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

Condensed interim financial statements

for the three month period ended 31 March 2013

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

Condensed interim financial statements
for the three month period ended 31 March 2013

Contents

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard
PO Box 3800
Downtown Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

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.) ("the Company") as at 31 March 2013, 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 three 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 three month period ended 31 March 2013 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

07 MAY 2013

KPMG
Vijendra Nath Malhotra
Registration No: 48 B

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

Condensed interim statement of financial position

As at 31 March 2013

	Note	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
ASSETS			
Property and equipment		**34,684,086**	35,352,512
Intangible assets		**644,717**	699,448
Investment properties		**209,110,399**	209,110,399
Investment securities	*9*	**218,214,324**	185,849,931
Reinsurance assets		**152,985,054**	219,706,275
Insurance and other receivables		**129,608,109**	95,936,043
Cash and cash equivalents		**82,548,061**	120,282,062
Total assets		**827,794,750**	866,936,670
LIABILITIES			
Insurance contract provisions		**313,712,109**	383,100,272
Insurance and other payables		**128,422,228**	98,890,384
Payable to policyholders of unit linked products	*11*	**40,156,577**	39,130,330
Total liabilities		**482,290,914**	521,120,986
EQUITY			
Share capital		**149,954,112**	149,954,112
Legal reserve		**47,475,696**	47,475,696
General reserve		**46,859,710**	46,859,710
Fair value reserve		**(719,512)**	(1,721,044)
Retained earnings		**101,933,830**	103,247,210
Total equity		**345,503,836**	345,815,684
Total liabilities and equity		**827,794,750**	866,936,670

The notes on pages 7 to 13 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 07 MAY 2013 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 three month period ended 31 March 2013

	Note	(Un-audited) For the three month period ended 31 March 2013 AED	(Un-audited) For the three month period ended 31 March 2012 AED
Gross written premium	*10*	**104,650,526**	111,687,230
Reinsurance ceded		**(38,635,344)**	(47,369,868)
Net premium		**66,015,182**	64,317,362
Change in unearned premium provision and payable to participants of unit linked products		**8,450,441**	(2,380,582)
Net earned premiums	*10*	**74,465,623**	61,936,780
Reinsurance commission earned		**9,938,730**	12,583,218
Net underwriting income	*10*	**84,404,353**	74,519,998
Claims paid		**(125,533,103)**	(69,797,553)
Reinsurance share of claims paid		**76,335,336**	19,922,893
Net claims paid		**(49,197,767)**	(49,874,660)
Change in outstanding claims provision		**(8,362,245)**	1,291,357
Net incurred claims	*10*	**(57,560,012)**	(48,583,303)
Commission paid		**(8,046,882)**	(6,388,561)
Administrative expenses		**(9,544,623)**	(8,359,756)
Net underwriting expenses		**(75,151,517)**	(63,331,620)
Net movement in life assurance fund	*10*	**1,552,501**	(565,531)
Increase in fair value of investment held for unit linked products		**188,215**	-
Total underwriting expense		**(73,410,801)**	(63,897,151)
Underwriting profit	*10*	**10,993,552**	10,622,847
Interest and other income (net)		**5,788,624**	4,501,058
Net income from investment securities		**16,578,799**	4,896,387
Administrative expenses		**(1,721,269)**	(1,279,605)
Profit for the period		**31,639,706**	18,740,687
Basic and diluted earnings per share		**0.211**	0.125

The notes on pages 7 to 13 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 three month period ended 31 March 2013

	(Un-audited) For the three month period ended 31 March 2013 AED	(Un-audited) For the three month period ended 31 March 2012 AED
Profit for the period	**31,639,706**	18,740,687
Other comprehensive income		
Items that will not be reclassified to profit or loss :		
Net change in fair value of investments at fair value through other comprehensive income	**1,001,532**	3,194,092
Items that are or may be reclassified subsequently to profit or loss	-	-
Total other comprehensive income for the period	**1,001,532**	3,194,092
Total comprehensive income for the period	**32,641,238**	21,934,779

The notes on pages 7 to 13 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 changes in shareholders' equity (Un-audited)

For the three month period ended 31 March 2013

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value Reserve AED	Retained earnings AED	Total AED
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	-	-	-	-	18,740,687	18,740,687
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	3,194,092	-	3,194,092
Total other comprehensive income for the period	-	-	-	3,194,092	-	3,194,092
Total comprehensive income for the period	-	-	-	3,194,092	18,740,687	21,934,779
Director's remuneration	-	-	-	-	(1,515,864)	(1,515,864)
Dividends declared	-	-	-	-	(22,493,115)	(22,493,115)
As at 31 March 2012	149,954,112	42,835,656	42,219,670	(9,332,749)	91,712,593	317,389,282
Balance at 1 January 2013	149,954,112	47,475,696	46,859,710	(1,721,044)	103,247,210	345,815,684
Total comprehensive income for the period						
Profit for the period	-	-	-	-	31,639,706	31,639,706
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	1,001,532	-	1,001,532
Total other comprehensive income for the period	-	-	-	1,001,532	-	1,001,532
Total comprehensive income for the period	-	-	-	1,001,532	31,639,706	32,641,238
Director's remuneration	-	-	-	-	(2,962,264)	(2,962,264)
Dividends declared	-	-	-	-	(29,990,822)	(29,990,822)
As at 31 March 2013	**149,954,112**	**47,475,696**	**46,859,710**	**(719,512)**	**101,933,830**	**345,503,836**

The notes on pages 7 to 13 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 cash flows
For the three month period ended 31 March 2013

	(Un-audited) For the three month period ended 31 March 2013 AED	(Un-audited) For the three month period ended 31 March 2012 AED
Cash flows from operating activities		
Net profit for the period	**31,639,706**	18,740,687
Adjustment for:		
Depreciation and amortisation	**819,909**	507,931
Unrealized gains on investments fair valued through profit or loss	**(16,388,668)**	(6,287,022)
Change in unearned premium reserve and life assurance fund	**(11,029,187)**	254,691
Provision for gratuity – net of repayment	**667,052**	406,933
	5,708,812	13,623,220
Change in insurance and other receivables (including related parties)	**(33,672,066)**	16,063,643
Change in insurance and other payables *	**(1,126,030)**	(37,967,899)
Change in net outstanding claims	**8,362,245**	(1,291,357)
Directors' remuneration paid	**(2,962,264)**	(1,515,864)
Net cash used in operating activities	**(23,689,303)**	(11,088,257)
Cash flows from investing activities		
Purchase of property and equipment	**(96,752)**	(2,564,595)
Purchase of investments fair valued through profit or loss	**(13,947,946)**	(422,120)
Change in bank deposits	**6,636,965**	55,803,754
Net cash (used in)/from investing activities	**(7,407,733)**	52,817,039
Cash flows from financing activities		
Dividends paid	**-**	-
Net cash used in financing activities	**-**	-
Net decrease in cash and cash equivalents	**(31,097,036)**	41,728,782
Cash and cash equivalents at the beginning of the period	**78,638,358**	43,589,273
Cash and cash equivalents at the end of the period	**47,541,322**	85,318,055
These comprise the following:		
Cash in hand	**194,838**	780,049
Cash at bank	**5,702,780**	14,233,006
Fixed deposits	**76,650,443**	104,806,245
Less: deposits with original maturities of greater than three months	**(35,006,739)**	(34,501,245)
Cash and cash equivalents as at 31 March	**47,541,322**	85,318,055

*** Non Cash transaction**

Included in Insurance and other payables is an amount of AED 29,990,822 on account of dividend declared but not yet paid.

The notes on pages 7 to 13 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 and 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.

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 full annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for the following which are measured at fair value :

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

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 financial statements as at and for the year ended 31 December 2012.

3. Summary of significant accounting policies (continued)

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Company's audited financial statements for the year ended 31 December 2012 except for the adoption of the new IFRSs which became effective as of 1 January 2013.

The adoption of the new and amended standards and interpretations did not have an impact on the financial position or performance of the Company during the period.However, additional disclosures have been included in these condensed interim financial statements

4. Financial risk management

Aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

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.

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

	(Un-audited) For the three month period ended 31 March 2013 AED	(Un-audited) For the three month period ended 31 March 2012 AED
Key management personnel compensation		
Remuneration and short term benefits	**912,185**	1,217,849
End of service benefits	**101,940**	237,265
Other related parties		
Premiums underwritten from associate companies	**27,397,230**	16,458,717
Claims paid to associate companies	**22,697,653**	18,107,894
Management expenses (net)	**45,000**	45,000
Interest income	**192,586**	446,298

6. Related party transactions (continued)

	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
b) Due from related parties		
Insurance Premium Receivable (included in receivables)	**28,425,731**	14,603,353
c) Due to related parties		
Payable to related party (included in payable)	**1,424,841**	4,637,265

7. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 31 March 2013 amounted to AED nil (2012: nil).

Guarantees

	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
Letters of guarantees	**8,059,873**	8,309,873

Fixed deposits amounting to AED 14.8 million (2012: AED 14.5 million) are under lien as collateral in respect of above guarantees. Guarantees include an amount of AED 7.5 million (2012: AED 7.5 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 of outflow can be made.

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

Notes (continued)

(forming part of the condensed interim financial statements)

8. Classes and categories of financials assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair v

At 31 March 2013

Financial Assets	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**
Investment Securities	**149,759,918**	**47,351,582**	**21,102,824**	**218,214,324**
Insurance and other receivables	-	-	**129,608,109**	**129,608,109**
Reinsurer's share of outstanding claims	-	-	**86,862,895**	**86,862,895**
Cash and cash equivalents	-	-	**82,548,061**	**82,548,061**
	149,759,918	**47,351,582**	**320,121,889**	**517,233,389**

Financial Liabilities				
Insurance and other payables	-	-	**128,422,228**	**128,422,228**
Outstanding claims	-	-	**126,622,377**	**126,622,377**
Payable to policyholders of unit linked products	**40,156,577**	-	-	**40,156,577**
	40,156,577	-	**255,044,605**	**295,201,182**

At 31 December 2012

Financial Assets	FVTPL	FVTOCI	Amortised Cost	Total
Investment Securities	118,397,058	46,350,048	21,102,825	185,849,931
Insurance and other receivables	-	-	95,936,043	95,936,043
Reinsurer's share of outstanding claims	-	-	156,071,190	156,071,190
Cash and cash equivalents	-	-	120,282,062	120,282,062
	118,397,058	46,350,048	393,392,120	558,139,226

Financial Liabilities				
Insurance and other payables	-	-	98,890,384	98,890,384
Outstanding claims	-	-	177,519,345	177,519,345
Payable to policyholders of unit linked products	39,130,330	-		39,130,330
	39,130,330	-	276,409,729	315,540,059

9. Investment securities

	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
Financial assets at fair value through profit or loss	**149,759,918**	118,397,058
Financial assets at fair value through other comprehensive income	**47,351,582**	46,350,048
Financial assets at amortised costs	**21,102,824**	21,102,825
	218,214,324	185,849,931

9.1 Investments fair valued through profit or loss

	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
Investments on behalf of policyholders of unit linked products	**40,156,577**	39,130,330
Equity investments - quoted	**109,603,341**	79,266,728
Total	**149,759,918**	118,397,058

As at 31 March 2013, shares amounting to AED 4.2 million (31 December 2012 : AED 3.9 million) are held in the name of a Director for the beneficial interest of the Company.

9.2 Investments - Geographic concentration

	(Un-audited) 31 March 2013 AED	(Audited) 31 December 2012 AED
Investments made :		
- Within U.A.E.	**203,580,433**	181,703,263
-Outside U.A.E.	**14,633,891**	4,146,668
	218,214,324	185,849,931

9.3 Fair Vale Hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair valur measurement is categorised :

Investment Securities	**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 March 2013				
FVTPL	**149,759,918**	-	-	**149,759,918**
FVTOCI	**21,496,650**	**25,854,932**	-	**47,351,582**
	171,256,568	**25,854,932**	-	**197,111,500**
31 December 2012				
FVTPL	118,397,058	-	-	118,397,058
FVTOCI	21,765,312	24,584,736	-	46,350,048
	140,162,370	24,584,736	-	164,747,106

10. Segment information

Primary segment information

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

	General insurance For the three month period ended 31 March		Life assurance For the three month period ended 31 March		Total For the three month period ended 31 March	
	2013 AED	2012 AED	2013 AED	2012 AED	2013 AED	2012 AED
Underwriting income						
Gross written premium	86,233,617	85,000,596	18,416,909	26,686,634	104,650,526	111,687,230
Reinsurance ceded	(26,856,611)	(30,319,311)	(11,778,733)	(17,050,557)	(38,635,344)	(47,369,868)
Net premium	59,377,006	54,681,285	6,638,176	9,636,077	66,015,182	64,317,362
Change in unearned premium provision and payable to participants of unit linked product	10,101,504	988,196	(1,651,063)	(3,368,778)	8,450,441	(2,380,582)
Net earned premium	69,478,510	55,669,481	4,987,113	6,267,299	74,465,623	61,936,780
Reinsurance commission earned	5,984,398	7,836,651	3,954,332	4,746,567	9,938,730	12,583,218
Total income	75,462,908	63,506,132	8,941,445	11,013,866	84,404,353	74,519,998
Underwriting expenses						
Net incurred claims	(54,911,127)	(45,688,794)	(2,648,885)	(2,894,509)	(57,560,012)	(48,583,303)
Commission paid	(7,377,532)	(5,376,858)	(669,350)	(1,011,703)	(8,046,882)	(6,388,561)
Administrative and general expenses	(6,914,830)	(7,262,561)	(2,629,793)	(1,097,195)	(9,544,623)	(8,359,756)
Total expenses	(69,203,489)	(58,328,213)	(5,948,028)	(5,003,407)	(75,151,517)	(63,331,620)
Profit before movement in life assurance fund	6,259,419	5,177,919	2,993,417	6,010,459	9,252,836	11,188,378
Increase/ (decrease) in life assurance fund	-	-	1,552,501	(565,531)	1,552,501	(565,531)
Increase in fair value of investment held for unit linked products	-	-	188,215	-	188,215	-
Underwriting profit for the period	6,259,419	5,177,919	4,734,133	5,444,928	10,993,552	10,622,847
Income from investments					22,367,423	9,397,445
Unallocated expenses					(1,721,269)	(1,279,605)
Profit for the period					31,639,706	18,740,687

11. Payable to policyholders of unit linked products

Movement during the period:

	(Un-audited) 31 March 2013	(Audited) 31 December 2012
Opening balance / Balance at the time of acquisition	**39,130,330**	32,990,242
Amounts invested by policyholders	**2,032,887**	12,716,822
Amount withdrawn at redemption on lapse / surrender by policyholder	**(1,194,855)**	(7,052,029)
Change in fair value	**188,215**	475,295
	40,156,577	39,130,330

12. Comparatives

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