Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the three months ended 31 March 2007

Independent report on review of interim financial information

The Directors
Arab Insurance Group BSC
Manama
Kingdom of Bahrain

2 May 2007

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Arab Insurance Group (B.S.C.) (the "Company") and its subsidiaries (together the "Group") as at 31 March 2007, and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended (interim financial information). The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

KPMG

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

(In thousands of U.S. Dollars)

	Note	31 March 2007 (reviewed)	31 December 2006 (audited)	31 March 2006 (reviewed)
ASSETS				
Cash and cash equivalents		**310,592**	304,541	336,095
Investments	4	**365,807**	360,931	319,472
Accrued income	5	**81,896**	43,064	78,927
Insurance receivables		**49,149**	47,517	41,527
Insurance deposits		**50,477**	51,372	46,551
Deferred policy acquisition costs		**26,135**	12,059	26,449
Reinsurers' share of technical provisions	6	**74,622**	74,172	81,505
Other assets	7	**18,453**	12,101	12,198
Takaful participants' assets	8	**23,775**	14,882	2,502
Investment in associated companies	9	**-**	-	906
Fixed assets		**9,480**	9,537	9,949
		1,010,386	930,176	956,081
LIABILITIES				
Technical provisions	10	**491,386**	435,391	472,616
Insurance payables		**33,084**	28,353	26,913
Borrowings		**56,126**	55,929	75,577
Other liabilities	11	**66,905**	43,261	52,340
Takaful fund and participants' liabilities	8	**23,775**	14,882	2,502
		671,276	577,816	629,948
EQUITY				
Shareholders' equity				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(4,659)**	(4,293)	(2,836)
Reserves		**38,375**	36,742	30,723
Proposed appropriations		**-**	23,080	-
Retained earnings		**26,070**	17,867	21,363
		279,786	293,396	269,250
Minority interests		**59,324**	58,964	56,883
		339,110	352,360	326,133
		1,010,386	930,176	956,081

These consolidated interim condensed financial statements were approved by the Board of Directors on 2 May 2007 and signed by:

Khalid A. Al Bustani Chairman	Khalid J. Bin Kalban Vice Chairman	Yassir Albaharna Chief Executive Officer

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(In thousands of U.S. Dollars)

	Note		For the financial year-to-date 31 March 2007 (reviewed)	For the financial year-to-date 31 March 2006 (reviewed)	For the year ended 31 December 2006 (audited)
Gross premiums written			**92,997**	84,504	166,304
Net earned premiums			**36,142**	29,910	145,760
Claims and related expenses			**(24,888)**	(19,839)	(99,901)
Policy acquisition costs			**(8,183)**	(8,063)	(38,846)
Investment income attributable to insurance funds	13		**3,605**	4,968	15,607
Operating expenses	14		**(3,004)**	(2,880)	(14,554)
Underwriting result	12		**3,672**	4,096	8,066
Investment income attributable to shareholders' funds	13		**5,395**	6,477	22,770
Operating expenses - non underwriting activities	14		**(2,586)**	(2,121)	(9,634)
Other income	15		**2,501**	640	17,536
Other expenses and provisions	16		**(651)**	(857)	(6,089)
Profit from continuing operations			**8,331**	8,235	32,649
Minority interests			**(693)**	(220)	(2,283)
Net profit attributable to shareholders			**7,638**	8,015	30,366
Earnings per share attributable to shareholders :	17	US$	**0.04**	0.04	0.14

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Proposed appropriations	Retained earnings	Shareholders' equity	Minority interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total					
Balances at 31 December 2006	220,000	(4,293)	21,414	7,456	7,872	36,742	23,080	17,867	293,396	58,964	352,360
Changes on remeasurement of available for sale assets	-	-	-	1,687	-	1,687	-	-	1,687	7	1,694
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	-	(5)	(5)	-	(5)
Transfer of net depreciation on revalued property	-	-	-	-	(87)	(87)	-	87	-	-	-
Net income (expense) recognised directly in equity	-	-	-	1,687	(87)	1,600	-	82	1,682	7	1,689
Net profit for the period	-	-	-	-	-	-	-	7,638	7,638	693	8,331
Total recognised income (expense)	-	-	-	1,687	(87)	1,600	-	7,720	9,320	700	10,020
Purchase of treasury shares	-	(366)	-	-	-	-	-	-	(366)	-	(366)
Dividends payable	-	-	-	-	-	-	(21,484)	-	(21,484)	-	(21,484)
Dividend on treasury shares	-	-	-	-	-	-	(516)	516	-	-	-
Directors' remuneration payable	-	-	-	-	-	-	(1,080)	-	(1,080)	-	(1,080)
Transfer to legal reserves	-	-	33	-	-	33	-	(33)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	-	(340)	(340)
Balances at 31 March 2007	220,000	(4,659)	21,447	9,143	7,785	38,375	-	26,070	279,786	59,324	339,110

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Proposed appropriations	Retained earnings	Shareholders' equity	Minority interests	Total Equity (audited)
			Legal	Investment revaluation	Property revaluation	Total					
Balances at 31 December 2005	200,000	(2,836)	18,344	4,422	8,225	30,991	31,080	13,148	272,383	56,154	328,537
Changes on remeasurement of available for sale assets	-	-	-	3,034	-	3,034	-	-	3,034	18	3,052
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	-	8	8	-	8
Transfer of net depreciation on revalued property	-	-	-	-	(353)	(353)	-	353	-	-	-
Net income (expense) recognised directly in equity	-	-	-	3,034	(353)	2,681	-	361	3,042	18	3,060
Net profit for the year	-	-	-	-	-	-	-	30,366	30,366	2,283	32,649
Total recognised income (expense)	-	-	-	3,034	(353)	2,681	-	30,727	33,408	2,301	35,709
Issue of bonus shares	20,000	-	-	-	-	-	(20,000)	-	-	-	-
Purchase of treasury shares	-	(1,457)	-	-	-	-	-	-	(1,457)	-	(1,457)
Dividends payable	-	-	-	-	-	-	(9,858)	-	(9,858)	-	(9,858)
Dividend on treasury shares	-	-	-	-	-	-	(142)	142	-	-	-
Sale of partial interest in subsidiary	-	-	-	-	-	-	-	-	-	611	611
Directors' remuneration paid	-	-	-	-	-	-	(1,080)	-	(1,080)	-	(1,080)
Directors' remuneration proposed	-	-	-	-	-	-	1,080	(1,080)	-	-	-
Proposed dividend @ 10% of paid-up capital	-	-	-	-	-	-	22,000	(22,000)	-	-	-
Transfer to legal reserves	-	-	3,070	-	-	3,070	-	(3,070)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	-	(102)	(102)
Balances at 31 December 2006	220,000	(4,293)	21,414	7,456	7,872	36,742	23,080	17,867	293,396	58,964	352,360
Parent company balances at 31 December 2006	220,000	(4,293)	21,381	7,436	7,872	36,689	23,080	17,920	293,396	-	293,396

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Proposed appropriations	Retained earnings	Shareholders' equity	Minority interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total					
Balances at 31 December 2005	200,000	(2,836)	18,344	4,422	8,225	30,991	31,080	13,148	272,383	56,154	328,537
Changes on remeasurement of available for sale assets	-	-	-	(213)	-	(213)	-	-	(213)	-	(213)
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	-	3	3	-	3
Transfer of net depreciation on revalued property	-	-	-	-	(88)	(88)	-	88	-	-	-
Net (expense) income recognised directly in equity	-	-	-	(213)	(88)	(301)	-	91	(210)	-	(210)
Net profit for the period	-	-	-	-	-	-	-	8,015	8,015	220	8,235
Total recognised (expense) income	-	-	-	(213)	(88)	(301)	-	8,106	7,805	220	8,025
Issue of bonus shares	20,000	-	-	-	-	-	(20,000)	-	-	-	-
Dividends payable	-	-	-	-	-	-	(9,858)	-	(9,858)	-	(9,858)
Dividend on treasury shares	-	-	-	-	-	-	(142)	142	-	-	-
Sale of partial interest in subsidiary to minority	-	-	-	-	-	-	-	-	-	611	611
Directors' remuneration payable	-	-	-	-	-	-	(1,080)	-	(1,080)	-	(1,080)
Transfer to legal reserves	-	-	33	-	-	33	-	(33)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	-	(102)	(102)
Balances at 31 March 2006	220,000	(2,836)	18,377	4,209	8,137	30,723	-	21,363	269,250	56,883	326,133

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 31 March 2007 (reviewed)	For the financial year-to-date 31 March 2006 (reviewed)	For the year ended 31 December 2006 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		**104,229**	97,225	182,590
Reinsurance premiums paid		**(4,911)**	(5,371)	(15,975)
Claims paid		**(95,459)**	(95,463)	(152,334)
Reinsurance receipts in respect of claims		**1,449**	2,455	10,343
Investment income received		**9,761**	9,975	38,520
Operating expenses paid		**(10,589)**	(6,998)	(21,491)
Other income/expenses, net		**1,831**	(1,891)	7,992
Insurance deposits received (paid)		**643**	232	(4,579)
Purchase of trading investments		**(40,770)**	(65,523)	(285,501)
Sale of trading investments		**30,053**	59,453	253,293
Directors' remuneration paid		-	-	(1,080)
Net cash (used in) provided by operating activities	18	**(3,763)**	(5,906)	11,778
CASH FLOWS FROM INVESTING ACTIVITIES:				
Disposal of subsidiaries, net of cash acquired		-	625	625
Disposal of associate		-	-	1,250
Maturity/sale of investments		**20,627**	9,931	69,174
Purchase of investments		**(10,484)**	(8,177)	(85,794)
Collateralised cash deposits (paid) received		**(10)**	46	286
Purchase of fixed assets		**(150)**	(123)	(778)
Purchase of intangible assets		-	(3)	(597)
Net cash provided by (used in) investing activities		**9,983**	2,299	(15,834)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid		-	-	(10,000)
Purchase of treasury shares		**(366)**	-	(1,457)
Net borrowings		**197**	(349)	(19,997)
Net cash used in financing activities		**(169)**	(349)	(31,454)
Net increase (decrease) in cash and cash equivalents		**6,051**	(3,956)	**(35,510)**
Cash and cash equivalents, beginning of period		**304,541**	340,051	**340,051**
Cash and cash equivalents, end of period		**310,592**	336,095	**304,541**

The accompanying notes 1 to 21 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the "Company", "parent company") is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the "Group") are involved in provision of general (non-life) and life reinsurance and related service activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in compliance with International Accounting Standard IAS 34, Interim Financial Reporting. The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2006 that were prepared in accordance with International Financial Reporting Standards (IFRS) which include International Accounting Standards and Interpretations issued by the International Accounting Standards Board. Comparative figures have been reclassified, where necessary, to conform to the current period's presentation.

The Group's financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The consolidated interim condensed financial statements include the accounts of the parent company and all of its subsidiaries.

The Company's subsidiary, Takaful Re Limited, is an Operator of Islamic Reinsurance (Takaful) business. In accordance with applicable Shari'a principles, Participants' (policyholders') funds are maintained distinct from the Operator's (shareholders') funds. Accordingly, the participants' assets and liabilities including the fund balance are shown separately as 'takaful participants' assets' and 'takaful fund and participants' liabilities' respectively in the consolidated balance sheet. Takaful Participants' Fund Accounts comprising of Balance Sheet and Statement of Participants' Revenue is set out in note 8.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 50% of its gross premiums during the first quarter of every year. Gross premiums written over the remainder of the financial year are almost evenly spread out. This seasonality does not however, have any material impact on the Group's underwriting result as the premiums are taken to income over the terms of the related contracts or policies.

4. INVESTMENTS

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
At fair value through profit or loss			
Held for trading			
Debt securities			
- Others	**7,656**	6,207	-
Common stock of listed companies	**109,673**	92,464	89,232
	117,329	98,671	89,232
Designated at fair value on initial recognition			
Debt Securities			
- Other	**41,268**	46,696	31,792
	41,268	46,696	31,792
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**33,881**	33,002	31,097
- Other investment grade	**64,933**	73,928	76,003
	98,814	106,930	107,100
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**42,028**	42,988	32,570
- Other investment grade	**8,959**	10,986	10,833
- Non-OECD country governments	**4,654**	4,654	-
- Other	**13,295**	13,273	12,017
Common stock of listed companies	**2,206**	2,136	2,545
Common stock of unlisted companies	**16,034**	14,289	14,173
Other	**21,220**	20,308	19,210
	108,396	108,634	91,348
	365,807	360,931	319,472

Debt securities amounting to US$ 45.3 million (31 December 2006: US$ 46.4 million; 31 March 2006: US$ 48.5 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and US$ 64.9 million (31 December 2006: US$ 67.9 million; 31 March 2006: US$ 87.6 million) for borrowings.

5. ACCRUED INCOME

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
Accrued insurance premiums	**76,518**	34,262	74,615
Accrued interest	**5,378**	8,802	4,312
	81,896	43,064	78,927

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
General insurance business			
- Claims outstanding	**58,305**	58,750	67,687
- Unreported general insurance claims	**8,363**	10,445	7,238
- Deferred retrocession premium reserve	**7,162**	4,227	5,459
	73,830	73,422	80,384
Life insurance business			
- Life insurance claims outstanding	**356**	356	437
- Life insurance unreported losses	**436**	394	684
	792	750	1,121
	74,622	74,172	81,505

7. OTHER ASSETS

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
Intangible assets :			
- Goodwill	**1,893**	1,893	1,893
- Computer software	**9,196**	9,175	8,811
	11,089	11,068	10,704
Less: accumulated amortisation of computer software	**(8,522)**	(8,500)	(8,789)
Net intangible assets	**2,567**	2,568	1,915
Other assets :			
- Collateralised cash deposits	**4,244**	4,234	4,475
- Prepayments and other receivables	**11,642**	5,299	5,808
	15,886	9,533	10,283
	18,453	12,101	12,198

8. TAKAFUL PARTICIPANTS' FUND ACCOUNTS

i) BALANCE SHEET

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
ASSETS			
Cash & cash equivalents	**560**	272	4
Accrued income	**13,375**	8,994	1,416
Insurance receivable	**1,551**	1,085	12
Insurance deposits	**1,014**	383	-
Deferred acquisition costs	**4,302**	2,233	677
Deferred wakala fees	**1,059**	1,793	393
Other assets	**1914**	122	-
	23,775	14,882	2,502
LIABILITIES			
Accounts payable	**4,910**	3,009	466
TAKAFUL FUND			
Unearned contributions	**14,263**	8,970	1,964
Outstanding claims	**696**	601	22
Unreported losses	**4,013**	2,354	109
	18,972	11,925	2,095
Deficit for the period	**(107)**	(52)	(59)
	23,775	14,882	2,502

ii) STATEMENT OF PARTICIPANTS' REVENUE

	US$ '000		
	Year-to-date 31 March 2007	Year-to-date 31 December 2006	Year-to-date 31 March 2006
Gross contributions	**9,240**	15,049	2,331
Outward reinsurance premiums	**(105)**	(782)	(145)
Unearned contributions	**(5,294)**	(8,965)	(1,964)
Net earned contributions	**3,841**	5,302	222
Reported losses	**(267)**	(291)	-
Provision for unreported losses	**(1,660)**	(2,355)	(109)
Claim and related expenses	**(1,927)**	(2,646)	(109)
Policy acquisition costs	**(3,248)**	(3,738)	(776)
Deferred policy acquisition costs	**2,068**	2,232	677
Policy acquisition costs	**(1,180)**	(1,506)	(99)
Fee payable to operator (Wakala fee)	**(789)**	(1,216)	(73)
Other income	**-**	14	-
Deficit for the period	**(55)**	(52)	(59)

9. INVESTMENT IN ASSOCIATED COMPANIES

	Ownership interest					
	31 March 2007		31 December 2006		31 March 2006	
	US$ '000	%	US$ '000	%	US$ '000	%
Arab Lebanese Insurance Group S.A.L.	-	-	-	-	906	25.0
	-		-		906	

In May 2006, the Company disposed its entire holding in Arab Lebanese Insurance Group S.A.L. for a cash consideration of US$ 1,250,000.

10. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
General insurance business			
Claims outstanding	**275,562**	275,177	277,562
Unreported losses	**89,621**	89,516	77,561
Unearned premiums	**120,017**	65,989	112,123
	485,200	430,682	467,246
Life insurance business			
Claims outstanding	**3,010**	2,972	2,385
Unreported losses	**2,538**	1,366	2,764
Unearned premiums	**638**	371	221
	6,186	4,709	5,370
	491,386	435,391	472,616

11. OTHER LIABILITIES

	US$ '000		
	31 March 2007	31 December 2006	31 March 2006
Accrued expenses	**2,500**	2,520	2,864
Post employment benefits	**12,123**	11,782	9,958
Accrual for scheme of arrangement fees	**4,043**	4,043	4,519
Reinsurance premiums accrued	**10,775**	10,892	12,078
Covered option premium	**56**	40	230
Employee share scheme	**738**	577	4,734
Dividends payable	**22,127**	804	10,248
Other	**14,543**	12,603	7,709
	66,905	43,261	52,340

12. SEGMENT INFORMATION - Analysis of revenue by primary business segment:

The Group's reinsurance business consists of three main business segments, non-life treaty, non-life facultative mainly involving underwriting of property and marine classes and life mainly involving short term group life policies.

	US$ '000							
	Financial year-to-date 31 March 2007				Financial year-to-date 31 March 2006			
	Treaty	Facultative	Life	Total	Treaty	Facultative	Life	Total
REVENUES :								
Gross premiums written	83,010	7,189	2,798	92,997	74,043	8,999	1,462	84,504
Outward reinsurance premiums	(4,090)	(805)	(20)	(4,915)	(5,102)	(270)	-	(5,372)
Change in unearned premiums - gross	(53,463)	(1,197)	(267)	(54,927)	(47,378)	(4,321)	(68)	(51,767)
Change in unearned premiums - reinsurance	2,875	112	-	2,987	2,562	(17)	-	2,545
Net earned premiums	28,332	5,299	2,511	36,142	24,125	4,391	1,394	29,910
Investment income attributable to insurance funds	2,201	1,369	35	3,605	3,003	1,931	34	4,968
	30,533	6,668	2,546	39,747	27,128	6,322	1,428	34,878
COSTS AND EXPENSES :								
Gross claims paid	(17,132)	(4,137)	(694)	(21,963)	(19,470)	(7,160)	(1,284)	(27,914)
Claims recovered from reinsurers	1,057	301	-	1,358	1,410	1,047	-	2,457
Change in provision for outstanding claims - gross	(3,326)	3,052	(51)	(325)	1,981	7,822	230	10,033
Change in provision for outstanding claims - reinsurance	(377)	(148)	-	(525)	(107)	(2,990)	(58)	(3,155)
Change in provision for unreported losses - gross	(91)	(124)	(1,176)	(1,391)	(341)	(869)	153	(1,057)
Change in provision for unreported losses - reinsurance	(2,649)	565	42	(2,042)	(12)	(142)	(49)	(203)
Claims and related expenses	(22,518)	(491)	(1,879)	(24,888)	(16,539)	(2,292)	(1,008)	(19,839)
Policy acquisition costs	(22,521)	(1,490)	(104)	(24,115)	(21,013)	(1,666)	(141)	(22,820)
Policy acquisition costs recovered from reinsurers	1,547	116	-	1,663	1,654	19	-	1,673
Change in deferred policy acquisition costs -gross	15,132	347	23	15,502	13,281	718	-	13,999
Change in deferred policy acquisition costs - reinsurance	(1,206)	(27)	-	(1,233)	(915)	-	-	(915)
Policy acquisition costs	(7,048)	(1,054)	(81)	(8,183)	(6,993)	(929)	(141)	(8,063)
Operating expenses	(2,179)	(364)	(210)	(2,753)	(1,940)	(406)	(186)	(2,532)
Segment underwriting result	(1,212)	4,759	376	3,923	1,656	2,695	93	4,444
Operating expenses - unallocated #				(251)				(348)
Underwriting result				3,672				4,096

 # Unallocated operating expenses represent corporate expenses.

12. SEGMENT INFORMATION - Analysis of revenue by primary business segment (Contd.)

	US$ '000			
	Year ended 31 December 2006			
	Treaty	Facultative	Life	Total
REVENUES :				
Gross premiums written	130,877	29,554	5,873	166,304
Outward reinsurance premiums	(14,739)	(1,154)	(81)	(15,974)
Change in unearned premiums - gross	(574)	(5,077)	(219)	(5,870)
Change in unearned premiums - reinsurance	1,286	14	-	1,300
Net earned premiums	116,850	23,337	5,573	145,760
Investment income attributable to insurance funds	9,494	6,010	103	15,607
	126,344	29,347	5,676	161,367
COSTS AND EXPENSES :				
Gross claims paid	(74,709)	(29,193)	(5,121)	(109,023)
Claims recovered from reinsurers	5,698	4,283	-	9,981
Change in provision for outstanding claims - gross	(6,895)	26,613	(820)	18,898
Change in provision for outstanding claims - reinsurance	979	(12,267)	76	(11,212)
Change in provision for unreported losses - gross	(10,975)	(1,647)	1,554	(11,068)
Change in provision for unreported losses - reinsurance	1,872	991	(340)	2,523
Claims and related expenses	(84,030)	(11,220)	(4,651)	(99,901)
Policy acquisition costs	(36,447)	(6,491)	(456)	(43,394)
Policy acquisition costs recovered from reinsurers	5,740	85	-	5,825
Change in deferred policy acquisition costs - gross	(2,249)	1,182	-	(1,067)
Change in deferred policy acquisition costs - reinsurance	(211)	-	1	(210)
Policy acquisition costs	(33,167)	(5,224)	(455)	(38,846)
Operating expenses	(9,829)	(2,528)	(717)	(13,074)
Segment underwriting result	(682)	10,375	(147)	9,546
Operating expenses - unallocated #				(1,480)
Underwriting result				8,066

 # Unallocated operating expenses represent corporate expenses.

13. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 31 March 2007			Financial year-to-date 31 March 2006	Year ended 31 December 2006
	Insurance funds	Shareholders' funds	Total		
Interest income	2,020	3,324	5,344	5,593	23,543
Dividends	82	118	200	687	2,089
Realised gains	532	657	1,189	5,308	15,987
Gain (loss) on remeasurement of investments at fair value through profit or loss	1,013	1,347	2,360	(22)	(3,239)
Impairment loss	-	-	-	-	(510)
Other	(42)	(51)	(93)	(121)	507
	3,605	5,395	9,000	11,445	38,377

14. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 31 March 2007			Financial year-to-date 31 March 2006	Year ended 31 December 2006
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	2,496	1,636	4,132	3,478	17,922
General and administration	508	950	1,458	1,523	6,266
	3,004	2,586	5,590	5,001	24,188

15. OTHER INCOME

	US$ '000		
	Financial year-to-date 31 March 2007	Financial year-to-date 31 March 2006	Year ended 31 December 2006
Warranty claims	-	-	10,414
Third party administration services	1,228	1,126	6,704
Fees on managing Islamic reinsurance operations	789	73	1,216
Foreign exchange gain (loss)	145	(1,014)	(2,748)
Software sales and related services	221	74	848
Interest on cash balances	62	103	210
Gain on sale of interest in associate	-	-	459
Other	56	278	433
	2,501	640	17,536

16. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 31 March 2007	Financial year-to-date 31 March 2006	Year ended 31 December 2006
Provision for doubtful receivable & deposits	**(91)**	-	1,624
Scheme of arrangement fee	**-**	-	379
Interest on borrowing	**629**	774	3,604
Other	**113**	83	482
	651	857	6,089

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share has been computed as follows:

		Financial year-to-date 31 March 2007	Financial year-to-date 31 March 2006	Year ended 31 December 2006
Weighted average number of shares outstanding	'000	**215,265**	216,878	216,392
Net profit	US$'000	**7,638**	8,015	30,366
Earnings per share	US$	**0.04**	0.04	0.14

18. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	US$ '000		
	Financial year-to-date 31 March 2007	Financial year-to-date 31 March 2006	Year ended 31 December 2006
Profit before minority interests	**8,331**	8,235	32,649
Increase in insurance funds	**42,364**	31,498	11,175
Change in insurance receivable/payable, net	**2,982**	515	(3,884)
Change in accrued income	**(38,832)**	(36,367)	(504)
Change in other assets/liabilities, net	**(18,608)**	(9,787)	(27,658)
Net cash (used in) provided by operating activities	**(3,763)**	(5,906)	11,778

19. PRINCIPAL SUBSIDIARIES

At 31 March 2007, the principal subsidiaries of the Company were:

	Country of incorporation	Ownership
Arig Insurance Company Limited	United Kingdom	100.0%
Arima Insurance Software W.L.L.	Bahrain	100.0%
Gulf Warranties W.L.L.	Bahrain	66.0%
Takaful Re Limited	United Arab Emirates	54.0%

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2006.

20. RELATED-PARTY TRANSACTIONS

Compensation paid to directors and key management personnel are as follows:

	US$ '000		
	Financial year-to-date 31 March 2007	Financial year-to-date 31 March 2006	Year ended 31 December 2006
i) Directors			
- Remuneration paid	-	-	1,080
- Allowances	**30**	17	108
ii) Key management compensation			
- Salaries and other short-term employee benefits	**213**	335	1,080
- Post employment benefits	-	40	943
- Share-based compensation	-	89	131

21. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in investee companies held as part of its investment portfolios amounting to US$ 10.0 million (31 December 2006: US$ 8.0 million; 31 March 2006: US$ 9.2 million).