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

Condensed interim financial statements
30 September 2013

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

Condensed interim financial statements
30 September 2013

Contents	***Page***

KPMG

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 30 September 2013 condensed interim financial information of National General Insurance Co. (P.S.C) ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2013;
- the condensed interim statements of income for the three month and nine month periods ended 30 September 2013;
- the condensed interim statements of comprehensive income for the three month and nine month periods ended 30 September 2013;
- the condensed interim statements of changes in equity for the nine month period ended 30 September 2013;
- the condensed interim statements of cash flows for the nine month period ended 30 September 2013; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with 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 30 September 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendra Nath Malhotra
Registration No: 48 B

31 OCT 2013

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

Condensed interim statement of financial position

As at 30 September 2013

	Note	(Un-audited) 30 September 2013 AED	(Audited) 31 December 2012 AED
ASSETS			
Property and equipment		**33,709,768**	35,352,512
Intangible assets		**1,207,687**	699,448
Investment properties		**209,110,399**	209,110,399
Investment securities	*9*	**268,316,014**	185,849,931
Reinsurance assets		**153,923,687**	219,706,275
Insurance and other receivables		**165,300,342**	95,936,043
Cash and cash equivalents		**86,839,310**	120,282,062
Total assets		**918,407,207**	866,936,670
LIABILITIES			
Insurance contract provisions		**359,122,784**	383,100,272
Insurance and other payables		**119,394,897**	98,890,384
Payable to participants of unit linked products	*11*	**39,957,773**	39,130,330
Total liabilities		**518,475,454**	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		**(1,385,284)**	(1,721,044)
Retained earnings		**157,027,519**	103,247,210
Total equity attributable to equity holders of the Company		**399,931,753**	345,815,684
Total liabilities and equity		**918,407,207**	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 31 OCT 2013 and signed on its behalf by :

Mr. Adel M. S. Al Zarouni
Vice 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 2013

	Note	(Un-audited) For the three month period ended 30 September 2013 AED	(Un-audited) For the three month period ended 30 September 2012 AED	(Un-audited) For the nine month period ended 30 September 2013 AED	(Un-audited) For the nine month period ended 30 September 2012 AED
Gross written premium	10	88,708,772	96,748,087	363,720,187	349,425,230
Reinsurance ceded		(34,344,958)	(48,270,701)	(110,738,726)	(128,188,249)
Net premium		54,363,814	48,477,386	252,981,461	221,236,981
Change in unearned premium provision and payable to policyholders of unit linked product		16,432,853	16,075,341	.(36,055,233)	(20,785,442)
Net earned premiums	10	70,796,667	64,552,727	216,926,228	200,451,539
Reinsurance commission earned		6,486,621	14,758,941	26,441,329	32,362,490
Net underwriting income	10	77,283,288	79,311,668	243,367,557	232,814,029
Claims paid		(70,475,674)	(61,718,677)	(254,944,704)	(203,810,400)
Reinsurance share		18,747,014	11,966,058	105,511,600	51,539,706
Net claims paid		(51,728,660)	(49,752,619)	(149,433,104)	(152,270,694)
Change in outstanding claims provision		1,064,919	245,224	(5,336,294)	3,908,797
Net incurred claims	10	(50,663,741)	(49,507,395)	(154,769,398)	(148,361,897)
Commission paid		(7,636,783)	(10,572,972)	(25,908,158)	(22,802,892)
Administrative expenses		(8,671,815)	(8,684,388)	(28,503,282)	(24,803,205)
Net underwriting expenses		(66,972,339)	(68,764,755)	(209,180,838)	(195,967,994)
Net movement in life assurance fund	10	1,732,435	(369,014)	(1,241,015)	(1,234,163)
Decrease in fair value of investment held for unit linked products		(2,754,802)	2,016,926	(3,751,274)	(1,854,318)
Total underwriting expense		(67,994,706)	(67,116,843)	(214,173,127)	(199,056,475)
Underwriting profit	10	6,806,552	12,194,825	29,194,430	33,757,554
Interest and other income (net)		1,770,362	1,838,391	10,597,085	8,290,859
Net income from investment securities	9.4	13,837,571	3,260,159	51,955,078	4,535,953
Administrative expenses		(1,558,541)	(1,616,429)	(5,013,197)	(4,601,217)
Profit for the period		20,855,944	15,676,946	86,733,396	41,983,149
Basic and diluted earnings per share		0.14	0.10	0.58	0.28

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 nine month period ended 30 September 2013

	(Un-audited) For the three month period ended 30 September 2013 AED	(Un-audited) For the three month period ended 30 September 2012 AED	(Un-audited) For the nine month period ended 30 September 2013 AED	(Un-audited) For the nine month period ended 30 September 2012 AED
Profit for the period	**20,855,944**	15,676,946	**86,733,396**	41,983,149
Other comprehensive income				
Items that will not be classified to profit or loss:				
Net change in fair value of investments at fair value through other comprehensive income	**906,922**	1,103,521	**335,760**	3,058,204
items that are or maybe reclassified subsequently to profit or loss	-	-	-	-
Total other comprehensive income	**906,922**	1,103,521	**335,760**	3,058,204
Total comprehensive income for the period	**21,762,866**	16,780,467	**87,069,156**	45,041,353

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 nine month period ended 30 September 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	-	-	-	-	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
Transaction with owners :						
Director's remuneration	-	-	-	-	(1,515,865)	(1,515,865)
Dividends declared and paid	-	-	-	-	(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
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	-	-	-	-	86,733,396	86,733,396
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	335,760	-	335,760
Total other comprehensive income for the period	-	-	-	335,760	-	335,760
Total comprehensive income for the period	-	-	-	335,760	86,733,396	87,069,156
Transaction with owners :						
Director's remuneration	-	-	-	-	(2,962,265)	(2,962,265)
Dividends paid	-	-	-	-	(29,990,822)	(29,990,822)
As at 30 September 2013	149,954,112	47,475,696	46,859,710	(1,385,284)	157,027,519	399,931,753

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 nine month period ended 30 September 2013

	(Un-audited) For the nine month period ended 30 September 2013 AED	(Un-audited) For the nine month period ended 30 September 2012 AED
Cash flows from operating activities		
Net profit for the period	86,733,396	41,983,149
Adjustment for:		
Depreciation and amortisation	1,782,347	2,483,586
Realised gains on investments at fair value through profit or loss	(22,771,024)	
Unrealised gains on investments at fair value through profit or loss	(29,185,145)	(4,535,953)
Change in unearned premium reserve and life assurance fund	36,468,806	20,740,287
Provision for gratuity – net of repayment	905,546	409,363
	73,933,926	61,080,432
Change in insurance and other receivables (including related parties)	(69,364,299)	(6,989,303)
Change in insurance and other payables	19,598,967	(32,281,387)
Change in net outstanding claims	5,336,294	(3,908,799)
Directors' remuneration paid	(2,962,265)	(1,515,865)
Net cash generated from operating activities	26,542,623	16,385,078
Cash flows from investing activities		
Purchase of property and equipment	(1,496,709)	(3,658,637)
Purchase of investments at ammortised cost	-	(25,889,272)
Purchase of investments at fair value through OCI	(7,342,554)	
Purchase of investments at fair value through profit or loss	(89,543,734)	(3,721,212)
Disposal of property and equipment	849,957	-
Disposal of investments at ammortised cost	6,154,036	-
Proceeds from sale of investment at fair value through OCI	-	11,521,899
Disposal of investments fair valued through profit or loss	61,384,511	-
Change in bank deposits	16,810,743	55,020,922
Net cash (used in)/ generated from investing activities	(13,183,750)	33,273,700
Cash flows from financing activities		
Dividends paid	(29,990,882)	(22,493,115)
Net cash used in financing activities	(29,990,882)	(22,493,115)
Net decrease in cash and cash equivalents	(16,632,009)	27,165,663
Cash and cash equivalents at the beginning of the period	78,638,358	43,589,272
Cash and cash equivalents at the end of the period	62,006,349	70,754,935
These comprise the following:		
Cash in hand	81,367	356,251
Cash at bank	20,511,039	9,773,711
Fixed deposits	66,246,903	95,909,051
	86,839,310	106,039,013
Less: deposits with original maturities of greater than three months	(24,832,961)	(35,284,078)
Cash and cash equivalents as at 30 September	62,006,349	70,754,935

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 and regulation of insurance operations.

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

3. Summary of significant accounting policies

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 annual 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 annual audited 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 nine month period ended 30 September 2013 AED	(Un-audited) For the nine month period ended 30 September 2012 AED
Key management personnel compensation		
Remuneration and short term benefits	**3,656,402**	3,336,159
End of service benefits	**469,808**	330,058
Other related parties		
Premiums generated from associate companies	**135,126,842**	124,835,154
Claims paid to associate companies	**67,658,461**	56,438,115
Dividends paid	**13,704,357**	8,259,472
Management expenses (net)	**135,000**	135,000
Interest income	**445,099**	1,209,628

6. Related party transactions (continued)

	(Un-audited) 30 September 2013 AED	(Audited) 31 December 2012 AED
b) Due from related parties		
Insurance Premium Receivable (included in receivables)	**74,411,892**	14,603,353
c) Due to related parties		
Payable to related party (included in payable)	**2,573,543**	4,637,265

7. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 30 September 2013 amounted to AED nil (2012: nil).

Guarantees

	(Un-audited) 30 September 2013 AED	(Audited) 31 December 2012 AED
Letters of guarantees	**8,040,799**	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.

Included in short term deposits with banks operating in the U.A.E., is a deposit amounting to AED 10 million and AED 4.5 million held under lien as collateral in the name of the company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law number (6) of 2007 relating to Insurance Authority and other performance guarantees respectively.

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.

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.

At 30 September 2013

Financial Assets	FVTPL	FVTOCI	Amortised Cost	Total
Investment Securities	198,878,696	54,028,418	15,408,900	268,316,014
Insurance and other receivables	-	-	165,300,342	165,300,342
Reinsurer's share of outstanding claims	-	-	86,124,000	86,124,000
Cash and cash equivalents	-	-	86,839,310	86,839,310
	198,878,696	54,028,418	353,672,552	606,579,666

Financial Liabilities	FVTPL	FVTOCI	Amortised Cost	Total
Insurance and other payables	-	-	119,394,897	119,394,897
Outstanding claims	-	-	92,040,063	92,040,063
Payable to policyholders of unit linked products	39,957,773	-	-	39,957,773
	39,957,773	-	211,434,960	251,392,733

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	FVTPL	FVTOCI	Amortised Cost	Total
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) 30 September 2013 AED	(Audited) 31 December 2012 AED
Financial assets at fair value through profit or loss	198,878,696	118,397,058
Financial assets at fair value through other comprehensive income	54,028,418	46,350,048
Financial assets at amortised costs	15,408,900	21,102,825
	268,316,014	185,849,931

9.1 Investments fair valued through profit or loss

	(Un-audited) 30 September 2013 AED	(Audited) 31 December 2012 AED
Investments on behalf of policyholders of unit linked products	39,957,773	39,130,330
Equity investments - quoted	158,920,923	79,266,728
Total	198,878,696	118,397,058

9.2 Investments - Geographic concentration

	(Un-audited) 30 September 2013 AED	(Audited) 31 December 2012 AED
Investments made :		
- Within U.A.E.	263,556,372	181,703,263
-Outside U.A.E.	4,759,642	4,146,668
	268,316,014	185,849,931

9.3 Fair Value 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 value measurement is categorised :

Investment Securities	Level 1	Level 2	Level 3	Total
At 30 September 2013				
FVTPL	198,878,696			198,878,696
FVTOCI	20,417,926	33,610,492		54,028,418
	219,296,622	33,610,492	-	252,907,114
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

9.4 Net income from investment securities

	(Un-audited) 30 September 2013 AED	(Un-audited) 30 September 2012 AED
Realised gain on disposal of investments	22,769,933	-
Revaluation of investments fair valued through profit or loss	29,185,145	4,535,953
	51,955,078	4,535,953

10. 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	
	2013 AED	2012 AED	2013 AED	2012 AED	2013 AED	2012 AED
Underwriting income						
Gross written premium	310,227,417	278,373,938	53,492,770	71,051,292	363,720,187	349,425,230
Reinsurance ceded	(79,832,432)	(85,399,965)	(30,906,294)	(42,788,284)	(110,738,726)	(128,188,249)
Net premium	230,394,985	192,973,973	22,586,476	28,263,008	252,981,461	221,236,981
Change in unearned premium provision and payable to policyholders of unit linked product	(35,261,509)	(19,460,696)	(793,724)	(1,324,746)	(36,055,233)	(20,785,442)
Net earned premium	195,133,476	173,513,277	21,792,752	26,938,262	216,926,228	200,451,539
Reinsurance commission earned	16,721,517	19,623,655	9,719,812	12,738,835	26,441,329	32,362,490
Total income	211,854,993	193,136,932	31,512,564	39,677,097	243,367,557	232,814,029
Underwriting expenses						
Net incurred claims	(143,386,395)	(136,869,570)	(11,383,003)	(11,492,327)	(154,769,398)	(148,361,897)
Commission paid	(23,888,935)	(19,336,040)	(2,019,223)	(3,466,852)	(25,908,158)	(22,802,892)
General and administrative expenses	(20,436,307)	(18,479,705)	(8,066,975)	(6,323,500)	(28,503,282)	(24,803,205)
Total expenses	(187,711,637)	(174,685,315)	(21,469,201)	(21,282,679)	(209,180,838)	(195,967,994)
Profit before movement in life assurance fund	24,143,356	18,451,617	10,043,363	18,394,418	34,186,719	36,846,035
Increase in life assurance fund	-	-	(1,241,015)	(1,234,163)	(1,241,015)	(1,234,163)
Decrease in fair value of investment held for unit linked products	-	-	(3,751,274)	(1,854,318)	(3,751,274)	(1,854,318)
Underwriting profit	24,143,356	18,451,617	5,051,074	15,305,937	29,194,430	33,757,554
Income from investments					62,552,163	12,826,812
Unallocated expenses					(5,013,197)	(4,601,217)
Profit for the period					86,733,396	41,983,149

11. Payable to participants of unit linked products

Movement during the period:

	(Un-audited) 30 September 2013	(Audited) 31 December 2012
Opening balance / Balance at the time of acquisition	**39,130,330**	32,990,242
Amounts invested by policyholders	**7,734,773**	12,716,822
Amount withdrawn at redemption on lapse / surrender by policyholder	**(3,156,056)**	(7,052,029)
Change in fair value	**(3,751,274)**	475,295
Balance as at 30 September / 31 December	**39,957,773**	39,130,330

12. 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.