

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

Condensed interim financial statements

30 June 2010



P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditors' report on review of condensed interim financial information

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 30 June 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 six-month period then ended, (the condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standards IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 and for the six month period ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.


Vijendra Nath Malhotra
Registration No: 48 B

27 JUL 2010

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

	Note	(Un-audited) 30 June 2010 AED	(Audited) 31 December 2009 AED
ASSETS			
Property and equipment		1,427,938	1,713,381
Investment properties		171,005,260	171,005,260
Investment securities	4	80,341,513	103,610,527
Reinsurance assets		222,264,380	287,743,622
Insurance and other receivables		160,018,602	89,488,517
Due from a related party		63,435,660	22,554,742
Cash and cash equivalents		180,857,429	202,361,213
Total assets		879,350,782	878,477,262
LIABILITIES			
Insurance contract provisions		394,439,394	452,196,208
Insurance and other payables		172,068,929	130,090,307
Total liabilities		566,508,323	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		(10,733,299)	(11,325,740)
Retained earnings		104,995,576	105,002,817
Total equity attributable to equity holders of the Company		312,842,459	296,190,747
Total liabilities and equity		879,350,782	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 27th July 2010 and signed on its behalf by:



Khalid Jassim Mohd Bin Kalban
Chairman



Dr. Abdul Zahra A. Ali (CEO)

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

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

Condensed interim statement of income

For the six-month period ended 30 June 2010

	Note	(Un-audited) For the three- month period ended 30-June-10 AED	(Un-audited) For the three- month period ended 30-June-09 AED	(Un-audited) For the Six- month period ended 30-June-10 AED	(Un-audited) For the Six- month period ended 30-June-09 AED
Continuing operations					
Gross written premium	7	129,758,345	148,860,683	221,131,594	239,385,590
Reinsurance ceded	7	(51,319,277)	(52,295,689)	(99,739,725)	(87,761,656)
Net premium		78,439,068	96,564,994	121,391,869	151,623,934
Change in unearned premium provision		2,453,878	(23,690,383)	5,425,691	(19,022,234)
Net earned premiums		80,892,946	72,874,611	126,817,560	132,601,700
Reinsurance commission earned		9,753,787	11,793,596	21,573,985	20,481,411
Total income		90,646,733	84,668,207	148,391,545	153,083,111
Claims paid		(48,721,614)	(48,392,586)	(95,966,137)	(96,168,743)
Reinsurance share		16,092,980	11,270,002	26,916,245	23,663,997
Net claims paid		(32,628,634)	(37,122,584)	(69,049,892)	(72,504,746)
Change in outstanding claims provision		(12,557,979)	(11,474,309)	(11,710,477)	(13,848,727)
Net incurred claims		(45,186,613)	(48,596,893)	(80,760,369)	(86,353,473)
Commission paid		(6,109,286)	(6,134,803)	(11,374,995)	(12,529,127)
Administrative expenses		(9,839,798)	(7,439,422)	(19,796,302)	(15,511,617)
Net underwriting expenses		(61,135,697)	(62,171,118)	(111,931,666)	114,394,217)
Net movement in life assurance fund		(927,070)	(1,741,021)	(1,437,642)	(3,875,714)
Total underwriting expense		(62,062,769)	(63,912,139)	(113,369,308)	(118,269,931)
Underwriting profit		28,583,964	20,756,068	35,022,237	34,813,180
Interest and other income (net)		1,863,677	3,247,350	5,146,633	4,912,372
Net income / (loss) from investment securities		(8,570,341)	4,034,691	(4,417,843)	3,473,520
Administrative expenses		(818,105)	(715,661)	(1,626,730)	(1,483,677)
Profit for the period		21,059,195	27,322,448	34,124,297	41,715,395
Basic and diluted earnings per share		0.14	0.18	0.23	0.28

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 six-month period ended 30 June 2010

	(Un-audited) For the six-month period ended 30 June 2010 AED	(Un-audited) For the six-month period ended 30 June 2009 AED
Cash flows from operating activities		
Net profit for the period	34,124,297	41,715,395
<i>Adjustment for:</i>		
Depreciation	326,842	446,623
Unrealised (gains)/losses on investments fair valued through profit or loss	3,861,456	(5,472,829)
Profit on sale of investment – Available for sale	556,387	-
Profit on sale of investments fair valued through profit or loss	-	(262,282)
Change in unearned premium reserve and life assurance fund	(3,988,049)	22,897,948
Provision for gratuity – net of repayment	484,825	-
	<u>35,365,758</u>	<u>59,324,855</u>
Change in insurance and other receivables (including related parties)	(111,411,003)	(63,908,505)
Change in insurance and other payables	41,493,797	(8,151,841)
Change in net outstanding claims	11,710,477	13,848,727
Directors' remuneration paid	(1,998,514)	(1,000,000)
<i>Net cash (used in)/generated from operating activities</i>	<u>(24,839,485)</u>	<u>113,236</u>
Cash flows from investing activities		
Proceeds from sale of investment available for sale	19,443,612	-
Proceeds from sale of investments fair valued through profit or loss	-	1,118,904
Purchase of property and equipment	(41,399)	(463,382)
Purchase of investments fair valued through profit or loss	-	(2,051,029)
<i>Net cash generated from/(used in) investing activities</i>	<u>19,402,213</u>	<u>(1,395,507)</u>
Cash flows from financing activities		
Dividends paid	(16,066,512)	(12,171,600)
<i>Net cash used in financing activities</i>	<u>(16,066,512)</u>	<u>(12,171,600)</u>
Net decrease in cash and cash equivalents	<u>(21,503,784)</u>	<u>(13,453,871)</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>180,857,429</u>	<u>122,269,638</u>
These comprise the following:		
Cash in hand	2,960,390	2,090,630
Cash at bank	12,674,905	11,728,478
Fixed deposits	165,222,134	108,450,530
	<u>180,857,429</u>	<u>122,269,638</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.)

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 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.

Aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in 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)

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)*

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) 30 June 2010 AED	(Audited) 31 December 2009 AED
Less than one year	<u>1,196,514</u>	<u>427,719</u>

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 2010 amounted to AED nil (2009: nil).

Guarantees

	(Un-audited) 30 June 2010 AED	(Un-audited) 31 December 2009 AED
Letters of guarantees	<u>10,495,000</u>	<u>10,000,000</u>

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)*

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 six-month period ended 30 June 2010.