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

Interim condensed financial statements

30 June 2007

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

Independent Auditors' Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim condensed balance sheet of National General Insurance Co. (P.S.C.) ("the Company") as at 30 June 2007, and the related interim condensed income statement, changes in equity and cash flows for the six months period then ended (the interim condensed financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed 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 interim condensed financial information as at 30 June 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

25 JUL 2007

Vijendranath Malhotra
Registration No: 48 B

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

Interim condensed balance sheet

at 30 June 2007

	Note	**30 June 2007**	31 December 2006
		AED	AED
ASSETS EMPLOYED:			
NON CURRENT ASSETS			
Property and equipment		**1,850,983**	2,135,471
Investment properties		**66,579,000**	66,579,000
Investments held to maturity		**9,311,270**	14,821,520
Investments available for sale		**63,676,333**	62,228,355
CURRENT ASSETS			
Investments fair valued through profit and loss	*6*	**70,747,393**	96,613,074
Trade receivables		**62,015,837**	58,751,705
Due from a related party		**12,969,883**	2,907,394
Other receivables		**27,413,763**	12,547,260
Reinsurer's share of outstanding claims		**49,609,897**	24,679,251
Cash in hand and at bank		**133,010,842**	58,741,040
		355,767,615	254,239,724
CURRENT LIABILITIES			
Accounts payable and accruals		**73,188,153**	85,167,194
Bank overdraft		-	227,118
Unearned premium reserve		**81,809,184**	48,508,227
Outstanding claims reserve		**74,092,531**	44,635,545
		229,089,868	178,538,084
NET CURRENT ASSETS		**126,677,747**	75,701,640
LIFE ASSURANCE FUND		**(14,668,435)**	(11,836,591)
ASSETS EMPLOYED		**253,426,898**	209,629,395
FINANCED BY:			
SHAREHOLDERS' EQUITY			
Share capital		**121,716,000**	101,430,000
Legal reserve		**18,361,456**	18,361,456
General reserve		**17,745,470**	17,745,470
Fair value reserve for investments available for sale		**2,921,061**	(649,372)
Retained Earnings		**92,682,911**	72,741,841
		253,426,898	209,629,395

These interim condensed financial statements were approved on 25 JUL 2007.

Khalid Jassim Mohd Bin Kalban	**Dr. Abdul Zahra A. Ali**
Chairman	**General Manager**

The notes on pages 7 to 10 form an integral part of these interim condensed financial statements.

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

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

Interim condensed income statement

for the six-month period ended 30 June 2007

	Six month period ended 30 June 2007 AED	Six month period ended 30 June 2006 AED	**Three month period ended 30 June 2007 AED**	Three month period ended 30 June 2006 AED
Fire	**266,987**	701,386	**(206,446)**	345,284
Marine	**940,030**	457,724	**411,665**	198,826
Accident and liabilities	**15,119,395**	9,035,514	**8,783,797**	4,187,892
Group and individual life	**4,871,380**	2,438,530	**2,881,816**	2,121,275
Total underwriting profit	**21,197,792**	12,633,154	**11,870,832**	6,853,277
Interest income	**3,340,072**	2,028,048	**1,810,583**	915,114
Dividend income	**2,938,584**	1,300,142	**1,829,589**	1,300,142
Realised gains/(losses) on sale of investments	**8,556,015**	(10,007,549)	**8,556,015**	(10,007,549)
Unrealised gains/(losses) on investments fair valued through profit and loss	**4,657,366**	(54,294,895)	**8,937,798**	(27,137,616)
Profit from sale of investment properties	**-**	6,600,000	**-**	-
Fair value changes in investment properties	**-**	6,000,000	**-**	-
Rental income from investment properties	**602,643**	691,016	**277,269**	314,091
Other income	**1,936**	2,019	**1,452**	300
	41,294,408	(35,048,065)	**33,283,538**	(27,762,241)
General and administrative expenses	**(1,067,338)**	(716,819)	**(606,341)**	(362,482)
Net profit/(loss) for the period	**40,227,070**	(35,764,884)	**32,677,197**	(28,124,723)

The notes on pages 7 to 10 form an integral part of these interim condensed financial statements.

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

Interim condensed statement of underwriting results

for the six-month period ended 30 June 2007

	Fire AED	Marine AED	Accident and liabilities AED	Group and individual life AED	Total 2007 AED	Total 2006 AED
Premium written	6,552,669	3,325,932	120,045,305	33,705,782	163,629,687	117,996,167
Less: Reinsurance share	(6,326,955)	(2,723,482)	(27,233,299)	(22,060,220)	(58,343,955)	(45,322,297)
Net premium	**225,714**	**602,450**	**92,812,006**	**11,645,562**	**105,285,732**	**72,673,870**
Add: Unearned premium reserve at start of period	225,470	295,646	46,487,816	1,499,295	48,508,227	35,937,359
Less: Unearned premium reserve at close of period	(196,814)	(370,067)	(75,907,913)	(5,334,390)	(81,809,184)	(57,563,813)
Net premiums earned	**254,370**	**528,029**	**63,391,909**	**7,810,467**	**71,984,775**	**51,047,416**
Commission earned	1,406,839	951,425	4,903,136	6,999,327	14,260,727	10,033,559
Total underwriting revenue	**1,661,209**	**1,479,454**	**68,295,045**	**14,809,794**	**86,245,502**	**61,080,975**
Claims paid	(4,596,678)	(174,882)	(39,658,788)	(6,039,327)	(50,469,675)	(35,346,350)
Less: Reinsurance share	4,550,775	125,221	4,271,968	4,252,497	13,200,461	5,391,647
Net claims paid	**(45,903)**	**(49,661)**	**(35,386,820)**	**(1,786,830)**	**(37,269,214)**	**(29,954,703)**
Add: Net outstanding claims at start of the period	125,370	323,855	19,176,052	331,017	19,956,294	16,264,765
Less: Net outstanding claims at close of period	(637,367)	(366,384)	(23,009,992)	(468,891)	(24,482,634)	(17,489,031)
Net claims incurred	**(557,900)**	**(92,190)**	**(39,220,760)**	**(1,924,704)**	**(41,795,554)**	**(31,178,969)**
Commission paid	(445,718)	(248,976)	(6,152,623)	(2,483,417)	(9,330,734)	(6,149,142)
	(1,003,618)	**(341,166)**	**(45,373,383)**	**(4,408,121)**	**(51,126,288)**	**(37,328,111)**
Add: Life fund at start of the period	-	-	-	11,836,591	11,836,591	6,057,703
Less: Life fund at close of period	-	-	-	(14,668,435)	(14,668,435)	(8,294,687)
Net life fund	-	-	-	**(2,831,844)**	**(2,831,844)**	**(2,236,984)**
Total underwriting expenses	**(1,003,618)**	**(341,166)**	**(45,373,383)**	**(7,239,965)**	**(53,958,132)**	**(39,565,095)**
Underwriting surplus	**657,591**	**1,138,288**	**22,921,662**	**7,569,829**	**32,287,370**	**21,515,880**
Administrative expenses	**(390,604)**	**(198,258)**	**(7,802,267)**	**(2,698,449)**	**(11,089,578)**	**(8,882,726)**
Underwriting profit	**266,987**	**940,030**	**15,119,395**	**4,871,380**	**21,197,792**	**12,633,154**

The notes on pages 7 to 10 form an integral part of these interim condensed financial statements.
The independent Auditors' review report is set out on page 1.

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

Interim condensed statement of cash flows

for the six-month period ended 30 June 2007

	30 June 2007 **AED**	30 June 2006 AED
Operating activities		
Net profit/(loss) for the period	**40,227,070**	(35,764,884)
Adjustment for:		
Depreciation	**428,361**	346,520
Profit on sale of investment properties	-	(6,600,000)
Profit on sale of securities	**(8,556,015)**	-
Unrealised losses on investments fair valued through profit and loss	**(4,657,366)**	54,294,895
Gain on fair value adjustment of investment properties	-	(6,000,000)
Increase in unearned premium reserve and life fund	**36,132,801**	23,863,438
Operating profit before changes in working capital	**63,574,851**	30,139,969
Cash flows from working capital		
Change in trade and related party receivables	**(13,326,621)**	(61,068,667)
Change in other receivables	**(14,866,504)**	(3,171,390)
Change in accounts payable and accruals	**(11,979,041)**	31,367,589
Change in net outstanding claims	**4,526,340**	1,224,266
Net cash flows from operating activities	**27,929,025**	(1,508,233)
Financing activities		
Dividends paid	-	(7,245,000)
Net cash flows from financing activities	-	(7,245,000)
Investing activities		
Purchase of investment held to maturity	-	(9,720,170)
Purchase of investments fair valued through profit and loss	**(1,133,252)**	(12,401,588)
Purchase of investment available for sale	-	(15,000,000)
Purchase of property and equipment	**(143,873)**	(1,545,056)
Proceeds from sale of investment properties	-	31,600,000
Maturity of investments held to maturity	**5,510,250**	-
Proceeds from sale of investments available for sale	**2,122,455**	-
Proceeds from sale of investments fair valued through profit and loss	**40,212,314**	-
Net cash flows from investing activities	**46,567,894**	(7,066,814)
Net increase in cash and cash equivalents	**74,496,919**	(15,820,047)
Cash and cash equivalents at the beginning of the period	**58,513,923**	69,600,562
Cash and cash equivalents at the end of the period	**133,010,842**	53,780,515
These comprise the following:		
Cash in hand	**5,674,203**	2,890,616
Cash at bank	**12,212,803**	8,102,356
Fixed deposits	**115,123,836**	42,787,543
	133,010,842	53,780,515

The notes on pages 7 to 10 form an integral part of these interim condensed financial statements.

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

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

Interim condensed statement of changes in shareholders' equity

for the six-month period ended 30 June 2007

	Share capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
As at 1 January 2007	101,430,000	18,361,456	17,745,470	(649,372)	72,741,841	209,629,395
Net profit for the period	-	-	-	-	40,227,070	40,227,070
Issue of bonus shares	20,286,000	-	-	-	(20,286,000)	-
Transfer to legal reserve (a)	-	-	-	-	-	-
Transfer to general reserve (b)	-	-		-	-	-
Fair value reserve for investments available for sale	-	-	-	3,570,433	-	3,570,433
As at 30 June 2007	**121,716,000**	**18,361,456**	**17,745,470**	**2,921,061**	**92,682,911**	**253,426,898**
As at 1 January 2006	72,450,000	18,337,708	17,721,722	3,311,645	108,776,855	220,597,930
Net profit for the year	-	-	-	-	237,482	237,482
Dividends paid	-	-	-	-	(7,245,000)	(7,245,000)
Issue of bonus shares	28,980,000	-	-	-	(28,980,000)	-
Transfer to legal reserve (a)	-	23,748	-	-	(23,748)	-
Transfer to general reserve (b)	-	-	23,748	-	(23,748)	-
Fair value reserve for investments available for sale	-	-	-	(3,961,017)	-	(3,961,017)
Directors' remuneration (c)	-	-	-	-	-	-
As at 31 December 2006	**101,430,000**	**18,361,456**	**17,745,470**	**(649,372)**	**72,741,841**	**209,629,395**

a) In accordance with Article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the Company is required to be allocated every year to a statutory reserve, which is not distributable. Such allocations may be ceased when the statutory reserve equals half of the paid up share capital of the Company.

b) In accordance with the Company's Articles of Association, a minimum of 10% of the annual net profits should be transferred to general reserve until such time as this reserve equals at least 50% of the paid up share capital.

c) In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. 8 of 1984, directors' remuneration has been treated as an appropriation from shareholders' equity.

The notes on pages 7 to 10 form an integral part of these interim condensed financial statements.

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

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. Statement of compliance

These interim condensed financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS"), IAS 34 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2006.

3. Significant accounting policies

The accounting policies and methods of computation have been consistently applied by the Company in the preparation of these interim condensed financial statements as compared to the most recent annual financial statements.

These interim condensed financial statements have been prepared in United Arab Emirates Dirham (AED).

4. Estimates

The preparation of interim condensed financial statements 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 interim condensed 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 2006.

5. 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:

	For the six-month period ended 30 June 2007 AED	For the six-month period ended 30 June 2006 AED
Premiums written on behalf of shareholders' companies	**36,440,000**	29,498,636
Claims paid to shareholders' companies	**9,468,290**	5,351,643
Management expenses (net)	**87,000**	78,000
Directors' and key management personnel (remuneration including benefits)	**1,342,170**	1,020,000
Interest income	**1,516,373**	1,083,975
Interest expense	**1,843**	198,412

6. Investments fair valued through profit and loss

At 30 June 2007, shares amounting to AED 5.1 million are held in the name of a Director for the beneficial interest of the Company.

7. Contingent liabilities and commitments

Leases as a lessee

Non cancelable operating lease rentals are payable as follows:

	30 June 2007	31 December 2006
	AED	AED
Less than one year	**1,327,087**	504,673

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.

Leases as a lessor

The Company leases out its investment properties under operating leases.

Non-cancelable operating leases rentals receivable are as follows:

	30 June 2007	31 December 2006
	AED	AED
Less than one year	**670,333**	613,075

Capital commitments

Capital commitments as at 30 June 2007 amounted to AED nil *(2006: AED 21,606,768).*

Guarantees

	30 June 2007	31 December 2006
	AED	AED
Letters of guarantees	**8,209,425**	9,695,000

Fixed deposits amounting to AED 10 million *(2006: AED 10 million)* are under lien as collateral in respect of above guarantees.

7. Contingent liabilities and commitments (continued)

Guarantees includes an amount of AED 7.5 million *(2006: AED 7.5 million)* favouring the Ministry of Economy.

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.

8. Segment information

By Business

Segmental information with respect to business segment has been disclosed on page 4 "Interim condensed statement of underwriting results" to these interim condensed financial statements.

By Geographical

The Company does not have any geographical segment as Company is carrying out all of its operations within the UAE.

Segmental information with respect to assets and liabilities has not been presented in these condensed financial statements due to non-availability of such information.