insurance Co. (UK) Limited (IGI UK) commenced operations on July 1st, 2011. IGI UK is now writing Financial Institutions, Marine, EAR/CAR and Ports and Terminals business.

- IGIH has created its own internal capital model using a leading global vendor. This is a march forward towards structured and efficient risk management of business processes and capital deployment using various scientific and statistical tools.

- As part of our continued drive to diversify our insurance portfolio, IGI UK hired a specialist team of underwriters at the end of 2011 to write a Ports and Terminals account, IGIH's newest class of business. This line of business is complementary to our marine book and gives IGIH further diversification of its insurance portfolio.

Turning to our financials, we are proud to present our commendable earnings. We have once again exceeded our net profit targets scoring good operational indices all through with an enviable combined ratio at the end. Our results are proof of our continued risk management and unwavering risk controls enabling us to adjust our insurance portfolio according to market conditions. This dynamic management style is the essence of our business model and can be witnessed over the past several years with the elimination of Gulf of Mexico catastrophe exposures, reorganization of our marine book and the recent expansion into the Far East and New Zealand, an area where we drastically reduced our exposures several years ago. We are confident that with our continued expansion plans and the expected economic recovery, our Group will be able to achieve its target growth rates and expected profit for the coming years.

Highlights for the year 2011 included the following:

- Gross written premium in 2011 was US$ 202.8 million, an increase of 13.11 % compared to US$ 179.3 million for 2010.

- Underwriting profit grew to US$ 33.6 million for 2011, an increase of 50 % from US$ 22.4 million in 2010.

- Investment income for the year stood at US$ 8.4 million, a decrease of 15.15 % compared to US$ 9.9 million for 2010.

- The combined ratio for 2011 was 88 % compared to 93 % for 2010.

- Net Profit amounted to US$ 23.2 million for 2011 against US$ 17.2 million for 2010, an increase of 35%

- Total assets were US$ 564.1 million at the end of 2011, an increase of 7.1 % compared to US$ 488.9 million as of 31st December, 2010.

- Shareholders' equity rose to US$ 205.4 million at the end of 2011, up 9.37 % compared to US$ 187.8 million as of 31st December, 2010.

We would like to thank all our clients and producers for their continued support throughout 2011. We would also like to thank all our employees for their significant effort and contribution this year.

We look forward to working together in 2012 to fulfill the visions and ambitions of the Company and to further promote our position as the lead underwriting operation in the region.

ERNST & YOUNG

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

We have audited the accompanying consolidated financial statements of International General Insurance Company Holdings Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

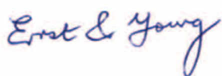
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

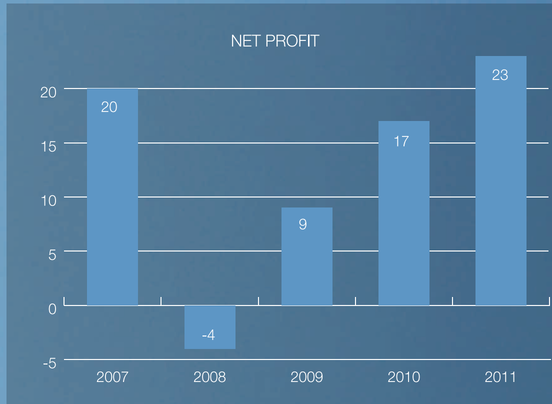
Report on other legal and regulatory requirements

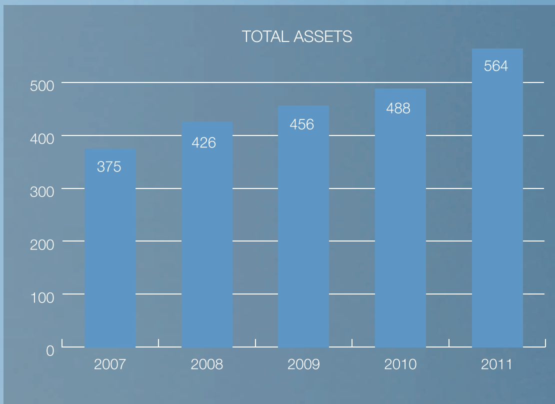
We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit. To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

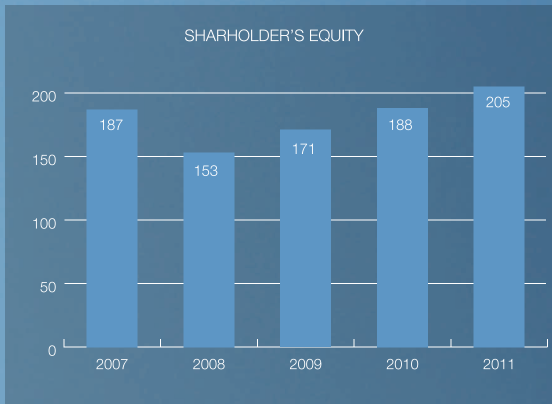


March 2012
Dubai, United Arab Emirates

Financial Results







	Notes	2011 USD	2010 USD
ASSETS			
Premises and equipment	3	3,191,687	3,735,073
Intangible assets	4	210,238	298,990
Investment in associated companies	5	11,702,917	11,280,888
Investment property	6	29,163,154	28,996,126
Investments	7	134,452,231	154,998,453
Deferred policy acquisition costs	8	29,451,946	25,730,470
Insurance receivables	9	100,627,596	85,985,756
Trade receivables	10	236,294	1,037,660
Other assets	11	2,670,664	5,897,073
Reinsurance assets	13	94,332,057	69,151,824
Cash and bank balances	14	158,083,737	101,689,289
TOTAL ASSETS		**564,122,521**	**488,801,602**
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15	143,375,678	143,375,678
Foreign currency translation reserve		(286,652)	(269,090)
Cumulative changes in fair values		5,326,279	6,576,750
Retained earnings		57,018,481	38,097,808
Total equity		**205,433,786**	**187,781,146**
Liabilities			
Insurance contract liabilities	12	308,536,375	259,462,447
Other liabilities	17	2,885,594	2,698,012
Insurance payable	18	38,052,375	31,083,276
Unearned commissions	19	9,214,391	7,776,721
Total liabilities		358,688,735	301,020,456
TOTAL EQUITY AND LIABILITIES		**564,122,521**	**488,801,602**

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 23rd March 2012.

	Notes	2011 USD	2010 USD
Gross written premiums	12 (a)	202,786,867	179,333,354
Change in unearned premiums		(17,544,900)	(20,164,075)
Gross earned premiums	12 (a)	185,241,967	159,169,279
Reinsurers' share of insurance premiums	12 (a)	(69,745,208)	(68,012,218)
Reinsurers' share of change in unearned premiums		3,779,284	6,545,283
Reinsurers' share of gross earned premiums	12 (a)	(65,965,924)	(61,466,935)
Net premiums earned		119,276,043	97,702,344
Claims	12 (b)	(110,425,705)	(94,168,856)
Reinsurers' share of claims	12 (b)	44,590,694	37,614,741
Commissions earned	19	15,782,822	13,268,394
Policy acquisition costs	8	(35,586,760)	(32,024,216)
Net underwriting result		**33,637,094**	**22,392,407**
Investment income	20	7,996,668	9,510,260
Share of profit from associated companies	5	552,864	575,159
Gain on sale of premises and equipment		8,206	-
Recovery of bad debts written off		788,537	-
General and administrative expenses		(18,792,325)	(15,079,396)
Provision for doubtful debts		(900,000)	-
(Loss) / gain on exchange		(187,633)	84,562
Goodwill impaired	4	-	(287,486)
Profit before tax		**23,103,411**	**17,195,506**
Tax credit on subsidiary losses		118,532	-
PROFIT FOR THE YEAR		**23,221,943**	**17,195,506**

	2011 USD	2010 USD
Profit for the year	**23,221,943**	**17,195,506**
Other comprehensive income		
Fair value changes during the year	(1,250,471)	2,187,042
Currency translation differences	(17,562)	(61,040)
Other comprehensive income for the year	(1,268,033)	2,126,002
Total comprehensive income for the year	**21,953,910**	**19,321,508**

	Notes	2011 USD	2010 USD
OPERATING ACTIVITIES			
Profit before tax		23,103,411	17,195,506
Adjustments for:			
Depreciation and amortisation	3,4	856,714	1,071,959
Gain on sale of available-for-sale investments	20	(170,757)	(1,463,230)
Provision for doubtful debts		900,000	-
Impairment of available-for-sale investments	20	537,220	1,280,060
Gain on sale of premises and equipment		(8,206)	-
Loss on revaluation of held for trading investments	20	153,532	42,060
Dividends and interest income	20	(7,612,185)	(8,579,242)
Share of profit from associated companies	5	(552,864)	(575,159)
		17,206,865	8,971,954
Reinsurance assets		(25,180,233)	(5,497,749)
Insurance contract liabilities		49,073,928	24,241,673
Deferred policy acquisition costs		(3,721,476)	(5,727,220)
Insurance receivables		(8,590,303)	(2,707,296)
Trade receivables		801,366	(1,037,660)
Other assets		3,344,941	(3,709,482)
Unearned commission		1,437,670	1,121,221
Held for trading investments		-	109,231
Other liabilities		187,582	1,387,166
Net cash from operating activities		**34,560,340**	**17,151,838**
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(216,909)	(706,468)
Proceeds from sale of premises equipment		8,206	-
Purchase of intangible assets	4	(7,667)	(203,811)
Purchase of available-for-sale investments		(17,578,443)	(44,384,574)
Proceeds from sale of available-for-sale investments		36,354,199	18,261,329
Purchase of held to maturity investments		-	(3,000,000)
Purchase of investment property		(167,028)	(323,337)
Dividends received from associated companies	5	130,835	327,000
Time deposits maturing – long term		1,760,394	(5,505,342)
Dividends and interest income		7,612,185	8,579,242
Net cash from (used in) investing activities		**27,895,772**	**(26,955,961)**
FINANCING ACTIVITIES			
Dividends paid	16	(4,301,270)	(2,867,514)
Net cash used in financing activities		**(4,301,270)**	**(2,867,514)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**58,154,842**	**(12,671,637)**
Cash and cash equivalents at the beginning of the year		94,484,735	107,156,372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**152,639,577**	**94,484,735**

	Issued share capital	Foreign currency translation reserve	Cumulative change in fair value of investments	Retained earnings	Total
	USD	*USD*	*USD*	*USD*	*USD*
At 1 January 2011	143,375,678	(269,090)	6,576,750	38,097,808	187,781,146
Profit for the year	-	-	-	23,221,943	23,221,943
Other comprehensive income	-	(17,562)	(1,250,471)	-	(1,268,033)
Total comprehensive income	-	(17,562)	(1,250,471)	23,221,943	21,953,910
Dividends paid during the year (note 16)	-	-	-	(4,301,270)	(4,301,270)
At 31 December 2011	**143,375,678**	**(286,652)**	**5,326,279**	**57,018,481**	**205,433,786**
At 1 January 2010	143,375,678	(208,050)	4,389,708	23,769,816	171,327,152
Profit for the year	-	-	-	17,195,506	17,195,506
Other comprehensive income	-	(61,040)	2,187,042	-	2,126,002
Total comprehensive income	-	(61,040)	2,187,042	17,195,506	19,321,508
Dividends paid during the year (note 16)	-	-	-	(2,867,514)	(2,867,514)
At 31 December 2010	**143,375,678**	**(269,090)**	**6,576,750**	**38,097,808**	**187,781,146**

1. ACTIVITIES

International General Insurance Holdings Limited ("the Company") is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2004 on 7 May 2006 and is engaged in the business of re-insurance and insurance. The Company's registered office is at unit 1, Gate Village 01, P. O. Box 506646, International Financial Centre, Dubai.

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

2. BASIS OF PREPARATION

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

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.

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	
			2011	*2010*
International General Insurance Company Limited	Bermuda	Reinsurance and insurance	100%	100%
International General Insurance Underwriting	Jordan	Underwriting agency	100%	100%
North Star Underwriting Limited	United Kingdom	Underwriting agency	100%	100%
Specialty Malls Investment Co.	Jordan	Real estate properties development and lease	100%	100%

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasis a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

2. BASIS OF PREPARATION (continued)

Changes in accounting policies *(continued)*

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
The amendment to the interpretation had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to the interpretation had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial instruments.

2. BASIS OF PREPARATION (continued)

Standards issued but not yet effective *(continued)*

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Summary of significant accounting policies

Revenue recognition
Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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

Reinsurance premiums
Gross general reinsurance premiums 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.

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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 expense over the terms of the insurance contracts to which they relate as premiums are earned.

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

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

Reinsurance
The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

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

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

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the effective interest rate method when accrued.

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

Premises and equipment
Premises and equipment is 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 (Note3).

	Years
Office buildings	20
Office furniture	5
Computers	3
Equipment	4
Leasehold improvement	5
Vehicles	5

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Intangible assets

a) Goodwill

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

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

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

b) Intangible assets

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

Impairment is determined as follows:

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

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

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

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

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

Investment properties (continued)
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 income statement.

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

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

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

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

Share based payment
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 incentive amounts to the excess of book value on vesting date over grant date with an additional 20% on the excess.

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

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

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

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

Taxation
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.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the statement of financial position date.

Leasing
The Group has no finance lease

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 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 recognized on a straight-line basis over the term of lease.

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

Impairment of investments
The group treats financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below 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.

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.

3. PREMISES AND EQUIPMENT

	Office building	Office furniture	Computers	Equipment	Leasehold improvements	Vehicles	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Cost							
At 1 January 2011	1,836,188	1,284,365	446,547	185,557	987,867	374,508	5,115,032
Additions	15,405	55,072	68,035	7,746	11,604	59,047	216,909
Written off and disposals	-	(101,322)	-	(27,948)	(83,644)	(16,902)	(229,816)
At 31 December 2011	**1,851,593**	**1,238,115**	**514,582**	**165,355**	**915,827**	**416,653**	**5,102,125**
Depreciation							
At 1 January 2011	99,413	347,352	345,610	108,697	281,083	197,804	1,379,959
Deprecation for the year	70,680	258,250	88,433	42,585	240,567	59,780	760,295
Written off and disposals	-	(101,322)	-	(27,948)	(83,644)	(16,902)	(229,816)
At 31 December 2011	170,093	504,280	434,043	123,334	438,006	240,682	1,910,438
Net carrying amount							
At 31 December 2011	**1,681,500**	**733,835**	**80,539**	**42,021**	**477,821**	**175,971**	**3,191,687**
Cost							
At 1 January 2010	1,826,810	1,053,063	385,408	146,330	743,382	253,571	4,408,564
Additions	9,378	231,302	61,139	39,227	244,485	120,937	706,468
At 31 December 2010	**1,836,188**	**1,284,365**	**446,547**	**185,557**	**987,867**	**374,508**	**5,115,032**
Depreciation							
At 1 January 2010	-	146,197	246,803	72,768	72,139	150,352	688,259
Depreciation for the year	99,413	201,155	98,807	35,929	208,944	47,452	691,700
At 31 December 2010	99,413	347,352	345,610	108,697	281,083	197,804	1,379,959
Net carrying amount							
At 31 December 2010	**1,736,775**	**937,013**	**100,937**	**76,860**	**706,784**	**176,704**	**3,735,073**

The depreciation charge for the year of USD 760,295 (2010: USD 691,700) has been included in general and administrative expenses.

Fully depreciated premises and equipment still in use amounted to USD 530,351 as at 31 December 2011 (2010: 417,526).

4. INTANGIBLE ASSETS

	2011		
	Goodwill	**Computer software license**	**Total**
	USD	*USD*	*USD*
Cost			
Opening balance	-	765,798	765,798
Additions	-	7,667	7,667
Closing balance	-	**773,465**	**773,465**
Amortization			
Opening balance	-	466,808	466,808
Amortization for the year	-	96,419	96,419
Closing balance	-	563,227	563,227
Net book value	-	**210,238**	**210,238**

	2010		
	Goodwill	**Computer software license**	**Total**
	USD	*USD*	*USD*
Cost			
Opening balance	287,486	561,987	849,473
Additions	-	203,811	203,811
Closing balance	**287,486**	**765,798**	**1,053,284**
Amortization			
Opening balance	-	374,035	374,035
Amortization for the year	287,486	92,773	380,259
Closing balance	287,486	466,808	754,294
Net book value	-	**298,990**	**298,990**

Goodwill was allocated to North Star Underwriting Limited which was considered to be a cash generating unit. The recoverable amount of the cash generating unit was determined by calculating cash flow projections based on financial budgets approved by senior management covering a five year period. Goodwill allocated to the cash generating unit was tested for impairment in previous year, and since the recoverable amount of the cash generating unit was assessed to be nil, the goodwill was impaired in full in previous year.

5. INVESTMENT IN ASSOCIATED COMPANIES

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

	Country of incorporation	Ownership	
		2011	2010
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 was as follows:

	2011	2010
	USD	*USD*
Opening balance	11,280,888	11,032,729
Share of profit or results of associated companies	552,864	575,159
Dividends received	(130,835)	(327,000)
	11,702,917	**11,280,888**

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

	2011	2010
	USD	*USD*
Share of associates' statement of financial position		
Current assets	553,840	604,829
Non-current assets	16,901,477	16,955,064
Current liabilities	(5,752,400)	(6,279,005)
Net assets	11,702,917	11,280,888
Share of associates' revenues and results		
Revenues	800,090	829,018
Profit	**552,864**	**575,159**

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

6. INVESTMENT PROPERTY

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

	2011		
	Commercial building	**Land**	**Total**
	USD	*USD*	*USD*
Opening balance	20,534,276	8,461,850	28,996,126
Additions	167,028	-	167,028
Closing balance	**20,701,304**	**8,461,850**	**29,163,154**

	2010		
	Commercial building	**Land***	**Total**
	USD	*USD*	*USD*
Opening balance	20,429,402	8,243,387	28,672,789
Additions	104,874	218,463	323,337
Closing balance	**20,534,276**	**8,461,850**	**28,996,126**

**The land is registered in the name of the Directors of the Company. The Company has obtained an irrevocable proxy over this investment property.*

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

7. INVESTMENTS

	2011 USD	2010 USD
Held to maturity		
Unquoted bonds*	4,690,141	4,690,141
Held for trading		
Quoted funds	1,525,702	1,679,234
Available-for-sale		
Quoted bonds and debt securities with fixed interest rate	69,711,890	71,847,200
Quoted equities	44,555,931	61,360,659
Quoted funds and alternative investments	6,681,449	5,623,167
Unquoted government bonds and debt securities with fixed interest rate	-	1,410,934
Unquoted equities	7,287,118	8,387,118
	128,236,388	148,629,078
	134,452,231	**154,998,453**

* Maturity of these bonds as at 31 December 2011 are as follows:

Maturity	*Carrying amount*	*Effective interest value*
6 June 2012	1,690,141	9.5%
27 October 2012	3,000,000	4.0%
	4,690,141	

Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 537,220 (2010: USD 1,280,060).

8. DEFERRED POLICY ACQUISITION COSTS

	2011	2010
	USD	*USD*
Opening balance	25,730,470	20,003,250
Acquisition costs	39,308,236	37,751,436
Charged to consolidated statement of income	(35,586,760)	(32,024,216)
	29,451,946	**25,730,470**

9. INSURANCE RECEIVABLES

	2011	2010
	USD	*USD*
Receivables from insurance companies and intermediaries	101,302,233	84,555,470
Reinsurers – amounts due in respect of claims paid	225,363	1,430,286
Less: provision for doubtful debt	(900,000)	-
	100,627,596	**85,985,756**

All of the above amounts are due within twelve months of the statement of financial position date (Note 23).

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

10. TRADE RECEIVABLES

This amount represents the balances due from the Specialty Mall customers against rental income. There are no impaired trade receivables and management believes that the trade receivables will be recovered in full.

11. OTHER ASSETS

	2011	2010
	USD	*USD*
Accrued interest income	1,687,268	1,338,608
Advance payment on investments	-	2,782,299
Prepaid expenses	322,620	246,432
Accrued dividend income	-	1,032,728
Refundable deposits	88,732	74,827
Employees receivables	284,842	187,294
Deferred tax assets	118,532	-
Others	168,670	234,885
	2,670,664	**5,897,073**

12. INSURANCE CONTRACT LIABILITIES

	2011			2010		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
Unearned premiums	120,947,599	(31,886,053)	89,061,546	103,402,699	(28,106,769)	75,295,930
Outstanding claims	187,588,776	(55,956,166)	131,632,610	156,059,748	(34,756,238)	121,303,510
	308,536,375	**(87,842,219)**	**220,694,156**	**259,462,447**	**(62,863,007)**	**196,599,440**

a) Unearned premiums

	2011			2010		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
Opening balance	103,402,699	(28,106,769)	75,295,930	83,238,624	(21,561,486)	61,677,138
Premiums written	202,786,867	(69,745,208)	133,041,659	179,333,354	(68,012,218)	111,321,136
Premiums earned	(185,241,967)	65,965,924	(119,276,043)	(159,169,279)	61,466,935	(97,702,344)
	120,947,599	**(31,886,053)**	**89,061,546**	**103,402,699**	**(28,106,769)**	**75,295,930**

b) Outstanding claims

	2011			2010		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
At the beginning of the year						
Reported claims	114,059,748	(34,756,238)	79,303,510	112,482,150	(39,502,140)	72,980,010
Claims incurred but not reported	42,000,000	-	42,000,000	39,500,000	-	39,500,000
	156,059,748	**(34,756,238)**	**121,303,510**	**151,982,150**	**(39,502,140)**	**112,480,010**
Claims paid	(78,896,677)	23,390,766	(55,505,911)	(90,091,258)	42,360,643	(47,730,615)
Provided during the year related to current accident year	124,151,705	(47,970,694)	55,489,011	79,121,736	(36,284,633)	42,837,103
Provided during the year related to previous accident years	(13,726,000)	3,380,000	(10,346,000)	15,047,120	(1,330,108)	13,717,012
At the end of the year	**187,588,776**	**(55,956,166)**	**131,632,610**	**156,059,748**	**(34,756,238)**	**121,303,510**
At the end of the year						
Reported claims	138,288,776	(55,956,166)	82,332,610	114,059,748	(34,756,238)	79,303,510
Claims incurred but not reported	49,300,000	-	49,300,000	42,000,000	-	42,000,000
	187,588,776	**(55,956,166)**	**131,632,610**	**156,059,748**	**(34,756,238)**	**121,303,510**

12. INSURANCE CONTRACT LIABILITIES (continued)

b) Outstanding claims (continued)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
At end of accident year	-	-	6,967,684	25,354,591	25,254,263	34,360,176	78,025,399	46,583,042	72,242,537	113,639,869	
One year later	-	3,702,372	8,013,311	44,520,406	34,344,853	45,579,368	114,920,938	63,495,330	106,544,347	-	
Two years later	285,179	3,649,033	7,714,673	46,656,766	39,751,291	48,995,969	114,960,316	66,732,033	-	-	
Three years later	280,043	3,509,262	7,183,398	45,975,735	38,589,082	49,639,946	121,338,787	-	-	-	
Four years later	275,552	3,429,109	7,213,530	45,940,883	36,626,379	53,209,863	-	-	-	-	
Five years later	277,449	3,408,162	7,300,230	45,643,258	37,451,596	-	-	-	-	-	
Six years later	271,568	3,312,766	7,222,419	46,999,929	-	-	-	-	-	-	
Seven years later	271,568	3,312,966	7,778,981	-	-	-	-	-	-	-	
Eights years later	271,568	3,296,079	-	-	-	-	-	-	-	-	
Nine years later	271,568	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**271,568**	**3,296,079**	**7,778,981**	**46,999,929**	**37,451,596**	**53,209,863**	**121,338,787**	**66,732,033**	**106,544,347**	**113,639,869**	**557,263,052**
Cumulative payments to date	**(267,568)**	**(3,295,350)**	**(7,568,949)**	**(44,708,871)**	**(33,624,699)**	**(46,477,525)**	**(100,147,378)**	**(49,323,855)**	**(68,341,059)**	**(15,919,022)**	**(369,674,276)**
Total liability included in the consolidated statement of financial position											**187,588,776**

13. REINSURANCE ASSETS

	2011	2010
	USD	*USD*
Reinsurance share of unearned premiums (note 12)	31,886,053	28,106,769
Reinsurance share of outstanding claims (note 12)	55,956,166	34,756,238
Deferred XOL premium	6,489,838	6,288,817
	94,332,057	**69,151,824**

14. CASH AND BANK BALANCES

	2011	2010
	USD	*USD*
Cash and bank balances	49,753,074	24,495,024
Time deposits – short term	102,886,503	69,989,711
Cash and cash equivalents	152,639,577	94,484,735
Time deposits – long term	5,444,160	7,204,554
	158,083,737	**101,689,289**

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

All deposits earned an average variable interest rate of 1.73% (2010: 2.76%).

15. ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2011	2010
	USD	*USD*
Shares of USD 1 each	**143,375,678**	**143,375,678**

16. DIVIDENDS PAID

At a meeting held on 21 March 2011, the shareholders resolved to pay dividend of USD 0.03 per share amounting to USD 4,301,270 (2010: 2,867,514) related to the year ended 31 December 2010.

17. OTHER LIABILITIES

	2011	2010
	USD	*USD*
Accounts payable	579,912	1,342,525
Accrued expenses *	2,305,682	1,355,487
	2,885,594	**2,698,012**

** This includes an accrual of USD 13,500 in respect of phantom shares as vested upon designated employees of the Group.*

18. INSURANCE PAYABLES

	2011	2010
	USD	*USD*
Payables due to insurance companies and intermediaries	7,366,319	8,997,180
Reinsures – amounts due in respect of ceded premium	30,686,056	22,086,096
	38,052,375	**31,083,276**

19. UNEARNED COMMISSIONS

Movement in unearned commissions recognised in the consolidated statement of financial position is following:

	2011	2010
	USD	*USD*
Opening balance	7,776,721	6,655,500
Commissions received	17,220,492	14,389,615
Commissions earned	(15,782,822)	(13,268,394)
	9,214,391	**7,776,721**

20. INVESTMENT INCOME

	2011	2010
	USD	*USD*
Interest	6,147,815	6,178,579
Dividends	1,464,370	2,400,663
Gain on sale of available-for-sale investments	170,757	1,463,230
Fair value change of held for trading investments	(153,532)	(42,060)
Impairment on available-for-sale investments (note 7)	(537,220)	(1,280,060)
Rental income, net	904,478	789,908
	7,996,668	**9,510,260**

21. COMMITMENTS AND CONTINGENCIES

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

- Letters of Guarantee amounting to USD 17,373 (31 December 2010: USD 12,225) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 1,737 (31 December 2010: USD 1,222).

- Letters of Credit amounting to USD 32,977,488 to the order of reinsurance companies (31 December 2010: USD 30,030,471) for collateralizing insurance contract liabilities in accordance with the reinsurance arrangements.

- Letter of Guarantee amounting to USD 373,192 to the order of Friends Provident Life Assurance limited (31 December 2010: USD 373,192) for collateralizing rent payment obligation in one of the Group entity's office premises.

22. RELATED PARTY TRANSACTIONS

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

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

	2011	2010
Consolidated statement of income	*USD*	*USD*
Commission paid		
Eastern Insurance Brokers Ltd – Owned by immediate family member of the major shareholder	**140,353**	**63,054**

Compensation of key management personnel of the Group, consisting of short term salaries and benefits was USD 4,968,927 and other compensations of USD 78,469 (31 December 2010: USD 3,386,601).

23. RISK MANAGEMENT

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

Insurance risk
Insurance risk 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 analytic protocols which includes defined underwriting authorities, guidelines by class of business, rate monitoring and underwriting peer reviews.

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

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

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

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

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

23. RISK MANAGEMENT (Continued)

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

	Gross written premium	Concentration Percentage
2011	*USD*	*%*
Europe	38,529,505	19%
Middle / Far East & Africa	91,254,090	45%
North America	8,111,475	4%
Rest of the World	64,891,797	32%
	202,786,867	

	Gross written premium	Concentration Percentage
2010	*USD*	*%*
Europe	34,073,337	19%
Middle / Far East & Africa	105,806,679	59%
North America	7,173,334	4%
Rest of the World	32,280,004	18%
	179,333,354	

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, trading investments and cash and cash equivalents.

The Group does not enter into derivative transactions.

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

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

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on certain of its investments and cash and cash equivalents. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated

23. RISK MANAGEMENT (Continued)

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

2011	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
	USD	USD	USD	USD	USD	(%)
Trading investments	-	-	-	1,525,702	1,525,702	
Available-for-sale investments	9,708,299	33,939,644	26,063,947	58,524,498	128,236,388	5.72
Held to maturity investments	1,690,141	-	3,000,000	-	4,690,141	5.99
Cash and bank balances	152,638,877	5,444,860	-	-	158,083,737	1.19
Insurance receivables	-	-	-	100,627,596	100,627,596	-
Trade receivables	-	-	-	236,294	236,294	-
Reinsurance assets	-	-	-	94,332,057	94,332,057	-
	164,037,317	**39,384,504**	**29,063,947**	**255,246,147**	**487,731,915**	
2010						
Trading investments	-	-	-	1,679,234	1,679,234	
Available-for-sale investments	12,553,656	43,472,492	15,821,051	76,781,879	148,629,078	5.23
Held to maturity investments	-	1,690,141	3,000,000	-	4,690,141	5.98
Cash and bank balances	96,245,129	5,444,160	-	-	101,689,289	2.20
Insurance receivables	-	-	-	85,985,756	85,985,756	-
Trade receivables	-	-	-	1,037,660	1,037,660	-
Reinsurance assets	-	-	-	69,151,824	69,151,824	-
	108,798,785	**50,606,793**	**18,821,051**	**234,636,353**	**412,862,982**	

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

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

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

	Increase/ decrease in basis points	Effect on profit for the year
		USD
2011	**+ 25**	**576,571**
	- 50	**(1,153,142)**
2010	+ 25	437,520
	- 50	(875,040)

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 84% of the business transactions are in US Dollars and consequently the Group does not hedge its foreign currency exposure.

23. RISK MANAGEMENT (Continued)

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 casue them to fall below the Group's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Group.

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

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

	Neither past due nor impaired				
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due but not impaired	Total
2011	*USD*	*USD*	*USD*	*USD*	*USD*
Available-for-sale investments	67,375,228	60,861,160	-	-	128,236,388
Investments held for trading	-	1,525,702	-	-	1,525,702
Held to maturity investments	3,000,000	1,690,141	-	-	4,690,141
Insurance receivables	-	69,101,813	-	31,525,783	100,627,596
Reinsurance assets	19,662,937	68,179,282	-	-	87,842,219
Cash and bank balances	90,093,897	67,989, 840	-	-	158,083,737
	180,132,062	**269,347,938**	**-**	**31,525,783**	**481,005,783**
2010					
Available-for-sale investments	75,145,910	73,483,168	-	-	148,629,078
Investments held for trading	-	1,679,234	-	-	1,679,234
Held to maturity investments	3,000,000	1,690,141	-	-	4,690,141
Insurance receivables		59,491,299	-	26,494,457	85,985,756
Reinsurance assets	20,957,519	41,905,488	-	-	62,863,007
Cash and bank balances	42,584,763	59,104,526	-	-	101,689,289
	141,688,192	**237,353,856**	**-**	**26,494,457**	**405,536,505**

23. RISK MANAGEMENT (Continued)

Credit risk *(Continued)*

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

		Past due but not impaired					
	Neither past due nor impaired	**Up to 90 days**	**91 to 180 days**	**181 to 270 days**	**271 to 360 days**	**Over 360 days**	**Total**
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
31 December 2011	69,101,813	15,765,386	7,351,315	3,279,923	3,488,433	1,640,726	100,627,596
31 December 2010	59,491,299	13,407,158	6,581,777	2,249,766	2,536,041	1,719,715	85,985,756

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

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

		Past due but not impaired		
	Neither past due nor impaired	**Up to 90 days**	**91 to 180 days**	**Total**
	USD	*USD*	*USD*	*USD*
31 December 2011	129,946	85,636	20,712	236,294
31 December 2010	647,737	389,923	-	1,037,660

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

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

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

	Change in equity price	**Effect on profit for the year**	**Effect on equity**
2011	*USD*	*USD*	*USD*
Amman Stock Exchange	**5%**	**-**	**79,190**
Dubai International Financial Exchange	**5%**	**-**	**1,236,237**
Other quoted	**5%**	**76,285**	**912,369**
2010			
Amman Stock Exchange	5%	-	472,882
Dubai International Financial Exchange	5%	-	1,205,183
Other quoted	5%	83,962	909,834

23. RISK MANAGEMENT (Continued)

Market price risk (Continued)

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

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

Liquidity risk

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

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

All liabilities are non-interest bearing liabilities.

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

	Less than one year	More than one year	No term	Total
2011	*USD*	*USD*	*USD*	*USD*
Insurance contract liabilities	231,402,281	77,134,094	-	308,536,375
Other liabilities	2,885,594	-	-	2,885,594
Reinsurance payable	38,052,375	-	-	38,052,375
Unearned commissions	6,910,793	2,303,598	-	9,214,391
Total liabilities	**279,251,043**	**79,437,692**	**-**	**358,688,735**
2010				
Insurance contract liabilities	194,596,835	64,865,612	-	259,462,447
Other liabilities	2,698,012	-	-	2,698,012
Reinsurance payable	31,083,276	-	-	31,083,276
Unearned commissions	5,832,541	1,944,180	-	7,776,721
Total liabilities	**234,210,664**	**66,809,792**	**-**	**301,020,456**

23. RISK MANAGEMENT (Continued)

Maturity analysis of assets and liabilities

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

2011	Less than one year	More than one year	No term	Total
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,191,687	-	3,191,687
Intangible assets	-	210,238	-	210,238
Investment in associated companies	-	-	11,702,917	11,702,917
Investments	-	-	29,163,154	29,163,154
Investment property	11,398,440	63,003,591	60,050,200	134,452,231
Deferred policy acquisition costs	22,088,960	7,362,986	-	29,451,946
Insurance receivables	98,986,870	1,640,726	-	100,627,596
Trade receivables	236,294	-	-	236,294
Other assets	2,670,664	-	-	2,670,664
Reinsurance assets	72,371,502	21,960,555	-	94,332,057
Cash and bank balances	152,639,577	5,444,160	-	158,083,737
TOTAL ASSETS	**360,392,307**	**102,813,943**	**100,916,271**	**564,122,521**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(286,652)	(286,652)
Cumulative changes in fair values of investments	-	-	5,326,279	5,326,279
Retained earnings	-	-	57,018,481	57,018,481
Total equity	**-**	**-**	**205,433,786**	**205,433,786**
Liabilities				
Insurance contract liabilities	231,402,281	77,134,094	-	308,536,375
Other liabilities	2,885,594	-	-	2,885,594
Reinsurance payable	38,052,375	-	-	38,052,375
Unearned commissions	6,910,793	2,303,598	-	9,214,391
Total liabilities	**279,251,043**	**79,437,692**	**-**	**358,688,735**
TOTAL EQUITY AND LIABILITIES	**279,251,043**	**79,437,692**	**205,433,786**	**564,122,521**

23. RISK MANAGEMENT (Continued)

2010	Less than one year	More than one year	No term	Total
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,735,073	-	3,735,073
Intangible assets	-	298,990	-	298,990
Investment in associated companies	-	-	11,280,888	11,280,888
Investments	12,553,656	63,983,684	78,461,113	154,998,453
Investment property	-	-	28,996,126	28,996,126
Deferred policy acquisition costs	19,297,853	6,432,617	-	25,730,470
Insurance receivables	84,266,041	1,719,715	-	85,985,756
Trade receivables	1,037,660	-	-	1,037,660
Other assets	5,897,073	-	-	5,897,073
Reinsurance assets	53,436,072	15,715,752	-	69,151,824
Cash and bank balances	96,245,129	5,444,160	-	101,689,289
TOTAL ASSETS	**272,733,484**	**97,329,991**	**118,738,127**	**488,801,602**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(269,090)	(269,090)
Cumulative changes in fair values of investments	-	-	6,576,750	6,576,750
Retained earnings	-	-	38,097,808	38,097,808
Total equity	**-**	**-**	**187,781,146**	**187,781,146**
Liabilities				
Insurance contract liabilities				
Other liabilities	194,596,835	64,865,612	-	259,462,447
Reinsurance payable	2,698,012	-	-	2,698,012
Reinsurance deposits	31,083,276	-	-	31,083,276
Unearned commissions	5,832,541	1,944,180	-	7,776,721
Total liabilities	234,210,664	66,809,792	-	301,020,456
TOTAL EQUITY AND LIABILITIES	**234,210,664**	**66,809,792**	**187,781,146**	**488,801,602**

23. RISK MANAGEMENT (Continued)

Capital management

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

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

Fair value

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

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

	31 December 2011		
	Level 1	**Level 2**	**Total**
	USD	*USD*	*USD*
Held for trading	1,525,702	-	1,525,702
Available-for-sale	120,949,270	7,287,118	128,236,388
	122,474,972	**7,287,118**	**129,762,090**

	31 December 2010		
	Level 1	**Level 2**	**Total**
	USD	*USD*	*USD*
Held for trading	1,679,234	-	1,679,234
Available-for-sale	138,831,026	9,798,052	148,629,078
	140,510,260	**9,798,052**	**150,308,312**

Included in available for sale investments is an amount of USD 7,287,118 which is carried at fair value based on recent share issuance price. (31 December 2010: USD 8,387,118 was carried at fair value which approximated its cost).

There were no transfers between Level 1, 2 and 3 during the year or in either the years ended 31 December 2011 or 31 December 2010.

There are no level 3 investments.

24. Comparative figures

Some of 2010 balances were reclassified to correspond with 31 December 2011. Classifications have no effect on net profit and equity.

	Reported in previous year	Reclassified in current year
	USD	*USD*
Other assets	12,185,890	5,897,073
Reinsurance assets	62,863,007	69,151,824
Total	**75,048,897**	**75,048,897**

Above reclassification has resulted from Deferred XOL premium reclassified from other assets (Note 11) to Reinsurance assets (Note13) in the current year. Foregoing reclassification has no effect on net profit or equity.

25. subsequent events

There have been no material events between 31 December 2011 and the date of this report which are required to be disclosed.

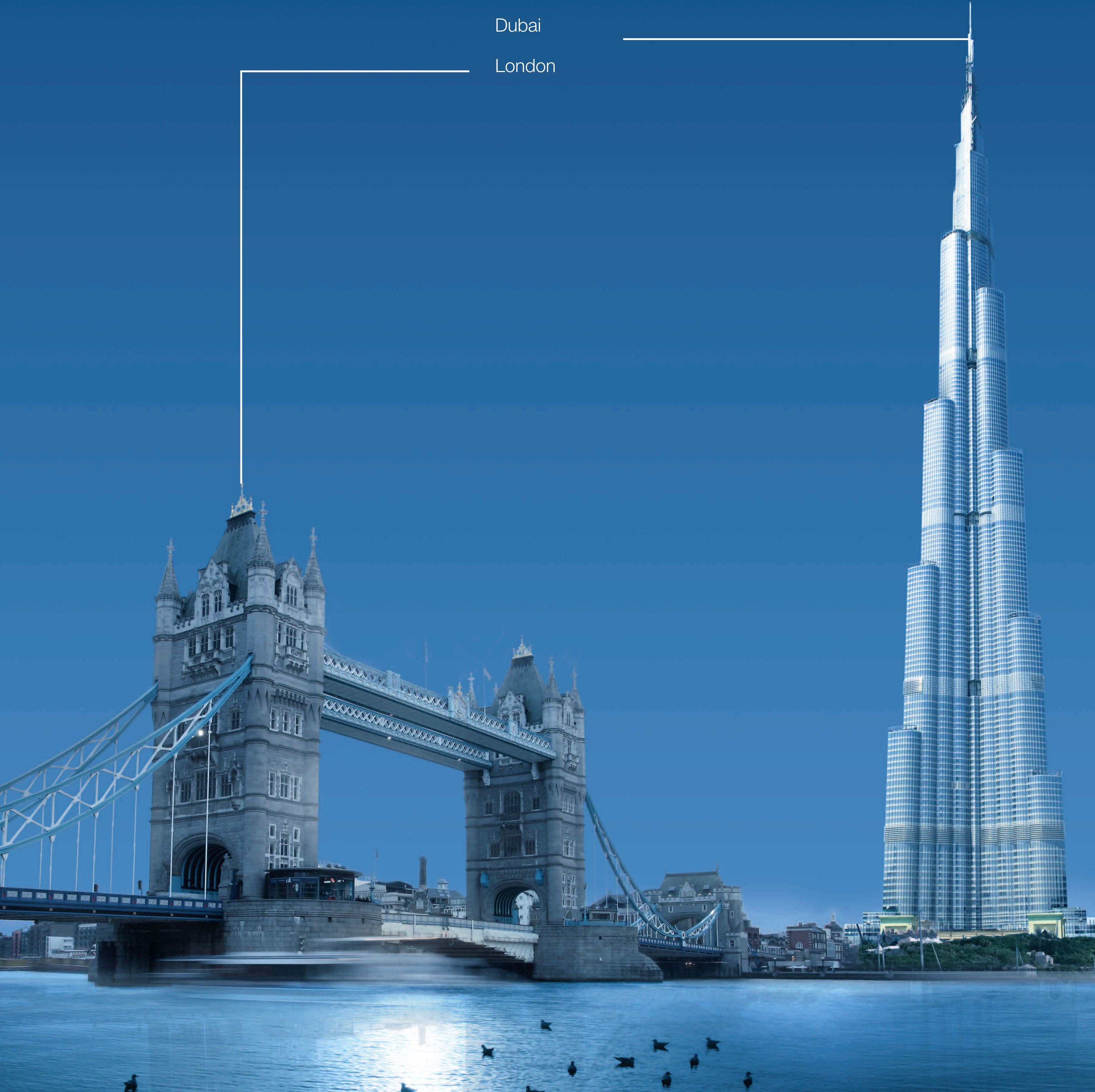
Bermuda

Amman

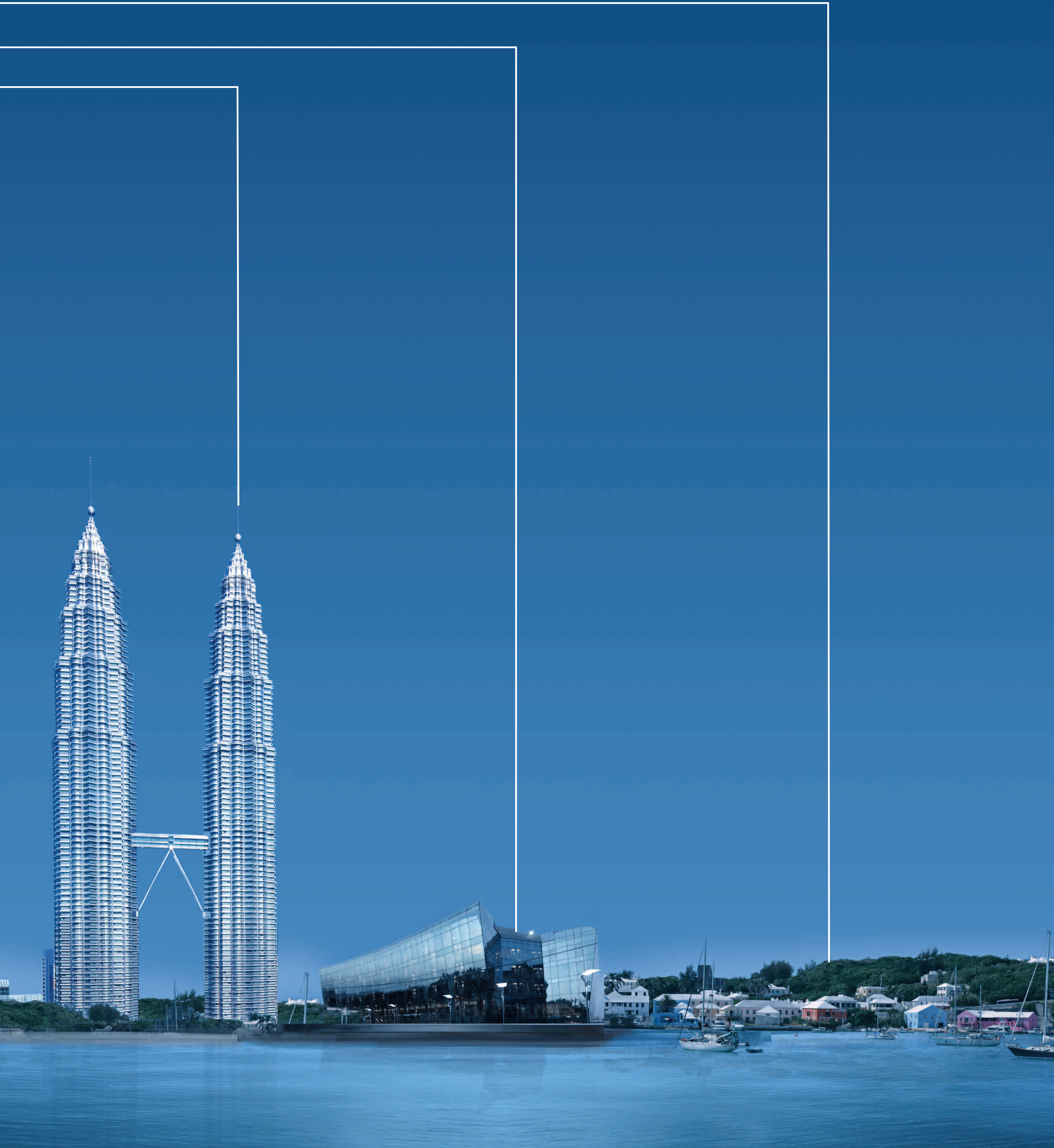
Kuala Lumpur

Dubai

London



IGI OFFICES WORLDWIDE



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Facsimile: +44 (0) 20 7220 0101

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Kuala Lumpur, Malaysia
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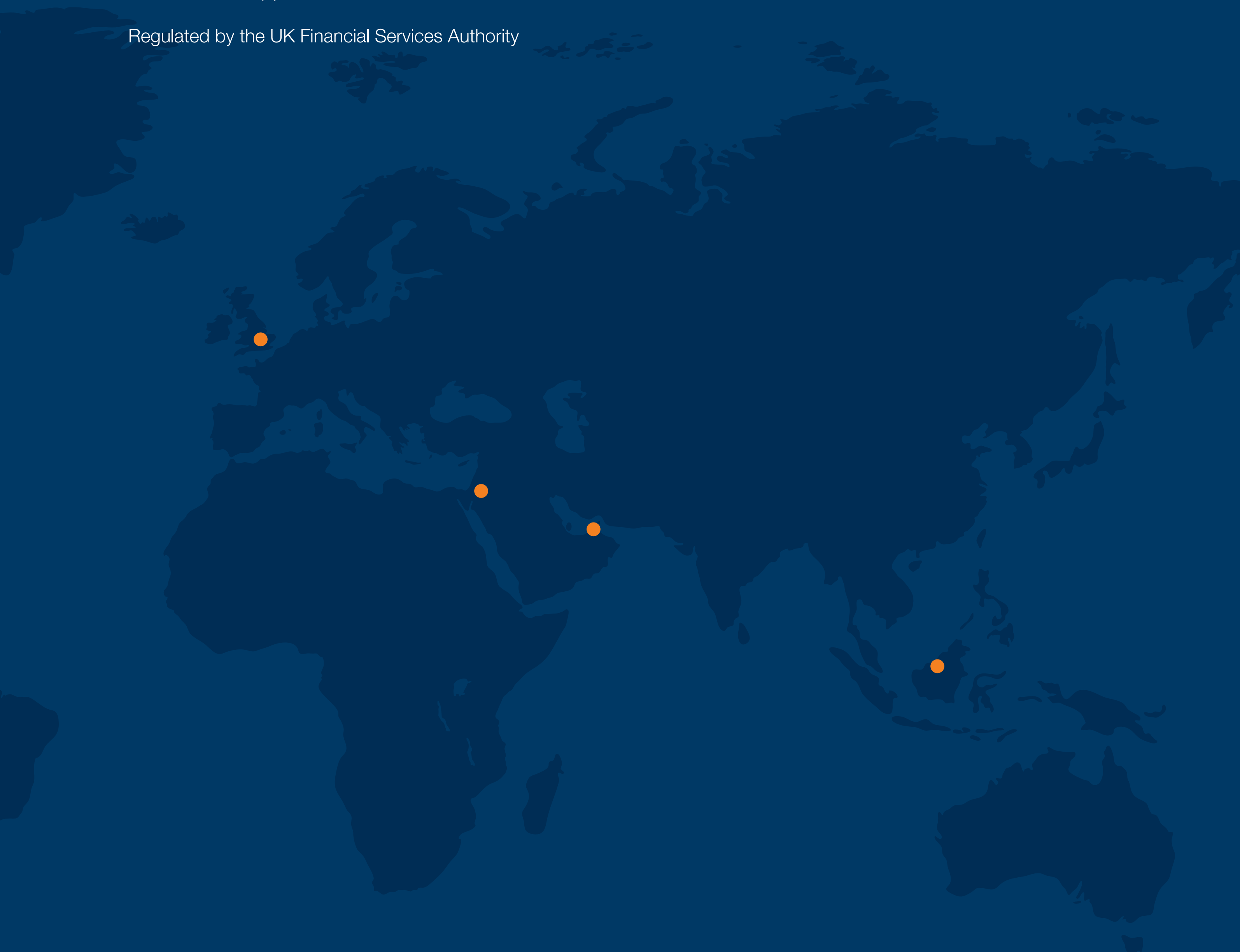
Facsimile: +6 (032) 171 1786



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Regulated by the Dubai Financial Services Authority

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Regulated by the Labuan Financial Services Authority

IGI Head Office Bldg-Amman, Jordan

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