

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

Condensed interim financial statements

31 March 2009

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Condensed interim financial statements

31 March 2009

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Report on Review of Condensed Interim Financial Information

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

Introduction

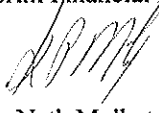
We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 31 March 2009, and the condensed interim statement of comprehensive income (comprising of a condensed interim statement of comprehensive income and a separate condensed interim income statement), condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-month period then ended, (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 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 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


Vijendra Nath Malhotra
Registration No: 48 B

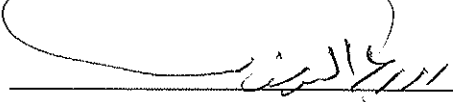
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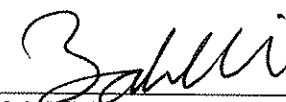
National General Insurance Co. (P.S.C.)
Condensed interim statement of financial position
31 March 2009

	Note	(Un-audited) 31 March 2009 AED	(Audited) 31 December 2008 AED
ASSETS			
Property and equipment		1,449,343	1,597,486
Investment properties		214,719,200	214,719,200
Investment securities	4	105,308,998	107,895,595
Reinsurance assets		160,887,161	104,465,268
Insurance and other receivables		103,321,295	104,318,553
Due from a related party		7,462,363	8,073,489
Cash and cash equivalents		125,829,461	135,723,509
Total assets		718,977,821	676,793,100
LIABILITIES			
Insurance contract provisions		315,390,064	259,127,211
Insurance and other payables		120,659,602	147,105,257
Dividend payable		12,171,600	-
Total liabilities		448,221,266	406,232,468
EQUITY			
Share capital	5	133,887,600	121,716,000
Legal reserve		31,286,088	31,286,088
General reserve		30,670,102	30,670,102
Fair value reserve		(17,803,478)	(15,778,054)
Retained earnings		92,716,243	102,666,496
Total equity attributable to equity holders of the Company		270,756,555	270,560,632
Total liabilities and equity		718,977,821	676,793,100

The notes on pages 7 to 13 form an integral part of these condensed interim financial statements.

These condensed interim financial statements were approved on 30 April 2009.




Dr. Abdul Zahra A. Ali (General manager)

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 2009

	Note	(Un-audited) For the three- month period ended 31 March 2009 AED	(Un-audited) For the three- month period ended 31 March 2008 AED
Continuing operations			
Gross written premium	6	90,524,907	88,528,046
Reinsurance ceded	6	(35,465,967)	(31,099,410)
Net premium		55,058,940	57,428,636
Change in unearned premium provision		4,668,149	(5,551,069)
Net earned premiums		59,727,089	51,877,567
Reinsurance commission earned		8,687,815	10,972,137
Total Income		68,414,904	62,849,704
Claims paid		(47,776,157)	(36,355,154)
Reinsurance share		12,393,995	8,173,156
Net claims paid		(35,382,162)	(28,181,998)
Change in outstanding claims provision		(2,374,418)	(2,249,552)
Net incurred claims		(37,756,580)	(30,431,550)
Commission paid		(6,394,324)	(5,384,232)
Administrative expenses		(8,072,195)	(7,495,386)
Net underwriting expenses		(52,223,099)	(43,311,168)
Net movement in life fund		(2,134,693)	(2,585,865)
Total underwriting expense		(54,357,792)	(45,897,033)
Underwriting profit		14,057,112	16,952,671
Interest and other income (net)		1,665,022	1,370,826
Net loss from investment securities		(561,171)	(9,985,144)
Capital gain on sale of investment property		-	5,749,653
Net rental income from investment property		-	230,886
Administrative expenses		(768,016)	(779,331)
Profit for the period		14,392,947	13,539,561
Basic and diluted earnings per share		<u>0.11</u>	<u>0.10</u>

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 2009

	(Un-audited) For the three- month period ended 31 March 2009 AED	(Un-audited) For the three- month period ended 31 March 2008 AED
Profit for the period	14,392,947	13,539,561
Other comprehensive income		
Available-for-sale investments	(2,025,424)	2,270,223
Total comprehensive income for the period	<u>12,367,523</u>	<u>15,809,784</u>

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 2009

	(Un-audited) For the three-month period ended 31 March 2009 AED	(Un-audited) For the three-month period ended 31 March 2008 AED
Operating activities		
Net profit for the period	14,392,947	13,539,561
Adjustment for:		
Depreciation	221,909	204,781
Profit on sale of investment properties	-	(5,749,653)
Unrealised losses on investments fair valued through profit or loss	561,171	9,985,144
(Decrease)/increase in unearned premium reserve and life assurance fund	(2,533,457)	8,136,936
Provision for gratuity – net of repayment	71,918	-
	<u>12,714,488</u>	<u>26,116,769</u>
Change in insurance and other receivables (including related parties)	1,608,385	(33,214,416)
Change in insurance and other payables	(26,517,572)	(1,665,860)
Change in net outstanding claims	2,374,417	2,249,552
<i>Net cash used in operating activities</i>	<u>(9,820,282)</u>	<u>(6,513,955)</u>
Financing activities		
Dividends paid	-	(48,686,400)
<i>Net cash used in financing activities</i>	<u>-</u>	<u>(48,686,400)</u>
Investing activities		
Redemption of investments held-to-maturity	-	3,656,295
Purchase of investments fair valued through profit and loss	-	(24,275,488)
Purchase of investments available-for-sale	-	(18,366,213)
Purchase of property and equipment	(73,766)	(129,680)
Proceeds from sale of investment properties	-	31,749,653
<i>Net cash used in investing activities</i>	<u>(73,766)</u>	<u>(7,365,433)</u>
Net decrease in cash and cash equivalents	<u>(9,894,048)</u>	<u>(62,565,788)</u>
Cash and cash equivalents at the beginning of the period	135,723,509	147,002,929
Cash and cash equivalents at the end of the period	<u>125,829,461</u>	<u>84,437,141</u>
These comprise the following:		
Cash in hand	1,746,102	1,753,904
Cash at bank	7,700,415	32,830,884
Fixed deposits	116,382,944	49,852,353
	<u>125,829,461</u>	<u>84,437,141</u>

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 2009*

	Share capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
As at 1 January 2008	121,716,000	29,272,467	28,656,481	-	136,243,928	315,888,876
Total comprehensive income for the period	-	-	-	2,270,223	13,539,561	15,809,784
Dividends paid	-	-	-	-	(48,686,400)	(48,686,400)
As at 31 March 2008	121,716,000	29,272,467	28,656,481	2,270,223	101,097,089	283,012,260
As at 1 January 2009	121,716,000	31,286,088	30,670,102	(15,778,054)	102,666,496	270,560,632
Total comprehensive income for the period	-	-	-	(2,025,424)	14,392,947	12,367,523
Bonus shares issued	12,171,600	-	-	-	(12,171,600)	-
Dividends paid	-	-	-	-	(12,171,600)	(12,171,600)
As at 31 March 2009	133,887,600	31,286,088	30,670,102	(17,803,478)	92,716,243	270,756,555

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.)

Notes

(forming part of the condensed interim 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. Summary of significant accounting policies

a) Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Financial reporting Standards ("IFRS") 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 financial statements of the Company for the year ended 31 December 2008.

The accounting policies and methods of computation adopted by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at 31 December 2008. However, the Company adopted *IFRS 8 – Operating segments* and *Revised IAS 1 – Presentation of financial statements*.

New and revised accounting standards and interpretations effective 1 January 2009.

IFRS 8 – Operating segments

This new standard, which has been adopted for the preparation of these condensed interim financial statements, introduces the "management approach" to segment reporting. Currently the Company presents segment information in respect of its business segments. This standard does not affect the Company's reported profit or loss or equity.

Revised IAS 1 - Presentation of financial statements

This revised standard, which has been adopted for first time in preparation of these condensed interim financial statements, affects the presentation of owners' changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

The condensed interim financial statements have been prepared under the historical cost convention, as modified for investments at fair value through profit and loss, available-for-sale investments and investment properties measured at fair value.

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

Notes *(continued)*

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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

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.

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 2008.

b) Key accounting policies adopted by the Company are as below:

i) Investment securities

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, and these debt securities have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses

Investments at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Subsequent to initial measurement, financial instruments at fair value through profit or loss are measured at fair value, with fair value changes recognised in the condensed interim statement of income. Net changes in the fair value of financial assets classified at fair value through profit or loss includes interest income and any dividends received.

All financial assets held by the Company in respect of its long term business funds are designated by the Company on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these assets were not measured at fair value and the changes in fair value were not recognised in profit or loss.

Available-for-sale investments

This category is used for quoted financial assets that are not classified as at fair value through profit or loss or held-to-maturity investments. Interest income is recognised in the condensed interim statement of income using the effective interest method. Dividend income is recognised in the condensed interim statement of income when the Company becomes entitled to the dividend. Fair value changes are recognised directly in equity until the investment is sold or impaired and the relevant balance in equity is recognised in the condensed interim statement of income.

Recognition, derecognition and initial measurement

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

i) Investment securities (continued)

Recognition, derecognition and initial measurement (continued)

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

Fair value measurement principles

The determination of fair values of financial instruments is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into an arm's length transaction, a financial instrument is recognised initially at its transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference is not recognised in profit or loss immediately. The timing of its recognition depends upon the facts and circumstances of each transaction but is not later than when the market data which supports the gain or loss becomes available.

Impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows from the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company about any significant financial difficulty of the issuer, significant changes in the technological, market, economic or legal environment in which the issuer operates. A significant or prolonged decline in the fair value of an equity instrument below its cost is also objective evidence of impairment.

ii) Investment property

Property held for long-term rental yields or capital appreciation is classified as investment property.

These are initially recognised when significant risk and reward relating to ownership are transferred to the Company and are initially measured at cost. Investment properties are subsequently measured at fair value determined annually by an independent valuer, if necessary the fair values of investment properties are adjusted by management to reflect the current market conditions. Fair value is based on current market prices for similar properties in the same location and condition. Any gain or loss arising in fair value is recognised in the statement of income.

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

Notes (continued)

3. 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. 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. The following are the details of transactions with related parties:

	(Un-audited) For the three-month period ended 31 March 2009 AED	(Un-audited) For three -month period ended 31 March 2008 AED
Key management personnel compensation		
Remuneration and short term benefit	694,016	657,098
	<u>694,016</u>	<u>657,098</u>
Other related parties		
Premiums written on behalf of associate companies	12,033,031	11,550,336
	<u>12,033,031</u>	<u>11,550,336</u>
Claims paid to associate companies	12,596,030	5,356,445
	<u>12,596,030</u>	<u>5,356,445</u>
Management expenses (net)	45,000	45,000
	<u>45,000</u>	<u>45,000</u>
Interest income	1,223,095	944,196
	<u>1,223,095</u>	<u>944,196</u>
Interest expense	-	35,810
	<u>-</u>	<u>35,810</u>

4. Investment securities

a) Investments fair valued through profit or loss

As at 31 March 2009, shares amounting to AED 4.8 million are held in the name of a Director for the beneficial interest of the Company.

All investments at fair value through profit or loss are within the UAE.

b) Investments available-for-sale

	(Un-audited) 31 March 2009 AED	(Audited) 31 December 2008 AED
Investments made		
- Within UAE	60,139,335	61,684,404
- Outside UAE	2,529,300	3,009,655
	<u>62,668,635</u>	<u>64,694,059</u>

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

Notes (continued)

5. Share Capital

At the annual general meeting held on 22 March 2009 the shareholders approved the issuance of 10% bonus shares and 10% cash dividend.

6. Contingent liabilities and commitments

Leases as a lessee

Non cancelable operating lease rentals are payable as follows:

	(Un-audited) 31 March 2009 AED	(Audited) 31 December 2008 AED
Less than one year	1,717,717	441,700

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.

Capital commitments

Capital commitments as at 31 March 2009 amounted to AED nil (2008: nil).

Guarantees

	(Un-audited) 31 March 2009 AED	(Audited) 31 December 2008 AED
Letters of guarantees	8,255,641	7,745,000

Fixed deposits amounting to AED 13 million (2008: AED 13 million) are under lien as collateral in respect of above guarantees.

Included in guarantees is a guarantee of AED 7.5 million and certificate of deposit of AED 2.5 million (2008: AED 7.5 million) favouring the Insurance Authority.

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)

7. Segment information

Primary segment information

For management purposes the Company is organised into three business segments, general insurance, life assurance and investment. The general insurance segment comprises of accident and liabilities, marine and fire. The life assurance segment includes group life and individual life. 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	
	2009 AED	2008 AED	2009 AED	2008 AED	2009 AED	2008 AED
Underwriting income						
Gross written premium	70,451,519	70,775,075	20,073,388	17,752,971	90,524,907	88,528,046
Reinsurance ceded	(21,345,734)	(21,041,427)	(14,120,233)	(10,057,983)	(35,465,967)	(31,099,410)
Net premium	49,105,785	49,733,648	5,953,155	7,694,988	55,058,940	57,428,636
Change in unearned premium Provision	4,412,584	(4,424,096)	255,565	(1,126,973)	4,668,149	(5,551,069)
Net earned premium	53,518,369	45,309,552	6,208,720	6,568,015	59,727,089	51,877,567
Reinsurance commission Earned	4,288,970	4,014,304	4,398,845	6,957,833	8,687,815	10,972,137
Total income	57,807,339	49,323,856	10,607,565	13,525,848	68,414,904	62,849,704
Underwriting expenses						
Net incurred claims	(35,728,910)	(29,257,239)	(2,027,670)	(1,174,311)	(37,756,580)	(30,431,550)
Commission paid	(4,685,857)	(4,056,703)	(1,708,467)	(1,327,529)	(6,394,324)	(5,384,232)
Administrative and general Expenses	(6,413,257)	(5,855,828)	(1,658,938)	(1,639,558)	(8,072,195)	(7,495,386)
Total expenses	(46,828,024)	(39,169,770)	(5,395,075)	(4,141,398)	(52,223,099)	(43,311,168)
Profit before movement in life assurance fund	10,979,315	10,154,086	5,212,490	9,384,450	16,191,805	19,538,536
Increase in life assurance fund	-	-	(2,134,693)	(2,585,865)	(2,134,693)	(2,585,865)
Underwriting profit	<u>10,979,315</u>	<u>10,154,086</u>	<u>3,077,797</u>	<u>6,798,585</u>	<u>14,057,112</u>	<u>16,952,671</u>
Income/(loss) from investments					1,103,851	(2,633,779)
Unallocated expenses					(768,016)	(779,331)
Profit for the year					<u>14,392,947</u>	<u>13,539,561</u>

By Geographical

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

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

Notes *(continued)*

8. 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

9. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements for the three-month period ended 31 March 2009.