

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

Condensed interim financial statements

30 June 2009

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

Condensed interim financial statements

30 June 2009

<i>Contents</i>	<i>Page</i>
Independent auditors' review report	1
Condensed interim statement of financial position	2
Condensed interim statement of income	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of cash flows	5
Condensed interim statement of changes in shareholders' equity	6
Notes	7 - 13



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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.) as of 30 June 2009, and 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 equity and condensed interim statement of cash flows for the six-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 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

Vijendra Nath Malhotra
Registration No: 48 B

26 JUL 2009

National General Insurance Co. (P.S.C.)
Condensed interim statement of financial position
as at 30 June 2009

	Note	(Un-audited) 30 June 2009 AED	(Audited) 31 December 2008 AED
ASSETS			
Property and equipment		1,614,245	1,597,486
Investment properties - local		214,719,200	214,719,200
Investment securities	4	117,281,307	107,895,595
Reinsurance assets		162,327,565	104,465,268
Insurance and other receivables		115,944,235	104,318,553
Due from a related party		61,356,312	8,073,489
Cash and cash equivalents		122,269,638	135,723,509
Total assets		795,512,502	676,793,100
LIABILITIES			
Insurance contract provisions		353,736,183	259,127,211
Insurance and other payables		138,953,416	147,105,257
Total liabilities		492,689,599	406,232,468
EQUITY			
Share capital		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		(13,059,578)	(15,778,054)
Retained earnings		120,038,691	102,666,496
Total equity attributable to equity holders of the Company		302,822,903	270,560,632
Total liabilities and equity		795,512,502	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 by the Board of Directors on **26** July 2009 and signed on its behalf by:


 Chairman


 Dr. Abdul Zahra A. Ali (General manager)

The independent auditors' review report is set out on page 1.

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

Condensed interim statement of income

for the six-month period ended 30 June 2009

	Note	(Un-audited) For the three- month period ended 30-Jun-09 AED	(Un-audited) For the three- month period ended 30-Jun-08 AED	(Un-audited) For the six- month period ended 30-Jun-09 AED	(Un-audited) For the six- month period ended 30-Jun-08 AED
Continuing operations					
Gross written premium	6	148,860,683	118,417,769	239,385,590	206,947,815
Reinsurance ceded	6	(52,295,689)	(36,213,284)	(87,761,656)	(67,312,694)
Net premium		96,564,994	82,206,485	151,623,934	139,635,121
Change in unearned premium provision		(23,690,383)	(27,300,842)	(19,022,234)	(32,851,911)
Net earned premiums		72,874,611	54,905,643	132,601,700	106,783,210
Reinsurance commission earned		11,793,596	7,919,374	20,481,411	18,891,511
Total Income		84,668,207	62,825,017	153,083,111	125,674,721
Claims paid		(48,392,586)	(39,600,279)	(96,168,743)	(75,955,433)
Reinsurance share		11,270,002	10,990,278	23,663,997	19,163,434
Net claims paid		(37,122,584)	(28,610,001)	(72,504,746)	(56,791,999)
Change in outstanding claims provision		(11,474,309)	(3,922,412)	(13,848,727)	(6,171,964)
Net incurred claims		(48,596,893)	(32,532,413)	(86,353,473)	(62,963,963)
Commission paid		(6,134,803)	(5,642,811)	(12,529,127)	(11,027,043)
Administrative expenses		(7,439,422)	(7,026,779)	(15,511,617)	(14,522,167)
Net underwriting expenses		(62,171,118)	(45,202,003)	(114,394,217)	(88,513,173)
Net movement in life assurance fund		(1,741,021)	(2,478,262)	(3,875,714)	(5,064,127)
Total underwriting expense		(63,912,139)	(47,680,265)	(118,269,931)	(93,577,300)
Underwriting profit		20,756,068	15,144,752	34,813,180	32,097,421
Interest and other income (net)		3,247,350	2,798,525	4,912,372	4,169,351
Net income / (loss) from investment securities		4,034,691	(2,108,294)	3,473,520	(12,093,438)
Capital gain on sale of investment property		-	-	-	5,749,653
Administrative expenses		(715,661)	(542,783)	(1,483,677)	(1,091,228)
Profit for the period		27,322,448	15,292,200	41,715,395	28,831,759
Basic and diluted earnings per share		0.20	0.11	0.31	0.22

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

The independent auditors' review report is set out on page 1.

National General Insurance Co. (P.S.C.)
Condensed interim statement of comprehensive income
for the six-month period ended 30 June 2009

	(Un-audited) For the three- month period ended 30 June 2009 AED	(Un-audited) For the three- month period ended 30 June 2008 AED	(Un-audited) For the six- month period ended 30 June 2009 AED	(Un-audited) For the six- month period ended 30 June 2008 AED
Profit for the period	27,322,448	15,292,200	41,715,395	28,831,759
Other comprehensive income				
Net change in fair value of available-for-sale investments	4,743,900 -----	2,308,670 -----	2,718,476 -----	4,578,893 -----
Total comprehensive income for the period	32,066,348 =====	17,600,870 =====	44,433,871 =====	33,410,652 =====

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National General Insurance Co. (P.S.C.)
Condensed interim statement of cash flows
for the six-month period ended 30 June 2009

	(Un-audited) For the six-month period ended 30 June 2009 AED	(Un-audited) For the six-month period ended 30 June 2008 AED
Operating activities		
Net profit for the period	41,715,395	28,831,759
<i>Adjustment for:</i>		
Depreciation	446,623	413,347
Profit on sale of investment properties	-	(5,749,653)
Profit on sale of investments fair valued through profit or loss	(262,282)	(2,172,105)
Unrealised (gain)/losses on investments fair valued through profit or loss	(5,472,829)	14,265,543
Increase in unearned premium reserve and life assurance fund	22,897,948	37,916,038
	-----	-----
	59,324,855	73,504,929
 Change in insurance and other receivables (including related parties)	(64,908,505)	(72,110,073)
Change in insurance and other payables	(8,151,841)	(14,104,406)
Change in net outstanding claims	13,848,727	6,171,963
	-----	-----
<i>Net cash provided by / (used in) operating activities</i>	113,236	(6,537,587)
	-----	-----
Financing activities		
Dividends paid	(12,171,600)	(48,686,400)
	-----	-----
<i>Net cash used in financing activities</i>	(12,171,600)	(48,686,400)
	-----	-----
Investing activities		
Redemption of investments held-to-maturity	-	3,656,295
Purchase of investments fair valued through profit or loss	(2,051,029)	(49,069,696)
Proceeds from sale of investments fair valued through profit or loss	1,118,904	6,132,423
Purchase of investments available-for-sale	-	(45,366,213)
Proceeds from sale of investments available-for-sale	-	25,000,000
Purchase of property and equipment	(463,382)	(182,419)
Proceeds from sale of investment properties	-	31,749,653
	-----	-----
<i>Net cash used in investing activities</i>	(1,395,507)	(28,079,957)
	-----	-----
 Net decrease in cash and cash equivalents	(13,453,871)	(83,303,944)
 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	122,269,638	63,698,985
	=====	=====
 These comprise the following:		
Cash in hand	2,090,630	1,763,477
Cash at bank	11,728,478	2,381,596
Fixed deposits	108,450,530	59,553,912
	-----	-----
	122,269,638	63,698,985
	=====	=====

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

The independent auditors' 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 six-month period ended 30 June 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	-	-	-	4,578,893	28,831,759	33,410,652
Dividends paid	-	-	-	-	(48,686,400)	(48,686,400)
	-----	-----	-----	-----	-----	-----
As at 30 June 2008	121,716,000	29,272,467	28,656,481	4,578,893	116,389,287	300,613,128
	=====	=====	=====	=====	=====	=====
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	-	-	-	2,718,476	41,715,395	44,433,871
Bonus shares issued	12,171,600	-	-	-	(12,171,600)	-
Dividends paid	-	-	-	-	(12,171,600)	(12,171,600)
	-----	-----	-----	-----	-----	-----
As at 30 June 2009	133,887,600	31,286,088	30,670,102	(13,059,578)	120,038,691	302,822,903
	=====	=====	=====	=====	=====	=====

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

The independent auditors' 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.

As of 1 January 2009 the Company determine and present operating segments based on the information that is provided to management “the Company’s operating decision makers” internally. This change in accounting policy is due to the adoption of *IFRS 8 Operating Segments*.

Previously operating segments were determined and presented in accordance with *IAS 14 Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of *IFRS 8*. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on the Company’s profit and loss and earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. An operating segment’s operating results are reviewed regularly by management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investment income, general and administrative expenses and other income.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

The Company applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Company presents in the condensed interim statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the condensed interim statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six-month period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the Company's profit and loss and earnings per share.

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 or 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.

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. 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.

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

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.

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 six-month period ended 30 June 2009 AED	(Un-audited) For the six-month period ended 30 June 2008 AED
Key management personnel compensation		
Remuneration and short term benefit	1,313,000	1,065,600
End of service benefits	70,550	62,483
	=====	=====
Other related parties		
Premiums written on behalf of associate companies	87,414,501	50,209,959
	=====	=====
Claims paid to associate companies	30,898,665	11,318,206
	=====	=====
Management expenses (net)	90,000	90,000
	=====	=====
Interest income	2,087,472	1,685,736
	=====	=====
Interest expense	-	35,810
	=====	=====

4. Investment securities

a) Investments fair valued through profit or loss

As at 30 June 2009, shares valued at AED 3,999,600 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) 30 June 2009 AED	(Audited) 31 December 2008 AED
Investments made		
- Within UAE	64,671,346	61,684,404
- Outside UAE	2,741,190	3,009,655
	-----	-----
	67,412,536	64,694,059
	=====	=====

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

Notes (continued)

5. Contingent liabilities and commitments

Leases as a lessee

Non cancelable operating lease rentals are payable as follows:

	(Un-audited) 30 June 2009 AED	(Audited) 31 December 2008 AED
Less than one year	1,226,340 =====	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 30 June 2009 amounted to AED nil (2008: nil).

Guarantees

	(Un-audited) 30 June 2009 AED	(Audited) 31 December 2008 AED
Letters of guarantees	9,004,600 =====	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)

6. Operating segments

The Company is organised into two business segments, general insurance and life assurance. The general insurance segment comprises 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. Performance is measured based on underwriting profit as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within these industries. Information regarding the operations of each reportable segment is included below.

	General insurance For the six-month period ended 30 June		Life assurance For the six-month period ended 30 June		Total For the six-month period ended 30 June	
	2009 AED	2008 AED	2009 AED	2008 AED	2009 AED	2008 AED
Underwriting income						
Gross written premium	185,598,332	166,557,665	53,787,258	40,390,150	239,385,590	206,947,815
Reinsurance ceded	(49,197,423)	(41,875,167)	(38,564,233)	(25,437,527)	(87,761,656)	(67,312,694)
Net premium	136,400,909	124,682,498	15,223,025	14,952,623	151,623,934	139,635,121
Change in unearned premium provision	(14,816,049)	(30,769,963)	(4,206,185)	(2,081,948)	(19,022,234)	(32,851,911)
Net earned premium	121,584,860	93,912,535	11,016,840	12,870,675	132,601,700	106,783,210
Reinsurance commission earned	8,256,840	7,972,946	12,224,571	10,918,565	20,481,411	18,891,511
Total income	129,841,700	101,885,481	23,241,411	23,789,240	153,083,111	125,674,721
Underwriting expenses						
Net incurred claims	(82,664,885)	(60,531,710)	(3,688,588)	(2,432,253)	(86,353,473)	(62,963,963)
Commission paid	(8,685,543)	(8,102,514)	(3,843,584)	(2,924,529)	(12,529,127)	(11,027,043)
Administrative and general expenses	(12,423,799)	(11,454,125)	(3,087,818)	(3,068,042)	(15,511,617)	(14,522,167)
Total expenses	(103,774,227)	(80,088,349)	(10,619,990)	(8,424,824)	(114,394,217)	(88,513,173)
Profit before movement in life assurance fund	26,067,473	21,797,132	12,621,421	15,364,416	38,688,894	37,161,548
Increase in life assurance fund	-	-	(3,875,714)	(5,064,127)	(3,875,714)	(5,064,127)
Underwriting profit	26,067,473	21,797,132	8,745,707	10,300,289	34,813,180	32,097,421
Income/(loss) from investments					8,385,892	(1,961,298)
Unallocated expenses					(1,483,677)	(1,304,364)
Profit for the period					41,715,395	28,831,759

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

Segmental information based on assets and liabilities is not presented due to unavailability.

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

Notes *(continued)*

7. Seasonality of operations

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 condensed interim 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.

8. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements for the six-month period ended 30 June 2009.