



**IG** International General Insurance  
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**IG** International General Insurance  
Holdings Ltd.

**09**  
ANNUAL  
REPORT



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## ABOUT IGIH

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

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

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

IGIH has assets of more than US \$ 456 million as at 31<sup>st</sup> December, 2009.



## Board of Directors

### **Mr. Mohammed Abu Ghazaleh**

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

### **Mr. Wasef Jabsheh**

CEO & Vice Chairman

### **Mr. Amir Abu Ghazaleh**

Director (General Manager of Abu-Ghazaleh International Company – UAE)

### **Mr. Khalifa Al Mulhem**

Director (Chairman, National Polypropylene Company Limited – KSA)

### **Mr. Hani Tarazi**

Director (Saba IP & Co. – UAE)

### **Mr. Khaled Sifri**

Director (CEO of Arab Emirates Investment Bank – UAE)

## Letter from the Board of Directors

The Board of Directors of International General Insurance Holdings Limited (IGIH) is pleased to report on the Company's operations and results for 2009.

The world economic crisis continued to impact the global economy during 2009. Cancellations of projects coupled with large reductions in volume of trade were apparent side effects of the crisis. We are, however, delighted that conditions started to show signs of improvement during the latter part of 2009. We hope that the recovery will continue throughout 2010 and beyond with global economies heading towards their pre-crisis levels.

IGIH reported its financials on a full calendar year basis for the first time in 2009; as a result, a comparison with 2008 fiscal year results, being a nine month period ending December 31, 2008, does not represent a true reflection of a year on year assessment.

In line with IGIH's ongoing philosophy of continual expansion and diversification of product lines, we are pleased to announce that the Group commenced underwriting a General Aviation portfolio in December 2009. As is the case with existing classes of business such as Energy, Engineering and Financial Institutions, it is our objective, over time, to become a strong leadership market particularly in our core geographical area consisting of the Middle East & North Africa (MENA) along with the greater Afro-Asian region.

In addition, the Group has commenced underwriting a Casualty portfolio offering cover for professional indemnity, medical malpractice, public liability and the like. Our target for this class of business will be strictly directed towards exposures emanating from the MENA region, which historically have been extremely profitable. Our knowledge and expertise in this particular geographical area gives us a strong advantage over our competitors.

The Company entered into a Managing General Underwriting agreement with Energy Insurance Oslo (EIO), an underwriting agency specializing in Scandinavian energy and utility business. This venture will assist in further diversifying and developing our energy book of business via a market that has historically been very rewarding. We believe this relationship will contribute positively to the profitability of the existing portfolio. We hope that we will be able to expand this cooperation in to other classes of business in the near future.

The competitive position of the Group has been further enhanced due to a recent change in the Jordanian insurance regulatory regime whereby all domestic insurers, presently some 28 companies, must seek reinsurance coverage in the first instance from the Offshore Jordanian market, thus currently placing IGI in a unique situation.

Furthermore, we are pleased to report that the Company has submitted an application to the UK Financial Services Authority to establish a wholly owned subsidiary based in London. We anticipate license approval to be granted in the middle of 2010. The creation of this subsidiary will enable the group to develop its strong client base and broker relationships from within the Company's largest production source. It will give us an important European Union (EU) presence and provide the Company access to business emanating from EU countries.

IGI Labuan is undertaking the process of applying for a (re)takaful license for this subsidiary, which when achieved will both strengthen this entity's market position and allow for further product development within our existing lines of business.

We are very pleased to report that the Group's financial strength ratings were re-affirmed during 2009 in spite of the global back drop.

Financial results achieved during 2009 are in line with our expectations. Whilst under normal circumstances these results could have been better, the natural catastrophe losses of 2008 along with the remnants of the economic meltdown continued to impact our results, albeit on a much smaller scale. Nonetheless, we are confident that future years' results will continue to improve on 2009 in view of various measures we have implemented, such as the streamlining of the marine portfolio and complete withdrawal from certain natural catastrophe areas.

We give hereunder highlights of 2009 results:

- Net Income increased to US\$ 9.1 million from a loss of US\$ 4.9 million the year before
- Gross Written Premium generated was US\$ 152.9 million
- Net Underwriting Profit increased to US\$ 13.35 million from a loss of US\$ 0.9 million the year before
- Investment Income increased from US\$ 3.6 million to US\$ 7.2 million representing growth of 100%
- Total assets now stand in excess of US\$ 456 million, up from last year's total of US\$ 426 million, an increase of 7%

We would like to note that His Excellency Rateb Wazani was appointed by a royal decree as President of the Supreme Court in Jordan and consequently, he has resigned his position on the board of directors of IGIH. We would like to thank Mr. Wazani for his years of service on the board and his invaluable contribution and sincerely wish him the utmost success in his new position serving Jordan.

We would like to thank all our clients and producers for their continued support throughout 2009. We would also like to thank all our employees for their significant effort and contribution this year.

We look forward to working together in 2010 to fulfill the visions and ambitions of the Company and to further establish IGI as the **(Re)insurer of Choice** for the region.

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

We have audited the accompanying consolidated financial statements of International General Insurance Company Holdings Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 3 of 2006. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

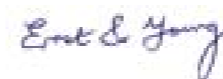
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 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. 3 of 2006. 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 DIFC Law No. 3 of 2006 have occurred during the period which would have had a material effect on the business of the Company or on its financial position.



Dubai, United Arab Emirates  
14 March 2010

	Notes	2009 USD	2008 USD
<b>ASSETS</b>			
Premises and equipment	3	3,720,305	1,657,747
Intangible assets	4	475,438	560,480
Investment in associated companies	5	11,032,729	10,197,712
Investment property	6	28,672,789	7,905,040
Investments	7	123,656,287	98,008,263
Deferred policy acquisition costs	8	20,003,250	18,073,444
Insurance receivables	9	94,330,538	114,963,834
Other assets	10	4,778,040	2,817,514
Reinsurers' share of insurance reserves	11	61,063,626	63,098,882
Cash and bank balances	12	108,855,584	109,415,441
<b>TOTAL ASSETS</b>		<b>456,588,586</b>	<b>426,698,357</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	13	143,375,678	143,375,678
Foreign currency translation reserve		(208,050)	(231,658)
Cumulative changes in fair value of investments		4,389,708	(5,010,043)
Retained earnings		23,769,816	14,674,685
<b>Equity attributable to equity holders of parent</b>		<b>171,327,152</b>	<b>152,808,662</b>
Non-controlling interest		-	529,981
<b>Total equity</b>		<b>171,327,152</b>	<b>153,338,643</b>
<b>Liabilities</b>			
Insurance reserves	11	235,220,774	219,775,482
Other liabilities	15	1,310,846	1,856,695
Reinsurance payable		24,755,439	34,332,781
Reinsurance deposit		17,318,875	13,808,875
Unearned commissions	16	6,655,500	3,585,881
<b>Total liabilities</b>		<b>285,261,434</b>	<b>273,359,714</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>456,588,586</b>	<b>426,698,357</b>

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2010.

The attached notes 1 to 22 form part of these consolidated financial statements

1 April 2008 to 31 December			
		2009	2008
	Notes	USD	USD
Gross premiums	17	148,366,598	116,299,988
Reinsurers' share of gross premiums	17	(51,106,248)	(32,081,401)
<b>Net premiums</b>		<b>97,260,350</b>	<b>84,218,587</b>
Claims		(89,879,032)	(107,969,060)
Reinsurers' share of claims		20,087,962	38,095,339
Commission income	16	9,733,389	1,555,323
Policy acquisition costs	8	(23,849,829)	(16,881,255)
<b>Net underwriting result</b>		<b>13,352,840</b>	<b>(981,066)</b>
Investment income	18	5,589,866	1,994,594
Share of profit from associated companies	5	1,240,368	3,085,601
Gain (loss) on sale of premises equipment		3,815	(3,474)
General and administrative expenses		(10,683,787)	(7,456,002)
Provision for doubtful debts		(847,800)	-
Gain (loss) on exchange		409,811	(1,500,496)
<b>PROFIT (LOSS) FOR THE YEAR / PERIOD</b>		<b>9,065,113</b>	<b>(4,860,843)</b>
Attributable to:			
Equity holders of the parent		9,095,131	(5,023,905)
Non-controlling interest		(30,018)	163,062
		<b>9,065,113</b>	<b>(4,860,843)</b>

The attached notes 1 to 22 form part of these consolidated financial statements

1 April 2008 to 31 December		
	2009	2008
	USD	USD
<b>Profit (loss) for the year / period</b>	<b>9,065,113</b>	<b>(4,860,843)</b>
Other comprehensive income (loss)		
Fair value changes during the year / period	9,399,751	(23,071,485)
Currency translation differences	38,123	(376,952)
<b>Other comprehensive income (loss) for the year / period</b>	<b>9,437,874</b>	<b>(23,448,437)</b>
<b>Total comprehensive income (loss) for the year / period</b>	<b>18,502,987</b>	<b>(28,309,280)</b>
Attributable to		
Equity shareholders of the parent	18,518,490	(28,335,812)
Non-controlling interest	(15,503)	26,532
	<b>18,502,987</b>	<b>(28,309,280)</b>

The attached notes 1 to 22 form part of these consolidated financial statements



1 April 2008 to 31 December

		2009	2008
	Notes	USD	USD
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period / year		9,065,113	(4,860,843)
<b>Adjustments for:</b>			
Depreciation and amortisation		578,999	176,131
Gain on sale of available-for-sale investments	18	(368,524)	(800,809)
Provision for doubtful debts		847,800	-
Impairment on available-for-sale investments	18	526,290	3,436,566
(Gain) loss on sale of premises and equipment		(3,815)	3,474
Loss (gain) on revaluation of held for trading investments	18	1,109,941	(188,510)
Dividends and interest income		(6,857,573)	(4,441,841)
Share of profit from associated companies		(1,240,368)	(3,085,601)
Reinsurers' share of insurance reserves		2,035,256	(29,853,781)
Insurance reserves		15,445,292	73,476,421
		<b>21,138,411</b>	<b>33,861,207</b>
Deferred policy acquisition costs		(1,929,806)	(5,155,663)
Insurance receivables		13,787,107	(12,671,193)
Other assets		(2,541,354)	(433,272)
Unearned commission		3,069,619	2,668,631
Held for trading investments		949,281	(3,701,237)
Other liabilities		(545,849)	875,288
Net cash from operating activities		<b>33,927,409</b>	<b>15,443,761</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of premises and equipment	3	(2,511,150)	(472,518)
Proceeds from sale of premises equipment		3,815	7,406
Purchase of intangible assets	4	(9,845)	(106,989)
Purchase of available-for-sale investments		(23,079,200)	(16,176,822)
Proceeds from sale of available-for-sale investments		4,613,939	3,217,882
Purchase of investment property		(20,767,749)	(7,905,040)
Dividends received from associated companies	5	405,351	305,000
Deposits maturing after three months		2,386,183	7,804,229
Dividends and interest income		6,857,573	4,441,841
Net cash used in investing activities		<b>(32,101,083)</b>	<b>(8,885,011)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	14	-	(5,018,149)
Net cash used in financing activities		-	(5,018,149)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>1,826,326</b>	<b>1,540,601</b>
Cash and cash equivalents at the beginning of the year / period		105,330,046	103,789,445
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD</b>	12	<b>107,156,372</b>	<b>105,330,046</b>

The attached notes 1 to 22 form part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Attributable to equity holders of the parent			
	Paid-in capital	Foreign currency translation adjustment	Cumulative change in fair value of investments	Retained earnings
	USD	USD	USD	USD
At 1 April 2008	143,375,678	8,764	15,560,227	27,217,954
Loss for the period	-	-	-	(5,023,905)
Other comprehensive loss	-	(240,422)	(20,570,270)	(2,501,215)
Total comprehensive (loss) income	-	(240,422)	(20,570,270)	(7,525,120)
Dividends paid during the year (note 14)	-	-	-	(5,018,149)
At 31 December 2008	143,375,678	(231,658)	(5,010,043)	14,674,685
Profit for the year	-	-	-	9,095,131
Other comprehensive income	-	23,608	9,399,751	-
Total comprehensive income (loss)	-	23,608	9,399,751	9,095,131
Acquisition of non controlling interest	-	-	-	(514,478)
At 31 December 2009	<b>143,375,678</b>	<b>(208,050)</b>	<b>4,389,708</b>	<b>23,769,816</b>
				<b>171,327,152</b>
				<b>186,666,072</b>
				<b>(4,860,843)</b>
				<b>(23,448,437)</b>
				<b>(28,309,280)</b>
				<b>(5,018,149)</b>
				<b>153,338,643</b>
				<b>9,065,113</b>
				<b>9,437,874</b>
				<b>18,502,987</b>
				<b>(514,478)</b>
				<b>171,327,152</b>

The attached notes 1 to 22 form part of these consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACTIVITIES

International General Insurance Holdings Limited [the Company] is incorporated as a company limited by shares under the Companies Law, DIFC Law No. 2 of 2004 on 7 May 2006 and is engaged in the business of re-insurance and insurance. The Company's registered office is in Dubai International Financial Centre.

The Company and its subsidiaries [together the Group] operate in the United Arab Emirates, Bermuda, Jordan and Malaysia.

### 2. BASIS OF PREPARATION

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

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

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

#### Basis of consolidation

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

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

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

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### IAS 1 (Revised) Presentation of Financial Statements

This standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income have been disclosed in the notes to the financial statements.

The Group has not presented three statements of financial position in these financial consolidated statements because it has not applied an accounting policy retrospectively, made a retrospective restatement of items in its financial statements, or reclassified items in its financial statements that affected the statement of financial position at the beginning of the earliest comparative period.

#### Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Entities are required to apply this amendment for annual periods beginning on or after 1 January 2009, with no requirement to provide comparatives on transition.

#### Standards issued but not effective.

##### IFRS 9 Financial Instruments

In November 2009, the International Accounting Standards Board published the first phase of IFRS 9 Financial Instruments (applicable from 1 January 2013), the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. The main focus of the first phase is the classification and measurement of financial assets. The Group is in the process of evaluating the impact of the revised standard.

#### Summary of significant accounting policies

##### Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unearned period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

##### 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 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 statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

##### Policy acquisition costs

Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised 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 insurance liabilities (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.

##### Reinsurance

The Group cedes insurance risk in the normal course of business for all classes of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are calculated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

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

Premiums and claims on assumed reinsurance are recognised as income and 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 calculated in a manner consistent with the associated 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.

## 2. BASIS OF PREPARATION (continued)

### Summary of significant accounting policies (continued)

#### Interest revenue

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

#### Dividend revenue

Dividend revenue is recognised when right to receive the payment is established.

#### Premises and equipment

Premises and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging between 5 to 10 years.

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

#### Intangible assets

##### a) Goodwill

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

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

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

##### b) Intangible assets

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

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

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

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

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

#### Impairment and uncollectibility of financial assets

An assessment is made at each 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:

- For assets carried at fair value, impairment is the difference between cost and fair value;
- 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
- For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the effective interest rates.

#### Derecognition of financial instruments

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

#### Investment in associated companies

Investments in associated companies are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of associates, less any impairment in value. The consolidated statement of income reflects the share of the results of the operations of the associates.

#### 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 income statement 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 income statement 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.

#### Investments

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

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

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

#### Financial assets at fair value through profit or loss

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

#### Held-to-maturity investments

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

#### Available-for-sale financial investments

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

## 2. BASIS OF PREPARATION (continued)

### Summary of significant accounting policies (continued)

#### Cash and cash equivalents

For the purpose of the 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.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the 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 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 Company. 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 statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### Group companies

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

#### Leases

The Group has no finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

#### Fair values

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the statement of financial position date. If quoted market prices are not available, reference is also 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 can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

#### Judgements

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

#### Classification of investments

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

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

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

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

#### Impairment of investments

The group treats financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and discount factors for unquoted equities.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the 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.

#### Reinsurance

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

### 3. PREMISES AND EQUIPMENT

	Office building	Office furniture	Computers	Equipment	Leasehold improvements	Vehicles	Total
	USD	USD	USD	USD	USD	USD	USD
<b>Cost</b>							
At 1 January 2009	-	482,000	273,011	136,601	946,447	198,832	2,036,891
Additions	1,826,810	184,646	112,397	18,518	314,040	54,739	2,511,150
Transfers	-	466,225	-	-	(466,225)	-	-
Write off and disposals	-	(79,808)	-	(8,789)	(50,880)	-	(139,477)
At 31 December 2009	1,826,810	1,053,063	385,408	146,330	743,382	253,571	4,408,564
<b>Depreciation</b>							
At 1 January 2009	-	69,165	138,035	39,692	45,288	86,964	379,144
Charge for the year	-	156,840	108,768	41,865	77,731	63,388	448,592
Write off	-	(79,808)	-	(8,789)	(50,880)	-	(139,477)
At 31 December 2009	-	146,197	246,803	72,768	72,139	150,352	688,259
<b>Net carrying amount</b>							
At 31 December 2009	1,826,810	906,866	138,605	73,562	671,243	103,219	3,720,305
<b>Cost</b>							
At 1 April 2008	-	373,027	189,676	93,704	715,317	218,552	1,590,276
Additions	-	108,973	89,518	42,897	231,130	-	472,518
Write off and disposals	-	-	(6,183)	-	-	(19,720)	(25,903)
At 31 December 2008	-	482,000	273,011	136,601	946,447	198,832	2,036,891
<b>Depreciation</b>							
At 1 April 2008	-	31,095	119,977	30,783	42,112	73,334	297,301
Additions	-	38,070	24,241	8,909	3,176	22,470	96,866
Disposal	-	-	(6,183)	-	-	(8,840)	(15,023)
At 31 December 2008	-	69,165	138,035	39,692	45,288	86,964	379,144
<b>Net carrying amount</b>							
At 31 December 2008	-	412,835	134,976	96,909	901,159	111,868	1,657,747

The depreciation charge for the year of USD 448,592 (2008: USD 96,866) has been included in general and administrative expenses.

### 4. INTANGIBLE ASSETS

	2009			2008
	Goodwill	Computer Software	Total	Total
	USD	USD	USD	USD
<b>Cost</b>				
Opening balance	251,966	552,142	804,108	786,675
Additions	66,350	9,845	76,195	106,989
Foreign currency translation adjustment	(30,830)	-	(30,830)	(89,556)
Closing balance	<b>287,486</b>	<b>561,987</b>	<b>849,473</b>	<b>804,108</b>
<b>Amortization</b>				
Opening balance	-	243,628	243,628	164,363
Additions	-	130,407	130,407	79,265
Closing balance	-	<b>374,035</b>	<b>374,035</b>	<b>243,628</b>
Net book value	<b>287,486</b>	<b>187,952</b>	<b>475,438</b>	<b>560,480</b>

Goodwill has been allocated to North Star Underwriting Limited which is considered to be a cash generating unit. The recoverable amount of the cash generating unit has been determined based on a value in use calculating cash flow projections based on financial budgets approved by senior management covering a five year period. Goodwill allocated to the cash generating unit has been tested for impairment. There was no impairment charge during the year ended 31 December 2009 (31 December 2008: nil)

### 5. INVESTMENT IN ASSOCIATED COMPANIES

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

	Country of incorporation	Ownership	
		2009	2008
Star Rock SAL Lebanon	Lebanon	33%	33%
Sina SAL Lebanon	Lebanon	33%	33%
Silver Rock SAL Lebanon	Lebanon	33%	33%
Golden Rock SAL Lebanon	Lebanon	33%	33%

Movement on investment in associates was as follows:

	2009	2008
	USD	USD
Opening balance	10,197,712	7,417,111
Share of profit (loss) or results associated companies	467,264	(22,845)
Share of fair value gain on investment properties	773,104	3,108,446
Dividends received	(405,351)	(305,000)
	<b>11,032,729</b>	<b>10,197,712</b>

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

	2009	2008
	USD	USD
<i>Share of associates' statement of financial position</i>		
Current assets	549,809	496,456
Non-current assets	16,915,258	15,890,798
Current liabilities	(6,432,338)	(6,189,542)
Net assets	11,032,729	10,197,712
<i>Share of associates' revenues and results</i>		
Revenues	1,492,587	3,547,338
Profit	<b>1,240,368</b>	<b>3,085,601</b>

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

## 6. INVESTMENT PROPERTY

Investment property amounting to USD 8,243,387 as at 31 December 2009 (2008: USD 7,905,040) is registered in the name of the Directors of the Company. The Company has obtained an irrevocable proxy over this investment property.

There is no significant difference between the carrying amount and fair value of the land.

## 7. INVESTMENTS

	2009	2008
	USD	USD
<i>Held to maturity</i>		
Unquoted bonds	1,690,141	1,690,141
<i>Held for trading</i>		
Quoted funds	1,830,525	3,889,747
<i>Available-for-sale</i>		
Quoted bonds and debt securities with fixed interest rate	59,362,794	43,353,223
Quoted equities	43,511,474	31,436,502
Quoted funds and alternative investments	7,463,301	10,747,329
Unquoted government bonds and debt securities with fixed interest rate	1,410,934	1,410,934
Unquoted equities*	8,387,118	5,480,387
	120,135,621	92,428,375
	<b>123,656,287</b>	<b>98,008,263</b>

\*Carried at cost on account of the unpredictable nature of future cash flows and lack of suitable alternative methods to arrive at a reliable fair value. There is no market for these investments and the Group intends to hold them for the long term.

Provision for impairment for equity investments charged to the consolidated statement of income amounted to USD 526,290 (2008: USD 3,436,566).

## 8. DEFERRED POLICY ACQUISITION COSTS

	2009	2008
	USD	USD
Opening balance	18,073,444	12,917,781
Acquisition costs	25,779,635	22,036,918
Charged to consolidated statement of income	(23,849,829)	(16,881,255)
	20,003,250	18,073,444

## 9. INSURANCE RECEIVABLES

	2009	2008
	USD	USD
Receivables from insurance companies and intermediaries	76,948,231	88,173,971
Reinsurers – amounts due in respect of claims paid	17,382,307	26,789,863
	<b>94,330,538</b>	<b>114,963,834</b>

All of the above amounts are due within twelve months of the statement of financial position date.

## 10. OTHER ASSETS

	2009	2008
	USD	USD
Deferred XOL premium	2,590,449	-
Accrued interest income	1,137,314	761,427
Advance payment on investments*	126,027	580,828
Prepaid expenses	530,330	501,101
Accrued dividend income	262,240	501,704
Refundable deposits	37,316	17,850
Employees receivables	31,003	315,637
Others	63,361	138,967
	<b>4,778,040</b>	<b>2,817,514</b>

\*The 2008 amount represents payment to acquire the remaining 49% of North Star Underwriting Limited (previously known as SR Bishop Underwriting Limited).

As fully described in note 19, the 49% of North Star Underwriting Limited has been transferred to the Company during the year.

## 11. INSURANCE RESERVES

	2009			2008		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Unearned premiums	83,238,624	(21,561,486)	61,677,138	78,743,301	(13,427,326)	65,315,975
Outstanding claims	151,982,150	(39,502,140)	112,480,010	141,032,181	(49,671,556)	91,360,625
	<b>235,220,774</b>	<b>(61,063,626)</b>	<b>174,157,148</b>	<b>219,775,482</b>	<b>(63,098,882)</b>	<b>156,676,600</b>

### a) Unearned premiums

	2009			2008		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
Opening balance	78,743,301	(13,427,326)	65,315,975	69,756,299	(10,380,698)	59,375,601
Premiums written	152,861,921	(59,240,408)	93,621,513	125,286,990	(35,128,029)	90,158,961
Premiums earned	(148,366,598)	51,106,248	(97,260,350)	(116,299,988)	32,081,401	(84,218,587)
	<b>83,238,624</b>	<b>(21,561,486)</b>	<b>61,677,138</b>	<b>78,743,301</b>	<b>(13,427,326)</b>	<b>(65,315,975)</b>

### b) Outstanding claims

#### Movement in outstanding claims

	2009			2008		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	USD	USD	USD	USD	USD	USD
At the beginning of the year / period						
Reported claims	110,800,288	(48,439,663)	62,360,625	71,042,762	(22,864,403)	48,178,359
Claims incurred but not reported	30,231,893	(1,231,893)	29,000,000	5,500,000	-	5,500,000
	141,032,181	(49,671,556)	91,360,625	76,542,762	(22,864,403)	53,678,359
Claims paid	(78,929,063)	30,257,378	(48,671,685)	(43,479,641)	11,288,186	(32,191,455)
Provided during the year	89,879,032	(20,087,962)	69,791,070	107,969,060	(38,095,339)	69,873,721
At the end of the period/ year	<b>151,982,150</b>	<b>(39,502,140)</b>	<b>112,480,010</b>	<b>141,032,181</b>	<b>(49,671,556)</b>	<b>91,360,625</b>

#### At the beginning of the year / period

Reported claims	112,482,150	(39,502,140)	72,980,010	110,800,288	(48,439,663)	62,360,625
Claims incurred but not reported	39,500,000	-	39,500,000	30,231,893	(1,231,893)	29,000,000
	<b>151,982,150</b>	<b>(39,502,140)</b>	<b>112,480,010</b>	<b>141,032,181</b>	<b>(49,671,556)</b>	<b>91,360,625</b>

### Claims development

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to date.

	2005	2006	2007	2008	2009	Total
	USD	USD	USD	USD	USD	USD
At end of accident year	17,460,334	6,958,339	21,043,300	48,321,100	27,899,982	121,683,055
One year later	44,966,702	33,226,096	59,651,500	63,821,433	-	201,665,731
Two years later	55,308,231	49,255,000	79,736,254	-	-	184,299,485
Three years later	57,717,000	47,765,268	-	-	-	105,482,268
Four years later	59,726,444	-	-	-	-	59,726,444
Current estimate of cumulative claims incurred	59,726,444	47,765,268	79,736,254	63,821,433	27,899,982	278,949,381
Cumulative payments to date	(51,809,030)	(39,596,871)	(45,522,855)	(29,500,071)	(6,150,753)	(172,579,580)
Liability recognised in the statement of financial position	7,917,414	8,168,397	34,213,399	34,321,362	21,749,229	106,369,801
Liability in respect of years prior to 2005						6,112,349
						112,482,150
Incurred but not reported claims						39,500,000
Total liability included in the consolidated statement of financial position						<b>151,982,150</b>

## 12. CASH AND BANK BALANCES

	2009	2008
	USD	USD
Cash and bank balances	34,002,791	10,963,620
Time deposits	73,153,581	94,366,426
Cash and cash equivalents	107,156,372	105,330,046
Demand deposits	1,699,212	4,085,395
	<b>108,855,584</b>	<b>109,415,441</b>

The time deposits, which are substantially denominated in US Dollars, are made for varying periods of between one month to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## 13. SHARE CAPITAL

	Authorised, issued and fully paid	
	2009	2008
	USD	USD
Shares of USD 1 each	<b>143,375,678</b>	<b>143,375,678</b>

#### 14. DIVIDENDS PAID

At a meeting held on 25 May 2008, the shareholders resolved to pay dividend of USD 0.035 per share amounting to USD 5,018,149 related to the year ended 31 March 2008. No dividends have been declared in the prior year.

#### 15. OTHER LIABILITIES

	2009	2008
	USD	USD
Accounts payable	780,360	1,299,961
Related parties payable (note 21)	-	212,677
Accrued expenses	530,486	344,057
	<b>1,310,846</b>	<b>1,856,695</b>

#### 16. UNEARNED COMMISSIONS

	2009	2008
	USD	USD
Opening balance	3,585,881	917,250
Commissions received	12,803,008	4,223,954
Commissions earned	(9,733,389)	(1,555,323)
	<b>6,655,500</b>	<b>3,585,881</b>

#### 17. NET INSURANCE PREMIUM REVENUE

	2009	2008
	USD	USD
Gross premiums	152,861,921	125,286,990
Change in unearned premiums	(4,495,323)	(8,987,002)
Gross premiums	<b>148,366,598</b>	<b>116,299,988</b>
Reinsurers' share of insurance premiums	(59,240,408)	(35,128,029)
Reinsurers' share of change in unearned premiums	8,134,160	3,046,628
Reinsurers' share of gross premiums	(51,106,248)	(32,081,401)
	<b>97,260,350</b>	<b>84,218,587</b>

#### 18. INVESTMENT INCOME

	2009	2008
	USD	USD
Interest	5,924,319	3,876,510
Dividends	933,254	565,331
Gain on sale of available-for-sale investments	368,524	800,809
(Loss) gain on revaluation of held for trading investments	(1,109,941)	188,510
Impairment on available-for-sale investments (note 7)	(526,290)	(3,436,566)
	<b>5,589,866</b>	<b>1,994,594</b>

#### 19. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Ownership	
		2009	2008
International General Insurance Company Limited	<i>Bermuda</i>	100%	100%
International General Insurance Underwriting	<i>Jordan</i>	100%	100%
North Star Underwriting Limited <sup>1</sup>	<i>United Kingdom</i>	100%	51%
Specialty Malls Investment Co. <sup>2</sup>	<i>Jordan</i>	100%	-

<sup>1</sup> During the year, an investigation and disciplinary procedure was carried out by North Star Underwriting Limited [previously known as SR Bishop Underwriting Limited] against its managing director, Mr Stephen Bishop, which determined that he had committed serious breaches of his duties which culminated in his summary dismissal [i.e. dismissal without notice] for gross misconduct with effect on 12 August 2009. In the circumstances, Mr Bishop was a "bad leaver" within the meaning of North Star's Articles of Association [the Articles] and the applicable Share Sale and Purchase and Option Agreement entered into on 15 June 2007 [the SPA]. Consequently, and pursuant to the Articles and SPA, the 49% shareholding in North Star held by Skalama Limited [owned by Mr Bishop] was transferred to the Company at nominal value on 10 September 2009. Whilst the nominal value of GBP 4,900 was tendered to Skalama, it has not been accepted by Skalama and so has not been paid.

On 23 October 2009, Mr Bishop and Skalama commenced a lawsuit against North Star, the Company and three directors of North Star.

From 1 January 2009, being the date of acquisition, North Star has contributed USD 1,957,477 of revenue and USD 15,300 to the net profit before tax of the Group.

<sup>2</sup> During the year, the Group acquired 100% of the ownership of Specialty Malls Investment Co., a real estate company in Amman owning and managing an office complex building. The fair value of the identifiable assets and liabilities of Specialty Malls Investment Co. as at the date of acquisition were:

	Fair value on acquisition
	USD
Premises and equipment	1,826,810
Investment property	20,338,628
Cash and bank balances	93,891
Other liabilities	(3,117)
	<b>22,256,212</b>
Purchase consideration	<b>22,256,212</b>

From the date of acquisition, Specialty Malls Investment Co. has not contributed significantly to the revenue or the profit of the Group.

#### 20. COMMITMENTS AND CONTINGENCIES

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

Letters of Guarantee amounting to USD 7,125 (31 December 2008: USD 3,100) to the order of the Jordanian Ministry of Trade and Industry with margin of USD 713 (31 December 2008: USD 310).

Letters of Credit amounting to USD 42,883,867 to the order of reinsurance companies (31 December 2008: USD 46,205,755).

As stated in note 19, the Company has been named as a defendant in a lawsuit filed by the previous managing director of North Star Underwriting Limited for wrongful dismissal.

Based on legal advice received to date, the Group has not created any provision for the lawsuit as the independent legal advice indicates that it is unlikely that any significant loss will arise.



## 21. Related party transactions

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

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

	2009	2008
	USD	USD
<i>Consolidated statement of financial position</i>		
Purchase of subsidiary (note 19)	22,256,212	-
Accounts payable	-	212,677

	2009	2008
	USD	USD
<i>Consolidated statement of income</i>		
Commission paid	50,332	240,710

Compensation of key management personnel of the Group, consisting of salaries and benefits was USD 2,651,913 (31 December 2008: USD 920,990).

## 22. RISK MANAGEMENT

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

### Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Group only issues insurance contracts in connection with property and energy (collectively known as fire and accident), and marine risks.

### Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly fire and accident and marine risks. These are regarded as insurance contracts as claims are normally advised. This helps to mitigate insurance risk.

### Property and energy

Property and energy insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property and energy insurance contracts the main risks are fire and business interruption. In recent years the Group has mostly underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

### Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

### Geographical concentration of risks

Approximately, 38%, 19%, 15% and 28% of the Group's insurance risk relates to policies written in the Middle/Far East and Asia, Europe, USA and the rest of the world respectively. (2008: 51%, 15%, 15% and 19% respectively)

### Reinsurance risk

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group only deals with reinsurers approved by the board of directors, which are generally rated A or above by international rating agencies.

### 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 and reinsurance contracts, trading investments and cash and cash equivalents.

The Group does not enter into derivative transactions.

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

### Interest rate risk

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

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

	Less than 1 year	1 to 5 years	Non-interest bearing items	Total	Effective Interest Rate on interest bearing assets
	USD	USD	USD	USD	(%)
<b>2009</b>					
Trading investments	-	-	1,830,525	1,830,525	
Available-for-sale investments	2,707,380	56,235,842	61,192,399	120,135,621	4.77
Held to maturity investments	-	1,690,141	-	1,690,141	9.50
Cash and short term deposits	108,855,584	-	-	108,855,584	2.55
	<b>111,562,964</b>	<b>57,925,983</b>	<b>63,022,924</b>	<b>232,511,871</b>	
<b>2008</b>					
Trading investments	-	-	3,889,747	3,889,747	
Available-for-sale investments	2,815,946	41,948,211	47,664,218	92,428,375	5.40
Held to maturity investments	-	1,690,141	-	1,690,141	9.50
Cash and short term deposits	109,415,441	-	-	109,415,441	2.40
	<b>112,231,387</b>	<b>43,638,352</b>	<b>51,553,965</b>	<b>207,423,704</b>	

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

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

The sensitivity of the consolidated statement of income 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 2009.

## 22. RISK MANAGEMENT (continued)

	Increase/ decrease in basis points	Effect on profit for the year USD
<b>2009</b>	+25	419,197
	-50	(838,994)
<b>2008</b>	+ 25	273,538
	- 50	(547,077)

### 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 most of these 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. For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the statement of financial position.

The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

The Group portfolio is managed by the Vice-Chairman and CEO in accordance with the investment policy established by the board of directors.

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				Total USD
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	
	USD	USD	USD	USD	
<b>2009</b>					
Financial assets available-for-sale	54,447,039	65,688,522	-	-	120,135,621
Financial assets held for trading	-	1,830,525	-	-	1,830,525
Financial assets held to maturity	-	1,690,141	-	-	1,690,141
Insurance receivables	-	94,330,538	-	-	94,330,538
Reinsurers' share of unearned premium	-	21,561,486	-	-	21,561,486
Reinsurers' share of outstanding claims	35,175,897	4,326,243	-	-	39,502,140
Cash and bank balances	66,153,710	42,701,874	-	-	108,855,584
	<b>155,776,646</b>	<b>232,129,389</b>	<b>-</b>	<b>-</b>	<b>387,906,035</b>

	Neither past due nor impaired				Total USD
	Investment grade	Non investment grade (satisfactory)	Non investment grade (un-satisfactory)	Past due or impaired	
	USD	USD	USD	USD	
<b>2008</b>					
Financial assets available-for-sale	43,353,223	49,075,152	-	-	92,428,375
Financial assets held for trading	-	3,889,747	-	-	3,889,747
Financial assets held to maturity	-	1,690,141	-	-	1,690,141
Insurance receivables	-	114,963,834	-	-	114,963,834
Reinsurers' share of unearned premium	-	13,427,326	-	-	13,427,326
Reinsurers' share of outstanding claims	44,231,566	5,439,990	-	-	49,671,556
Cash and bank balances	63,049,775	46,365,666	-	-	109,415,441
	<b>150,634,564</b>	<b>234,851,856</b>	<b>-</b>	<b>-</b>	<b>385,486,420</b>

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						Total USD
	Neither past due nor impaired	Up to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	above 360 days	
	USD	USD	USD	USD	USD	USD	
<b>31 December 2009</b>	<b>65,792,501</b>	<b>9,891,422</b>	<b>4,620,417</b>	<b>8,270,366</b>	<b>4,759,999</b>	<b>995,833</b>	<b>94,330,538</b>
31 December 2008	72,885,553	26,326,627	6,148,074	3,172,082	6,431,498	-	114,963,834

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

## 22. RISK MANAGEMENT (continued)

### Market price risk

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.

	2009			2008		
	Change in equity price	Effect on equity	Effect on profit	Change in equity price	Effect on equity	Effect on profit
	USD	USD	USD	USD	USD	USD
Amman Stock Exchange	5%	459,050	-	5%	595,181	-
Saudi Arabia	5%	749,931	-	5%	399,670	-
Dubai International Financial Exchange	5%	455,109	-	5%	70,546	-
Other quoted	5%	511,484	91,526	5%	506,429	194,487

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

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

### Liquidity risk

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

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities are non-interest bearing liabilities.

The table below summarizes the maturity profile of the company's financial liabilities at 31 December 2009 based on contractual undiscounted payments:

	Less than one year	More than one year	No term	Total
	USD	USD	USD	USD
<b>2009</b>				
Liabilities arising from insurance contracts				
Unearned premiums	72,381,412	10,857,212	-	83,238,624
Outstanding claims	99,034,335	52,947,815	-	151,982,150
Other liabilities	1,310,846	-	-	1,310,846
Reinsurance payable	24,755,439	-	-	24,755,439
Reinsurance deposits	-	17,318,875	-	17,318,875
Unearned commissions	5,657,175	998,325	-	6,655,500
<b>Total liabilities</b>	<b>203,139,207</b>	<b>82,122,227</b>	<b>-</b>	<b>285,261,434</b>

### 2008

Liabilities arising from insurance contracts

Unearned premiums	66,931,806	11,811,495	-	78,743,301
Outstanding claims	91,899,136	49,133,045	-	141,032,181
Other liabilities	1,856,695	-	-	1,856,695
Reinsurance payable	34,332,781	-	-	34,332,781
Reinsurance deposit	-	13,808,875	-	13,808,875
Unearned commissions	3,047,999	537,882	-	3,585,881
<b>Total liabilities</b>	<b>198,068,417</b>	<b>75,291,297</b>	<b>-</b>	<b>273,359,714</b>

### 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:

	Less than one year	More than one year	No term	Total
	USD	USD	USD	USD
<b>2009</b>				
<b>ASSETS</b>				
Premises and equipment	-	3,720,305	-	3,720,305
Intangible assets	-	475,438	-	475,438
Investment in associated companies	-	11,032,729	-	11,032,729
Investment property	-	-	28,672,789	28,672,789
Investments	3,683,154	43,782,095	76,191,038	123,656,287
Deferred policy acquisition costs	14,715,250	5,288,000	-	20,003,250
Insurance receivables	94,330,538	-	-	94,330,538
Other assets	4,778,040	-	-	4,778,040
Reinsurers' share of Insurance reserve	45,807,726	15,255,900	-	61,063,626
Cash and bank balances	108,855,584	-	-	108,855,584
<b>TOTAL ASSETS</b>	<b>272,170,292</b>	<b>79,554,467</b>	<b>104,863,827</b>	<b>456,588,586</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(208,050)	(208,050)
Cumulative changes in fair values of investments	-	-	4,389,708	4,389,708
Retained earnings	-	-	23,769,816	23,769,816
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>171,327,152</b>	<b>171,327,152</b>
<b>Liabilities</b>				
Insurance reserves	165,363,926	69,856,848	-	235,220,774
Other liabilities	1,310,846	-	-	1,310,846
Reinsurance payable	24,755,439	-	-	24,755,439
Reinsurance deposits	17,318,875	-	-	17,318,875
Unearned commissions	4,991,625	1,663,875	-	6,655,500
<b>Total liabilities</b>	<b>213,740,711</b>	<b>71,520,723</b>	<b>-</b>	<b>285,261,434</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>213,740,711</b>	<b>71,520,723</b>	<b>171,327,152</b>	<b>456,588,586</b>

## 22. RISK MANAGEMENT (continued)

2008

	Less than one year USD	More than one year USD	No term USD	Total USD
<b>ASSETS</b>				
Premises and equipment	-	1,657,747	-	1,657,747
Intangible assets	-	560,480	-	560,480
Investment in associated companies	-	10,197,712	-	10,197,712
Investment property	-	-	7,905,040	7,905,040
Investments	6,705,693	43,638,252	47,664,218	98,008,263
Deferred policy acquisition costs	15,362,427	2,711,017	-	18,073,444
Receivables arising from insurance contracts	88,173,971	26,789,863	-	114,963,834
Other receivables	2,817,514	-	-	2,817,514
Reinsurers' share of insurance reserves	48,760,790	14,338,092	-	63,098,882
Cash and bank balances	109,415,441	-	-	109,415,441
<b>TOTAL ASSETS</b>	<b>271,235,836</b>	<b>99,893,263</b>	<b>55,569,258</b>	<b>426,698,357</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued share capital	-	-	143,375,678	143,375,678
Foreign currency translation reserve	-	-	(231,658)	(231,658)
Cumulative changes in fair values of investments	-	-	(5,010,043)	(5,010,043)
Retained earnings	-	-	14,674,685	14,674,685
<b>Total equity</b>	-	-	<b>152,808,662</b>	<b>152,808,662</b>
<b>Minority interest</b>	-	-	<b>529,981</b>	<b>529,981</b>
<b>Total equity</b>	-	-	<b>153,338,643</b>	<b>153,338,643</b>
<b>Liabilities</b>				
Insurance reserves	158,830,942	60,944,540	-	219,775,482
Other liabilities	1,856,695	-	-	1,856,695
Reinsurance payable	34,332,781	-	-	34,332,781
Reinsurance deposits	-	13,808,875	-	13,808,875
Unearned commissions	3,047,999	537,882	-	3,585,881
<b>Total liabilities</b>	<b>198,068,417</b>	<b>75,291,297</b>	-	<b>273,359,714</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>198,068,417</b>	<b>75,291,297</b>	<b>153,338,643</b>	<b>426,698,357</b>

### Capital management

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

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

### Fair value

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

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

	31 December 2009		
	Level 1 USD	Level 2 USD	Total USD
Held for trading	1,830,525	-	1,830,525
Available-for-sale	110,337,569	-	110,337,569
	<b>112,168,094</b>	<b>-</b>	<b>112,168,094</b>

Unquoted investments amounting to USD 9,798,052 have been carried at cost in the absence of market price or other appropriate method from which to derive a fair value.

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