

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

Condensed interim financial statements

31 March 2012

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Condensed interim financial statements

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Independent auditors' report on review of condensed interim financial information

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

Introduction

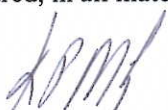
We have reviewed the accompanying condensed interim statement of financial position of National General Insurance Co. (P.S.C.) as of 31 March 2012, and the related condensed interim statement of comprehensive income (comprising of a condensed interim statement of comprehensive income and a separate condensed 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 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 three month period ended 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.


Vijendra Nath Malhotra
Registration No: 48 B

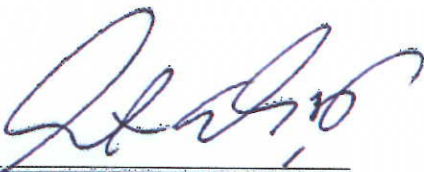
2 MAY 2012

National General Insurance Co. (P.S.C.)
Condensed interim statement of financial position
As at 31 March 2012

		(Un-audited) 31 March 2012	(Audited) 31 December 2011
	Note	AED	AED
ASSETS			
Property and equipment		6,610,378	4,553,714
Investment properties		238,000,000	238,000,000
Investment securities	7	148,450,600	106,638,660
Reinsurance assets		249,903,816	241,035,720
Insurance and other receivables		121,089,101	137,152,744
Cash and cash equivalents		119,819,300	133,894,272
Total assets		883,873,195	861,275,110
LIABILITIES			
Insurance contract provisions		422,036,695	414,205,265
Insurance and other payables		112,538,512	127,606,363
Payable to participants of unit linked products	10	31,908,706	-
Total liabilities		566,483,913	541,811,628
EQUITY			
Share capital		149,954,112	149,954,112
Legal reserve		42,835,656	42,835,656
General reserve		42,219,670	42,219,670
Fair value reserve		(9,332,749)	(12,526,841)
Retained earnings		91,712,593	96,980,885
Total equity attributable to equity holders of the Company		317,389,282	319,463,482
Total liabilities and equity		883,873,195	861,275,110

The notes on pages 7 to 11 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 2 MAY 2012 and signed on its behalf by:


Hamad Buamim
 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 three-month period ended 31 March 2012

		(Un-audited) For the three month period ended 31 March 2012 AED	(Un-audited) For the three month period ended 31 March 2011 AED
	Note		
Gross written premium	9	111,687,230	110,848,872
Reinsurance ceded	9	(47,369,868)	(48,982,131)
Net premium	9	64,317,362	61,866,741
Change in unearned premium provision and payable to participants of unit linked product	9	(2,380,582)	2,991,092
Net earned premiums	9	61,936,780	64,857,833
Reinsurance commission earned	9	12,583,218	8,013,298
Total income	9	74,519,998	72,871,131
Claims paid		(69,797,553)	(58,163,355)
Reinsurance share		19,922,893	8,173,964
Net claims paid		(49,874,660)	(49,989,391)
Change in outstanding claims provision		1,291,357	(1,172,371)
Net incurred claims	9	(48,583,303)	(51,161,762)
Commission paid	9	(6,388,561)	(5,066,190)
Administrative expenses	9	(8,359,756)	(8,617,958)
Net underwriting expenses		(63,331,620)	(64,845,910)
Net movement in life assurance fund	9	(565,531)	(747,626)
Total underwriting expense		(63,897,151)	(65,593,536)
Underwriting profit	9	10,622,847	7,277,595
Interest and other income (net)		4,501,058	3,778,025
Net income from investment securities		4,896,387	2,083,730
Administrative expenses		(1,279,605)	(801,446)
Profit for the period		18,740,687	12,337,904
Basic and diluted earnings per share		0.125	0.082

The notes on pages 7 to 11 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 2012*

	(Un-audited) For the three month period ended 31 March 2012 AED	(Un-audited) For the three month period ended 31 March 2011 AED
Profit for the period	18,740,687	12,337,904
Other comprehensive income		
Net change in fair value of investments at fair value through other comprehensive income	3,194,092	(749,452)
Total other comprehensive income	<u>3,194,092</u>	<u>(749,452)</u>
Total comprehensive income for the period	<u>21,934,779</u>	<u>11,588,452</u>

The notes on pages 7 to 11 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 2012

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value Reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2011	149,954,112	40,003,616	39,387,630	(6,514,256)	113,931,987	336,763,089
Effect of changes in accounting policy for financial instrument recognition and measurement (IFRS 9) (Refer note 11)	-	-	-	(1,281,104)	1,281,104	-
Balance at 1 January 2011 - restated	149,954,112	40,003,616	39,387,630	(7,795,360)	115,213,091	336,763,089
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12,337,904	12,337,904
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	(749,452)	-	(749,452)
Total other comprehensive income for the period	-	-	-	(749,452)	-	(749,452)
Total comprehensive income for the period	-	-	-	(749,452)	12,337,904	11,588,452
Transaction with owners :						
Director's remuneration	-	-	-	-	(3,400,000)	(3,400,000)
Dividends declared and paid	-	-	-	-	(37,488,528)	(37,488,528)
As at 31 March 2011	149,954,112	40,003,616	39,387,630	(8,544,812)	86,662,467	307,463,013
Balance at 1 January 2012	149,954,112	42,835,656	42,219,670	(12,526,841)	96,980,885	319,463,482
Total comprehensive income for the period						
Profit for the period	-	-	-	-	18,740,687	18,740,687
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	3,194,092	-	3,194,092
Total other comprehensive income for the period	-	-	-	3,194,092	-	3,194,092
Total comprehensive income for the period	-	-	-	3,194,092	18,740,687	21,934,779
Transaction with owners :						
Director's remuneration	-	-	-	-	(1,515,864)	(1,515,864)
Dividends declared	-	-	-	-	(22,493,115)	(22,493,115)
As at 31 March 2012	149,954,112	42,835,656	42,219,670	(9,332,749)	91,712,593	317,389,282

The notes on pages 7 to 11 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 2012

		(Un-audited) For the three month period ended 31 March 2012 AED	(Un-audited) For the three month period ended 31 March 2011 AED
Cash flows from operating activities			
Net profit for the period		18,740,687	12,337,904
<i>Adjustment for:</i>			
Depreciation		507,931	63,904
Unrealized (gains) / losses on investments fair valued through profit or loss		(6,287,022)	(2,058,597)
Change in unearned premium reserve and life assurance fund		254,691	(2,243,467)
Provision for gratuity – net of repayment		406,933	(548,475)
		<u>13,623,220</u>	<u>7,551,269</u>
Change in insurance and other receivables (including related parties)		16,063,643	(25,743,604)
Change in insurance and other payables		(37,967,899)	(79,812,733)
Change in net outstanding claims		(1,291,357)	1,172,372
Change in payable to participants of unit linked products	10	31,908,706	-
Directors' remuneration paid		(1,515,864)	(3,400,000)
<i>Net cash used in operating activities</i>		<u>20,820,449</u>	<u>(100,232,696)</u>
Cash flows from investing activities			
Proceeds from sale of investment available for sale		-	-
Proceeds from sale of investments fair valued through profit or loss		-	-
Purchase of property and equipment		(2,564,595)	(249,026)
Purchase of investments fair valued through profit or loss		(32,330,826)	(6,340,127)
<i>Net cash used in investing activities</i>		<u>(34,895,421)</u>	<u>(6,589,153)</u>
Cash flows from financing activities			
Dividends paid		-	(27,784,063)
<i>Net cash used in financing activities</i>		<u>-</u>	<u>(27,784,063)</u>
Net decrease in cash and cash equivalents		<u>(14,074,972)</u>	<u>(134,605,912)</u>
Cash and cash equivalents at the beginning of the period		133,894,272	243,250,291
Cash and cash equivalents at the end of the period		<u>119,819,300</u>	<u>108,644,379</u>
These comprise the following:			
Cash in hand		780,049	2,814,557
Cash at bank		14,233,006	13,953,091
Fixed deposits		104,806,245	91,876,731
		<u>119,819,300</u>	<u>108,644,379</u>

The notes on pages 7 to 11 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 as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6 of 2007 relating to establishment of insurance authority and UAE Federal law no. 9 of 1984 relating to insurance companies and brokers.

The registered office of the Company is at the U.P. House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with 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 2011.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- i) financial instruments at fair value through profit or loss are measured at fair value;
- ii) available-for-sale financial assets are measured at fair value; and
- iii) investment property is measured at fair value.

c) Functional & presentation currency

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

d) Use of estimates and judgements

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

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 2011.

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

Notes (continued)

(forming part of the condensed interim financial statements)

3. Summary of significant accounting policies (continued)

The accounting policies applied by the Company in preparation of these condensed consolidated interim financial statement are the same as those applied by the Company in its preparation of last audited annual consolidated financial statements for the year ended 31 December 2011 except mentioned in 3(a) to the financial statements.

Key accounting policies adopted by the Company during the three month period ended 31 March 2012 are as below:

a) Insurance contracts

Investment featured unit-linked individual life contracts

A unit-linked life insurance contract is an insurance contract with embedded derivative linking payments on the contract to units of an external investment funds administrated by the Company with the consideration received from the policy holders. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the policy holder is linked to the performance of the underlying assets of these funds and liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Payable to Participants for unit-linked contracts is classified as financial liability, which is designated as fair value through profit or loss("FVTPL"), upon initial recognition to eliminate an accounting mismatch in respect of investments acquired under unit-linked individual life contracts, which is classified at fair value through profit or loss. Subsequent to initial measurement, financial liability designated as FVTPL are measured at fair value and any fair value change is recognised in statement of income.

4. Financial risk management

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 2011.

5. 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.

6. 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 - (Revised). 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 2012 AED	(Un-audited) For the three- month period ended 31 March 2011 AED
Key management personnel compensation		
Remuneration and short term benefits	1,217,849	981,840
End of service benefits	23,726	44,812
Other related parties		
Premiums generated from associate companies	16,458,717	23,307,422
Claims paid to associate companies	18,107,894	15,740,326
Dividends paid	-	13,757,353
Management expenses (net)	45,000	45,000
Interest income	446,298	824,868

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

Notes (continued)

(forming part of the condensed interim financial statements)

7. Investment securities

a) Investments fair valued through profit or loss

As at 31 March 2012, shares amounting to AED 3,894,265 million are held in the name of a Director for the beneficial interest of the Company.

b) Investments

<u>Unaudited for the three month period ended 31 March 2012</u>			
	U.A.E.	Other then	Total
	AED	U.A.E.	
		AED	AED
Investments measured at fair value through profit and loss	95,467,890	-	95,467,890
Investments measured at fair value through other comprehensive income	14,948,128	21,086,029	36,034,157
Investments measured at amortised cost	16,948,553	-	16,948,553
	<u>127,364,571</u>	<u>21,086,029</u>	<u>148,450,600</u>

<u>Audited for the year ended 31 December 2011</u>			
	UAE	Other then	Total
	AED	UAE	
		AED	AED
Investments measured at fair value through profit and loss:	56,850,041	-	56,850,041
Investments measured at fair value through other comprehensive income:	5,053,577	27,786,489	32,840,066
Investments measured at amortised cost:	16,948,553	-	16,948,553
	<u>78,852,171</u>	<u>27,786,489</u>	<u>106,638,660</u>

8. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 31 March 2012 amounted to AED nil (2011: nil).

Guarantees

	(Un-audited) 31 March 2012 AED	(Un-audited) 31 December 2011 AED
Letters of guarantees	<u>9,447,558</u>	<u>9,437,558</u>

Fixed deposits amounting to AED 14.5 million (2011: AED 14 million) are under lien as collateral in respect of above guarantees. Included in guarantees is a guarantee of AED 10 million (2011: AED 10 million) favoring ministry of economy and commerce.

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)

9. 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 three-month period ended 31 March		For the three-month period ended 31 March		For the three-month period ended 31 March	
	2012 AED	2011 AED	2012 AED	2011 AED	2012 AED	2011 AED
Underwriting income						
Gross written premium	85,000,596	81,997,392	26,686,634	28,851,480	111,687,230	110,848,872
Reinsurance ceded	(30,319,311)	(26,305,476)	(17,050,557)	(22,676,655)	(47,369,868)	(48,982,131)
Net premium	54,681,285	55,691,916	9,636,077	6,174,825	64,317,362	61,866,741
Change in unearned premium provision	988,196	2,742,357	(3,368,778)	248,735	(2,380,582)	2,991,092
Net earned premium	55,669,481	58,434,273	6,267,299	6,423,560	61,936,780	64,857,833
Reinsurance commission earned	7,836,651	4,353,835	4,746,567	3,659,463	12,583,218	8,013,298
Total income	63,506,132	62,788,108	11,013,866	10,083,023	74,519,998	72,871,131
Underwriting expenses						
Net incurred claims	(45,688,794)	(47,168,232)	(2,894,509)	(3,993,530)	(48,583,303)	(51,161,762)
Commission paid	(5,376,858)	(4,121,091)	(1,011,703)	(945,099)	(6,388,561)	(5,066,190)
Administrative and general expenses	(7,262,561)	(6,314,450)	(1,097,195)	(2,303,508)	(8,359,756)	(8,617,958)
Total expenses	(58,328,213)	(57,603,773)	(5,003,407)	(7,242,137)	(63,331,620)	(64,845,910)
Profit before movement in life assurance fund	5,177,919	5,184,335	6,010,459	2,840,886	11,188,378	8,025,221
Increase in life assurance fund	-	-	(565,531)	(747,626)	(565,531)	(747,626)
Underwriting profit	5,177,919	5,184,335	5,444,928	2,093,260	10,622,847	7,277,595
Income from investments					9,397,445	5,861,755
Unallocated expenses					(1,279,605)	(801,446)
Profit for the period					18,740,687	12,337,904

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

Notes (continued)

(forming part of the condensed interim financial statements)

10. Payable to participants of unit linked products

During the period the Company acquired an insurance portfolio from AVIVA limited.

Movement during the period:

	(Un-audited) 31 March 2012	(Audited) 31 December 2011
Balance at the time of acquisition	32,990,242	-
Units issued against the premium received	3,200,804	-
Units redeemed for surrenders and change in fair value	(4,282,340)	-
	<u>31,908,706</u>	<u>-</u>

11. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements.

The Company has adopted IFRS 9 Financial instruments (IFRS 9) in 2011 in advance of its effective date. The Company had choose 1 January 2011 as its date of initial application and had applied this standard retrospectively.