

National General Insurance Co. (PSC)

Interim condensed financial statements

30 September 2006

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The Shareholders
National General Insurance Co. (PSC)
Dubai

Review Report of the Auditors

We have reviewed the accompanying interim condensed balance sheet of National General Insurance Company (PSC) ("the Company") as of 30 September 2006 and the related interim condensed statements of income, changes in equity and cash flows for the nine-month period then ended.

These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatements. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard 34.

By: Munther Dajani
Registration No.: 268

29 OCT 2006

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

Interim condensed balance sheet

	Note	30 September 2006 AED (Unaudited)	31 December 2005 AED (Audited)
ASSETS EMPLOYED:			
NON CURRENT ASSETS			
Property and equipment	6	2,155,020	806,775
Investment properties	7	18,000,000	37,000,000
Investments held to maturity		15,230,420	10,510,250
Investments available for sale		27,571,576	16,086,469
CURRENT ASSETS			
Investments fair valued through profit and loss		104,102,086	140,635,395
Trade receivables		62,985,179	24,416,471
Due from a related party		1,068,974	967,745
Other receivables		11,816,501	9,706,777
Reinsurer's share of outstanding claims		22,773,464	10,503,653
Cash in hand and at bank		92,967,519	70,403,960
		<u>295,713,723</u>	<u>256,634,001</u>
CURRENT LIABILITIES			
Accounts payable and accruals		57,878,311	30,872,688
Bank overdraft		-	803,398
Unearned premium reserve		46,479,980	33,387,358
Additional technical reserve		14,930,000	2,550,000
Outstanding claims reserve		41,800,997	26,768,418
		<u>161,089,288</u>	<u>94,381,862</u>
NET CURRENT ASSETS		<u>134,624,435</u>	<u>162,252,139</u>
LIFE ASSURANCE FUND		<u>(10,023,473)</u>	<u>(6,057,703)</u>
ASSETS EMPLOYED		<u>187,557,978</u>	<u>220,597,930</u>
FINANCED BY:			
SHAREHOLDERS' EQUITY			
Share capital		101,430,000	72,450,000
Legal reserve		18,337,708	18,337,708
General reserve		17,721,722	17,721,722
Fair value reserve for Investments available for sale		(203,248)	3,311,645
Retained earnings		50,271,796	108,776,855
		<u>187,557,978</u>	<u>220,597,930</u>

29 OCT 2006

These financial statements were approved on _____.



Khalid Jassim Mohd Bin Kalban
Chairman



Dr. Abdul Zahra A. Ali
General Manager

The notes on pages 7 to 10 form an integral part of these condensed financial statements.
The review report of the Auditors is set out on page 1.

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

Interim condensed income statement for the nine-month period ended 30 September

	Nine month period ended 30 September 2006 AED (Unaudited)	Nine month period ended 30 September 2005 AED (Unaudited)	Three month Period ended 30 September 2006 AED (Unaudited)	Three month period ended 30 September 2005 AED (Unaudited)
Fire	933,606	490,945	232,220	18,420
Marine	791,899	703,502	334,175	284,361
Accident and liabilities	12,783,771	7,917,523	3,748,257	2,462,974
Group and individual life	3,296,615	546,283	858,085	196,313
Total underwriting profit	17,805,891	9,658,253	5,172,737	2,962,068
Interest income	3,566,977	1,519,751	1,538,929	588,368
Investment income	(5,732,569)	41,238,770	2,974,838	8,207,173
Unrealised (loss)/gain on investments fair valued through profit and loss	(50,352,233)	24,677,742	3,942,662	(6,920,835)
Profit from sale of investment properties	6,600,000	12,152,837	-	4,360,588
Fair value changes in investment properties	6,000,000	-	-	-
Rental income from investment properties	975,836	4,328,274	284,820	1,420,526
Other income	2,290	20,846	271	20,846
General and administrative expenses	(1,146,251)	(940,393)	(429,432)	(311,410)
Net (loss)/ profit for the period	(22,280,059)	92,656,080	13,484,825	10,327,324
(Loss)/ earnings per share	(0.22)	0.91	0.13	0.10

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

Interim condensed statement of underwriting results
for the nine-month period ended 30 September 2006

	Fire AED (Unaudited)	Marine AED (Unaudited)	Accident and liability AED (Unaudited)	Group and individual life AED (Unaudited)	Total 2006 AED (Unaudited)	Total 2005 AED (Unaudited)
Premium written	8,487,979	3,593,529	123,754,880	31,238,739	167,075,127	102,305,855
Less: Reinsurance share	(8,303,455)	(2,739,709)	(31,165,044)	(19,088,346)	(61,296,554)	(35,744,311)
Net premium	184,524	853,820	92,589,836	12,150,393	105,778,573	66,561,544
Less: Unearned premium reserve at start of period	140,315	199,331	34,908,881	688,831	35,937,358	22,464,280
Add: Unearned premium reserve at close of period	(219,667)	(340,243)	(58,765,661)	(2,084,409)	(61,409,980)	(36,840,713)
Net premiums earned	105,172	712,908	68,733,056	10,754,815	80,305,951	52,185,111
Commission earned	1,932,292	939,713	6,285,397	4,597,154	13,754,556	8,588,784
Total underwriting revenue	2,037,464	1,652,621	75,018,453	15,351,969	94,060,507	60,773,895
Claims paid	(1,269,110)	(496,755)	(46,170,059)	(5,636,065)	(53,571,989)	(35,185,774)
Less: Reinsurance share	1,258,748	367,761	2,231,689	4,189,213	8,047,411	6,108,022
Net claims paid	(10,362)	(128,994)	(43,938,370)	(1,446,852)	(45,524,578)	(29,077,752)
Add: Outstanding claims at start of the period	56,374	222,027	15,754,451	231,913	16,264,765	11,236,460
Less: Outstanding claims at close of period	(94,431)	(435,648)	(18,208,967)	(288,487)	(19,027,533)	(14,844,968)
Net claims incurred	(48,419)	(342,615)	(46,392,886)	(1,503,426)	(48,287,346)	(32,686,260)
Commission paid	(430,198)	(253,400)	(5,866,657)	(3,727,527)	(10,277,782)	(5,958,908)
	(478,617)	(596,015)	(52,259,543)	(5,230,953)	(58,565,128)	(38,645,168)
Add: Life fund at start of the period	-	-	-	6,057,703	6,057,703	2,760,788
Less: Life fund at close of period	-	-	-	(10,023,473)	(10,023,473)	(4,871,930)
Net life fund	-	-	-	(3,965,770)	(3,965,770)	(2,111,142)
Total underwriting expenses	(478,617)	(596,015)	(52,259,543)	(9,196,723)	(62,530,898)	(40,756,310)
Underwriting surplus	1,558,847	1,056,606	22,758,910	6,155,246	31,529,609	20,017,585
Administrative expenses	(625,241)	(264,707)	(9,975,139)	(2,858,631)	(13,723,718)	(10,359,332)
Underwriting profit	933,606	791,899	12,783,771	3,296,615	17,805,891	9,658,253

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

Interim condensed statement of cash flows for the nine-month period ended 30 September 2006

	Nine month period ended 30 September 2006 AED (Unaudited)	Nine month period ended 30 September 2005 AED (Unaudited)
Operating activities		
Net (loss)/ profit for the period	(22,280,059)	92,656,080
<i>Adjustment for:</i>		
Depreciation	575,137	312,587
Profit on sale of investment properties	(6,600,000)	(12,302,837)
Profit on sale of investment held to maturity	-	(78,198)
Unrealised loss/(gain) on investments	50,352,233	(24,677,742)
Gain on fair value adjustment of investment properties	(6,000,000)	-
Increase in unearned premium reserve, additional tech and life fund	29,438,392	16,487,575
<i>Operating profit before changes in working capital</i>	<u>45,485,703</u>	<u>72,397,465</u>
Cash flows from working capital		
Increase in trade and related party receivables	(38,669,937)	(15,535,178)
Increase in other receivables	(2,109,724)	(1,735,325)
Increase in accounts payable & accruals	27,005,623	10,617,997
Increase in net outstanding claims	2,762,768	3,608,508
<i>Net cash flows from operating activities</i>	<u>34,474,433</u>	<u>69,353,467</u>
Financing activities		
Dividends paid	(7,245,000)	(6,300,000)
<i>Net cash flows from financing activities</i>	<u>(7,245,000)</u>	<u>(6,300,000)</u>
Investing activities		
Proceeds from sale of investment held to maturity	-	3,751,698
Purchase of investment held to maturity	(9,720,170)	-
Purchase of investments fair valued through profit and loss (net)	(13,818,924)	(46,923,496)
Purchase of investment available for sale	(15,000,000)	-
Purchase of property and equipment	(1,923,382)	(39,951,409)
Proceeds from maturity of investment held to maturity	5,000,000	-
Proceeds from sale of investment properties	31,600,000	69,403,800
<i>Net cash flows for investing activities</i>	<u>(3,862,476)</u>	<u>(13,719,407)</u>
Net increase in cash and cash equivalents	<u>23,366,957</u>	<u>49,334,060</u>
Cash and cash equivalents at the beginning of the year	<u>69,600,562</u>	<u>39,131,535</u>
Cash and cash equivalents at the end of the year	<u><u>92,967,519</u></u>	<u><u>88,465,595</u></u>

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

Interim condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2006

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
As at 1 January 2005 (Audited)	63,000,000	7,522,428	6,906,442	-	40,004,615	117,433,485
Net profit for the period	-	-	-	-	92,656,080	92,656,080
Dividends paid	-	-	-	-	(6,300,000)	(6,300,000)
Issue of bonus shares	9,450,000	-	-	-	(9,450,000)	-
As at 30 September 2005 (Unaudited)	72,450,000	7,522,428	6,906,442	-	116,910,695	203,789,565
Net profit for the period	-	-	-	-	15,496,720	15,496,720
Transfer to legal reserve (a)	-	10,815,280	-	-	(10,815,280)	-
Transfer to general reserve (b)	-	-	10,815,280	-	(10,815,280)	-
Fair value adjustment for investments available for sale	-	-	-	3,311,645	-	3,311,645
Directors' remuneration (c)	-	-	-	-	(2,000,000)	(2,000,000)
As at 31 December 2005 (Audited)	72,450,000	18,337,708	17,721,722	3,311,645	108,776,855	220,597,930
Net loss for the period	-	-	-	-	(22,280,059)	(22,280,059)
Fair value adjustment for investments available for sale	-	-	-	(3,514,893)	-	(3,514,893)
Dividend paid	-	-	-	-	(7,245,000)	(7,245,000)
Issue of bonus shares	28,980,000	-	-	-	(28,980,000)	-
As at 30 September 2006 (Unaudited)	101,430,000	18,337,708	17,721,722	(203,248)	50,271,796	187,557,978

- In accordance with Article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the Company is required to be allocated every year to a statutory reserve, which is not distributable. Such allocations may be ceased when the statutory reserve equals half of the paid up share capital of the Company.
- In accordance with the Company's Articles of Association, a minimum of 10% of the annual net profits should be transferred to general reserve until such time as this reserve equals at least 50% of the paid up share capital.
- In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. 8 of 1984, directors' remuneration has been treated as an appropriation from shareholders' equity.

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

Notes to the interim condensed financial statements

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 in accordance with the provisions of the UAE Federal Law no. 9 of 1984 relating to insurance companies and insurance agents.

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

2. Statement of compliance

The financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2005.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Company in these interim condensed financial statements are the same as applied by the Company in its financial statements as at and for the year ended 31 December 2005.

These interim condensed financial statements have been prepared in United Arab Emirates Dirham (AED).

4. Estimates

The preparation of interim condensed financial statements requires management to make judgements, 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.

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

Notes (continued)

5. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into other transactions with entities and personnel that fall within the definition of related parties contained in the International Accounting Standard 24.

The following are the details of significant transactions with related parties:

	Nine months period ended 30 September 2006 AED (Unaudited)	Nine months period ended 30 September 2005 AED (Unaudited)
Insurance premiums written on behalf of shareholders' companies	37,256,426	26,369,220
Claims paid to shareholders' companies	9,476,837	10,173,923
Management expenses (net)	117,000	397,000
Directors' and key management personnel (remuneration including benefits)	1,530,000	900,000
Interest income	1,982,628	709,401
Interest expense	199,415	404,273

6. Property and equipment

During nine month period ended 30 September 2006, the Company acquired assets with a cost of AED 1,923,382.

7. Investment property

During nine month period ended 30 September 2006, the Company sold investment property with a cost of AED 25,000,000.

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

Notes (continued)

8. Contingent liabilities and commitments

Leases as a lessee

Non-cancelable operating lease rentals are payable as follows:

	30 September 2006 AED (Unaudited)	31 December 2005 AED (Audited)
Less than one year	70,000	250,996

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date. Lease rentals are usually increased/decreased annually to reflect the market rentals.

Leases as a lessor

The Company leases out its investment properties under operating leases.

Non-cancelable operating leases rentals receivable are as follows:

	30 September 2006 AED (Unaudited)	31 December 2005 AED (Audited)
Less than one year	448,075	2,361,250
More than one year but less than five years	-	5,400,000
More than five years	-	-
	448,075	7,761,250

During the period, AED 975,836 (2005: AED 1,452,336) was recognised as rental income in respect of operating leases. The Company has leased out villas complex under operating leases.

Capital commitments

Capital commitments as at September 30, 2006 amounted to AED 21,606,768 (2005: AED 21,606,768).

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

Notes *(continued)*

8. Contingent liabilities and commitments (continued)

Guarantees

	30 September 2006 AED (Unaudited)	31 December 2005 AED (Audited)
Letters of guarantees	<u>7,935,000</u>	<u>8,010,000</u>

Fixed deposit amounting to AED 10 million (2005: AED 10 million) are under lien as collateral in respect of above guarantees.

Guarantees includes an amount of AED 7.5 million (2005: AED 7.5 million) favouring the Ministry of Economy.

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.

9. Segment information

By Business

Segmental information with respect to business segment has been disclosed on page 4 "Interim condensed statement of underwriting results" to these interim condensed financial statements.

By Geographical

The Company does not have any geographical segment as Company is carrying out all of its operations within the UAE.

Segmental information with respect to assets and liabilities has not been presented in these condensed financial statements due to non-availability of such information.

10. Comparative figures

Certain comparative figures have been restated and or/reclassified to ensure consistency of basis of preparation and to conform to the presentation adopted in these interim condensed financial statements.