

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

Condensed interim financial statements

31 March 2010

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

Condensed interim financial statements

31 March 2010

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Independent auditors' report on review of condensed interim financial information

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

Introduction

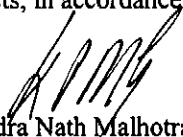
We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 31 March 2010, and the related condensed interim statement of comprehensive income (comprising of a condensed interim statement of comprehensive income and a separate condensed interim statement of income), condensed interim statement of changes in shareholders' 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 interim financial information as at and for the three month period ended 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.


Vijendra Nath Malhotra
Registration No: 48 B

22 APR 2010

National General Insurance Co. (P.S.C.)
Condensed interim statement of financial position
31 March 2010

	Note	(Un-audited) 31 March 2010 AED	(Audited) 31 December 2009 AED
ASSETS			
Property and equipment		1,577,124	1,713,381
Investment properties		171,005,260	171,005,260
Investment securities	4	108,462,316	103,610,527
Reinsurance assets		292,835,546	287,743,622
Insurance and other receivables		121,816,118	89,488,517
Due from a related party		26,513,658	22,554,742
Cash and cash equivalents		174,764,084	202,361,213
Total assets		896,974,106	878,477,262
LIABILITIES			
Insurance contract provisions		453,979,387	452,196,208
Insurance and other payables		151,104,607	130,090,307
Total liabilities		605,083,994	582,286,515
EQUITY			
Share capital	5	149,954,112	133,887,600
Legal reserve		34,621,028	34,621,028
General reserve		34,005,042	34,005,042
Fair value reserve		(10,626,449)	(11,325,740)
Retained earnings		83,936,379	105,002,817
Total equity attributable to equity holders of the Company		291,890,112	296,190,747
Total liabilities and equity		896,974,106	878,477,262

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

These condensed interim financial statements were authorised for issue and approved by the board on April 2010 and signed on its behalf by :


Khalid Jassim Mohd Bin Kalban
Chairman

22 APR 2010


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 2010

	Note	(Un-audited) For the three-month period ended 31 March 2010 AED	(Un-audited) For the three-month period ended 31 March 2009 AED
Continuing operations			
Gross written premium	7	91,373,249	90,524,907
Reinsurance ceded	7	(48,420,448)	(35,465,967)
Net premium		42,952,801	55,058,940
Change in unearned premium provision		2,971,813	4,668,149
Net earned premiums		45,924,614	59,727,089
Reinsurance commission earned		11,820,198	8,687,815
Total Income		57,744,812	68,414,904
Claims paid		(47,244,523)	(47,776,157)
Reinsurance share		10,823,265	12,393,995
Net claims paid		(36,421,258)	(35,382,162)
Change in outstanding claims provision		847,502	(2,374,418)
Net incurred claims		(35,573,756)	(37,756,580)
Commission paid		(5,265,709)	(6,394,324)
Administrative expenses		(9,956,504)	(8,072,195)
Net underwriting expenses		(50,795,969)	(52,223,099)
Net movement in life fund		(510,572)	(2,134,693)
Total underwriting expense		(51,306,541)	(54,357,792)
Underwriting profit		6,438,271	14,057,112
Interest and other income (net)		3,282,956	1,665,022
Net Gain/(loss) from investment securities		4,152,498	(561,171)
Administrative expenses		(808,625)	(768,016)
Profit for the period		13,065,100	14,392,947
Basic and diluted earnings per share		<u>0.087</u>	<u>0.096</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 2010

	(Un-audited) For the three-month period ended 31 March 2010 AED	(Un-audited) For the three-month period ended 31 March 2009 AED
Profit for the period	13,065,100	14,392,947
Other comprehensive income		
Directors' remuneration	(1,998,514)	(1,000,000)
Available-for-sale investments	699,291	(2,025,424)
Total comprehensive income for the period	11,765,877	11,367,523

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 2010

	(Un-audited) For the three-month period ended 31 March 2010 AED	(Un-audited) For the three-month period ended 31 March 2009 AED
Operating activities		
Net profit for the period	13,065,100	14,392,947
<i>Adjustment for:</i>		
Depreciation	156,686	221,909
Unrealised (gains)/losses on investments fair valued through profit or loss	(4,152,498)	561,171
Change in unearned premium reserve and life assurance fund	(2,461,241)	(2,533,457)
Provision for gratuity – net of repayment	263,820	71,918
	<u>6,871,867</u>	<u>12,714,488</u>
Change in insurance and other receivables (including related parties)	(36,286,517)	1,608,385
Change in insurance and other payables	20,750,480	(25,517,572)
Change in net outstanding claims	(847,504)	2,374,417
Directors' remuneration paid	(1,998,514)	(1,000,000)
<i>Net cash used in operating activities</i>	<u>(11,510,188)</u>	<u>(9,820,282)</u>
Financing activities		
Dividends paid	(16,066,512)	-
<i>Net cash used in financing activities</i>	<u>(16,066,512)</u>	<u>-</u>
Investing activities		
Purchase of property and equipment	(20,429)	(73,766)
<i>Net cash used in investing activities</i>	<u>(20,429)</u>	<u>(73,766)</u>
Net decrease in cash and cash equivalents	<u>(27,597,129)</u>	<u>(9,894,048)</u>
Cash and cash equivalents at the beginning of the period	202,361,213	135,723,509
Cash and cash equivalents at the end of the period	<u>174,764,084</u>	<u>125,829,461</u>
These comprise the following:		
Cash in hand	1,938,002	1,746,102
Cash at bank	12,521,448	7,700,415
Fixed deposits	160,304,634	116,382,944
	<u>174,764,084</u>	<u>125,829,461</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 2010

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value reserve	Retained earnings AED	Total AED
Balance at 1 January 2009	121,716,000	31,286,088	30,670,102	(15,778,054)	103,666,496	271,560,632
Total comprehensive income for the period						
Profit for the period	-	-	-		14,392,947	14,392,947
Other comprehensive income	-	-	-	(2,025,424)	(1,000,000)	(3,025,424)
Total comprehensive income for the period	-	-	-	(2,025,424)	13,392,947	11,367,523
Issue of bonus shares	12,171,600	-	-		(12,171,600)	-
Transaction with owners :						
Dividends paid	-	-	-		(12,171,600)	(12,171,600)
Balance at 31 March 2009	133,887,600	31,286,088	30,670,102	(17,803,478)	92,716,243	270,756,555
Balance at 1 January 2010	133,887,600	34,621,028	34,005,042	(11,325,740)	105,002,817	296,190,747
Total Comprehensive Income for the period	-	-	-	-	-	-
Profit for the period	-	-	-	-	13,065,100	13,065,100
Other comprehensive income	-	-	-	699,291	(1,998,514)	(1,299,223)
Total comprehensive income for the period	-	-	-	699,291	11,066,586	11,765,877
Issue of bonus shares	16,066,512	-	-	-	(16,066,512)	-
Transaction with owners :						
Dividends paid	-	-	-	-	(16,066,512)	(16,066,512)
As at 31 March 2010	149,954,112	34,621,028	34,005,042	(10,626,449)	83,936,379	291,890,112

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 2009.

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 2009.

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 2009.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

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.

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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

i) Investment securities (continued)

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 2010 AED	(Un-audited) For three -month period ended 31 March 2009 AED
Key management personnel compensation		
Remuneration and short term benefit	998,841	694,016
	<u> </u>	<u> </u>
Other related parties		
Premiums written on behalf of associate companies	23,800,085	19,161,655
	<u> </u>	<u> </u>
Claims paid to associate companies	14,758,157	21,045,138
	<u> </u>	<u> </u>
Management expenses (net)	-	45,000
	<u> </u>	<u> </u>
Interest income	1,664,827	1,223,095
	<u> </u>	<u> </u>

4. Investment securities

a) Investments fair valued through profit or loss

As at 31 March 2010, 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 2010 AED	(Audited) 31 December 2009 AED
Investments made		
- Within UAE	52,866,778	53,622,030
- Outside UAE	16,978,886	15,524,343
	<u> </u>	<u> </u>
	69,845,664	69,146,373
	<u> </u>	<u> </u>

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

Notes (continued)

5. Share Capital

At the annual general meeting held on 7 March 2010 the shareholders approved the issuance of 12% bonus shares and 12% cash dividend.

6. Contingent liabilities and commitments

Leases as a lessee

Non cancelable operating lease rentals are payable as follows:

	(Un-audited) 31 March 2010 AED	(Audited) 31 December 2009 AED
Less than one year	2,120,265	427,719

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 2010 amounted to AED nil (2009: nil).

Guarantees

	(Un-audited) 31 March 2010 AED	(Un-audited) 31 December 2009 AED
Letters of guarantees	10,495,000	10,000,000

Fixed deposits amounting to AED 13 million (2009: 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 (2009: AED 10 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	
	2010	2009	2010	2009	2010	2009
	AED	AED	AED	AED	AED	AED
Underwriting income						
Gross written premium	58,683,043	70,451,519	32,690,206	20,073,388	91,373,249	90,524,907
Reinsurance ceded	(22,333,404)	(21,345,734)	(26,087,044)	(14,120,233)	(48,420,448)	(35,465,967)
Net premium	36,349,639	49,105,785	6,603,162	5,953,155	42,952,801	55,058,940
Change in unearned premium Provision	5,240,674	4,412,584	(2,268,861)	255,565	2,971,813	4,668,149
Net earned premium	41,590,313	53,518,369	4,334,301	6,208,720	45,924,614	59,727,089
Reinsurance commission Earned	4,021,765	4,288,970	7,798,433	4,398,845	11,820,198	8,687,815
Total income	45,612,078	57,807,339	12,132,734	10,607,565	57,744,812	68,414,904
Underwriting expenses						
Net incurred claims	(33,003,464)	(35,728,910)	(2,570,292)	(2,027,670)	(35,573,756)	(37,756,580)
Commission paid	(3,997,042)	(4,685,857)	(1,268,667)	(1,708,467)	(5,265,709)	(6,394,324)
Administrative and general Expenses	(8,088,389)	(6,413,257)	(1,868,115)	(1,658,938)	(9,956,504)	(8,072,195)
Total expenses	(45,088,895)	(46,828,024)	(5,707,074)	(5,395,075)	(50,795,969)	(52,223,099)
Profit before movement in life assurance fund	523,183	10,979,315	6,425,660	5,212,490	6,948,843	16,191,805
Increase in life assurance fund	-	-	(510,572)	(2,134,693)	(510,572)	(2,134,693)
Underwriting profit	523,183	10,979,315	5,915,088	3,077,797	6,438,271	14,057,112
Income/(loss) from investments					7,435,454	1,103,851
Unallocated expenses					(808,625)	(768,016)
Profit for the period					13,065,100	14,392,947

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 2010.