National General Insurance Co. (P.S.C.)

Condensed interim financial statements

30 September 2012

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Contents	***Page***

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Independent auditors' report on review of condensed interim financial information

The Shareholders
National General Insurance Co. (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 30 September 2012, the condensed interim statement of comprehensive income (comprising of a condensed interim statement of comprehensive income and a separate condensed interim statement of income), condensed interim statement of changes in shareholders' equity and condensed interim statement of cash flows for the nine-month period then ended and notes to the condensed interim financial information (the condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standards IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the nine-month period ended 30 September 2012 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG
Vijendra Nath Malhotra
Registration No: 48 B

29 OCT 2012

National General Insurance Co. (P.S.C.)

Condensed interim statement of financial position

As at 30 September 2012

	Note	(Un-audited) 30 September 2012 AED	(Audited) 31 December 2011 AED
ASSETS			
Property and equipment	7	**37,974,276**	4,553,714
Investment properties	8	**205,754,485**	238,000,000
Investment securities	9	**166,590,968**	106,638,660
Reinsurance assets		**245,724,712**	241,035,720
Insurance and other receivables		**144,142,047**	137,152,744
Cash and cash equivalents		**106,039,013**	133,894,272
Total assets		**906,225,501**	861,275,110
LIABILITIES			
Insurance contract provisions		**435,725,745**	414,205,265
Insurance and other payables		**95,734,339**	127,606,363
Payable to policyholders of unit linked products	12	**34,269,562**	-
Total liabilities		**565,729,646**	541,811,628
EQUITY			
Share capital		**149,954,112**	149,954,112
Legal reserve		**42,835,656**	42,835,656
General reserve		**42,219,670**	42,219,670
Fair value reserve		**(2,623,626)**	(12,526,841)
Retained earnings		**108,110,043**	96,980,885
Total equity		**340,495,855**	319,463,482
Total liabilities and equity		**906,225,501**	861,275,110

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.

These condensed interim financial statements were authorised for issue and approved by the board on 29 OCT 2012 and signed on its behalf by :

Hamad Buamim
Chairman

Dr. Abdul Zahra A. Ali
CEO

The independent auditor's review report is set out on page 1.

National General Insurance Co. (P.S.C.)

Condensed interim statement of income

For the nine-month period ended 30 September 2012

	Note	(Un-audited) For the three month period ended 30 September 2012 AED	(Un-audited) For the three month period ended 30 September 2011 AED	(Un-audited) For the nine month period ended 30 September 2012 AED	(Un-audited) For the nine month period ended 30 September 2011 AED
Gross written premium	*11*	96,748,087	105,110,056	349,425,230	357,592,796
Reinsurance ceded	*11*	(48,270,701)	(49,836,790)	(128,188,249)	(152,269,925)
Net premium	*11*	48,477,386	55,273,266	221,236,981	205,322,871
Change in unearned premium provision and payable to policyholders of unit linked product	*11*	16,075,341	6,643,113	(20,823,378)	1,187,759
Net earned premiums	*11*	64,552,727	61,916,379	200,413,603	206,510,630
Reinsurance commission earned	*11*	14,758,941	19,055,912	32,362,490	34,342,907
Total income	*11*	79,311,668	80,972,291	232,776,093	240,853,537
Claims paid		(61,718,677)	(67,145,357)	(203,810,400)	(200,307,901)
Reinsurance share		11,966,058	13,066,514	51,539,706	40,960,552
Net claims paid		(49,752,619)	(54,078,843)	(152,270,694)	(159,347,349)
Change in outstanding claims provision		245,224	231,077	3,908,797	(2,694,677)
Net incurred claims	*11*	(49,507,395)	(53,847,766)	(148,361,897)	(162,042,026)
Commission paid	*11*	(10,572,972)	(14,521,071)	(22,802,892)	(24,293,590)
Administrative expenses	*11*	(8,684,388)	(7,658,146)	(24,803,205)	(25,429,175)
Net underwriting expenses		(68,764,755)	(76,026,983)	(195,967,994)	(211,764,791)
Net movement in life assurance fund	*11*	(369,014)	(736,842)	(1,196,227)	(1,895,213)
Decrease in fair value of investment held for unit linked products		2,016,926	-	(1,854,318)	-
Total underwriting expense		(67,116,843)	(76,763,825)	(199,018,539)	(213,660,004)
Underwriting profit	*11*	12,194,825	4,208,466	33,757,554	27,193,533
Interest and other income (net)		1,838,391	843,063	8,290,859	6,829,929
Net income from investment securities		3,260,159	(3,264,524)	4,535,953	2,646,758
General and administrative expenses		(1,616,429)	(791,815)	(4,601,217)	(2,505,924)
Profit for the period		15,676,946	995,190	41,983,149	34,164,296
Basic and diluted earnings per share		0.10	0.01	0.28	0.23

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.
The independent auditor's review report is set out on page 1.

National General Insurance Co. (P.S.C.)

Condensed interim statement of comprehensive income

For the nine-month period ended 30 September 2012

	(Un-audited) For the three month period ended 30 September 2012 AED	(Un-audited) For the three month period ended 30 September 2011 AED	(Un-audited) For the nine month period ended 30 September 2012 AED	(Un-audited) For the nine month period ended 30 September 2011 AED
Profit for the period	**15,676,946**	995,190	**41,983,149**	34,164,296
Other comprehensive income				
Net change in fair value of investments at fair value through other comprehensive income	**1,103,521**	(1,707,593)	**3,058,204**	(2,435,965)
Total other comprehensive income	**1,103,521**	(1,707,593)	**3,058,204**	(2,435,965)
Total comprehensive income for the period	**16,780,467**	(712,403)	**45,041,353**	31,728,331

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National General Insurance Co. (P.S.C.)

Condensed interim statement of changes in shareholders' equity (Un-audited)

For the nine-month period ended 30 September 2012

	Share capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2011	149,954,112	40,003,616	39,387,630	(6,514,256)	113,931,987	336,763,089
Effect of changes in accounting policy for financial instrument recognition and measurement (IFRS 9)	-	-	-	(1,281,104)	1,281,104	-
Balance at 1 January 2011 - restated	**149,954,112**	**40,003,616**	**39,387,630**	**(7,795,360)**	**115,213,091**	**336,763,089**
Total comprehensive income for the period						
Profit for the period	-	-	-	-	34,164,296	34,164,296
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	(2,435,965)	-	(2,435,965)
Total other comprehensive income for the period	-	-	-	(2,435,965)	-	(2,435,965)
Total comprehensive income for the period	-	-	-	(2,435,965)	34,164,296	31,728,331
Director's Remuneration	-	-	-	-	(3,400,000)	(3,400,000)
Cash dividend paid to owners	-	-	-	-	(37,488,528)	(37,488,528)
As at 30 September 2011	149,954,112	40,003,616	39,387,630	(10,231,325)	108,488,859	327,602,892
Balance at 1 January 2012	149,954,112	42,835,656	42,219,670	(12,526,841)	96,980,885	319,463,482
Total comprehensive income for the period						
Profit for the period	-	-	-	-	41,983,149	41,983,149
Other comprehensive income for the period						
Loss on sale of investment at fair value through OCI	-	-	-	6,845,011	(6,845,011)	-
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	3,058,204	-	3,058,204
Total other comprehensive income for the period	-	-	-	9,903,215	(6,845,011)	3,058,204
Total comprehensive income for the period	-	-	-	9,903,215	35,138,138	45;041,353
Director's remuneration	-	-	-	-	(1,515,865)	(1,515,865)
Cash dividends paid to owners	-	-	-	-	(22,493,115)	(22,493,115)
As at 30 September 2012	**149,954,112**	**42,835,656**	**42,219,670**	**(2,623,626)**	**108,110,043**	**340,495,855**

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.
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National General Insurance Co. (P.S.C.)

Condensed interim statement of cash flows

For the nine-month period ended 30 September 2012

	(Un-audited) For the nine month period ended 30 September 2012 AED	(Un-audited) For the nine month month period ended 30 September 2011 AED
Cash flows from operating activities		
Net profit for the period	41,983,149	34,164,296
Adjustment for:		
Depreciation	2,483,586	505,256
Unrealized gains on investments fair valued through profit or loss	(4,535,953)	(2,646,758)
Change in unearned premium reserve and life assurance fund	20,740,287	707,454
Provision for end of service benefits	1,729,287	(531,866)
	62,400,356	32,198,382
Change in insurance and other receivables(including related parties)	(6,989,303)	(28,494,447)
Change in insurance and other payables	(32,281,387)	(73,670,604)
Change in net outstanding claims	(3,908,799)	2,694,677
Directors' remuneration paid	(1,515,865)	(3,400,000)
	17,705,002	(70,671,992)
Employee end of service benefit paid	(1,319,924)	-
Net cash generated from /(used in) operating activities	16,385,078	(70,671,992)
Cash flows from investing activities		
Proceeds from sale of investment at fair value through OCI	11,521,899	-
Purchase of property and equipment	(3,658,637)	(528,795)
Purchase of investments at ammortised cost	(25,889,272)	(16,539,655)
Purchase of investments fair valued through profit or loss	(3,721,212)	(13,426,910)
Net cash used in investing activities	(21,747,222)	(30,495,360)
Cash flows from financing activities		
Dividends paid	(22,493,115)	(37,488,528)
Net cash used in financing activities	(22,493,115)	(37,488,528)
Net decrease in cash and cash equivalents	(27,855,259)	(138,655,880)
Cash and cash equivalents at the beginning of the period	133,894,272	243,250,291
Cash and cash equivalents at the end of the period	106,039,013	104,594,411
These comprise the following:		
Cash in hand	356,251	6,789,587
Cash at bank	9,773,711	1,367,217
Fixed deposits	95,909,051	96,437,607
	106,039,013	104,594,411

The notes on pages 7 to 14 form an integral part of these condensed interim financial statements.
The independent auditor's review report is set out on page 1.

1. Legal Status & principal activities

National General Insurance Co. (P.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No. (8) of 1984 as amended, in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company, registered under UAE Federal Law No. (8) of 1984, as amended, in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6 of 2007 relating to establishment of insurance authority and UAE Federal law no. 9 of 1984 relating to insurance companies and brokers.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim financial reporting. They do not include all of the information required for annual financial statements, and should be read in conjunction with the last audited annual financial statements of the Company for the year ended 31 December 2011.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

i) financial instruments at fair value through profit or loss are measured at fair value,
ii) financial instruments at fair value through other comprehensive income and are measured at fair value,
iii) investment property is measured at fair value.

c) Functional & presentation currency

These condensed interim financial statements have been prepared in United Arab Emirates Dirham (AED), which is the Company's functional currency.

d) Use of estimates and judgements

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last audited financial statements as at and for the year ended 31 December 2011.

3. Summary of significant accounting policies

The accounting policies applied by the Company in preparation of these condensed interim financial statement are the same as those applied by the Company in its preparation of last audited annual financial statements for the year ended 31 December 2011 except mentioned in 3(a) to the financial statements.

Key accounting policies adopted by the Company during the nine month period ended 30 September 2012 are as below:

a) Insurance contracts

Investment featured unit-linked individual life contracts

A unit-linked life insurance contract is an insurance contract with embeded derivative linking payments on the contract to units of an external investment funds administrated by the Company with the consideration received from the policy holders. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the policy holder is linked to the performance of the underlying assets of these funds and liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Payable to policyholders for unit-linked contracts is classified as financial liability, which is designated as fair value through profit or loss("FVTPL"), upon initial recognition to eliminate an accounting mismatch in respect of investments acquired under unit-linked individual life contracts, which are classified at fair value through profit or loss. Subsequent to initial measurement, financial liability designated as FVTPL is measured at fair value and any fair value change is recognised in statement of income.

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the last audited financial statements as at and for the year ended 31 December 2011.

5. Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These interim condensed financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

6. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 - (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

6. Related party transactions (continued)

a) The following are the details of transactions with related parties:

	(Un-audited) For the nine-month period ended 30 September 2012 AED	(Un-audited) For the nine-month period ended 30 September 2011 AED
Key management personnel compensation		
Remuneration and short term benefits	**3,336,159**	3,173,431
End of service benefits	**330,058**	147,918
Other related parties		
Premiums generated from associate companies	**124,835,154**	95,656,516
Claims paid to associate companies	**56,438,115**	55,224,858
Dividends paid	**8,295,472**	13,765,787
Management expenses (net)	**135,000**	135,000
Interest income	**1,209,628**	1,374,451

b) Due from related parties		
Insurance Premium Receivable (included in receivables)	47,338,232	14,815,379
c) Due to related parties		
Payable to related party (included in payable)	877,668	951,781

7. Property and Equipment

Particulars	(Un-audited) 30 September 2012 AED	(Audited) 31 December 2011 AED
Operating Assets	37,869,214	1,431,880
Capital work in progress	105,062	3,121,834
Total	37,974,276	4,553,714

7.1 The company transferred a portion of building amounting to AED 32,245,515, from investment property (carried at fair value) to property and equipment due to change in the use. The transfer has been recorded at fair value of the portion of the property transferred as on the date of change. This fair value will be the deemed cost of the property which will be subsequently depreciated over its remaining useful life, which is estimated to be 30 years.

8. Investment Properties

Particulars	**(Un-audited) 30 September 2012 AED**	**(Audited) 31 December 2011 AED**
At 1 Januray	**238,000,000**	237,500,000
Additions - at cost	-	-
Changes in fair value	-	500,000
Transfer to property and equipment (Refer Note 7.1)	(32,245,515)	-
At 30 September / 31 December	205,754,485	238,000,000

9. Investment securities

a) Investments

	Un-audited for the nine month period ended 30 September 2012		
	U.A.E.	**Other then U.A.E.**	**Total**
	AED	**AED**	**AED**
Investments at fair value through profit and loss	**99,376,771**	**-**	**99,376,771**
Investments at fair value through other comprehensive income	**11,993,175**	**12,383,197**	**24,376,372**
Investments at amortised cost	**42,837,825**	**-**	**42,837,825**
	154,207,771	**12,383,197**	**166,590,968**

	Audited for the year ended 31 December 2011		
	UAE	Other then UAE	Total
	AED	AED	AED
Investments at fair value through profit and loss	56,850,041	-	56,850,041
Investments at fair value through other comprehensive income	5,053,577	27,786,489	32,840,066
Investments at amortised cost	16,948,553	-	16,948,553
	78,852,171	27,786,489	106,638,660

b) As at 30 September 2012, shares amounting to AED 4,220,964 are held in the name of a Director for the beneficial interest of the Company.

c) As at 30 September 2012, policyholders' investment in unit linked contracts amounted to AED 34,269,562, which is included in investments at fair value through profit and loss.

10. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 30 September 2012 amounted to AED 266,587 (2011: nil).

Guarantees

	(Un-audited) 30 September 2012 AED	(Audited) 31 December 2011 AED
Letters of guarantees	9,427,558	9,437,558

Fixed deposits amounting to AED 14.5 million (2011: AED 14 million) are under lien as collateral in respect of above guarantees. Included in guarantees is a guarantee of AED 7.5 million (2011: AED 10 million) favoring ministry of economy and commerce.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount

National General Insurance Co. (P.S.C.)

Notes (continued)

(forming part of the condensed interim financial statements)

11. Segment information

Primary segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which the Company reports its primary segment information.

	General insurance For the nine-month period ended 30 September		Life assurance For the nine-month period ended 30 September		Total For the nine-month period ended 30 September	
	2012 AED	2011 AED	2012 AED	2011 AED	2012 AED	2011 AED
Underwriting income						
Gross written premium	278,373,938	269,688,789	71,051,292	87,904,007	349,425,230	357,592,796
Reinsurance ceded	(85,399,965)	(83,684,830)	(42,788,284)	(68,585,095)	(128,188,249)	(152,269,925)
Net premium	192,973,973	186,003,959	28,263,008	19,318,912	221,236,981	205,322,871
Change in unearned premium provision and payable to policyholders of unit linked product	(19,460,696)	3,417,827	(1,362,682)	(2,230,068)	(20,823,378)	1,187,759
Net earned premium	173,513,277	189,421,786	26,900,326	17,088,844	200,413,603	206,510,630
Reinsurance commission earned	19,623,655	21,332,257	12,738,835	13,010,650	32,362,490	34,342,907
Total income	193,136,932	210,754,043	39,639,161	30,099,494	232,776,093	240,853,537
Underwriting expenses						
Net incurred claims	(136,869,570)	(153,732,617)	(11,492,327)	(8,309,409)	(148,361,897)	(162,042,026)
Commission paid	(19,336,040)	(21,219,340)	(3,466,852)	(3,074,250)	(22,802,892)	(24,293,590)
General and administrative expenses	(18,479,705)	(21,078,865)	(6,323,500)	(4,350,310)	(24,803,205)	(25,429,175)
Total expenses	(174,685,315)	(196,030,822)	(21,282,679)	(15,733,969)	(195,967,994)	(211,764,791)
Profit before movement in life assurance fund	18,451,617	14,723,221	18,356,482	14,365,525	36,808,099	29,088,746
Increase in life assurance fund	-	-	(1,196,227)	(1,895,213)	(1,196,227)	(1,895,213)
Decrease in fair value of investment held for unit linked products	-	-	(1,854,318)	-	(1,854,318)	-
Underwriting profit	18,451,617	14,723,221	15,305,937	12,470,312	33,757,554	27,193,533
Income from investments					12,826,812	9,476,687
Unallocated expenses					(4,601,217)	(2,505,924)
Profit for the period					41,983,149	34,164,296

12. Payable to policyholders of unit linked products

During the period the Company acquired an insurance portfolio of unit linked policies from AVIVA Limited.

Movement during the period:

	(Un-audited) 30 September 2012 AED	(Audited) 31 December 2011 AED
Balance at the time of acquisition	32,990,242	-
Amount invested by policyholders	8,695,234	-
Amount withdrawn at redemption on lapse/surrender by policyholder	(5,561,597)	-
Change in fair value	(1,854,317)	-
	34,269,562	-

13. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements.

The Company has adopted IFRS 9 Financial instruments (IFRS 9) in 2011 in advance of its effective date. The Company had chosen 1 January 2011 as its date of initial application and had applied this standard retrospectively.