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

Condensed interim financial statements

For the three-month period ended 31 March 2015

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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 31 March 2015 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 31 March 2015;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2015;
- the condensed interim statement of other comprehensive income for the three-month period ended 31 March 2015;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2015;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2015; 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 31 March 2015 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793

04 MAY 2015

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

Condensed interim statement of financial position

As at 31 March 2015

	Note	(Un-audited) 31 March 2015 AED	(Audited) 31 December 2014 AED
ASSETS			
Property and equipment		**34,644,877**	34,455,304
Intangible assets		**1,681,896**	1,861,723
Investment properties		**225,931,292**	225,931,292
Investment securities	*8*	**296,686,043**	247,749,525
Reinsurance assets		**141,758,252**	139,821,666
Insurance and other receivables		**126,866,056**	124,422,854
Cash and cash equivalents		**147,128,216**	195,789,347
Total assets		**974,696,632**	970,031,711
LIABILITIES			
Insurance contract provisions		**335,697,752**	322,746,323
Insurance and other payables		**150,313,577**	119,929,880
Payable to policyholders of unit-linked products	*10*	**43,450,747**	41,990,988
Total liabilities		**529,462,076**	484,667,191
EQUITY			
Share capital		**149,954,112**	149,954,112
Legal reserve		**67,949,507**	67,949,507
General reserve		**67,333,521**	67,333,521
Fair value reserve		**660,788**	229,233
Retained earnings		**159,336,628**	199,898,147
Total equity		**445,234,556**	485,364,520
Total liabilities and equity		**974,696,632**	970,031,711

The notes on pages 7 to 12 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 04/05/2015 and signed on its behalf by :

Hamad Mubarak 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 profit or loss

For the three-month period ended 31 March 2015

	Note	**(Un-audited)** For the three-month period ended 31 March 2015 AED	(Un-audited) For the three-month period ended 31 March 2014 AED
Gross written premium	*9*	**102,231,457**	112,237,440
Reinsurance ceded		**(33,079,660)**	(39,474,301)
Net premium		**69,151,797**	72,763,139
Change in unearned premium provision and payable to participants of unit linked products		**(5,120,151)**	1,167,942
Net earned premiums	*9*	**64,031,646**	73,931,081
Reinsurance commission earned		**8,828,232**	9,799,786
Net underwriting income	*9*	**72,859,878**	83,730,867
Claims paid		**(52,949,977)**	(80,084,308)
Reinsurance share of claims paid		**8,718,900**	21,322,702
Net claims paid		**(44,231,077)**	(58,761,606)
Change in outstanding claims provision		**(5,875,146)**	(3,458,021)
Net incurred claims	*9*	**(50,106,223)**	(62,219,627)
Commission paid		**(8,601,526)**	(10,912,333)
Administrative expenses		**(10,801,246)**	(8,853,810)
Net underwriting expenses		**(69,508,995)**	(81,985,770)
Net movement in life assurance fund	*9*	**(1,479,306)**	593,174
Increase in fair value of investment held for unit linked products		**855,930**	978,150
Total underwriting expense		**(70,132,371)**	(80,414,446)
Underwriting profit	*9*	**2,727,507**	3,316,421
Interest and other income (net)		**6,905,593**	7,605,658
Net (loss) / income from investment securities	*8.3*	**(6,091,723)**	37,372,530
Administrative expenses		**(2,960,828)**	(3,543,065)
Profit for the period		**580,549**	44,751,544
Basic and diluted earnings per share		**0.004**	0.298

The notes on pages 7 to 12 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 other comprehensive income

For the three-month period ended 31 March 2015

	(Un-audited) For the three-month period ended 31 March 2015 AED	(Un-audited) For the three-month period ended 31 March 2014 AED
Profit for the period	**580,549**	44,751,544
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	**431,555**	1,457,313
Total other comprehensive income for the perioc	**431,555**	1,457,313
Total comprehensive income for the period	**1,012,104**	46,208,857

The notes on pages 7 to 12 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 2015

	Attributable to the equity holders of the Company					
	Share capital AED	**Legal reserve AED**	**General reserve AED**	**Fair value reserve AED**	**Retained earnings AED**	**Total AED**
Balance at 1 January 2014	149,954,112	59,986,254	59,370,268	(1,213,870)	170,584,399	438,681,163
Total comprehensive income for the period						
Profit for the period	-	-	-	-	44,751,544	44,751,544
Other comprehensive income for the period						
Net change in fair value of investments FVTOCI	-	-	-	1,457,313	-	1,457,313
Gain on sale of financial asset measured at FVTOCI	-	-	-	26,748	(26,748)	-
Total other comprehensive income for the period	-	-	-	1,484,061	(26,748)	1,457,313
Total comprehensive income for the period	-	-	-	1,484,061	44,724,796	46,208,857
Director's remuneration	-	-	-	-	(4,629,338)	(4,629,338)
Dividends	-	-	-	-	(29,990,822)	(29,990,822)
As at 31 March 2014	149,954,112	59,986,254	59,370,268	270,191	180,689,035	450,269,860
Balance at 1 January 2015	149,954,112	67,949,507	67,333,521	229,233	199,898,147	485,364,520
Total comprehensive income for the period						
Profit for the period	-	-	-	-	580,549	580,549
Other comprehensive income for the period						
Net change in fair value of investments FVTOCI	-	-	-	431,555	-	431,555
Gain on sale of financial asset measured at FVTOCI	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	-	431,555	-	431,555
Total comprehensive income for the period	-	-	-	431,555	580,549	1,012,104
Director's remuneration	-	-	-	-	(3,653,540)	(3,653,540)
Dividends	-	-	-	-	(37,488,528)	(37,488,528)
As at 31 March 2015	**149,954,112**	**67,949,507**	**67,333,521**	**660,788**	**159,336,628**	**445,234,556**

The notes on pages 7 to 12 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 2015

	(Un-audited) For the three-month period ended 31 March 2015 AED	(Un-audited) For the three-month period ended 31 March 2014 AED
Cash flows from operating activities		
Net profit for the period	**580,549**	44,751,544
Adjustment for:		
Depreciation and amortisation	**1,111,923**	899,724
Dividend income	**(4,605,850)**	(5,752,138)
Unrealised losses / (gains) on investments fair valued through profit or loss	**6,262,826**	(37,026,132)
Realised gains on investments fair valued through profit or loss	**(171,103)**	(346,398)
Increase / (decrease) in unearned premium reserve and life assurance fund	**5,139,697**	(3,861,607)
Provision for gratuity – net of repayment	**252,396**	357,979
	8,570,438	(977,028)
Change in insurance and other receivables (including related parties)	**(2,443,202)**	(13,556,554)
Change in insurance and other payables *	**(7,349,411)**	(10,839,302)
Change in net outstanding claims	**5,875,146**	3,458,021
Directors' remuneration paid	**(3,653,540)**	(4,629,338)
Net cash generated from/ (used in) operating activities	**999,431**	(26,544,201)
Cash flows from investing activities		
Purchase of property and equipment	**(1,121,669)**	(525,517)
Purchase of investments fair valued through profit or loss	**(40,512,118)**	(17,705,721)
Purchase of investments fair valued through other comprehensive income	**(20,070,000)**	-
Proceeds from sale of investments fair valued through profit or loss	**7,437,375**	15,933,189
Proceeds from sale of investments fair valued through other comprehensive income	**-**	490,399
Proceeds from sale of property and equipment	**-**	13,499
Dividend income	**4,605,850**	5,752,138
Change in bank deposits	**(10,568,020)**	(10,208,584)
Net cash used in investing activities	**(60,228,582)**	(6,250,597)
Net decrease in cash and cash equivalents	**(59,229,151)**	(32,794,798)
Cash and cash equivalents at the beginning of the period	**180,789,347**	74,318,998
Cash and cash equivalents at the end of the period	**121,560,196**	41,524,200
These comprise the following:		
Cash in hand	**338,892**	104,560
Cash at bank	**106,221,303**	5,965,224
Fixed deposits	**40,568,021**	107,443,489
Total	**147,128,216**	113,513,273
Less: deposits with original maturities of greater than three months	**(25,568,020)**	(71,989,073)
Cash and cash equivalents as at 31 March	**121,560,196**	41,524,200

The notes on pages 7 to 12 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 audited financial statements, and should be read in conjunction with the annual audited financial statements as at and for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

These 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 ("FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI") ; 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 these 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 2014.

3. Summary of significant accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the Company's annual audited financial statements for the year ended 31 December 2014.

4. Financial risk management

Aspects of the Company’s financial risk management objectives and policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2014.

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 2015 AED	(Audited) For the three-month period ended 31 March 2014 AED
Key management personnel compensation		
Remuneration and short term benefits	**1,722,603**	1,472,830
End of service benefits	**302,563**	51,570
Other related parties		
Premiums underwritten	**27,140,535**	28,025,694
Claims paid	**7,101,938**	30,547,462
Management expenses (net)	**-**	-
Interest income	**378,968**	238,489

	(Un-audited) 31 March 2015 AED	(Audited) 31 December 2014 AED
b) Due from related parties		
Insurance Premium Receivable (included in receivables)	**28,227,290**	14,358,561
c) Due to related parties		
Payable to related party (included in payable)	**1,746,492**	285,623

7. 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 values:

At 31 March 2015

Financial Assets	**FVTPL AED**	**FVTOCI AED**	**Amortised cost AED**	**Total AED**
Investment Securities	**224,313,664**	**56,963,479**	**15,408,900**	**296,686,043**
Insurance and other receivables (excluding prepayments)	**-**	**-**	**122,292,563**	**122,292,563**
Cash and cash equivalents	**-**	**-**	**147,128,216**	**147,128,216**
	224,313,664	**56,963,479**	**284,829,679**	**566,106,822**

Financial Liabilities				
Insurance and other payables (excluding accruals)	**-**	**-**	**140,089,410**	**140,089,410**
Payable to policyholders of unit-linked products	**43,450,747**	**-**	**-**	**43,450,747**
	43,450,747	**-**	**140,089,410**	**183,540,157**

At 31 December 2014

Financial Assets	FVTPL AED	FVTOCI AED	Amortised cost AED	Total AED
Investment Securities	195,870,884	36,469,741	15,408,900	247,749,525
Insurance and other receivables (excluding prepayments)	-	-	122,251,836	122,251,836
Cash and cash equivalents	-	-	195,789,347	195,789,347
	195,870,884	36,469,741	333,450,083	565,790,708

Financial Liabilities				
Insurance and other payables (excluding accruals)	-	-	140,352,088	140,352,088
Payable to policyholders of unit-linked products	41,990,988	-	-	41,990,988
	41,990,988	36,469,741	140,352,088	182,343,076

8. Investment securities

	(Un-audited) 31 March 2015 AED	(Audited) 31 December 2014 AED
Within U.A.E.		
Financial assets at fair value through profit or loss	**224,313,664**	195,870,884
Financial assets at fair value through other comprehensive income	**56,963,479**	36,469,741
Financial assets at amortised costs	**15,408,900**	15,408,900
	296,686,043	247,749,525

8.1 Investments fair valued through profit or loss

	(Un-audited) 31 March 2015 AED	(Audited) 31 December 2014 AED
Investments on behalf of policyholders of unit-linked products	**43,450,747**	41,990,988
Equity investments - quoted	**180,862,917**	153,879,896
Total	**224,313,664**	195,870,884

8.2 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 valur measurement is categorised :

Investment Securities	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At 31 March 2015				
FVTPL	**224,313,664**	**-**	-	**224,313,664**
FVTOCI	**56,963,479**		-	**56,963,479**
	281,277,143	**-**	**-**	**281,277,143**
31 December 2014				
FVTPL	195,870,884	-	-	195,870,884
FVTOCI	36,469,741	-	-	36,469,741
	232,340,625	-	-	232,340,625

8.3 Net (loss) / income from investment securities

	(Un-audited) For the three-month period ended 31 March 2015 AED	(Un-audited) For the three-month period ended 31 March 2014 AED
Realised gain on disposal of investments	**171,103**	346,398
Marked to market difference on investments at fair value through profit or loss	**(6,262,826)**	37,026,132
	(6,091,723)	37,372,530

9. 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	
	2015	2014	**2015**	2014	**2015**	2014
	AED	AED	**AED**	AED	**AED**	AED
Underwriting income						
Gross written premium	**87,791,770**	96,054,138	**14,439,687**	16,183,302	**102,231,457**	112,237,440
Reinsurance ceded	**(27,041,457)**	(31,233,897)	**(6,038,203)**	(8,240,404)	**(33,079,660)**	(39,474,301)
Net premium	**60,750,313**	64,820,241	**8,401,484**	7,942,898	**69,151,797**	72,763,139
Change in unearned premium provision and payable to participants of unit linked product	**(4,233,168)**	3,347,285	**(886,983)**	(2,179,343)	**(5,120,151)**	1,167,942
Net earned premium	**56,517,145**	68,167,526	**7,514,501**	5,763,555	**64,031,646**	73,931,081
Reinsurance commission earned	**5,495,872**	7,036,757	**3,332,360**	2,763,029	**8,828,232**	9,799,786
Net underwriting income	**62,013,017**	75,204,283	**10,846,861**	8,526,584	**72,859,878**	83,730,867
Underwriting expenses						
Net incurred claims	**(44,172,317)**	(57,588,055)	**(5,933,906)**	(4,631,572)	**(50,106,223)**	(62,219,627)
Commission paid	**(6,932,318)**	(9,901,951)	**(1,669,208)**	(1,010,382)	**(8,601,526)**	(10,912,333)
Administrative and general expenses	**(9,031,805)**	(6,232,926)	**(1,769,441)**	(2,620,884)	**(10,801,246)**	(8,853,810)
Net underwriting expense	**(60,136,440)**	(73,722,932)	**(9,372,555)**	(8,262,838)	**(69,508,995)**	(81,985,770)
Profit before movement in life assurance fund	**1,876,577**	1,481,351	**1,474,306**	263,746	**3,350,883**	1,745,097
Increase/ (decrease) in life assurance fund	**-**	-	**(1,479,306)**	593,174	**(1,479,306)**	593,174
Increase in fair value of investment held for unit linked products	**-**	-	**855,930**	978,150	**855,930**	978,150
Underwriting profit for the period	**1,876,577**	1,481,351	**850,930**	1,835,070	**2,727,507**	3,316,421
Investment and other income - net					**813,870**	44,978,188
Unallocated expenses					**(2,960,828)**	(3,543,065)
Profit for the period					**580,549**	44,751,544

10. Payable to policyholders of unit-linked products

Movement during the period:

	(Un-audited) **31 March** **2015** **AED**	(Audited) 31 December 2014 AED
As at 1 January	**41,990,988**	38,744,863
Amount invested by policyholders	**5,165,586**	12,583,316
Amount withdrawn at redemption stage/lapse/surrender by policyholder	**(4,561,757)**	(10,692,300)
Change in fair value	**855,930**	1,355,109
Balance as at 31 March / 31 December	**43,450,747**	41,990,988

11. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 31 March 2015 amounted to AED nil (2014: nil).

Guarantees

	(Un-audited) **31 March** **2015** **AED**	(Audited) 31 December 2014 AED
Letters of guarantees	**8,586,368**	9,066,368

Fixed deposits amounting to AED 15.22 million *(2014: AED 15 million)* are under lien as collateral in respect of above guarantees. Guarantees include an amount of AED 7.5 million *(2014: 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.

12. Comparatives

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