

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

Condensed interim financial statements

30 June 2012

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

Condensed interim financial statements

30 June 2012

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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 2012, 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 shareholders' equity and condensed interim statement of cash flows for the six-month period then ended and notes to the condensed interim financial information (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 2012 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

31 JUL 2012

KPMG
Vijendra Nath Malhotra
Registration No: 48 B

National General Insurance Co. (P.S.C.)
Condensed interim statement of financial position
As at 30 June 2012

		(Un-audited) 30 June 2012	(Audited) 31 December 2011
	Note	AED	AED
ASSETS			
Property and equipment		6,706,075	4,553,714
Investment properties		238,000,000	238,000,000
Investment securities	7	153,798,785	106,638,660
Reinsurance assets		233,830,679	241,035,720
Insurance and other receivables		142,801,932	137,152,744
Cash and cash equivalents		111,090,902	133,894,272
Total assets		886,228,373	861,275,110
LIABILITIES			
Insurance contract provisions		443,779,256	414,205,265
Insurance and other payables		88,460,158	127,606,363
Payable to policyholders of unit linked products	10	30,273,570	-
Total liabilities		562,512,984	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		(3,727,147)	(12,526,841)
Retained earnings		92,433,098	96,980,885
Total equity		323,715,389	319,463,482
Total liabilities and equity		886,228,373	861,275,110

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

31 JUL 2012 and signed on its behalf by :



Hamad Mubarak 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 six-month period ended 30 June 2012

	<i>Note</i>	(Un-audited) For the three month period ended 30 June 2012 AED	(Un-audited) For the three month period ended 30 June 2011 AED	(Un-audited) For the six month period ended 30 June 2012 AED	(Un-audited) For the six month period ended 30 June 2011 AED
Gross written premium	9	140,989,913	141,633,868	252,677,143	252,482,740
Reinsurance ceded	9	(32,547,680)	(53,451,004)	(79,917,548)	(102,433,135)
Net premium	9	108,442,233	88,182,864	172,759,595	150,049,605
Change in unearned premium provision and payable to policyholders of unit linked product	9	(34,518,137)	(8,446,446)	(36,898,719)	(5,455,354)
Net earned premiums	9	73,924,096	79,736,418	135,860,876	144,594,251
Reinsurance commission earned	9	5,020,331	7,273,697	17,603,549	15,286,995
Total income	9	78,944,427	87,010,115	153,464,425	159,881,246
Claims paid		(72,294,170)	(74,999,189)	(142,091,723)	(133,162,544)
Reinsurance share		19,650,755	19,720,074	39,573,648	27,894,038
Net claims paid		(52,643,415)	(55,279,115)	(102,518,075)	(105,268,506)
Change in outstanding claims provision		2,372,216	(1,753,383)	3,663,573	(2,925,754)
Net incurred claims	9	(50,271,199)	(57,032,498)	(98,854,502)	(108,194,260)
Commission paid	9	(5,841,358)	(4,706,329)	(12,229,919)	(9,772,519)
Administrative expenses	9	(7,759,061)	(9,153,071)	(16,118,817)	(17,771,029)
Net underwriting expenses		(63,871,618)	(70,891,898)	(127,203,238)	(135,737,808)
Net movement in life assurance fund	9	(261,682)	(410,745)	(827,213)	(1,158,371)
Decrease in fair value of investment held for unit linked products		(3,871,244)	-	(3,871,244)	-
Total underwriting expense		(68,004,544)	(71,302,643)	(131,901,695)	(136,896,179)
Underwriting profit	9	10,939,883	15,707,472	21,562,730	22,985,067
Interest and other income (net)		1,951,410	2,208,841	6,452,468	5,986,866
Net income from investment securities		(3,620,593)	3,827,552	1,275,794	5,911,282
General and administrative expenses		(1,705,183)	(912,663)	(2,984,788)	(1,714,109)
Profit for the period		7,565,517	20,831,202	26,306,204	33,169,106
Basic and diluted earnings per share		0.05	0.14	0.18	0.22

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 six-month period ended 30 June 2012

	(Un-audited) For the three month period ended 30 June 2012 AED	(Un-audited) For the three month period ended 30 June 2011 AED	(Un-audited) For the six month period ended 30 June 2012 AED	(Un-audited) For the six month period ended 30 June 2011 AED
Profit for the period	7,565,517	20,831,202	26,306,204	33,169,106
Other comprehensive income				
Directors' remuneration	-	-	-	
Net change in fair value of investments at fair value through other comprehensive income	(1,239,409)	(21,080)	1,954,683	(728,372)
Total other comprehensive income	(1,239,409)	(21,080)	1,954,683	(728,372)
Total comprehensive income for the period	6,326,108	20,810,122	28,260,887	32,440,734

The notes on pages 7 to 12 form an integral part of these condensed interim financial statements.

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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 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	-	-	-	-	33,169,106	33,169,106
Other comprehensive income for the period						
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	(728,372)	-	(728,372)
Total other comprehensive income for the period	-	-	-	(728,372)	-	(728,372)
Total comprehensive income for the period	-	-	-	(728,372)	33,169,106	32,440,734
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 June 2011	149,954,112	40,003,616	39,387,630	(8,523,732)	107,493,669	328,315,295
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	-	-	-	-	26,306,204	26,306,204
Other comprehensive income for the period						
Loss on sale of investment at fair value through OCI	-	-	-	6,845,011	(6,845,011)	-
Net change in fair value of investments at fair value through other comprehensive income	-	-	-	1,954,683	-	1,954,683
Total other comprehensive income for the period	-	-	-	8,799,694	(6,845,011)	1,954,683
Total comprehensive income for the period	-	-	-	8,799,694	19,461,193	28,260,887
Transaction with owners :						
Director's remuneration	-	-	-	-	(1,515,865)	(1,515,865)
Dividends declared	-	-	-	-	(22,493,115)	(22,493,115)
As at 30 June 2012	149,954,112	42,835,656	42,219,670	(3,727,147)	92,433,098	323,715,389

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 six-month period ended 30 June 2012

	(Un-audited) For the six month period ended 30 June 2012 AED	(Un-audited) For the six month period ended 30 June 2011 AED
<i>Note</i>		
Cash flows from operating activities		
Net profit for the period	26,306,204	33,169,106
<i>Adjustment for:</i>		
Depreciation	1,066,052	335,921
Unrealized gains on investments fair valued through profit or loss	(1,275,794)	(5,911,282)
Change in unearned premium reserve and life assurance fund	40,442,605	6,613,725
Provision for end of service benefits	1,030,134	(219,611)
	<u>67,569,201</u>	<u>33,987,859</u>
Change in insurance and other receivables (including related parties)	(5,649,188)	(16,384,475)
Change in insurance and other payables	(39,797,682)	(84,879,060)
Change in net outstanding claims	(3,663,573)	2,925,754
Directors' remuneration paid	(1,515,865)	(3,400,000)
	<u>16,942,893</u>	<u>(67,749,922)</u>
Employee end of service benefit paid	(378,657)	
<i>Net cash generated from /(used in) operating activities</i>	<u>16,564,236</u>	<u>(67,749,922)</u>
Cash flows from investing activities		
Proceeds from sale of investment at fair value through OCI	11,521,899	-
Purchase of property and equipment	(3,218,413)	(457,526)
Purchase of investments at ammortised cost	(23,868,847)	(16,539,652)
Purchase of investments fair valued through profit or loss	(1,309,130)	(8,392,496)
<i>Net cash generated from /(used in) investing activities</i>	<u>(16,874,491)</u>	<u>(25,389,674)</u>
Cash flows from financing activities		
Dividends paid	(22,493,115)	(37,488,528)
<i>Net cash used in financing activities</i>	<u>(22,493,115)</u>	<u>(37,488,528)</u>
Net decrease in cash and cash equivalents	<u>(22,803,370)</u>	<u>(130,628,124)</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>111,090,902</u>	<u>112,622,167</u>
These comprise the following:		
Cash in hand	1,491,922	3,113,528
Cash at bank	3,232,429	15,968,867
Fixed deposits	106,366,551	93,539,772
	<u>111,090,902</u>	<u>112,622,167</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 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 NGI 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 last audited 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) financial instruments at fair value through other comprehensive income and are measured at fair value,
- 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 a 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 last audited 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

The accounting policies applied by the Company in preparation of these condensed interim financial statement are the same as those applied by the Company in its preparation of last audited annual 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 six month period ended 30 June 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 policyholders 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 is measured at fair value and any fair value change is recognised in statement of income.

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the last audited 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.

a) The following are the details of transactions with related parties:

	(Un-audited) For the six- month period ended 30 June 2012 AED	(Un-audited) For the six- month period ended 30 June 2011 AED
Key management personnel compensation		
Remuneration and short term benefits	2,315,133	2,171,433
End of service benefits	283,097	106,076
Other related parties		
Premiums generated from associate companies	88,268,109	89,605,210
Claims paid to associate companies	35,182,666	35,500,628
Dividends paid	8,259,475	13,757,353
Management expenses (net)	90,000	45,000
Interest income	903,604	1,361,295

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

Notes (continued)

(forming part of the condensed interim financial statements)

6. Related party transactions (continued)

	(Un-audited) 30 June 2012 AED	(Audited) 31 December 2011 AED
b) Due from Related Parties Insurance Premium Receivable (included in receivables)	<u>44,301,802</u>	<u>13,863,598</u>
c) Due to Related Parties Payable to related party (included in payable)	<u>1,104,515</u>	<u>-</u>

7. Investment securities

a) Investments

Unaudited for the six month period ended 30 June 2012

	U.A.E. AED	Other then U.A.E. AED	Total AED
Investments at fair value through profit or loss	89,708,535	-	89,708,535
Investments at fair value through other comprehensive income	8,610,955	14,661,895	23,272,850
Investments at amortised cost	40,817,400	-	40,817,400
	<u>139,136,890</u>	<u>14,661,895</u>	<u>153,798,785</u>

Audited for the year ended 31 December 2011

	UAE AED	Other then UAE AED	Total AED
Investments at fair value through profit or loss	56,850,041	-	56,850,041
Investments at fair value through other comprehensive income	5,053,577	27,786,489	32,840,066
Investments at amortised cost	16,948,553	-	16,948,553
	<u>78,852,171</u>	<u>27,786,489</u>	<u>106,638,660</u>

- b) As at 30 June 2012, shares amounting to AED 4,068,504 are held in the name of a Director for the beneficial interest of the Company.
- c) As at 30 June 2012, policyholders' investment in unit linked contracts amounting to AED 30,273,570 which is included in Investments at fair value through profit and loss.

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

Notes (continued)

(forming part of the condensed interim financial statements)

8. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 30 June 2012 amounted to AED 562,130 (2011: nil).

Guarantees

	(Un-audited) 30 June 2012 AED	(Audited) 31 December 2011 AED
Letters of guarantees	<u>12,246,864</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 7.5 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 two operating segments, general insurance and life assurance. These segments are the basis on which the Company reports its primary segment information.

	General insurance		Life assurance		Total	
	For the six-month period ended 30 June		For the six-month period ended 30 June		For the six-month period ended 30 June	
	2012 AED	2011 AED	2012 AED	2011 AED	2012 AED	2011 AED
Underwriting income						
Gross written premium	202,418,705	192,493,014	50,258,438	59,989,726	252,677,143	252,482,740
Reinsurance ceded	(49,367,036)	(53,495,353)	(30,550,512)	(48,937,782)	(79,917,548)	(102,433,135)
Net premium	153,051,669	138,997,661	19,707,926	11,051,944	172,759,595	150,049,605
Change in unearned premium provision and payable to policyholders of unit linked product						
Net earned premium	(38,990,023)	(3,732,108)	2,091,304	(1,723,246)	(36,898,719)	(5,455,354)
Reinsurance commission earned	114,061,646	135,265,553	21,799,230	9,328,698	135,860,876	144,594,251
Total income	9,203,630	7,722,840	8,399,919	7,564,155	17,603,549	15,286,995
	123,265,276	142,988,393	30,199,149	16,892,853	153,464,425	159,881,246
Underwriting expenses						
Net incurred claims	(90,877,002)	(102,026,288)	(7,977,500)	(6,167,972)	(98,854,502)	(108,194,260)
Commission paid	(10,249,391)	(7,835,020)	(1,980,528)	(1,937,499)	(12,229,919)	(9,772,519)
General and administrative expenses	(13,213,189)	(14,779,037)	(2,905,628)	(2,991,992)	(16,118,817)	(17,771,029)
Total expenses	(114,339,582)	(124,640,345)	(12,863,656)	(11,097,463)	(127,203,238)	(135,737,808)
Profit before movement in life assurance fund	8,925,694	18,348,048	17,335,493	5,795,390	26,261,187	24,143,438
Increase in life assurance fund	-	-	(827,213)	(1,158,371)	(827,213)	(1,158,371)
Decrease in fair value of investment held for unit linked products	-	-	(3,871,244)	-	(3,871,244)	-
Underwriting profit	8,925,694	18,348,048	12,637,036	4,637,019	21,562,730	22,985,067
Income from investments						
Unallocated expenses					7,728,262	11,898,148
Profit for the period					(2,984,788)	(1,714,109)
					26,306,204	33,169,106

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

Notes (continued)

(forming part of the condensed interim financial statements)

10. Payable to policyholders of unit linked products

During the period the Company acquired an insurance portfolio of unit linked policies from AVIVA Limited.

Movement during the period:

	(Un-audited) 30 June 2012	(Audited) 31 December 2011
Balance at the time of acquisition	32,990,242	-
Amount invested by policyholders	5,116,272	-
Amount withdrawn at redemption on lapse/surrender by policyholder	(3,961,700)	-
Change in fair value	(3,871,244)	-
	<u>30,273,570</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 chosen 1 January 2011 as its date of initial application and had applied this standard retrospectively.