

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

Condensed interim financial statements

30 September 2010

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

Condensed interim financial statements

30 September 2010

<i>Contents</i>	<i>Page</i>
Independent auditor's 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 changes in shareholders' equity	5
Condensed interim statement of cash flows	6
Notes	7 - 12



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

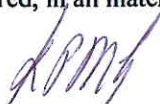
We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 30 September 2010, and the related condensed interim statement of comprehensive income (comprising of a condensed interim statement of comprehensive income and a separate condensed interim statement of income), condensed interim statement of changes in shareholders' equity and condensed interim statement of cash flows for the nine-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 nine month period ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.


Vijendra Nath Malhotra
Registration No: 48 B

28 OCT 2010

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

	Note	(Un-audited) 30-Sep-10 AED	(Audited) 31-Dec-09 AED
ASSETS			
Property and equipment		1,320,459	1,713,381
Investment properties		171,005,260	171,005,260
Investment securities	4	88,630,462	103,610,527
Reinsurance assets		216,314,027	287,743,622
Insurance and other receivables		151,607,184	89,488,517
Due from a related party		24,491,047	22,554,742
Cash and cash equivalents		248,653,789	202,361,213
Total assets		902,022,228	878,477,262
LIABILITIES			
Insurance contract provisions		403,917,973	452,196,208
Insurance and other payables		163,358,528	130,090,307
Total liabilities		567,276,501	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		(8,484,453)	(11,325,740)
Retained earnings		124,649,998	105,002,817
Total equity attributable to equity holders of the Company		334,745,727	296,190,747
Total liabilities and equity		902,022,228	878,477,262

The notes on pages 7 to 12 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 _____
October 2010 and signed on its behalf by :


Khalid Jassim Mohd Bin Kalban
Chairman

28 OCT 2010


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 nine-month period ended 30 September 2010

	Note	(Un-audited) For the three- month period ended 30-Sep-10 AED	(Un-audited) For the three- month period ended 30-Sep-09 AED	(Un-audited) For the nine- month period ended 30-Sep-10 AED	(Un-audited) For the nine- month period ended 30-Sep-09 AED
Continuing operations					
Gross written premium	7	113,916,542	93,323,321	335,048,136	332,708,911
Reinsurance ceded	7	(42,001,041)	(39,201,696)	(141,740,766)	(126,963,352)
Net premium		71,915,501	54,121,625	193,307,370	205,745,559
Change in unearned premium provision		(10,899,199)	3,062,803	(5,473,508)	(15,959,431)
Net earned premiums		61,016,302	57,184,428	187,833,862	189,786,128
Reinsurance commission earned		8,604,026	10,559,303	30,178,011	31,040,714
Total income		69,620,328	67,743,731	218,011,873	220,826,842
Claims paid		(45,110,140)	(56,254,383)	(141,076,277)	(152,423,126)
Reinsurance share		12,380,956	18,828,624	39,297,201	42,492,621
Net claims paid		(32,729,184)	(37,425,759)	(101,779,076)	(109,930,505)
Change in outstanding claims provision		(3,131,752)	3,615,360	(14,842,229)	(10,233,367)
Net incurred claims		(35,860,936)	(33,810,399)	(116,621,305)	(120,163,872)
Commission paid		(9,155,837)	(8,688,296)	(20,530,832)	(21,217,423)
Administrative expenses		(9,252,120)	(8,787,793)	(29,048,422)	(24,299,410)
Net underwriting expenses		(54,268,893)	(51,286,488)	(166,200,559)	(165,680,705)
Net movement in life assurance fund		(1,397,982)	(2,578,902)	(2,835,624)	(6,454,616)
Total underwriting expense		(55,666,875)	(53,865,390)	(169,036,183)	(172,135,321)
Underwriting profit		13,953,453	13,878,341	48,975,690	48,691,521
Interest and other income (net)		2,491,045	1,103,324	7,637,678	6,015,696
Net income / (loss) from investment securities		6,040,104	(2,564,030)	1,622,261	909,490
Administrative expenses		(2,830,180)	(833,766)	(4,456,910)	(2,317,443)
Profit for the period		19,654,422	11,583,869	53,778,719	53,299,264
Basic and diluted earnings per share		0.13	0.08	0.36	0.36

The notes on pages 7 to 12 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 nine-month period ended 30 September 2010*

	(Un-audited) For the three- month period ended 30-Sep-10 AED	(Un-audited) For the three- month period ended 30-Sep-09 AED	(Un-audited) For the nine- month period ended 30-Sep-10 AED	(Un-audited) For the nine- month period ended 30-Sep-09 AED
Profit for the period	19,654,422	11,583,869	53,778,719	53,299,264
Other comprehensive income				
Directors' remuneration	-	-	(1,998,514)	(1,000,000)
Net change in fair value of available for sale investments	1,752,420	2,269,764	2,344,861	4,988,240
Net change in fair value of available for sale investments transferred to profit and loss	-	-	496,426	-
Other comprehensive income	1,752,420	2,269,764	842,773	3,988,240
Total comprehensive income for the period	21,406,842	13,853,633	54,621,492	57,287,504

The notes on pages 7 to 12 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 nine-month period ended 30 September 2010

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value Reserve AED	Retained earnings AED	Total AED
As 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	-	-	-	-	53,299,264	53,299,264
Other comprehensive income for the period						
Director's remuneration	-	-	-	-	(1,000,000)	(1,000,000)
Net change in fair value of available for sale investments	-	-	-	4,988,240	-	4,988,240
Total other comprehensive income for the period	-	-	-	4,988,240	(1,000,000)	3,988,240
Total comprehensive income for the period	-	-	-	4,988,240	52,299,264	57,287,504
Issue of bonus shares	12,171,600	-	-	-	(12,171,600)	-
Transaction with owners :						
Dividends paid	-	-	-	-	(12,171,600)	(12,171,600)
As at 30 September 2009	133,887,600	31,286,088	30,670,102	(10,789,814)	131,622,560	316,676,536
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	-	-	-	-	53,778,719	53,778,719
Other comprehensive income for the period						
Director's remuneration	-	-	-	-	(1,998,514)	(1,998,514)
Net change in fair value of available for sale investments	-	-	-	2,344,861	-	2,344,861
Net change in fair value of available for sale investments transferred to profit and loss	-	-	-	496,426	-	496,426
Total other comprehensive income for the period	-	-	-	2,841,287	(1,998,514)	842,773
Total comprehensive income for the period	-	-	-	2,841,287	51,780,205	54,621,492
Issue of bonus shares	16,066,512	-	-	-	(16,066,512)	-
Transaction with owners :						
Dividends paid	-	-	-	-	(16,066,512)	(16,066,512)
As at 30 September 2010	149,954,112	34,621,028	34,005,042	(8,484,453)	124,649,998	334,745,727

The notes on pages 7 to 12 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 nine-month period ended 30 September 2010

	(Un-audited) For the nine-month period ended 30-Sep-10 AED	(Un-audited) For the nine-month period ended 30-Sep-09 AED
Cash flows from operating activities		
Net profit for the period	53,778,719	53,299,264
<i>Adjustment for:</i>		
Depreciation	486,407	684,989
Unrealised (gains) / losses on investments fair valued through profit or loss	(2,178,647)	6,832,296
Loss on sale of investment – available for sale	556,387	-
Profit on sale of investments fair valued through profit or loss	-	(7,741,786)
Change in unearned premium reserve and life assurance fund	8,309,132	22,414,047
Provision for gratuity – net of repayment	733,869	346,457
	<u>61,685,867</u>	<u>75,835,267</u>
Change in insurance and other receivables (including related parties)	(64,054,972)	(28,916,165)
Change in insurance and other payables	32,534,352	(9,785,768)
Change in net outstanding claims	14,842,229	10,233,367
Directors' remuneration paid	(1,998,514)	-
<i>Net cash generated from operating activities</i>	<u>43,008,962</u>	<u>47,366,701</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	-	21,781,013
Purchase of property and equipment	(93,486)	(486,562)
Purchase of investments fair valued through profit or loss	-	(7,141,626)
<i>Net cash generated from / investing activities</i>	<u>19,350,126</u>	<u>14,152,825</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	46,292,576	49,347,926
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>248,653,789</u>	<u>185,071,435</u>
	30-Sep-10 AED	30-Sep-09 AED
These comprise the following:		
Cash in hand	1,913,053	2,582,618
Cash at bank	9,171,205	13,235,388
Fixed deposits	237,569,531	169,253,429
	<u>248,653,789</u>	<u>185,071,435</u>

The notes on pages 7 to 12 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 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.

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

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

Notes (continued)

(forming part of the condensed interim financial statements)

2. Summary of significant accounting policies

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

i) Investment securities

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.

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.

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

Notes (continued)

(forming part of the condensed interim financial statements)

2. Summary of significant accounting policies

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

i) Investment securities

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.

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 nine-month period ended 30-Sep-10 AED	(Un-audited) For the nine-month period ended 30-Sep-09 AED
Key management personnel compensation		
Remuneration and short term benefit	2,705,447	1,822,500
End of service benefits	114,833	94,474
Other related parties		
Premiums generated from associate companies	109,093,680	100,369,836
Claims paid to associate companies	51,491,274	131,457,794
Issue of bonus shares	5,902,837	4,471,846
Dividends paid	5,902,837	4,471,846
Management expenses (net)	-	135,000
Interest income	4,793,063	2,978,248
Interest expense	-	144

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

Notes (continued)

(forming part of the condensed interim financial statements)

4. Investment securities

a) Investments fair valued through profit or loss

As at 30 September 2010, shares amounting to AED 4.7 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) 30-Sep-10 AED	(Audited) 31-Dec-09 AED
Investments made		
- Within UAE	31,868,436	53,622,030
- Outside UAE	20,119,225	15,524,343
	<u>51,987,661</u>	<u>69,146,373</u>

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-Sep-10 AED	(Audited) 31-Dec-09 AED
Less than one year	<u>813,630</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 September 2010 amounted to AED nil (2009: nil).

Guarantees

	(Un-audited) 30-Sep-10 AED	(Un-audited) 31-Dec-09 AED
Letters of guarantees	<u>8,630,000</u>	<u>10,000,000</u>

Fixed deposits amounting to AED 14 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 (2009: AED 7.5 million) and certificate of deposit of AED 2.5 million (2009: AED 2.5 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)

(forming part of the condensed interim financial statements)

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		Life assurance		Total	
	For the nine-month period ended		For the nine-month period ended		For the nine-month period ended	
	30 September 2010	2009	30 September 2010	2009	30 September 2010	2009
	AED	AED	AED	AED	AED	AED
Underwriting income						
Gross written premium	244,011,332	256,894,126	91,036,804	75,814,785	335,048,136	332,708,911
Reinsurance ceded	(70,547,640)	(72,354,508)	(71,193,126)	(54,608,844)	(141,740,766)	(126,963,352)
Net premium	173,463,692	184,539,618	19,843,678	21,205,941	193,307,370	205,745,559
Change in unearned premium provision	(1,648,602)	(9,710,155)	(3,824,906)	(6,249,276)	(5,473,508)	(15,959,431)
Net earned premium	171,815,090	174,829,463	16,018,772	14,956,665	187,833,862	189,786,128
Reinsurance commission earned	13,421,191	13,030,435	16,756,820	18,010,279	30,178,011	31,040,714
Total income	185,236,281	187,859,898	32,775,592	32,966,944	218,011,873	220,826,842
Underwriting expenses						
Net incurred claims	(107,847,229)	(114,440,110)	(8,774,076)	(5,723,762)	(116,621,305)	(120,163,872)
Commission paid	(16,119,753)	(15,443,245)	(4,411,079)	(5,774,178)	(20,530,832)	(21,217,423)
Administrative and general expenses	(23,827,548)	(19,520,913)	(5,220,874)	(4,778,497)	(29,048,422)	(24,299,410)
Total expenses	(147,794,530)	(149,404,268)	(18,406,029)	(16,276,437)	(166,200,559)	(165,680,705)
Profit before movement in life assurance fund	37,441,751	38,455,630	14,369,563	16,690,507	51,811,314	55,146,137
Increase in life assurance fund	-	-	(2,835,624)	(6,454,616)	(2,835,624)	(6,454,616)
Underwriting profit	37,441,751	38,455,630	11,533,939	10,235,891	48,975,690	48,691,521
Income/(loss) from investments					9,259,939	6,925,186
Unallocated expenses					(4,456,910)	(2,317,443)
Profit for the period					53,778,719	53,299,264

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

Notes (continued)

(forming part of the condensed interim financial statements)

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

9. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements for the nine-month period ended 30 September 2010.