Head Office Bldg-Amman, Jordan

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ANNUAL REPORT 2012

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International General Insurance Holdings Ltd.

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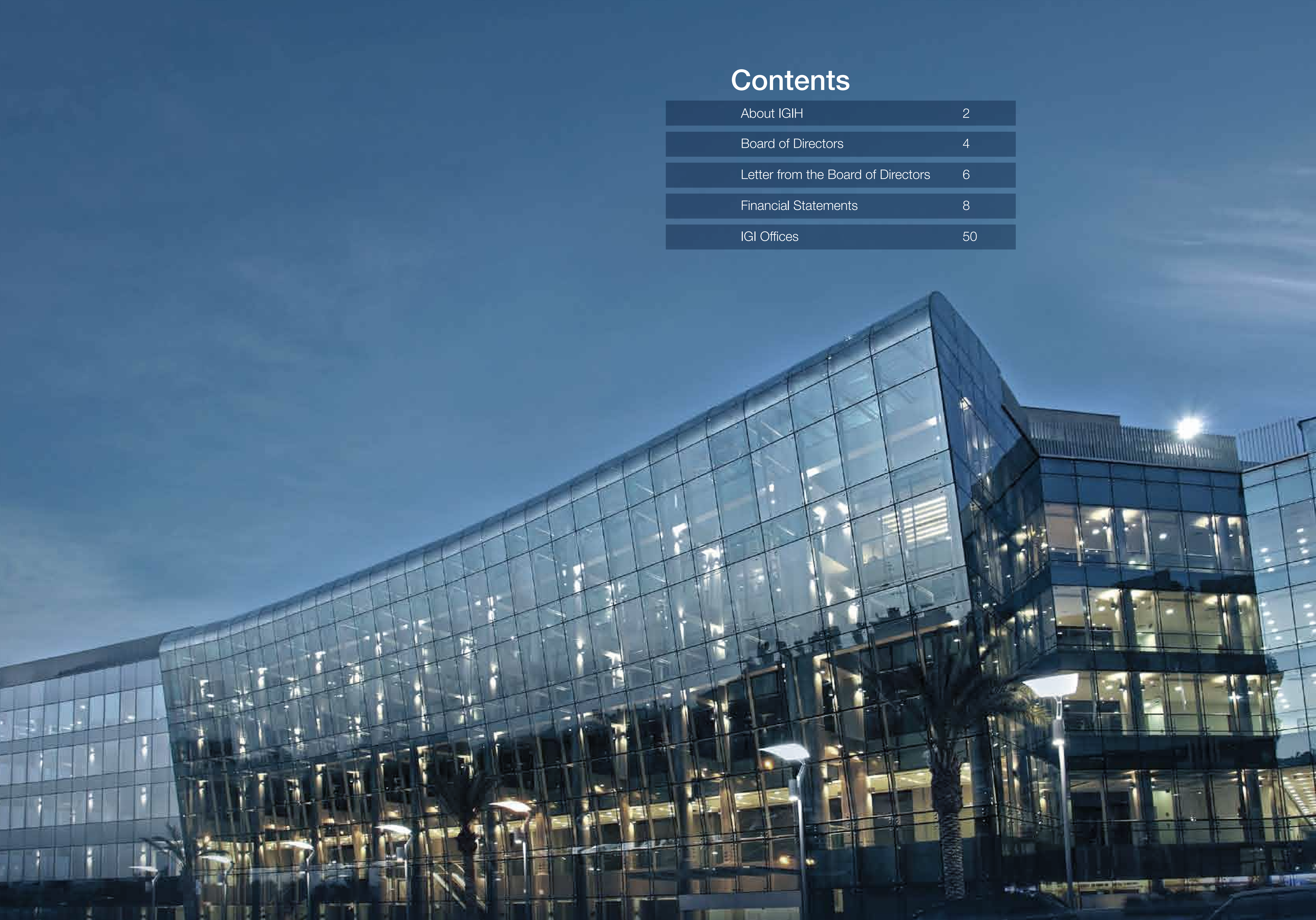


About IGIH

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

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

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

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

IGIH has assets in excess of US$ 600 million as at 31st December, 2012.

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

Letter from the Board of Directors

It gives us pleasure to include herewith the full Report on our 2012 performance. The past year was one where IGI's underwriting strategy and international reach brought its own rewards. While 2012 was met by the residual effects from the massive insurance market losses incurred in 2011, IGI was in a prime position to take advantage of the market situation and subsequent increase in prices.

Worldwide insured catastrophe losses in 2012 amounted to an estimated $65 billion in 2012 compared to $119 billion in 2011. Of the insurance market's 2012 losses, 90% were wrought from US catastrophes – mainly due to superstorm Sandy and an extreme drought that devastated crop yields. Although losses were significantly less compared to the extraordinary year of 2011, 2012's catastrophe losses still stood out as above the 10-year industry average of $50 billion.

While the Afro-Asian market remained the backbone of our revenues, we also managed to expand out more confidently into Australasia, leveraging our comparatively greater capacity to move into a hardening market when others were forced to reduce their capacity. That region, alongside Europe and MENA, remained the main source of our healthy growth in underwriting profits, as we continue to capture new business in our core geographic areas.

Given that the ongoing Arab Spring has continued to hold the geopolitical landscape hostage, we have navigated adeptly in the face of political challenges presented, to seek new opportunities. Meticulous market research and portfolio review was behind our decision to introduce Political Violence as a new line of business. This is a testament to our tried and tested philosophy of building on our specialist knowledge to add niche underwriting business lines.

Again, we achieved a record year beating our bottom line forecasts by keeping our eye on our core geographic areas, while adding underwriting capabilities and growing our book of business in Asia Pacific and Europe. Although we continue to face low investment returns, our underwriting profits have more than compensated our investment income shortfalls.

2012 performed strongly as the following financials attest. This year the Company recorded a compounded annual growth rate of 43.2% on gross premiums from 2002 – 2012.

Our conservative actuarial practices and strict risk parameters have continued to keep IGI protected. As a result of a frequent review of our insurance portfolio and risk appetite, we have adjusted our exposure in certain parts of our marine portfolio and we will continue to monitor this line of business in the future, as generally, market conditions remain challenging.

We continue to assess the geopolitical risks associated with our operations in the region, yet, we see the silver lining in increased MENA government spending in construction and energy. This investment boon has and will continue to filter into our insurance portfolio.

Highlights for the year 2012 include the following:

- Gross written premium in 2012 was US$ 225.6 million, an increase of 11% compared to US$ 202.8 million for 2011.
- Underwriting profit grew to US $36.8 million for 2012, an increase of 9% from US$ 33.6 million in 2011.
- Investment income for the year stood at $ 7.5 million, an increase of 3% compared to US$ 7.3 million for 2011.
- The combined ratio for 2012 was 88% compared to 87% for 2011.
- The Net Profit amounted to US$ 25.3 million for 2012 against US$ 23.2 million for 2011, an increase of 9%.
- Total assets were US$ 608.9 million at the end of 2012, an increase of 8% compared to US$ 563.9 million as of 31st December, 2011.
- Shareholders' equity rose to US$ 232.1 million at the end of 2012, up 13% compared to US$ 205.4 million as of 31st December, 2011.

In conclusion, the year left us with record profits, at the same time increasing our reserves and solidifying our balance sheet. This in turn allowed the Board to give an interim dividend in July 2012 and further increase the dividend from US¢ 4 per share in 2011 to US¢ 7 per share for fiscal year 2012.

IGI will push into 2013, confident in the knowledge that it took the right steps over the last 12 months, consolidating core geographical and business lines, but importantly diversifying these by a continued expansion into Europe and the Far East. Our strong position leaves us well-placed to respond to any challenges posed by the insurance industry in the coming year, while enabling us to enter new markets and niche business lines. We aim to build on these gains and performances going forward, in order to cement our pole position as a leading regional niche underwriter.

As always, we would like to extend a thank you to all our clients and producers for their unremitting support throughout 2012. We would also like to thank all our employees for their significant effort and contribution this year. We look forward to working together in 2013 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

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Duabi, United Arab Emirates
Tel: +971 4 332 4000
Fax:+971 4 332 4004
dubai.uae@ae.ey.com
www.ey.com/me

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International General Insurance Holdings Ltd ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012 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 auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

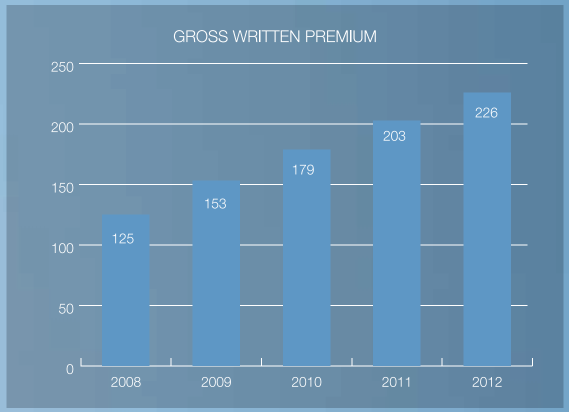
Report on other legal and regulatory requirements

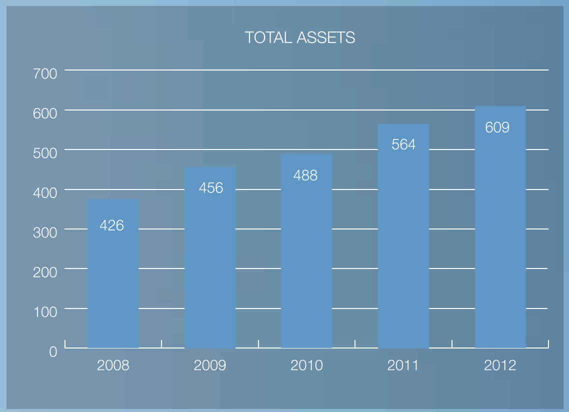
We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit. To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

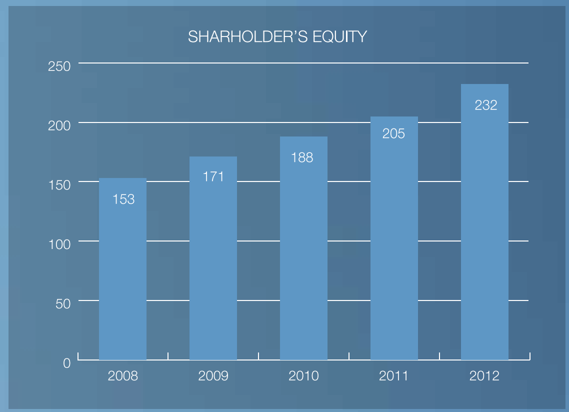
Ernst & Young

20 March 2013
Dubai, United Arab Emirates

Financial Results







	Notes	2012 USD	2011 USD
ASSETS			
Premises and equipment	3	3,525,920	3,191,687
Intangible assets	4	250,498	210,238
Investment in associated companies	5	12,228,572	11,702,917
Investment properties	6	29,339,762	29,163,154
Investments	7	151,216,442	134,452,231
Deferred policy acquisition costs	8	30,754,592	29,451,946
Insurance receivables	9	97,742,261	100,402,233
Trade receivables	10	137,982	236,294
Other assets	11	2,167,665	2,552,132
Deferred tax assets	23	841,900	118,532
Reinsurance assets	13	86,177,127	94,332,057
Cash and bank balances	14	194,500,512	158,083,737
TOTAL ASSETS		**608,883,233**	**563,897,158**
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15	143,375,678	143,375,678
Foreign currency translation reserve		(230,995)	(286,652)
Cumulative changes in fair values		15,325,027	5,326,279
Retained earnings		73,671,131	57,018,481
Total equity		**232,140,841**	**205,433,786**
Liabilities			
Insurance contracts liabilities	12	344,808,524	308,536,375
Other liabilities	17	3,649,283	2,885,594
Insurance payables	18	19,567,472	37,827,012
Unearned commissions	19	8,717,113	9,214,391
Total liabilities		376,742,392	358,463,372
TOTAL EQUITY AND LIABILITIES		**608,883,233**	**563,897,158**

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 March 2013.

	Notes	2012 USD	2011 USD
Gross written premiums	12 (a)	225,569,256	202,786,867
Change in unearned premiums		(19,265,207)	(17,544,900)
Gross earned premiums	12 (a)	206,304,049	185,241,967
Reinsurers' share of insurance premiums	12 (a)	(49,760,815)	(69,745,208)
Reinsurers' share of change in unearned premiums		(8,100,260)	3,779,284
Reinsurers' share of gross earned premiums	12 (a)	(57,861,075)	(65,965,924)
Net premiums earned		**148,442,974**	**119,276,043**
Claims	12 (b)	(111,182,933)	(110,425,705)
Reinsurers' share of claims	12 (b)	28,746,306	44,590,694
Commissions earned	19	14,361,470	15,782,822
Policy acquisition costs	8	(43,579,118)	(35,586,760)
Net underwriting result		**36,788,699**	**33,637,094**
Net investment income	20	6,937,296	6,910,012
Share of profit from associated companies	5	525,655	552,864
General and administrative expenses		(19,739,392)	(18,605,669)
Other income		50,700	796,743
Loss on exchange		(9,778)	(187,633)
Profit before tax		**24,553,180**	**23,103,411**
Tax credit on subsidiary losses	23	702,010	118,532
PROFIT FOR THE YEAR		**25,255,190**	**23,221,943**

	2012 USD	2011 USD
Profit for the year	25,255,190	23,221,943
Other comprehensive income		
Fair value changes	9,998,748	(1,250,471)
Currency translation differences	55,657	(17,562)
Other comprehensive income for the year	10,054,405	(1,268,033)
Total comprehensive income for the year	**35,309,595**	**21,953,910**

	Notes	2012 USD	2011 USD
OPERATING ACTIVITIES			
Profit before tax		24,553,180	23,103,411
Adjustments for:			
Depreciation and amortisation	3,4	785,420	856,714
Gain on sale of available-for-sale investments	20	(366,140)	(170,757)
Provision for doubtful debts		900,000	900,000
Impairment of available-for-sale investments	20	1,231,640	537,220
Gain on sale of vehicle		(6,127)	(8,206)
Loss on revaluation of held for trading investments	20	63,782	153,532
Dividends and interest income	20	(8,073,959)	(7,531,438)
Share of profit from associated companies	5	(525,655)	(552,864)
		18,562,141	17,287,612
Reinsurance assets		8,154,930	(25,180,233)
Insurance contracts liabilities		36,272,149	49,073,928
Deferred policy acquisition costs		(1,302,646)	(3,721,476)
Insurance receivables		1,759,972	(15,541,840)
Trade receivables		98,312	801,366
Other assets		418,766	3,327,379
Unearned commission		(497,278)	1,437,670
Insurance payables		(18,259,540)	6,969,099
Other liabilities		763,689	187,582
Net cash from operating activities		**45,970,495**	**34,641,087**
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(1,009,428)	(216,909)
Proceeds from sale of vehicle		8,454	8,206
Purchase of intangible assets	4	(152,812)	(7,667)
Purchase of available-for-sale investments		(24,705,631)	(17,578,443)
Proceeds from maturity of held to maturity investments		169,492	-
Proceeds from sale of available-for-sale investments		16,841,394	36,354,199
Purchase of investment properties		(176,608)	(167,028)
Dividends received from associated companies	5	-	130,835
Matured time deposits – long term		5,444,160	1,760,394
Dividends and interest income		8,073,959	7,531,438
Net cash from investing activities		**4,492,980**	**27,815,025**
FINANCING ACTIVITIES			
Dividends paid	16	(8,602,540)	(4,301,270)
Net cash used in financing activities		**(8,602,540)**	**(4,301,270)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**41,860,935**	**58,154,842**
Cash and cash equivalents at the beginning of the year		152,639,577	94,484,735
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**194,500,512**	**152,639,577**

	Issued share capital USD	Foreign currency translation reserve USD	Cumulative change in fair value of investments USD	Retained earnings USD	Total USD
At 1 January 2012	143,375,678	(286,652)	5,326,279	57,018,481	205,433,786
Profit for the year	-	-	-	25,255,190	25,255,190
Other comprehensive income	-	55,657	9,998,748	-	10,054,405
Total comprehensive income	-	55,657	9,998,748	25,255,190	35,309,595
Dividends paid during the year (note 16)	-	-	-	(8,602,540)	(8,602,540)
At 31 December 2012	**143,375,678**	**(230,995)**	**15,325,027**	**73,671,131**	**232,140,841**
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**

1. ACTIVITIES

International General Insurance Holdings Ltd ("the Company") is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2009 on 7 May 2006. 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	
			2012	2011
International General Insurance Underwriting	Jordan	Underwriting agency	100%	100%
North Star Underwriting Limited	United Kingdom	Underwriting agency	100%	100%
International General Insurance Company Ltd.	Bermuda	Reinsurance and insurance	100%	100%
The following entities are wholly owned by the subsidiary International General Insurance Company Ltd. Bermuda				
International General Insurance Company Ltd. Labuan Branch	Malaysia	Reinsurance and insurance	100%	100%
International General Insurance Company (UK) Limited	United Kingdom	Reinsurance and insurance	100%	100%
International General Insurance Company Dubai Ltd.	United Arab Emirates	Insurance intermediation and insurance management	100%	100%
Specialty Malls Investment Co.*	Jordan	Real estate properties development and lease	100%	100%

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

2. BASIS OF PREPARATION (continued)

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 amended IFRS effective as of 1 January 2012:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value and 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. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group has no assets with these characteristics so there has been no effect on the presentation of the consolidated financial statements.

Standards and interpretations issued at 31 December 2012 but not yet effective
Standards and interpretations 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 other comprehensive income (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 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group does not expect the amendments to have any impact on its financial position or performance. 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.

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

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

2. BASIS OF PREPARATION (continued)

Changes in accounting policies *(continued)*

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

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

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual period beginning on or after 1 January 2013 and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in 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, but has no impact on the Group's financial position or performance. 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, but based on the preliminary analysis, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Annual Improvements 2012 to IFRSs
These improvements will not have any impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards:
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

2. BASIS OF PREPARATION (continued)

Changes in accounting policies *(continued)*

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property, Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

Impairment is determined as follows:

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

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

Insurance receivables
Insurance companies and intermediaries receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated income statement.

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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.

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilised.

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

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

Leasing
The Group has no finance lease.

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

Group as a lessee
Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Summary of significant accounting policies *(continued)*

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

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

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

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

Impairment losses on receivables
Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

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

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

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

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

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

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

Valuation of outstanding claims, whether reported or not
Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

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

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

3. PREMISES AND EQUIPMENT

	Office building	Office furniture	Computers	Equipment	Leasehold improvements	Vehicles	Work in progress	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Cost								
At 1 January 2012	1,851,593	1,238,115	514,582	165,355	915,827	416,653	-	5,102,125
Additions	15,796	160,463	379,875	79,432	161,456	120,349	92,057	1,009,428
Written off and disposals	-	(79,808)	(96,724)	(977)	(50,880)	(21,243)	-	(249,632)
At 31 December 2012	**1,867,389**	**1,318,770**	**797,733**	**243,810**	**1,026,403**	**515,759**	**92,057**	**5,861,921**
Depreciation								
At 1 January 2012	170,093	504,280	434,043	123,334	438,006	240,682	-	1,910,438
Deprecation for the year	70,768	224,342	84,957	27,575	202,249	62,977	-	672,868
Written off and disposals	-	(79,808)	(96,724)	(792)	(50,880)	(19,101)	-	(247,305)
At 31 December 2012	240,861	648,814	422,276	150,117	589,375	284,558	-	2,336,001
Net carrying amount								
At 31 December 2012	**1,626,528**	**669,956**	**375,457**	**93,693**	**437,028**	**231,201**	**92,057**	**3,525,920**
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**

The depreciation charge for the year of USD 672,868 (2011: USD 760,295) has been included in general and administrative expenses.

Fully depreciated premises and equipment still in use amounted to USD 565,134 as at 31 December 2012 (2011: 530,351).

4. INTANGIBLE ASSETS

	Computer software / licenses	
	2012	2011
	USD	*USD*
Cost		
Beginning balance	773,465	765,798
Additions	152,812	7,667
Ending balance	926,277	773,465
Amortisation		
Beginning balance	563,227	466,808
Amortisation for the year	112,552	96,419
Ending balance	675,779	563,227
Net book value	**250,498**	**210,238**

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	
		2012	2011
Star Rock SAL Lebanon	Lebanon	33%	33%
Sina SAL Lebanon	Lebanon	33%	33%
Silver Rock SAL Lebanon	Lebanon	33%	33%
Golden Rock SAL Lebanon	Lebanon	33%	33%

Movement on investment in associates is as follows:

	2012	2011
	USD	*USD*
Opening balance	11,702,917	11,280,888
Share of profit of results of associated companies	525,655	552,864
Dividends received	-	(130,835)
	12,228,572	**11,702,917**

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	2012	2011
	USD	*USD*
Share of associates' statement of financial position		
Current assets	467,624	553,840
Non-current assets	16,910,445	16,901,477
Current liabilities	(5,149,497)	(5,752,400)
Net assets	**12,228,572**	**11,702,917**
Share of associates' revenues and results		
Revenues	**796,590**	**800,090**
Profit	**525,655**	**552,864**

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

6. INVESTMENT PROPERTIES

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

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

		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**

** Land amounting to USD 8,461,850 as at 31 December 2012 (2011: USD 8,461,850) is registered in the name of the Directors of the Group. The Group has obtained an irrevocable proxy over this investment property.*

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

7. INVESTMENTS

	2012	2011
	USD	*USD*
Held to maturity		
Unquoted bonds*	4,520,649	4,690,141
Held for trading		
Quoted funds	1,461,920	1,525,702
Available-for-sale		
Quoted bonds and debt securities with fixed interest rate	69,409,224	69,711,890
Quoted equities	64,017,190	44,555,931
Quoted funds and alternative investments	4,476,243	6,681,449
Unquoted equities	7,331,216	7,287,118
	145,233,873	128,236,388
	151,216,442	134,452,231

** Maturity of these bonds as at 31 December 2012 are as follows:*

Maturity	Carrying amount	Effective interest rate
6 December 2015	1,520,649	10%
27 October 2017	3,000,000	5%
	4,520,649	

Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 1,231,640 (2011: USD 537,220).

8. DEFERRED POLICY ACQUISITION COSTS

	2012	2011
	USD	*USD*
Opening balance	29,451,946	25,730,470
Acquisition costs	44,881,764	39,308,236
Charged to consolidated income statement	(43,579,118)	(35,586,760)
	30,754,592	**29,451,946**

9. INSURANCE RECEIVABLES

	2012 USD	2011 USD
Receivables from insurance companies and intermediaries	99,542,261	101,302,233
Less: Provision for doubtful debts	(1,800,000)	(900,000)
	97,742,261	**100,402,233**

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

	2012 USD	2011 USD
Opening balance	(900,000)	-
Provision for the year	(900,000)	(900,000)
	(1,800,000)	**(900,000)**

All of the above amounts are due within twelve months of the statement of financial position date (Note 24). It is not the practice of the Group to hold collaterals as security. Therefore the receivable are unsecured.

10. TRADE RECEIVABLES

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

11. OTHER ASSETS

	2012 USD	2011 USD
Accrued interest income	1,290,773	1,687,268
Prepaid expenses	567,412	322,620
Dividend receivable	43,459	-
Refundable deposits	125,144	88,732
Employees receivables	10,444	284,842
Others	130,433	168,670
	2,167,665	**2,552,132**

12. INSURANCE CONTRACTS LIABILITIES

	2012			2011		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
Unearned premiums	140,212,806	(23,785,793)	116,427,013	120,947,599	(31,886,053)	89,061,546
Outstanding claims	204,595,718	(54,000,287)	150,595,431	187,588,776	(55,956,166)	131,632,610
	344,808,524	**(77,786,080)**	**267,022,444**	**308,536,375**	**(87,842,219)**	**220,694,156**

12. INSURANCE CONTRACTS LIABILITIES (continued)

a) Unearned premiums

	2012			2011		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
Opening balance	120,947,599	(31,886,053)	89,061,546	103,402,699	(28,106,769)	75,295,930
Premiums written	225,569,256	(49,760,815)	175,808,441	202,786,867	(69,745,208)	133,041,659
Premiums earned	(206,304,049)	57,861,075	(148,442,974)	(185,241,967)	65,965,924	(119,276,043)
	140,212,806	**(23,785,793)**	**116,427,013**	**120,947,599**	**(31,886,053)**	**89,061,546**

b) Outstanding claims
Movement in outstanding claims

	2012			2011		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	USD	*USD*	*USD*	*USD*	*USD*	*USD*
At the beginning 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**
Claims paid	(94,175,991)	30,702,185	(63,473,806)	(78,896,677)	23,390,766	(55,505,911)
Provided during the year related to current accident year	125,366,105	(25,247,317)	100,118,788	124,151,705	(47,970,694)	76,181,011
Provided during the year related to previous accident years	(14,183,172)	(3,498,989)	(17,682,161)	(13,726,000)	3,380,000	(10,346,000)
At the end of the year	**204,595,718**	**(54,000,287)**	**150,595,431**	**187,588,776**	**(55,956,166)**	**131,632,610**
At the end of the year						
Reported claims	147,595,718	(54,000,287)	93,595,431	138,288,776	(55,956,166)	82,332,610
Claims incurred but not reported	57,000,000	-	57,000,000	49,300,000	-	49,300,000
	204,595,718	**(54,000,287)**	**150,595,431**	**187,588,776**	**(55,956,166)**	**131,632,610**

12. INSURANCE CONTRACTS 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	2012	Total
	USD	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
At end of accident year	7,727	454,132	1,488,772	25,362,416	25,254,263	37,384,425	110,061,422	79,439,339	106,932,081	113,644,163	125,366,105	
One year later	40,716	1,708,845	8,005,487	44,520,499	35,001,595	53,199,648	123,987,428	72,631,465	106,441,816	103,379,718	-	
Two years later	222,953	3,678,280	7,714,673	47,394,050	40,728,623	53,188,411	119,170,906	66,839,529	104,735,110	-	-	
Three years later	285,814	3,509,176	7,491,867	47,200,640	39,485,732	53,786,465	121,329,478	67,867,704	-	-	-	
Four years later	275,552	3,468,069	7,799,330	46,719,404	37,321,311	53,209,989	119,686,220	-	-	-	-	
Five years later	304,782	3,428,376	7,738,386	46,293,456	37,451,596	53,244,560	-	-	-	-	-	
Six years later	286,067	3,312,519	7,640,591	46,999,929	36,626,076	-	-	-	-	-	-	
Seven years later	271,568	3,312,891	7,778,981	46,129,206	-	-	-	-	-	-	-	
Eight years later	271,568	3,296,004	7,842,871	-	-	-	-	-	-	-	-	
Nine years later	271,568	3,296,848	-	-	-	-	-	-	-	-	-	
Ten years later	271,568	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**271,568**	**3,296,848**	**7,842,871**	**46,129,206**	**36,626,076**	**53,244,560**	**119,686,220**	**67,867,704**	**104,735,110**	**103,379,718**	**125,366,105**	**668,445,986**
Cumulative payments to date	**(267,568)**	**(3,296,098)**	**(7,666,530)**	**(44,884,729)**	**(34,139,346)**	**(48,163,082)**	**(104,913,937)**	**(58,682,422)**	**(86,749,630)**	**(50,372,082)**	**(24,714,844)**	**(463,850,268)**
Total liability included in the consolidated statement of financial position												**204,595,718**

13. REINSURANCE ASSETS

	2012	2011
	USD	*USD*
Reinsurance share of unearned premiums (note 12)	23,785,793	31,886,053
Reinsurance share of outstanding claims (note 12)	54,000,287	55,956,166
Deferred XOL premium	8,391,047	6,489,838
	86,177,127	**94,332,057**

14. CASH AND BANK BALANCES

	2012	2011
	USD	*USD*
Cash and bank balances	63,992,637	49,753,074
Time deposits – short term	130,507,875	102,886,503
Cash and cash equivalents	194,500,512	152,639,577
Time deposits – long term	-	5,444,160
	194,500,512	**158,083,737**

The time deposits, which are substantially denominated in US Dollars, are made for varying periods between one month to one year (2011: between one month to two years) depending on the immediate cash requirements of the Group.

All deposits earned an average variable interest rate of 2.21% (2011: 1.76%).

15. ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2012	2011
	USD	*USD*
Shares of USD 1 each	143,375,678	143,375,678

16. DIVIDENDS PAID

At a meeting held on 7 March 2012, the shareholders resolved to pay dividend of USD 0.04 (2011: USD 0.03) per share amounting to USD 5,735,027 (2011: USD 4,301,270) related to the year ended 31 December 2011. Further, the shareholders also resolved on 5 August 2012 to pay interim dividends of USD 0.02 per share amounting to USD 2,867,513 related to the current year.

17. OTHER LIABILITIES

	2012	2011
	USD	*USD*
Accounts payable	537,226	579,912
Accrued expenses	3,112,057	2,305,682
	3,649,283	2,885,594

18. INSURANCE PAYABLES

	2012 *USD*	2011 *USD*
Payables due to insurance companies and intermediaries	2,183,916	7,366,319
Reinsures – amounts due in respect of ceded premium	17,383,556	30,460,693
	19,567,472	**37,827,012**

19. UNEARNED COMMISSIONS

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

	2012 *USD*	2011 *USD*
Opening balance	9,214,391	7,776,721
Commissions received	13,864,192	17,220,492
Commissions earned	(14,361,470)	(15,782,822)
	8,717,113	**9,214,391**

20. INVESTMENT INCOME

	2012 *USD*	2011 *USD*
Interest	6,482,521	6,067,068
Dividends	1,591,438	1,464,370
Gain on sale of available-for-sale investments	366,140	170,757
Fair value changes of held for trading investments	(63,782)	(153,532)
Impairment of available-for-sale investments (note 7)	(1,231,640)	(537,220)
Investments custodian fees and other investments expenses	(1,087,858)	(1,005,909)
Rental income, net	880,477	904,478
	6,937,296	**6,910,012**

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 9,181 (31 December 2011: USD 17,373) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 918 (31 December 2011: USD 1,737).

- Letters of Credit amounting to USD 28,256,883 to the order of reinsurance companies for collateralising insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2011: USD 32,977,488).

- Letter of Guarantee amounting to USD 373,192 to the order of Friends Provident Life Assurance Ltd. for collateralising rent payment obligation in one of the Group entity's office premises (31 December 2011: USD 373,192).

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:

	2012 *USD*	2011 *USD*
Consolidated statement of income		
Commission paid		
Eastern Insurance Brokers Ltd – Owned by immediate family member of the major shareholder	**278,412**	**140,353**

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 4,884,474 (31 December 2011: USD 5,047,396). Out of the total amount of key management personnel compensation, an amount of USD 83,311 (2011: USD 13,824) represents long term benefits.

23. TAX CREDIT ON SUBSIDIARY LOSSES

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

	2012 *USD*	2011 *USD*
Opening balance	118,532	-
Tax credit on losses of the subsidiary IGI UK	702,010	118,532
Others	21,358	-
Ending balance	**841,900**	**118,532**

24. RISK MANAGEMENT

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

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

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

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

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

24. RISK MANAGEMENT (Continued)

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

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

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

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

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

	Gross written premiums	Concentration Percentage
	USD	*%*
2011		
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	

24. RISK MANAGEMENT (Continued)

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

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

	Gross written premiums	Concentration Percentage
	USD	*%*
2011		
Energy	82,569,712	41%
Property	26,073,716	13%
Engineering	16,975,720	8%
Marine	28,955,914	14%
Reinsurance	21,038,007	10%
Financial	16,643,005	8%
Casualty	1,545,213	1%
Aviation	8,843,203	4%
Ports & Terminals	142,377	-
	202,786,867	

Sensitivities
The analysis below shows the estimated impact on gross and net insurance contracts claims liabilities and on profit before tax, of an ultimate development on net claims liabilities of 5% different from that reported in the statement of financial position (2011: 5%). The impact on gross claims liabilities assumes that recovered rates remain constant

	%	Impact on gross insurance contract claims liabilities	Impact on net insurance contract claims liabilities	Impact on profit
		USD	*USD*	*USD*
2012	+ 5	10,229,786	7,529,772	(7,529,772)
2011	+ 5	9,379,439	6,581,631	(6,581,631)

24. RISK MANAGEMENT (Continued)

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

The Group does not enter into derivative transactions.

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

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

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

	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
2012	*USD*	*USD*	*USD*	*USD*	*USD*	*(%)*
Investments held for trading	-	-	-	1,461,920	1,461,920	-
Available-for-sale investments	13,231,115	31,427,215	24,750,898	75,824,645	145,233,873	4.75
Held to maturity investments	1,520,649	-	3,000,000	-	4,520,649	6.86
Cash and bank balances	194,500,512	-	-	-	194,500,512	1.48
	209,252,276	**31,427,215**	**27,750,898**	**77,286,565**	**345,716,954**	
2011						
Investments held for trading	-	-	-	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	1.16
	164,037,317	**39,384,504**	**29,063,947**	**60,050,200**	**292,535,968**	

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

24. RISK MANAGEMENT (Continued)

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
2012	+ 25	671,076
	- 50	(1,342,152)
2011	+ 25	576,571
	- 50	(1,153,142)

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 88% of the business transactions are in US Dollars and consequently the Group does not hedge its foreign currency exposure.

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

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

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

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

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

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might 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.

24. RISK MANAGEMENT (Continued)

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
2012	*USD*	*USD*	*USD*	*USD*	*USD*
Available-for-sale investments	58,705,108	86,528,765	-	-	145,233,873
Investments held for trading	-	1,461,920	-	-	1,461,920
Held to maturity investments	3,000,000	1,520,649	-	-	4,520,649
Insurance receivables	-	73,585,206	-	24,157,055	97,742,261
Reinsurance assets	-	86,177,127	-	-	86,177,127
Cash and bank balances	109,458,867	85,041,645	-	-	194,500,512
	171,163,975	**334,315,312**	**-**	**24,157,055**	**529,636,342**
2011					
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	-	68,876,450	-	31,525,783	100,402,233
Reinsurance assets	-	94,332,057	-	-	94,332,057
Cash and bank balances	90,093,897	67,989, 840	-	-	158,083,737
	160,469,125	**295,275,350**	**-**	**31,525,783**	**487,270,258**

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 2012	**73,585,206**	**14,359,342**	**5,226,747**	**2,664,185**	**1,906,781**	**-**	**97,742,261**
31 December 2011	68,876,450	15,765,386	7,351,315	3,279,923	3,488,433	1,640,726	100,402,233

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.

24. RISK MANAGEMENT (Continued)

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 2012	**85,607**	**30,591**	**21,784**	**137,982**
31 December 2011	129,946	85,636	20,712	236,294

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
2012	*USD*	*USD*	*USD*
New York Stock Exchange	+5%	-	725,665
Amman Stock Exchange	+5%	-	49,153
Saudi Stock Exchange	+5%	-	1,216,700
Qatar Stock Exchange	+5%	-	563,495
NASDAQ Dubai	+5%	-	426,262
Other quoted	+5%	73,096	945,291

	Change in equity price	Effect on profit for the year	Effect on equity
2011	*USD*	*USD*	*USD*
New York Stock Exchange	+5%	-	302,082
Amman Stock Exchange	+5%	-	79,190
Saudi Stock Exchange	+5%	-	701,272
Qatar Stock Exchange	+5%	-	512,236
NASDAQ Dubai	+5%	-	393,980
Other quoted	+5%	76,285	541,119

24. RISK MANAGEMENT (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 summarises the maturity profile of the company's financial liabilities at 31 December based on contractual undiscounted payments:

	Less than one year	More than one year	No term	Total
2012	*USD*	*USD*	*USD*	*USD*
Insurance contracts liabilities	258,606,393	86,202,131	-	344,808,524
Other liabilities	3,649,283	-	-	3,649,283
Insurance payable	19,567,472	-	-	19,567,472
Unearned commissions	6,537,835	2,179,278	-	8,717,113
Total liabilities	**288,360,983**	**88,381,409**	**-**	**376,742,392**
2011				
Insurance contracts liabilities	231,402,281	77,134,094	-	308,536,375
Other liabilities	2,885,594	-	-	2,885,594
Insurance payable	37,827,012	-	-	37,827,012
Unearned commissions	6,910,793	2,303,598	-	9,214,391
Total liabilities	**279,025,680**	**79,437,692**	**-**	**358,463,372**

24. 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:

	2012			
	Less than one year	More than one year	No term	Total
	USD	*USD*	*USD*	*USD*
ASSETS				
Premises and equipment	-	3,525,920	-	3,525,920
Intangible assets	-	250,498	-	250,498
Investment in associated companies	-	-	12,228,572	12,228,572
Investments	14,751,763	59,178,109	77,286,570	151,216,442
Investment properties	-	-	29,339,762	29,339,762
Deferred policy acquisition costs	23,065,944	7,688,648	-	30,754,592
Insurance receivables	97,742,261	-	-	97,742,261
Trade receivables	137,982	-	-	137,982
Other assets	2,854,158	155,407	-	3,009,565
Reinsurance assets	66,730,607	19,446,520	-	86,177,127
Cash and bank balances	194,500,512	-	-	194,500,512
TOTAL ASSETS	**399,783,227**	**90,245,102**	**118,854,904**	**608,883,233**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(230,995)	(230,995)
Cumulative changes in fair values of investments	-	-	15,325,027	15,325,027
Retained earnings	-	-	73,671,131	73,671,131
Total equity	**-**	**-**	**232,140,841**	**232,140,841**
Liabilities				
Insurance contracts liabilities	258,606,393	86,202,131	-	344,808,524
Other liabilities	3,649,283	-	-	3,649,283
Insurance payable	19,567,472	-	-	19,567,472
Unearned commissions	6,537,835	2,179,278	-	8,717,113
Total liabilities	**288,360,983**	**88,381,409**	**-**	**376,742,392**
TOTAL EQUITY AND LIABILITIES	**288,360,983**	**88,381,409**	**232,140,841**	**608,883,233**

24. RISK MANAGEMENT (Continued)

	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 properties	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	98,761,507	1,640,726	-	100,402,233
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	**360,166,944**	**102,813,943**	**100,916,271**	**563,897,158**
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 contracts liabilities	231,402,281	77,134,094	-	308,536,375
Other liabilities	2,885,594	-	-	2,885,594
Insurance payable	37,827,012	-	-	37,827,012
Unearned commissions	6,910,793	2,303,598	-	9,214,391
Total liabilities	**279,025,680**	**79,437,692**	**-**	**358,463,372**
TOTAL EQUITY AND LIABILITIES	**279,025,680**	**79,437,692**	**205,433,786**	**563,897,158**

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.

24. RISK MANAGEMENT (Continued)

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

	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**

There were no transfers between Level 1, 2 and 3 during the year or in either the years ended 31 December 2012 or 31 December 2011.

There are no level 3 investments.

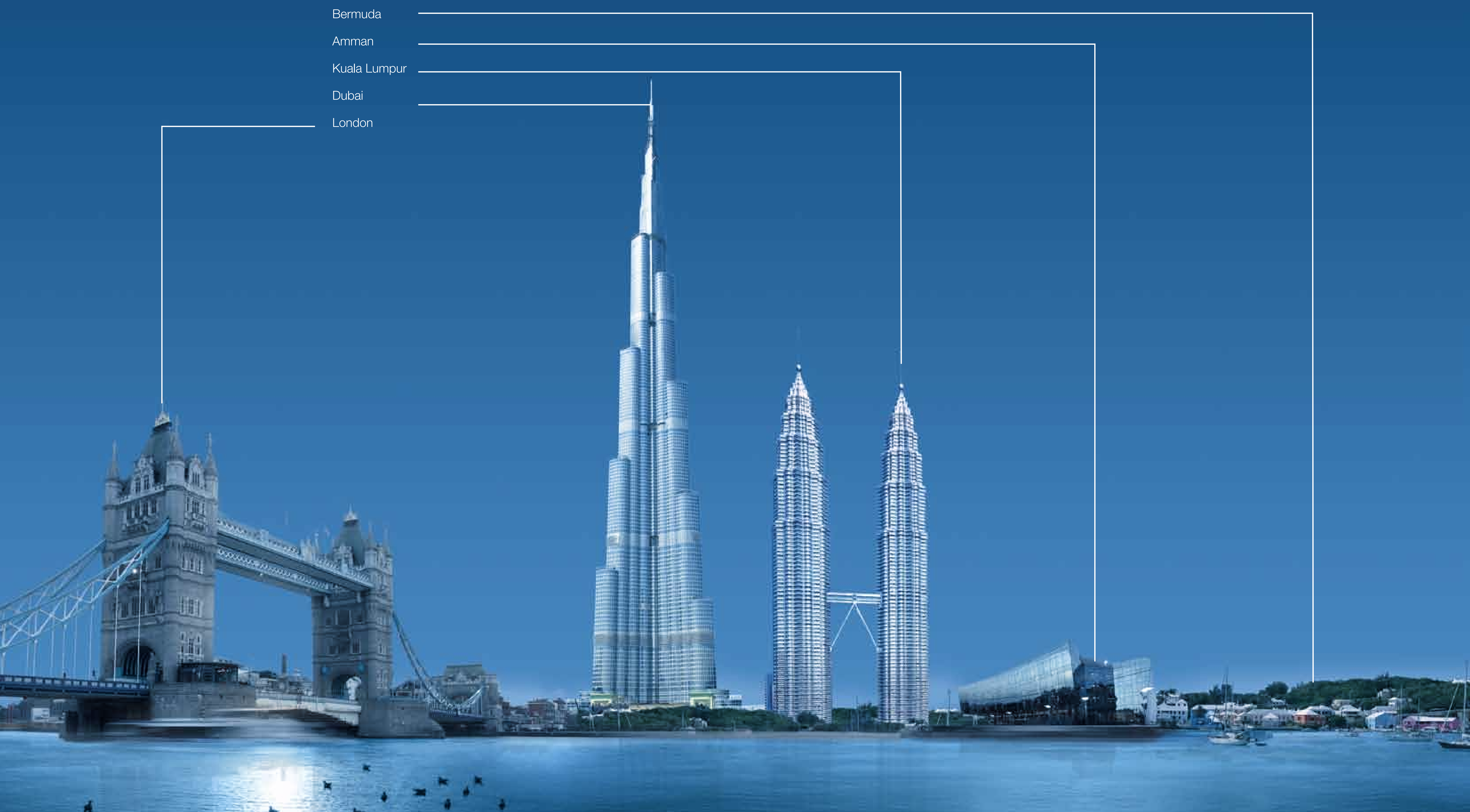
25. Comparative figures

Some of 2011 balances were reclassified to correspond with 31 December 2012. Classifications have no effect on net profit and equity.

26. subsequent events

There have been no material events between 31 December 2012 and the date of this report which are required to be disclosed.

IGI OFFICES WORLDWIDE



International General Insurance Holdings Limited

Address:
Office 606, Level 6, Tower 1
Al Fattan Currency House,
Dubai International Financial Centre,
P.O. Box 506646, Dubai
United Arab Emirates
Telephone: +971 4 441 6797
Facsimile: +971 4 441 6514

IGI Underwriting Company Limited

Address:
74 Abdel Hamid Sharaf St.
P.O. Box 941428
Amman 11194
Jordan
Telephone: +962 6 562 2009
Facsimile: +962 6 566 2085

Regulated by the Jordan Insurance Commission

International General Insurance Company (Dubai) Limited

Address:
Office 606, Level 6, Tower 1
Al Fattan Currency House,
Dubai International Financial Centre,
P.O. Box 506646, Dubai
United Arab Emirates
Telephone: +971 4 441 6797
Facsimile: +971 4 441 6514

Regulated by the Dubai Financial Services Authority

International General Insurance Company limited-Labuan Branch

Address:
Level 1, LOT 7, Block F,
Saguking Commercial Building
Jalan Patau - Patau,
87000 Labuan,
Malaysia
Telephone: +6 (087) 410 745
Facsimile: +6 (087) 419 755

Regulated by the Labuan Financial Services Authority

International General Insurance Company Limited

Address:
44 Church Street
Hamilton HM 12
Bermuda
Telephone: +1 (441) 295 3688
Facsimile: +1 (441) 295 2584

Regulated by the Bermuda Monetary Authority

International General Insurance Company (UK) Limited

Address:
15-18 Lime Street
London EC3M 7AN
England
Telephone: +44 (0) 20 7220 0100
Facsimile: +44 (0) 20 7220 0101

Regulated by the UK Financial Services Authority

North Star Underwriting Limited

Address:
15-18 Lime Street
London EC3M 7AN
England
Telephone: +44 (0) 20 7220 0100
Facsimile: +44 (0) 20 7220 0101

Regulated by the UK Financial Services Authority

Kuala Lumpur Marketing Office

Address:
29th Floor, Menara TA One
Jalan P Ramlee 50250
Kuala Lumpur, Malaysia
Telephone: +6 (032) 166 1786
Facsimile: +6 (032) 171 1786