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

Condensed interim financial statements

31 March 2011

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Contents

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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 2011, 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 2011 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

Vijendra Nath Malhotra
Registration No: 48 B

02 MAY 2011

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

Condensed interim statement of financial position

As at 31 March 2011

	Note	(Un-audited) 31 March 2011 AED	(Audited) 31 December 2010 AED
ASSETS			
Property and equipment		**1,525,046**	1,339,924
Investment properties		**237,500,000**	237,500,000
Investment securities	4	**105,648,650**	97,999,378
Reinsurance assets		**248,062,700**	239,247,897
Insurance and other receivables		**171,816,320**	146,072,716
Cash and cash equivalents		**108,644,379**	243,250,291
Total assets		**873,197,095**	965,410,206
LIABILITIES			
Insurance contract provisions		**424,471,169**	416,727,461
Insurance and other payables		**141,262,914**	211,919,656
Total liabilities		**565,734,083**	628,647,117
EQUITY			
Share capital		**149,954,112**	149,954,112
Legal reserve		**40,003,616**	40,003,616
General reserve		**39,387,630**	39,387,630
Fair value reserve		**(7,263,709)**	(6,514,256)
Retained earnings		**85,381,363**	113,931,987
Total equity attributable to equity holders of the Company		**307,463,012**	336,763,089
Total liabilities and equity		**873,197,095**	965,410,206

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

These condensed interim financial statements were authorized for issue and approved by the board on ____________________ and signed on its behalf by :

0 2 MAY 2011

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 2011

	Note	(Un-audited) For the three months period ended 31 March 2011 AED	(Un-audited) For the three months period ended 31 March 2010 AED
Gross written premium	6	110,848,872	91,373,249
Reinsurance ceded	6	(48,982,131)	(48,420,448)
Net premium		61,866,741	42,952,801
Change in unearned premium provision		2,991,092	2,971,813
Net earned premiums		64,857,833	45,924,614
Reinsurance commission earned		8,013,298	11,820,198
Total income		72,871,131	57,744,812
Claims paid		(58,163,355)	(47,244,523)
Reinsurance share		8,173,964	10,823,265
Net claims paid		(49,989,391)	(36,421,258)
Change in outstanding claims provision		(1,172,371)	847,502
Net incurred claims		(51,161,762)	(35,573,756)
Commission paid		(5,066,190)	(5,265,709)
Administrative expenses		(8,617,958)	(9,956,504)
Net underwriting expenses		(64,845,910)	(50,795,969)
Net movement in life assurance fund		(747,626)	(510,572)
Total underwriting expense		(65,593,536)	(51,306,541)
Underwriting profit		7,277,595	6,438,271
Interest and other income (net)		3,778,025	3,282,956
Net income / (loss) from investment securities		2,083,730	4,152,498
Administrative expenses		(801,446)	(808,625)
Profit for the period		12,337,904	13,065,100
Basic and diluted earnings per share		0.082	0.087

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 2011

	(Un-audited) For the three months period ended 31 March 2011 AED	(Un-audited) For the three months period ended 31 March 2010 AED
Profit for the period	**12,337,904**	13,065,100
Other comprehensive income		
Directors' remuneration	**(3,400,000)**	(1,998,514)
Net change in fair value of available for sale investments	**(749,452)**	699,291
Other comprehensive loss	**(4,149,452)**	(1,299,223)
Total comprehensive income for the period	**8,188,452**	11,765,877

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 2011

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value Reserve AED	Retained earnings AED	Total AED
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 for the period						
Director's remuneration paid	-	-	-	-	(1,998,514)	(1,998,514)
Fair value reserve (available for sale investments)	-	-	-	699,291	-	699,291
Total other comprehensive income for the period	-	-	-	699,291	(1,998,514)	(1,299,223)
Total comprehensive income for the period	-	-	-	699,291	11,066,586	11,765,877
Transaction with owners :						
Issue of bonus shares	16,066,512	-	-	-	(16,066,512)	-
Dividends declared and 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**
Balance at 1 January 2011	**149,954,112**	**40,003,616**	**39,387,630**	**(6,514,256)**	**113,931,987**	**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						
Director's remuneration	-	-	-		**(3,400,000)**	**(3,400,000)**
Net change in fair value of available for sale investments	-	-	-	**(749,452)**	-	**(749,452)**
Total other comprehensive loss for the period	-	-	-	(749,452)	(3,400,000)	(4,149,452)
Total comprehensive income for the period	-	-	-	(749,452)	8,937,904	8,188,452
Transaction with owners :						
Dividends declared	-	-	-	-	(37,488,528)	(37,488,528)
As at 31 March 2011	**149,954,112**	**40,003,616**	**39,387,630**	**(7,263,708)**	**85,381,363**	**307,463,013**

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 2011

	(Un-audited) For the three months period ended 31 March 2011 AED	(Un-audited) For the three months period ended 31 March 2010 AED
Cash flows from operating activities		
Net profit for the period	**12,337,904**	13,065,100
Adjustment for:		
Depreciation	**63,904**	156,686
Unrealized (gains) / losses on investments fair valued through profit or loss	**(2,058,597)**	(4,152,498)
Change in unearned premium reserve and life assurance fund	**(2,243,467)**	(2,461,241)
Provision for gratuity – net of repayment	**(548,475)**	263,820
	7,551,269	6,871,867
Change in insurance and other receivables (including related parties)	**(25,743,604)**	(36,286,517)
Change in insurance and other payables	**(79,812,733)**	20,750,480
Change in net outstanding claims	**1,172,372**	(847,504)
Directors' remuneration paid	**(3,400,000)**	(1,998,514)
Net cash generated from operating activities	**(100,232,696)**	(11,510,188)
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	**(249,026)**	(20,429)
Purchase of investments fair valued through profit or loss	**(6,340,127)**	-
Net cash generated from / investing activities	**(6,589,153)**	(20,429)
Cash flows from financing activities		
Dividends paid	**(27,784,063)**	(16,066,512)
Net cash used in financing activities	**(27,784,063)**	(16,066,512)
Net decrease in cash and cash equivalents	**(134,605,912)**	(27,597,129)
Cash and cash equivalents at the beginning of the period	**243,250,291**	202,361,213
Cash and cash equivalents at the end of the period	**108,644,379**	174,764,084
These comprise the following:		
Cash in hand	**2,814,557**	1,938,002
Cash at bank	**13,953,091**	12,521,448
Fixed deposits	**91,876,731**	160,304,634
	108,644,379	174,764,084

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 as well as certain reinsurance 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 2010.

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 2010, except for IAS 24 'Related Party Disclosures' (Revised) which became applicable for annual periods beginning on or after 1 January 2011. The Company has adopted this standard in the preparation of these condensed interim financial statements. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised requirements under IAS 24 affect the presentation and disclosure of these condensed interim financial statements and do not have any effect on the reported amounts in the condensed interim statement of financial position and condensed interim statement of comprehensive income.

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 2010.

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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 2010.

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

i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial instruments at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Company from classifying investment securities as held to maturity for the current and the following two financial years.

2. Summary of significant accounting policies (continued)

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

i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity and debt securities.

ii) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2. Summary of significant accounting policies (continued)

b) Key accounting policies adopted by the Company (continued)

iii) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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-Mar-11 AED	(Un-audited) For the three-month period ended 31-Mar-10 AED
Key management personnel compensation		
Remuneration and short term benefits	**981,840**	998,841
End of service benefits	**44,812**	127,175
Other related parties		
Premiums generated from associate companies	**23,307,422**	23,800,085
Claims paid to associate companies	**15,740,326**	21,045,138
Issue of bonus shares	**-**	4,466,673
Dividends paid	**13,757,353**	4,466,673
Management expenses (net)	**45,000**	45,000
Interest income	**824,868**	1,223,095

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 31 March 2011, 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) **31-Mar-11** **AED**	(Audited) 31-Dec-10 AED
Investments made		
- Within UAE	**51,157,516**	51,900,695
- Outside UAE	**766,781**	773,058
	51,924,297	52,673,753

5. Contingent liabilities and commitments

Leases as a lessee

Non cancelable operating lease rentals are payable as follows:

	(Un-audited) **31-Mar-11** **AED**	(Audited) 31-Dec-10 AED
Less than one year	**788,795**	582,706
More than one year	**-**	60,312

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 renegotiated annually to reflect the market rentals.

Capital commitments

Capital commitments as at 31 March 2011 amounted to AED nil (2010: nil).

Guarantees

	(Un-audited) **31-Mar-11** **AED**	(Un-audited) 31-Dec-10 AED
Letters of guarantees	**9,608,765**	8,147,942

Fixed deposits amounting to AED 14 million (2010: AED 14 million) are under lien as collateral in respect of above guarantees. Included in guarantees is a guarantee of AED 7.5 million (2010: 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.

6. Segment information

Primary segment information

For management purposes the Company is organized 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	
	2011 AED	2010 AED	**2011** AED	2010 AED	**2011** AED	2010 AED
Underwriting income						
Gross written premium	**81,997,392**	58,683,043	**28,851,480**	32,690,206	**110,848,872**	91,373,249
Reinsurance ceded	**(26,305,476)**	(22,333,404)	**(22,676,655)**	(26,087,044)	**(48,982,131)**	(48,420,448)
Net premium	**55,691,916**	36,349,639	**6,174,825**	6,603,162	**61,866,741**	42,952,801
Change in unearned premium provision	**2,742,357**	5,240,674	**248,735**	(2,268,861)	**2,991,092**	2,971,813
Net earned premium	**58,434,273**	41,590,313	**6,423,560**	4,334,301	**64,857,833**	45,924,614
Reinsurance commission earned	**4,353,835**	4,021,765	**3,659,463**	7,798,433	**8,013,298**	11,820,198
Total income	**62,788,108**	45,612,078	**10,083,023**	12,132,734	**72,871,131**	57,744,812
Underwriting expenses						
Net incurred claims	**(47,168,232)**	(33,003,464)	**(3,993,530)**	(2,570,292)	**(51,161,762)**	(35,573,756)
Commission paid	**(4,121,091)**	(3,997,042)	**(945,099)**	(1,268,667)	**(5,066,190)**	(5,265,709)
Administrative and general expenses	**(6,314,450)**	(8,088,389)	**(2,303,508)**	(1,868,115)	**(8,617,958)**	(9,956,504)
Total expenses	**(57,603,773)**	(45,088,895)	**(7,242,137)**	(5,707,074)	**(64,845,910)**	(50,795,969)
Profit before movement in life assurance fund	**5,184,335**	523,183	**2,840,886**	6,425,660	**8,025,221**	6,948,843
Increase in life assurance fund	**-**	-	**(747,626)**	(510,572)	**(747,626)**	(510,572)
Underwriting profit	**5,184,335**	523,183	**2,093,260**	5,915,088	**7,277,595**	6,438,271
Income /(loss) from investments					**5,861,755**	7,435,454
Unallocated expenses					**(801,446)**	(808,625)
Profit for the period					**12,337,904**	13,065,100

7. 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.

8. Comparatives

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