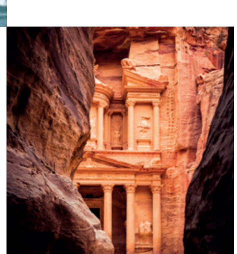
ANNUAL REPORT AND ACCOUNTS 2015



INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2015

INTERNATIONAL GENERAL INSURANCE HOLDINGS LIMITED

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ABOUT US

We are a leading international specialist commercial insurer and reinsurer, with particular strengths in the Afro Asian markets.

Established in 2001, we are an entrepreneurial business with a worldwide portfolio of Energy, Property, Construction & Engineering, Ports & Terminals, Financial Institutions, General Aviation, Casualty, Professional Indemnity, Political Violence, Forestry and Treaty Reinsurance.

Registered in the Dubai International Financial Centre with operations in Bermuda, London, Amman, Kuala Lumpur and Casablanca, we are renowned for delivering outstanding levels of service to our clients and brokers.

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Bermuda

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Morocco

3 LONDON

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England

4 AMMAN

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P.O. Box 941428
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Jordan

5 DUBAI

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Dubai International Financial Centre,
P.O. Box 506646, Dubai
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6 LABUAN

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87000 Labuan
Malaysia

KUALA LUMPUR

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

THE BOARD OF DIRECTORS

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

WASEF JABSHEH
CEO & Vice Chairman

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

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

SOUMITRA BISWAS
Director

HANI JABSHEH
Director
(Co-Founder Albawaba.com)

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

LETTER FROM THE BOARD OF DIRECTORS

The Board of Directors are delighted to announce that despite the continued softening in market conditions our disciplined underwriting produced another pleasing result for IGI.

2015 saw our Net Underwriting profit increase to USD 53 million from USD 50 million, the combined ratio decline to 84% from 87%, resulting in an increased profit for the year to USD 35 million while our GWP fell by 4%.

We maintained our dividend policy in 2015, by paying a total of USD 0.09 to shareholders, resulting with a year-end Shareholders' equity of USD 285 million, an increase of 8.5%.

Another major achievement was realised in March 2015, when Standard & Poor's recognised the robust financials of the Group by upgrading our financial strength to 'A-' with a stable outlook. S&P noted: "IGI's strong financial risk profile specifically reflects our view that capital and earnings across the rated company and its subsidiary operations will remain very strong over the 2015-2017 ratings outlook period."

A further milestone saw our UK and Bermuda entities fulfil all of the requirements necessary to become compliant with Solvency II and its equivalent.

2015 was a year where we invested in the future through the introduction of several initiatives. We continued to invest in broadening and deepening the scope of our underwriting capabilities. Over the course of the year, we recruited new underwriters to our Construction, Energy, Professional Indemnity, Property, Treaty and Political Violence teams as well as hiring an underwriter to commence our Forestry business.

Geographical expansion continued with the opening of our office in Casablanca. This will give us access to the developing markets within the region. Whilst initial focus has been on Construction & Engineering, Property and Political Violence insurance, we see immense potential with all of our product lines within this emerging area.

In recognition of the importance of technological applications and following extensive planning during 2014, we began the implementation of a new software platform which will greatly enhance our efficiencies, both internally and externally.

IN 2015
STANDARD & POOR'S UPGRADED US TO

FINANCIAL STRENGTH A-

WITH A STABLE OUTLOOK

In conclusion, 2015 was a relatively benign year in terms of natural catastrophes, resulting in the lowest losses of any year since 2009. Coupled with excess market capacity, the downward pressure on rates has continued. Irrespective of these market conditions, our philosophy at IGI has remained focussed on underwriting for profit rather than for volume which laid the foundations of the company's success.

The Board of Directors would like to thank all of our staff for their hard work and excellent performance as well as our brokers and insureds for the part that they have played in helping IGI to another successful year.

> We continued to invest in broadening and deepening the scope of our underwriting capabilities."

2015 FINANCIAL HIGHLIGHTS

Net underwriting profit

$52.7m

Investment income

$13.24m

Shareholder's equity

$284.87m

Gross written premium

$242.34m

Profit for the period/year

$35.02m

Stable outlook rating of

A-

(Excellent)

by A.M. Best

Stable outlook rating of

A-

by S&P

FINANCIAL STATEMENTS & ACCOUNTS

INDEPENDENT AUDITORS' 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 2015 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design and 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 materials respects, the financial position of the Group as at 31 December 2015 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 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.

Signed by

James Potter
Partner

10 March 2016
Dubai, United Arab Emirates

Building a better working world

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 USD	2014 USD
ASSETS			
Premises and equipment	3	**3,115,641**	3,330,145
Intangible assets	4	**394,084**	334,010
Investment in associates	5	**11,798,851**	11,087,334
Investment properties	6	**28,611,765**	28,611,765
Investments	7	**185,690,854**	183,021,032
Deferred policy acquisition costs	8	**29,272,180**	27,500,132
Insurance receivables	9	**93,669,229**	95,349,999
Other assets	10	**10,029,630**	10,955,090
Deferred tax assets	24	**42,013**	400,784
Reinsurance share of unearned premiums	11	**33,795,778**	27,649,371
Reinsurance share of outstanding claims	12	**113,198,969**	81,072,936
Deferred XOL premium		**8,818,540**	10,765,781
Cash and bank balances	13	**242,597,315**	232,104,743
TOTAL ASSETS		**761,034,849**	712,183,122

	Notes	2015 USD	2014 USD
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital	14	**143,375,678**	143,375,678
Additional paid in capital	15	**2,773,000**	–
Treasury shares	15	**–**	(12,000,000)
Foreign currency translation reserve		**(261,317)**	(237,135)
Cumulative changes in fair value		**2,284,377**	18,900,541
Retained earnings		**136,693,569**	113,139,208
TOTAL EQUITY		**284,865,307**	263,178,292
LIABILITIES			
Gross outstanding claims	12	**300,667,598**	276,467,451
Gross unearned premiums	11	**143,563,534**	139,595,616
Other liabilities	17	**5,339,612**	4,899,398
Insurance payables	18	**17,756,875**	20,345,945
Unearned commissions	19	**8,841,923**	7,696,420
TOTAL LIABILITIES		**476,169,542**	449,004,830
TOTAL EQUITY AND LIABILITIES		**761,034,849**	712,183,122

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 March 2016.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 USD	2014 USD
Gross written premiums	11	**242,335,316**	251,525,833
Change in unearned premiums		**(3,967,918)**	(441,210)
GROSS EARNED PREMIUMS	11	**238,367,398**	251,084,623
Reinsurers' share of insurance premiums	11	**(88,751,753)**	(67,057,242)
Reinsurers' share of change in unearned premiums		**6,146,407**	5,513,351
REINSURERS' SHARE OF GROSS EARNED PREMIUMS	11	**(82,605,346)**	(61,543,891)
NET PREMIUMS EARNED		**155,762,052**	189,540,732
Claims	12	**(134,073,135)**	(143,893,992)
Reinsurers' share of claims	12	**64,728,361**	43,537,262
Commissions earned	19	**13,365,517**	10,329,307
Policy acquisition costs	8	**(47,073,428)**	(49,409,574)
NET UNDERWRITING RESULT		**52,709,367**	50,103,735
Net investment income	20	**12,536,686**	14,961,731
Share of profit (loss) from associates	5	**711,517**	(184,651)
General and administrative expenses		**(28,275,467)**	(24,483,717)
Provision for doubtful debts		**–**	(864,350)
Other expenses	21	**–**	(2,295,573)
Other income		**54,970**	6,086
Loss on exchange		**(1,932,391)**	(2,573,378)
PROFIT BEFORE TAX		**35,804,682**	34,669,883
Tax expense	24	**(780,269)**	(329,834)
PROFIT FOR THE YEAR		**35,024,413**	34,340,049

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 USD	2014 USD
PROFIT FOR THE YEAR		**35,024,413**	34,340,049
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Fair value changes		**(16,616,164)**	(3,921,168)
Currency translation differences		**(24,182)**	(22,837)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(16,640,346)**	(3,944,005)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,384,067**	30,396,044

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 USD	2014 USD
OPERATING ACTIVITIES			
Profit before tax		**35,804,682**	34,669,883
ADJUSTMENTS FOR:			
Depreciation and amortisation	3,4	**737,593**	969,320
Gain on sale of available-for-sale investments	20	**(4,116,587)**	(7,656,785)
Provision for doubtful debts	9	**–**	864,350
Impairment of available-for-sale investments	20	**(32,377)**	1,581,007
Gain on sale of premises and equipment		**(54,970)**	(6,086)
Loss on revaluation of held for trading investments	20	**296,491**	538,755
Dividends and interest income	20	**(9,080,791)**	(9,779,951)
Share of loss (profit) from associates	5	**(711,517)**	184,651
Net foreign exchange differences		**1,932,391**	2,573,378
CASH FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		**24,774,915**	23,938,522
WORKING CAPITAL ADJUSTMENTS			
Reinsurance share of unearned premiums		**(6,146,407)**	(5,513,351)
Reinsurance share of outstanding claims		**(32,126,033)**	(17,770,131)
Deferred XOL premium		**1,947,241**	(2,477,103)
Gross outstanding claims		**24,200,147**	23,925,902
Gross unearned premiums		**3,967,918**	441,210
Deferred policy acquisition costs		**(1,772,048)**	121,148
Insurance receivables		**1,680,770**	(1,104,561)
Other assets		**901,278**	(8,198,648)
Unearned commission		**1,145,503**	1,067,233
Insurance payables		**(2,589,070)**	(3,895,256)
Other liabilities		**440,214**	1,788,125
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX		**16,424,428**	12,323,090
INCOME TAX PAID	24	**(421,498)**	–
NET CASH FLOWS FROM OPERATING ACTIVITIES AFTER TAX		**16,002,930**	12,323,090

	Notes	2015 USD	2014 USD
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	**(413,720)**	(351,045)
Proceeds from sale of premises and equipment		**60,028**	6,643
Purchase of intangible assets	4	**(174,501)**	(252,683)
Purchase of available-for-sale investments		**(52,892,054)**	(38,174,885)
Purchase of held to maturity investments		**(3,000,000)**	–
Proceeds from maturity of held to maturity investments		**118,644**	84,746
Proceeds from sale of available-for-sale investments		**40,269,280**	54,982,384
Proceeds from redemption of trading securities		**70,617**	–
Purchase of investment properties		**–**	(61,265)
Dividends received from associates	5	**–**	431,645
Dividends and interest income	20	**9,080,791**	9,779,951
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		**(6,880,915)**	26,445,491
FINANCING ACTIVITIES			
Dividends paid	16	**(11,470,052)**	(13,547,568)
Proceeds from sale of treasury shares	15	**14,773,000**	–
Net cash flows (used in) from financing activities		**3,302,948**	(13,547,568)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**12,424,963**	25,221,013
Net foreign exchange differences		**(1,932,391)**	(2,573,378)
Cash and cash equivalents at the beginning of the year		**232,104,743**	209,457,108
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**242,597,315**	232,104,743

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Issued share capital USD	Additional paid in capital USD	Treasury shares USD	Foreign currency translation reserve USD	Cumulative change in fair value of investments USD	Retained earnings USD	Total USD
AT 1 JANUARY 2015	**143,375,678**	**–**	**(12,000,000)**	**(237,135)**	**18,900,541**	**113,139,208**	**263,178,292**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**35,024,413**	**35,024,413**
Other comprehensive income	**–**	**–**	**–**	**(24,182)**	**(16,616,164)**	**–**	**(16,640,346)**
Total comprehensive income	**–**	**–**	**–**	**(24,182)**	**(16,616,164)**	**35,024,413**	**18,384,067**
Sale of treasury shares (note 15)		**2,773,000**	**12,000,000**	**–**	**–**	**–**	**14,773,000**
Dividends paid during the year (note 16)	**–**	**–**	**–**	**–**	**–**	**(11,470,052)**	**(11,470,052)**
AT 31 DECEMBER 2015	**143,375,678**	**2,773,000**	**–**	**(261,317)**	**2,284,377**	**136,693,569**	**284,865,307**
AT 1 JANUARY 2014	143,375,678	–	(12,000,000)	(214,298)	22,821,709	92,346,727	246,329,816
Profit for the year	–	–	–	–	–	34,340,049	34,340,049
Other comprehensive income	–	–	–	(22,837)	(3,921,168)	–	(3,944,005)
Total comprehensive income	–	–	–	(22,837)	(3,921,168)	34,340,049	30,396,044
Dividends paid during the year (note 16)	–	–	–	–	–	(13,547,568)	(13,547,568)
AT 31 DECEMBER 2014	**143,375,678**	**–**	**(12,000,000)**	**(237,135)**	**18,900,541**	**113,139,208**	**263,178,292**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

1. ACTIVITIES

International General Insurance Holdings Ltd ('the Company') is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2009 on 7 May 2006 and is engaged in the business of insurance and reinsurance. The Company's registered office is at unit 1, Gate Village 01, P. O. Box 506646, Dubai International Financial Centre.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE laws.

The consolidated financial statements have been presented in United States Dollars 'USD' which is the Group's functional currency.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets available-for-sale, financial assets held for trading and investment properties.

BASIS OF CONSOLIDATION

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

The consolidated financial statements comprise the financial statements of International General Insurance Holdings Ltd. and its subsidiaries as at 31 December. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity, if any;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses, and profits and losses, including dividends resulting from intra-group transactions, are eliminated in full.

The Group has the following subsidiaries:

	Country of incorporation	Activity	Ownership	
			2015	**2014**
International General Insurance Underwriting	Jordan	Underwriting agency	**100%**	100%
North Star Underwriting Limited	United Kingdom	Underwriting agency	**100%**	100%
International General Insurance Co. Ltd.	Bermuda	Reinsurance and insurance	**100%**	100%
The following entities are wholly owned by the subsidiary International General Insurance Co. Ltd. Bermuda				
International General Insurance Company Ltd. Labuan Branch	Malaysia	Reinsurance and insurance	**100%**	100%
International General Insurance Company (UK) Limited	United Kingdom	Reinsurance and insurance	**100%**	100%
International General Insurance Company Dubai Ltd.	United Arab Emirates	Insurance intermediation and insurance management	**100%**	100%
Specialty Malls Investment Co.	Jordan	Real estate properties development and lease	**100%**	100%

CHANGES IN ACCOUNTING POLICIES

The following new and revised IFRSs have been applied in the current period in these consolidated financial statements. Their adoption had no significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Group's consolidated financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' and;
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments did not impact the Group's consolidated financial statements or accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not impact the Group's consolidated financial statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from entities.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 16 Leases

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

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

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

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

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. These amendments are not expected to have any impact on the Group.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact on the Group.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Group.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to apparent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Gross written premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums also include estimates for pipeline premiums, representing amounts due on business written but not yet notified. The Group generally estimates the pipeline premium based on management's judgement and prior experience.

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

Reinsurance premiums

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

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

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

Commission income

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

Claims

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

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

Policy acquisition costs

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

Liability adequacy test

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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

Reinsurance

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

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

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

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

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

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

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

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

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

Interest income

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

Dividend income

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

Premises and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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 recognised in the statement of other comprehensive income.

Derecognition of financial instruments

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

Investment in associates

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

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

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

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

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

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

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

Investment properties

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

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

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

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

Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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

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

Insurance receivables

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

Cash and cash equivalents

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

Provisions

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

Cash settled – share based payment plan

A phantom share option plan linked to the value of an ordinary share of the Group as approved by the Board of directors has been declared during 2011. The scheme is applicable to senior executives with more than 12 months' service. The amount of bonus is determined by reference to the increase in the book value of shares covered by the option. No shares are actually issued or transferred to the option holder on the exercise of the option.

The options vest equally over a span of five years from the grant date. The bonus due amounts to the excess of book value on vesting date over grant date plus an additional 20% on the value of the excess.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Offsetting

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

Foreign currencies

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

Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

Group companies

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

Taxation

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilised.

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

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

Leasing

The Group has no finance lease arrangements.

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

Group as a lessee

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

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

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

Group as a lessor

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

Fair values

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

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

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

Judgements

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

Operating lease commitments-group as lessor

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

Going concern

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

Classification of investments

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

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

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

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

Estimation uncertainty

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

Valuation of outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

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

Investment properties

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

Impairment losses on available for sale investments

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

Impairment losses on held-to-maturity investments

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

Impairment losses on receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

3. PREMISES AND EQUIPMENT

	Office building USD	Office furniture USD	Computers USD	Equipment USD	Leasehold improve-ments USD	Vehicles USD	Work in progress USD	Total USD
COST								
At 1 January 2015	**2,656,651**	**1,295,686**	**966,922**	**258,791**	**1,123,884**	**969,358**	**–**	**7,271,292**
Additions	**–**	**69,592**	**124,199**	**11,878**	**–**	**136,806**	**71,245**	**413,720**
Written off and disposals	**–**	**–**	**(29,629)**	**–**	**–**	**(119,810)**	**–**	**(149,439)**
At 31 December 2015	**2,656,651**	**1,365,278**	**1,061,492**	**270,669**	**1,123,884**	**986,354**	**71,245**	**7,535,573**
DEPRECIATION								
At 1 January 2015	**444,366**	**973,648**	**782,746**	**216,714**	**1,028,091**	**495,582**	**–**	**3,941,147**
Deprecation for the year	**102,980**	**107,406**	**175,623**	**25,422**	**51,114**	**160,621**	**–**	**623,166**
Written off and disposals	**–**	**–**	**(29,629)**	**–**	**–**	**(114,752)**	**–**	**(144,381)**
At 31 December 2015	**547,346**	**1,081,054**	**928,740**	**242,136**	**1,079,205**	**541,451**	**–**	**4,419,932**
NET CARRYING AMOUNT								
At 31 December 2015	**2,109,305**	**284,224**	**132,752**	**28,533**	**44,679**	**444,903**	**71,245**	**3,115,641**
COST								
At 1 January 2014	2,656,651	1,266,250	886,319	255,660	1,063,978	765,759	51,700	6,946,317
Additions	–	4,927	81,484	3,757	16,411	228,162	16,304	351,045
Transfers	–	24,509	–	–	43,495	–	(68,004)	–
Written off and disposals	–	–	(881)	(626)	–	(24,563)	–	(26,070)
At 31 December 2014	**2,656,651**	**1,295,686**	**966,922**	**258,791**	**1,123,884**	**969,358**	**–**	**7,271,292**
DEPRECIATION								
At 1 January 2014	341,830	778,802	595,820	185,797	826,450	367,703	–	3,096,402
Deprecation for the year	102,536	194,846	187,807	30,986	201,641	152,442	–	870,258
Written off and disposals	–	–	(881)	(69)	–	(24,563)	–	(25,513)
At 31 December 2014	**444,366**	**973,648**	**782,746**	**216,714**	**1,028,091**	**495,582**	**–**	**3,941,147**
NET CARRYING AMOUNT								
At 31 December 2014	**2,212,285**	**322,038**	**184,176**	**42,077**	**95,793**	**473,776**	**–**	**3,330,145**

The depreciation charge for the year of USD 623,166 (2014: USD 870,258) has been included in general and administrative expenses.

Fully depreciated premises and equipment still in use amounted to USD 2,385,688 as at 31 December 2015 (2014: 2,249,547).

4. INTANGIBLE ASSETS

	Computer software / licences	
Cost	**2015 USD**	**2014 USD**
Opening balance	**1,190,130**	937,447
Additions	**174,501**	252,683
Closing balance	**1,364,631**	1,190,130
AMORTISATION		
Opening balance	**856,120**	757,058
Amortisation for the year	**114,427**	99,062
Closing balance	**970,547**	856,120
NET BOOK VALUE	**394,084**	334,010

5. INVESTMENT IN ASSOCIATES

		Ownership	
	Country of incorporation	**2015**	**2014**
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:

	2015 USD	**2014 USD**
Opening balance	**11,087,334**	11,703,630
Share of profit (loss) of results of associates	**711,517**	(184,651)
Dividends received	**–**	(431,645)
	11,798,851	11,087,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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

	2015 USD	2014 USD
SHARE OF ASSOCIATES' STATEMENT OF FINANCIAL POSITION		
Current assets	**382,762**	575,058
Non-current assets	**16,939,753**	16,949,782
Current liabilities	**(5,523,664)**	(6,437,506)
NET ASSETS	**11,798,851**	11,087,334
SHARE OF ASSOCIATES' REVENUES AND RESULTS		
Revenues	**503,200**	565,983
PROFIT/(LOSS)	**711,517**	(184,651)

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:

2015	Commercial building USD	Land* USD	Total USD
Opening balance	**20,149,915**	**8,461,850**	**28,611,765**
Additions	**–**	**–**	**–**
CLOSING BALANCE	**20,149,915**	**8,461,850**	**28,611,765**

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

* Land amounting to USD 8,461,850 as at 31 December 2015 (2014: 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.

As at 31 December 2015 and 2014, the fair values of the properties are based on valuations performed by accredited independent valuer who is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

7. INVESTMENTS

	2015 USD	2014 USD
HELD TO MATURITY		
Unquoted bonds*	**7,237,287**	4,355,931
HELD FOR TRADING		
Quoted funds	**438,538**	805,647
AVAILABLE-FOR-SALE		
Quoted bonds and debt securities with fixed interest rate	**127,409,149**	101,753,733
Quoted equities	**38,207,066**	63,060,020
Quoted funds and alternative investments	**6,462,166**	7,288,261
Unquoted equities	**5,936,648**	5,757,440
	178,015,029	177,859,454
	185,690,854	183,021,032

* Maturity of these bonds as at 31 December 2015 are as follows:

Maturity	Carrying amount	Effective interest rate
6 December 2015	**1,237,287**	10%
27 October 2017	**3,000,000**	2%
19 April 2018	**3,000,000**	6%
	7,237,287	

Provision for impairment on available for sale investments reversed / (charged to) in the consolidated statement of income during the year amounted to USD 32,377 (2014: USD 1,581,007).

8. DEFERRED POLICY ACQUISITION COSTS

	2015 USD	2014 USD
Opening balance	**27,500,132**	27,621,280
Acquisition costs	**48,845,476**	49,288,426
Charged to consolidated income statement	**(47,073,428)**	(49,409,574)
	29,272,180	27,500,132

9. INSURANCE RECEIVABLES

	2015 USD	2014 USD
Receivables from insurance companies and intermediaries	**96,533,579**	98,214,349
Less: Provision for doubtful debts	**(2,864,350)**	(2,864,350)
	93,669,229	95,349,999

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

	2015 USD	2014 USD
Opening balance	**(2,864,350)**	(2,000,000)
Provision for the year	**–**	(1,000,000)
Recoveries	**–**	135,650
	(2,864,350)	(2,864,350)

Out of the above amounts, only USD 210,386 (2014: USD 15,823) are due for more than twelve months of the statement of financial position date (Note 25). It is not the practice of the Group to hold collaterals as security, therefore the receivable are unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

10. OTHER ASSETS

	2015 USD	2014 USD
Accrued interest income	**1,975,726**	1,584,685
Advances for Investment	**4,388,892**	–
Prepaid expenses	**967,014**	801,493
Refundable deposits	**101,310**	296,427
Employees receivables	**713,262**	11,361
Funds held in trust account with reinsurance company	**1,120,955**	7,500,000
Income tax receivables	**470,608**	194,072
Trade receivable*	**71,047**	52,831
Others	**220,816**	514,221
	10,029,630	10,955,090

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

11. UNEARNED PREMIUMS

		2015			2014	
	Gross USD	Reinsurers' share USD	Net USD	Gross USD	Reinsurers' share USD	Net USD
Opening balance	**139,595,616**	**(27,649,371)**	**111,946,245**	139,154,406	(22,136,020)	117,018,386
Premiums written	**242,335,316**	**(88,751,753)**	**153,583,563**	251,525,833	(67,057,242)	184,468,591
Premiums earned	**(238,367,398)**	**82,605,346**	**(155,762,052)**	(251,084,623)	61,543,891	(189,540,732)
	143,563,534	**(33,795,778)**	**109,767,756**	139,595,616	(27,649,371)	111,946,245

12. OUTSTANDING CLAIMS

MOVEMENT IN OUTSTANDING CLAIMS

	2015			2014		
	Gross USD	Reinsurers' share USD	Net USD	Gross USD	Reinsurers' share USD	Net USD
At the beginning of the year						
Reported claims	**171,474,760**	**(49,580,245)**	**121,894,515**	164,884,549	(47,020,671)	117,863,878
Claims incurred but not reported	**104,992,691**	**(31,492,691)**	**73,500,000**	87,657,000	(16,282,134)	71,374,866
	276,467,451	**(81,072,936)**	**195,394,515**	252,541,549	(63,302,805)	189,238,744
Claims paid	**(109,872,988)**	**32,602,328**	**(77,270,660)**	(119,968,090)	25,767,131	(94,200,959)
Provided during the year related to current accident year	**174,601,046**	**(81,708,257)**	**92,892,789**	152,384,189	(36,534,522)	115,849,667
Provided during the year related to previous accident years	**(40,527,911)**	**16,979,896**	**(23,548,015)**	(8,490,197)	(7,002,740)	(15,492,937)
At the end of the year	**300,667,598**	**(113,198,969)**	**187,468,629**	276,467,451	(81,072,936)	195,394,515
At the end of the year						
Reported claims	**205,125,387**	**(93,820,351)**	**111,305,036**	171,474,760	(49,580,245)	121,894,515
Claims incurred but not reported	**95,542,211**	**(19,378,618)**	**76,163,593**	104,992,691	(31,492,691)	73,500,000
	300,667,598	**(113,198,969)**	**187,468,629**	276,467,451	(81,072,936)	195,394,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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.

	2004 USD	2005 USD	2006 USD	2007 USD	2008 USD	2009 USD
At end of accident year	1,488,772	25,362,416	25,254,263	37,939,544	114,560,922	94,375,639
One year later	8,005,487	44,520,499	35,110,485	54,041,148	125,149,178	75,295,485
Two years later	7,714,673	47,504,859	40,894,923	53,379,611	119,412,667	67,118,529
Three years later	7,573,398	47,354,940	39,641,082	53,971,648	121,676,478	68,496,704
Four years later	7,961,530	46,820,976	37,331,379	53,468,989	119,839,220	68,217,208
Five years later	7,862,214	46,391,258	37,665,596	53,393,860	113,090,591	67,908,658
Six years later	7,763,419	47,224,929	36,800,576	50,534,739	112,125,348	67,807,370
Seven years later	7,778,981	46,211,206	35,600,935	49,718,456	110,400,053	–
Eight years later	7,842,871	46,232,192	35,318,464	49,552,802	–	–
Nine years later	7,729,592	46,224,784	34,796,272	–	–	–
Ten years later	7,731,054	45,737,657	–	–	–	–
Eleven years later	7,659,919	–	–	–	–	–
Current estimate of cumulative claims incurred	7,659,919	45,737,657	34,796,272	49,552,802	110,400,053	67,807,370
Cumulative payments to date	7,636,866	45,728,764	33,734,420	49,178,159	108,406,472	65,418,231
TOTAL LIABILITY INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION						

2010 USD	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD	Total USD
122,323,418	128,498,162	133,595,104	159,549,092	152,384,186	174,601,048	
108,522,816	106,566,918	119,424,721	155,958,329	114,972,073	–	
105,943,110	100,764,212	108,558,479	148,160,641	–	–	
100,572,066	110,286,014	110,046,062	–	–	–	
99,513,334	114,464,267	–	–	–	–	
101,599,381	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	–		
–	–	–	–	–	–	
101,599,381	114,464,267	110,046,062	148,160,641	114,972,073	174,601,048	1,079,797,545
95,524,854	87,749,468	85,656,025	110,921,308	58,443,189	30,732,191	779,129,947
						300,667,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

13. CASH AND BANK BALANCES

	2015 USD	2014 USD
Cash and bank balances	**93,247,110**	106,193,838
Time deposits – short term	**149,350,205**	125,910,905
	242,597,315	232,104,743

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

All deposits earned an average variable interest rate of 2.41% (2014: 2.91%).

14. ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2015 USD	**2014 USD**
Shares of USD 1 each	**143,375,678**	143,375,678

15. TREASURY SHARES

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

16. DIVIDENDS PAID

At a meeting held on 19 March 2015, the Board of Directors resolved to pay dividend amounting to USD 5,735,026 (2014: USD 6,773,784) related to the year ended 31 December 2014. Further, the Board of Directors also resolved on 11 August 2015 to pay interim dividends amounting to USD 5,735,026 related to the current year (2014: USD 6,773,784).

17. OTHER LIABILITIES

	2015 USD	2014 USD
Accounts payable	**1,252,926**	662,056
Accrued expenses	**4,086,686**	4,237,342
	5,339,612	4,899,398

18. INSURANCE PAYABLES

	2015 USD	2014 USD
Payables due to insurance companies and intermediaries	**2,311,344**	2,773,562
Reinsurers – amounts due in respect of ceded premium	**15,445,531**	17,572,383
	17,756,875	20,345,945

19. UNEARNED COMMISSIONS

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

	2015 USD	2014 USD
As at 1 January	**7,696,420**	6,629,187
Commissions received	**14,511,020**	11,396,540
Commissions earned	**(13,365,517)**	(10,329,307)
As at 31 December	**8,841,923**	7,696,420

20. NET INVESTMENT INCOME

	2015 USD	2014 USD
Interest	**7,506,548**	7,439,887
Dividends	**1,574,243**	2,340,064
Gain on sale of available-for-sale investments	**4,116,587**	7,656,785
Fair value changes of held for trading investments	**(296,491)**	(538,755)
Impairment reversal / (Charge) of available-for-sale investments (note 7)	**32,377**	(1,581,007)
Investments custodian fees and other investments expenses	**(1,376,740)**	(1,333,883)
Rental income, net	**980,162**	978,640
	12,536,686	14,961,731

21. OTHER EXPENSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

22. COMMITMENTS AND CONTINGENCIES

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

- Letters of Guarantee amounting to USD 7,062 (31 December 2014: USD 14,124) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 706 (31 December 2014: USD 1,412).
- Letters of Credit amounting to USD 9,643,313 to the order of reinsurance companies for collateralizing insurance contract liabilities in accordance with the reinsurance arrangements (31 December 2014: USD 11,209,398).
- Letter of Guarantee amounting to USD 357,420 to the order of Friends Provident Life Assurance limited for collateralising rent payment obligation in one of the Group entity's office premises (31 December 2014: USD 375,146).
- One of the Group's entities has committed to contribute an amount of USD 1,250,000 to the University of California, San Francisco Foundation to support cancer research projects in five instalments over the next five years. First instalment was made during the year 2015.

LITIGATIONS

During the year 2015, one of the Group's entities has filed a lawsuit with Customs Court of First Instance to object to a fine imposed on the Company by the Jordanian Customs Department amounting to USD 577,238, relating to equipment imported during the construction phase of the commercial building owned by the Company. According to the Group's lawyer and management, no material liability will arise as a result of these lawsuits. The Company has also issued a letter of guarantee to the Jordanian Customs Authority amounting to USD 172,619 in respect of this case.

23. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 7,543,196 (2014: USD 6,530,043). Out of the total amount of key management personnel compensation, an amount of USD 624,091 (2014: USD 451,682) represents long-term benefits. These long-term benefits represent a phantom share option plan linked to the value of an ordinary share of the Group as approved by the Board of directors during 2011. The scheme is applicable to senior executives responsible for the management, growth and protection of business of the Group. The amount of bonus is determined by reference to the increase in the book value of shares covered by the option. No shares are actually issued or transferred to the option holder on the exercise of the option. The options vest equally over a span of five years from the grant date. The bonus due amounts to the excess of book value of shares on vesting date over grant date as determined in the latest audited financial statements as of 31st of December of the year prior to vesting and grant date respectively plus an additional 20% on the value of the excess.

24. DEFFERRED TAX ASSETS

Following is the movement on the deferred tax assets:

	2015 USD	2014 USD
Opening balance	**400,784**	730,618
Amortisation of deferred tax assets	**(400,784)**	(329,834)
Deferred tax assets for the year	**42,013**	–
ENDING BALANCE	**42,013**	400,784

The income tax expense appearing in the consolidated statement of income represents the following:

	2015 USD	2014 USD
Income tax for IGI UK and NorthStar	**358,771**	329,834
Income tax for IGI Underwriting	**421,498**	–
TAX EXPENSE FOR THE YEAR	**780,269**	329,834

25. RISK MANAGEMENT

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

INSURANCE RISK

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

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

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

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

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Group. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position. The Group has an in house

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

experienced actuarial function reviewing and monitoring the reserving policy and its implementation at quarterly intervals. They work closely with the underwriting and claims team to ensure an understanding of the Group's exposure and loss experience.

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

In order to 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:

2015	Gross written premiums USD	Concentration Percentage %
Europe	**34,119,045**	**14%**
Middle / Far East & Africa	**92,796,369**	**38%**
North America	**2,559,831**	**1%**
Rest of the World	**112,860,071**	**47%**
	242,335,316	

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

LINE OF BUSINESS CONCENTRATION OF RISK

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

2015	Gross written premiums USD	Concentration Percentage %
Energy	**98,155,913**	**41%**
Property	**38,356,561**	**16%**
Engineering	**11,371,937**	**5%**
Marine	**3,615,092**	**1%**
Reinsurance	**11,582,425**	**5%**
Financial	**13,057,030**	**5%**
Casualty	**18,614,017**	**8%**
Aviation	**10,413,862**	**4%**
Ports & Terminals	**18,686,087**	**8%**
Political Violence	**16,853,718**	**7%**
Forestry	**1,628,674**	**–**
	242,335,316	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

SENSITIVITIES

The analysis below shows the estimated impact on gross and net insurance contracts claims liabilities and on profit before tax, of an ultimate development on net claims liabilities of 5% greater than from that reported in the statement of financial position (2014: 5%). The impact on gross claims liabilities assumes that recovered rates remain constant.

	%	Impact on gross insurance contract claims liabilities USD	Impact on net insurance contract claims liabilities USD	Impact on profit USD
2015	**+ 5**	**15,033,380**	**9,373,431**	**9,373,431**
2014	+ 5	13,823,373	9,769,726	(9,769,726)

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:

2015	**Less than 1 year USD**	**1 to 5 years USD**	**More than 5 years USD**	**Non-interest bearing items USD**	**Total USD**	**Effective Interest Rate on interest bearing assets (%)**
Investments held for trading	**–**	**–**	**–**	**438,538**	**438,538**	**–**
Available-for-sale investments	**30,870,153**	**89,432,979**	**7,106,017**	**50,605,880**	**178,015,029**	**3.10**
Held to maturity investments	**1,237,287**	**6,000,000**	**–**	**–**	**7,237,287**	**4.21**
Cash and bank balances	**242,597,315**	**–**	**–**	**–**	**242,597,315**	**1.34**
	274,704,755	**95,432,979**	**7,106,017**	**51,044,418**	**428,288,169**	
2014						
Investments held for trading	–	–	–	805,647	805,647	–
Available-for-sale investments	11,246,465	75,295,583	15,211,686	76,105,720	177,859,454	3.78
Held to maturity investments	1,355,931	3,000,000	–	–	4,355,931	4.42
Cash and bank balances	232,104,743	–	–	–	232,104,743	1.47
	244,707,139	78,295,583	15,211,686	76,911,367	415,125,775	

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

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

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

	Increase/ decrease in basis points	**Effect on profit for the year USD**
2015	**+ 25**	**709,992**
	- 50	**1,419,983**
2014	+ 25	580,051
	- 50	(1,160,103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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 77% 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 the Group's exposure to doubtful debts.

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

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

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might cause them to fall below the Group's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Group.

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

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

	Neither past due nor impaired				
2015	**Investment grade USD**	**Non investment grade (satisfactory) USD**	**Non investment grade (unsatisfactory) USD**	**Past due but not impaired USD**	**Total USD**
Available for sale investments – bonds and debt securities	**124,135,012**	**3,274,137**	**–**	**–**	**127,409,149**
Held to maturity investments – bonds and debt securities	**3,000,000**	**4,237,287**	**–**	**–**	**7,237,287**
Insurance receivables	**–**	**80,494,311**	**–**	**13,174,918**	**93,669,229**
Reinsurance share of unearned premiums	**–**	**33,795,778**	**–**	**–**	**33,795,778**
Reinsurance share of outstanding claims	**103,026,416**	**10,172,553**	**–**	**–**	**113,198,969**
Deferred XOL premium	**–**	**8,818,540**	**–**	**–**	**8,818,540**
Cash and bank balances	**206,616,292**	**35,981,023**	**–**	**–**	**242,597,315**
	436,777,720	**176,773,629**	**–**	**13,174,918**	**626,726,267**
2014					
Available for sale investments – bonds and debt securities	98,211,898	3,541,835	–	–	101,753,733
Held to maturity investments – bonds and debt securities	3,000,000	1,355,931	–	–	4,355,931
Insurance receivables	–	81,729,144	–	13,620,855	95,349,999
Reinsurance share of unearned premiums	–	27,649,371	–	–	27,649,371
Reinsurance share of outstanding claims	66,085,198	14,987,738	–	–	81,072,936
Deferred XOL premium	–	10,765,781	–	–	10,765,781
Cash and bank balances	180,211,320	51,893,423	–	–	232,104,743
	347,508,416	191,923,223	–	13,620,855	553,052,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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

		Past due but not impaired					
	Neither past due nor impaired USD	**Up to 90 days USD**	**91 to 180 days USD**	**181 to 270 days USD**	**271 to 360 days USD**	**Over 360 days USD**	**Total USD**
31 DECEMBER 2015	**80,494,310**	**5,949,494**	**4,352,545**	**1,646,499**	**1,015,995**	**210,386**	**93,669,229**
31 December 2014	81,729,144	10,092,919	2,170,839	699,601	641,673	15,823	95,349,999

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

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

		Past due but not impaired		
	Neither past due nor impaired USD	**Up to 90 days USD**	**91 to 180 days USD**	**Total USD**
31 DECEMBER 2015	**–**	**71,047**	**–**	**71,047**
31 December 2014	–	52,831	–	52,831

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.

2015	Change in equity price USD	Effect on profit for the year USD	Effect on equity USD
New York Stock Exchange	**+5%**	**–**	**803,586**
Amman Stock Exchange	**+5%**	**–**	**52,475**
Saudi Stock Exchange	**+5%**	**–**	**304,056**
Qatar Stock Exchange	**+5%**	**–**	**287,111**
Kuwait Stock Exchange	**+5%**	**–**	**90,073**
Abu Dhabi security exchange	**+5%**	**–**	**310,857**
NASDAQ Dubai	**+5%**	**–**	**89,839**
Other quoted	**+5%**	**21,927**	**295,464**

2014	Change in equity price USD	Effect on profit for the year USD	Effect on equity USD
New York Stock Exchange	+5%	–	1,298,470
Amman Stock Exchange	+5%	–	51,345
Saudi Stock Exchange	+5%	–	618,203
Qatar Stock Exchange	+5%	–	626,106
NASDAQ Dubai	+5%	–	67,679
Other quoted	+5%	40,282	855,612

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

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:

2015	**Less than one year USD**	**More than one year USD**	**Total USD**
Gross outstanding claims	**210,467,319**	**90,200,279**	**300,667,598**
Gross unearned premiums	**100,494,474**	**43,069,060**	**143,563,534**
Other liabilities	**4,844,046**	**495,566**	**5,339,612**
Insurance payable	**17,756,875**	**–**	**17,756,875**
Unearned commissions	**6,189,346**	**2,652,577**	**8,841,923**
TOTAL LIABILITIES	**339,752,060**	**136,417,482**	**476,169,542**
2014			
Gross outstanding claims	193,527,216	82,940,235	276,467,451
Gross unearned premiums	97,716,931	41,878,685	139,595,616
Other liabilities	4,381,688	517,710	4,899,398
Insurance payable	20,345,945	–	20,345,945
Unearned commissions	5,387,494	2,308,926	7,696,420
TOTAL LIABILITIES	**321,359,274**	**127,645,556**	**449,004,830**

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:

2015	Less than one year USD	More than one year USD	No term USD	Total USD
ASSETS				
Premises and equipment	–	3,115,641	–	3,115,641
Intangible assets	–	394,084	–	394,084
Investment in associates	–	–	11,798,851	11,798,851
Investments	32,107,440	102,538,996	51,044,418	185,690,854
Investment properties	–	–	28,611,765	28,611,765
Deferred policy acquisition costs	20,490,526	8,781,654	–	29,272,180
Insurance receivables	93,458,845	210,384	–	93,669,229
Other assets	10,029,630	–	–	10,029,630
Deferred tax assets	42,013	–	–	42,013
Reinsurance share of unearned premiums	23,657,045	10,138,733	–	33,795,778
Reinsurance share of outstanding claims	79,239,278	33,959,691	–	113,198,969
Deferred XOL premium	8,818,540	–	–	8,818,540
Cash and bank balances	242,597,315	–	–	242,597,315
TOTAL ASSETS	510,440,632	159,139,183	91,455,034	761,034,849
EQUITY AND LIABILITIES				
EQUITY				
Issued share capital	–	–	143,375,678	143,375,678
Additional paid in capital	–	–	2,773,000	2,773,000
Foreign currency translation reserve	–	–	(261,317)	(261,317)
Cumulative changes in fair value	–	–	2,284,377	2,284,377
Retained earnings	–	–	136,693,569	136,693,569
TOTAL EQUITY	–	–	284,865,307	284,865,307
LIABILITIES				
Gross outstanding claims	210,467,319	90,200,279	–	300,667,598
Gross unearned premiums	100,494,474	43,069,060	–	143,563,534
Other liabilities	4,844,046	495,566	–	5,339,612
Insurance payable	17,756,875	–	–	17,756,875
Unearned commissions	6,189,346	2,652,577	–	8,841,923
TOTAL LIABILITIES	339,752,060	136,417,482	–	476,169,542
TOTAL EQUITY AND LIABILITIES	339,752,060	136,417,482	284,865,307	761,034,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2015

2014	Less than one year USD	More than one year USD	No term USD	Total USD
ASSETS				
Premises and equipment	–	3,330,145	–	3,330,145
Intangible assets	–	334,010	–	334,010
Investment in associates	–	–	11,087,334	11,087,334
Investments	12,602,395	93,507,269	76,911,368	183,021,032
Investment properties	–	–	28,611,765	28,611,765
Deferred policy acquisition costs	19,250,092	8,250,040	–	27,500,132
Insurance receivables	95,334,176	15,823	–	95,349,999
Other assets	10,464,591	490,499	–	10,955,090
Deferred tax assets	–	400,784	–	400,784
Reinsurance share of unearned premiums	19,354,560	8,294,811	–	27,649,371
Reinsurance share of outstanding claims	56,751,055	24,321,881	–	81,072,936
Deferred XOL premium	10,765,781	–	–	10,765,781
Cash and bank balances	232,104,743	–	–	232,104,743
TOTAL ASSETS	456,627,393	138,945,262	116,610,467	712,183,122
EQUITY AND LIABILITIES				
EQUITY				
Issued share capital	–	–	143,375,678	143,375,678
Treasury shares	–	–	(12,000,000)	(12,000,000)
Foreign currency translation reserve	–	–	(237,135)	(237,135)
Cumulative changes in fair value	–	–	18,900,541	18,900,541
Retained earnings	–	–	113,139,208	113,139,208
TOTAL EQUITY	–	–	263,178,292	263,178,292
LIABILITIES				
Gross outstanding claims	193,527,216	82,940,235	–	276,467,451
Gross unearned premiums	97,716,931	41,878,685	–	139,595,616
Other liabilities	4,381,688	517,710	–	4,899,398
Insurance payable	20,345,945	–	–	20,345,945
Unearned commissions	5,387,494	2,308,926	–	7,696,420
TOTAL LIABILITIES	321,359,274	127,645,556	–	449,004,830
TOTAL EQUITY AND LIABILITIES	321,359,274	127,645,556	263,178,292	712,183,122

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 a regular basis to maintain a strong credit rating and healthy capital adequacy ratios to support its business objectives and maximise shareholders' value.

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

FAIR VALUE

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

31 December 2015	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Held for trading	**438,538**	**–**	**–**	**438,538**
Available-for-sale	**172,078,381**	**4,900,487**	**1,036,161**	**178,015,029**
Investment properties	**–**	**28,611,765**	**–**	**28,611,765**
	172,516,919	**33,512,252**	**1,036,161**	**207,065,332**

31 December 2014	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Held for trading	805,647	–	–	805,647
Available-for-sale	172,102,014	5,757,440	–	177,859,454
Investment properties	–	28,611,765	–	28,611,765
	172,907,661	34,369,205	–	207,276,866

There was a transfer between Level 2, and 3 during the year ended 31 December 2015.

26. SUBSEQUENT EVENTS

There have been no material events between 31 December 2015 and the date of this report which are required to be disclosed.

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