Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the nine months ended 30 September 2007

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007

(In thousands of U.S. Dollars)

	Note	30 September 2007 (reviewed)	31 December 2006 (audited)	30 September 2006 (reviewed)
ASSETS				
Cash and cash equivalents		**347,041**	304,541	295,738
Investments	4	**345,928**	360,931	345,593
Accrued income	5	**97,412**	43,064	56,041
Insurance receivables		**53,128**	47,517	58,273
Insurance deposits		**54,018**	51,372	49,285
Deferred policy acquisition costs		**23,994**	12,059	20,601
Reinsurers' share of technical provisions	6	**80,677**	74,172	74,070
Other assets	7	**31,407**	12,101	13,473
Takaful participants' assets	8	**30,219**	14,882	8,805
Fixed assets		**9,508**	9,537	9,624
		1,073,332	930,176	931,503
LIABILITIES				
Technical provisions	9	**564,656**	435,391	455,172
Insurance payables		**30,249**	28,353	24,525
Borrowings		**56,204**	55,929	65,658
Other liabilities	10	**45,434**	43,261	43,551
Takaful fund and participants' liabilities	8	**30,219**	14,882	8,805
		726,762	577,816	597,711
EQUITY				
Shareholders' equity				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(5,622)**	(4,293)	(3,362)
Reserves		**40,991**	36,742	32,741
Proposed appropriations		**-**	23,080	-
Retained earnings		**28,916**	17,867	26,468
		284,285	293,396	275,847
Minority interests		**62,285**	58,964	57,945
		346,570	352,360	333,792
		1,073,332	930,176	931,503

These consolidated interim condensed financial statements were approved by the Board of Directors on 13 November 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2007

(In thousands of U.S. Dollars)

	Note		For the three months ended 30 September 2007 (reviewed)	For the financial year-to-date 30 September 2007 (reviewed)	For the three months ended 30 September 2006 (reviewed)	For the financial year-to-date 30 September 2006 (reviewed)	For the year ended 31 December 2006 (audited)
Gross premiums written			**82,521**	**214,978**	39,348	146,822	166,304
Net earned premiums			**64,285**	**141,147**	44,576	111,031	145,760
Claims and related expenses			**(60,095)**	**(115,114)**	(33,640)	(79,438)	(99,901)
Policy acquisition costs			**(12,601)**	**(30,588)**	(11,847)	(28,857)	(38,846)
Investment income attributable to insurance funds	12		**2,438**	**12,936**	4,908	10,833	15,607
Operating expenses	13		**(4,657)**	**(12,057)**	(4,072)	(10,917)	(14,554)
Underwriting result	11		**(10,630)**	**(3,676)**	(75)	2,652	8,066
Investment income attributable to shareholders' funds	12		**4,803**	**21,751**	6,801	15,403	22,770
Operating expenses - non underwriting activities	13		**(3,419)**	**(8,499)**	(2,373)	(6,963)	(9,634)
Other income	14		**3,944**	**9,019**	2,857	7,316	20,284
Other expenses and provisions	15		**(1,708)**	**(4,593)**	(2,262)	(4,186)	(8,837)
(Loss)/profit for the period			**(7,010)**	**14,002**	4,948	14,222	32,649
Minority interests			**(1,295)**	**(3,716)**	(656)	(1,282)	(2,283)
Net (loss)/profit attributable to shareholders			**(8,305)**	**10,286**	4,292	12,940	30,366
Earnings per share attributable to shareholders :	16	US$		**0.05**		0.06	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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	4,480	-	4,480	-	-	4,480	(55)	4,425
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Transfer of net depreciation on revalued property	-	-	-	-	(264)	(264)	-	264	-	-	-
Net income (expense) recognised directly in equity	-	-	-	4,480	(264)	4,216	-	261	4,477	(55)	4,422
Net profit for the period	-	-	-	-	-	-	-	10,286	10,286	3,716	14,002
Total recognised income (expense)	-	-	-	4,480	(264)	4,216	-	10,547	14,763	3,661	18,424
Purchase of treasury shares	-	(1,329)	-	-	-	-	-	-	(1,329)	-	(1,329)
Dividends paid	-	-	-	-	-	-	(21,465)	-	(21,465)	-	(21,465)
Dividend on treasury shares	-	-	-	-	-	-	(535)	535	-	-	-
Directors' remuneration paid	-	-	-	-	-	-	(1,080)	-	(1,080)	-	(1,080)
Transfer to legal reserves	-	-	33	-	-	33	-	(33)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	-	(340)	(340)
Balances at 30 September 2007	220,000	(5,622)	21,447	11,936	7,608	40,991	-	28,916	284,285	62,285	346,570

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 paid	-	-	-	-	-	-	(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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	1,981	-	1,981	-	-	1,981	-	1,981
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	-	7	7	-	7
Transfer of net depreciation on revalued property	-	-	-	-	(264)	(264)	-	264	-	-	-
Net (expense) income recognised directly in equity	-	-	-	1,981	(264)	1,717	-	271	1,988	-	1,988
Net profit for the period	-	-	-	-	-	-	-	12,940	12,940	1,282	14,222
Total recognised (expense) income	-	-	-	1,981	(264)	1,717	-	13,211	14,928	1,282	16,210
Issue of bonus shares	20,000	-	-	-	-	-	(20,000)	-	-	-	-
Purchase of treasury shares	-	(526)	-	-	-	-	-	-	(526)	-	(526)
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)
Transfer to legal reserves	-	-	33	-	-	33	-	(33)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	-	(102)	(102)
Balances at 30 September 2006	220,000	(3,362)	18,377	6,403	7,961	32,741	-	26,468	275,847	57,945	333,792

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2007

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2007 (reviewed)	For the financial year-to-date 30 September 2006 (reviewed)	For the year ended 31 December 2006 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		**262,548**	163,466	182,590
Reinsurance premiums paid		**(11,267)**	(8,535)	(15,975)
Claims paid		**(220,157)**	(152,865)	(152,334)
Reinsurance receipts in respect of claims		**6,145**	6,313	10,343
Investment income received		**35,701**	23,491	38,520
Operating expenses paid		**(20,807)**	(19,074)	(21,491)
Other income/expenses, net		**3,684**	(3,328)	7,992
Insurance deposits paid		**(2,911)**	(2,586)	(4,579)
Purchase of trading investments		**(189,013)**	(214,424)	(285,501)
Sale of trading investments		**180,641**	190,146	253,293
Directors' remuneration paid		**(1,080)**	(1,080)	(1,080)
Net cash provided by (used in) operating activities	17	**36,124**	(18,476)	11,778
CASH FLOWS FROM INVESTING ACTIVITIES:				
Disposal of investment in subsidiary		**-**	625	625
Disposal of associate		**-**	1,250	1,250
Maturity/sale of investments		**59,883**	41,310	69,174
Purchase of investments		**(30,128)**	(47,326)	(85,794)
Collateralised cash deposits received (paid)		**59**	(351)	286
Purchase of fixed assets		**(696)**	(549)	(778)
Purchase of intangible assets		**-**	(3)	(597)
Net cash provided by (used in) investing activities		**29,112**	(5,044)	(15,834)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid		**(21,688)**	(10,000)	(10,000)
Purchase of treasury shares		**(1,329)**	(526)	(1,457)
Net borrowings		**275**	(10,267)	(19,997)
Net cash used in financing activities		**(22,742)**	(20,793)	(31,454)
Net increase (decrease) in cash and cash equivalents		**42,500**	(44,313)	(35,510)
Cash and cash equivalents, beginning of period		**304,541**	340,051	340,051
Cash and cash equivalents, end of period		**347,041**	295,738	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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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		
	30 September 2007	31 December 2006	30 September 2006
At fair value through profit or loss			
Held for trading			
Debt securities			
- Others	-	6,207	4,313
Common stock of listed companies	**109,950**	92,464	86,020
	109,950	98,671	90,333
Designated at fair value on initial recognition			
Debt Securities			
- Other	**35,081**	46,696	52,124
	35,081	46,696	52,124
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**33,831**	33,002	30,030
- Other investment grade	**54,937**	73,928	75,946
	88,768	106,930	105,976
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**28,159**	42,988	36,729
- Other investment grade	**8,967**	10,986	10,944
- Non-OECD country governments	**4,654**	4,654	4,103
- Other	**25,247**	13,273	10,711
Common stock of listed companies	**2,035**	2,136	2,332
Common stock of unlisted companies	**19,827**	14,289	9,931
Other	**23,240**	20,308	22,410
	112,129	108,634	97,160
	345,928	360,931	345,593

Debt securities amounting to US$ 58.9 million (31 December 2006: US$ 46.4 million; 30 September 2006: US$ 48.5 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and US$ 63.9 million (31 December 2006: US$ 67.9 million; 30 September 2006: US$ 78.0 million) for borrowings.

5. ACCRUED INCOME

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
Accrued insurance premiums	**91,986**	38,602	52,908
Accrued interest	**5,426**	8,802	7,837
	97,412	47,404	60,745

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
General insurance business			
- Claims outstanding	**65,161**	58,750	61,198
- Unreported general insurance claims	**12,403**	10,445	9,321
- Deferred retrocession premium reserve	**2,419**	4,227	2,963
	79,983	73,422	73,482
Life insurance business			
- Life insurance claims outstanding	**296**	356	222
- Life insurance unreported losses	**398**	394	366
	694	750	588
	80,677	74,172	74,070

7. OTHER ASSETS

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
Intangible assets :			
- Goodwill	**1,893**	1,893	1,893
- Present value of future profits (PVFP)	**5,000**	-	-
- Computer software	**9,333**	9,175	9,137
	16,226	11,068	11,030
Less: accumulated amortisation	**(8,815)**	(8,500)	(8,460)
Net intangible assets	**7,411**	2,568	2,570
Other assets :			
- Collateralised cash deposits	**4,175**	4,234	4,871
- Prepayments and other receivables	**19,821**	5,299	6,032
	23,996	9,533	10,903
	31,407	12,101	13,473

8. TAKAFUL PARTICIPANTS' FUND ACCOUNTS

i) BALANCE SHEET

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
ASSETS			
Cash & cash equivalents	**2,070**	272	182
Accrued income	**15,887**	8,994	4,736
Insurance receivable	**2,055**	1,085	953
Insurance deposits	**1,797**	383	68
Deferred acquisition costs	**4,792**	2,233	1,637
Deferred wakala fees	**3,170**	1,793	1,173
Other assets	**448**	122	56
	30,219	14,882	8,805
LIABILITIES			
Accounts payable	**6,873**	3,009	1,685
TAKAFUL FUND			
Unearned contributions	**15,851**	8,970	5,864
Outstanding claims	**2,485**	601	400
Unreported losses	**5,639**	2,354	904
	23,975	11,925	7,168
Accumulated deficit	**(629)**	(52)	(48)
	30,219	14,882	8,805

ii) STATEMENT OF PARTICIPANTS' REVENUE

	US$ '000		
	Year-to-date 30 September 2007	Year-to-date 31 December 2006	Year-to-date 30 September 2006
Gross contributions	**18,903**	15,049	8,428
Outward reinsurance premiums	**(503)**	(782)	(436)
Unearned contributions	**(6,884)**	(8,965)	(5,864)
Net earned contributions	**11,516**	5,302	2,128
Reported losses	**(2,625)**	(291)	(115)
Provision for unreported losses	**(3,466)**	(2,355)	(904)
Claim and related expenses	**(6,091)**	(2,646)	(1,019)
Policy acquisition costs	**(6,211)**	(3,738)	(2,286)
Deferred policy acquisition costs	**2,559**	2,232	1,637
Policy acquisition costs	**(3,652)**	(1,506)	(649)
Fee payable to operator (Wakala fee)	**(2,356)**	(1,216)	(512)
Investment income	**6**	-	-
Other income	**-**	14	4
Deficit for the period	**(577)**	(52)	(48)

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
General insurance business			
Claims outstanding	**285,637**	275,177	276,214
Unreported losses	**110,156**	89,516	87,039
Unearned premiums	**110,581**	65,989	87,108
	506,374	430,682	450,361
Life insurance business			
Claims outstanding	**11,545**	2,972	3,288
Unreported losses	**22,212**	1,366	1,023
Unearned premiums	**24,525**	371	500
	58,282	4,709	4,811
	564,656	435,391	455,172

10. OTHER LIABILITIES

	US$ '000		
	30 September 2007	31 December 2006	30 September 2006
Accrued expenses	**2,506**	2,520	6,599
Post employment benefits	**12,121**	11,782	11,424
Accrual for scheme of arrangement fees	**3,043**	4,043	3,733
Reinsurance premiums accrued	**9,700**	10,892	12,229
Covered option premium	**106**	40	353
Employee share scheme	**1,054**	577	648
Dividends payable	**570**	804	362
Other	**16,334**	12,603	8,203
	45,434	43,261	43,551

11. 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 30 September 2007				Financial year-to-date 30 September 2006			
	Treaty	Facultative	Life	Total	Treaty	Facultative	Life	Total
REVENUES :								
Gross premiums written	149,126	26,746	39,106	214,978	119,154	23,627	4,041	146,822
Outward reinsurance premiums	(8,297)	(2,914)	(75)	(11,286)	(7,949)	(524)	(61)	(8,534)
Change in unearned premiums - gross	(40,532)	(4,092)	(16,113)	(60,737)	(20,460)	(6,489)	(347)	(27,296)
Change in unearned premiums - reinsurance	(1,769)	(39)	-	(1,808)	51	(12)	-	39
Net earned premiums	98,528	19,701	22,918	141,147	90,796	16,602	3,633	111,031
Investment income attributable to insurance funds	7,901	4,588	447	12,936	6,392	4,361	80	10,833
	106,429	24,289	23,365	154,083	97,188	20,963	3,713	121,864
COSTS AND EXPENSES :								
Gross claims paid	(63,388)	(17,583)	(16,356)	(97,327)	(58,951)	(16,929)	(4,028)	(79,908)
Claims recovered from reinsurers	3,378	2,616	-	5,994	4,239	2,076	-	6,315
Change in provision for outstanding claims - gross	(5,726)	(2,598)	(97)	(8,421)	(5,166)	17,453	(1,060)	11,227
Change in provision for outstanding claims - reinsurance	4,863	1,358	(61)	6,160	92	(9,767)	(58)	(9,733)
Change in provision for unreported losses - gross	(21,583)	950	4,798	(15,835)	(6,857)	(3,622)	1,769	(8,710)
Change in provision for unreported losses - reinsurance	2,817	(859)	4	1,962	(364)	2,102	(367)	1,371
Claims and related expenses	(79,639)	(16,116)	(11,712)	(107,467)	(67,007)	(8,687)	(3,744)	(79,438)
Policy acquisition costs	(37,284)	(5,623)	(1,842)	(44,749)	(33,901)	(4,984)	(322)	(39,207)
Policy acquisition costs recovered from reinsurers	2,028	258	-	2,286	3,011	32	-	3,043
Change in deferred policy acquisition costs -gross	9,303	892	1,037	11,232	6,072	1,241	8	7,321
Change in deferred policy acquisition costs - reinsurance	643	-	-	643	(14)	-	-	(14)
Policy acquisition costs	(25,310)	(4,473)	(805)	(30,588)	(24,832)	(3,711)	(314)	(28,857)
Change in life insurance business technical provisions, net of reinsurance	-	-	(7,647)	(7,647)	-	-	-	-
Operating expenses	(7,466)	(1,615)	(1,404)	(10,485)	(7,572)	(1,553)	(528)	(9,653)
Segment underwriting result	(5,986)	2,085	1,797	(2,104)	(2,223)	7,012	(873)	3,916
Operating expenses - unallocated #				(1,572)				(1,264)
Underwriting result				(3,676)				2,652

 # Unallocated operating expenses represent corporate expenses.

11. 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.

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 September 2007			Financial year-to-date 30 September 2006	Year ended 31 December 2006
	Insurance funds	Shareholders' funds	Total		
Interest income	6,601	10,433	17,034	17,309	23,543
Dividends	732	1,052	1,784	1,822	2,089
Realised gains	3,264	7,453	10,717	10,382	15,987
Gain (loss) on remeasurement of investments at fair value through profit or loss	986	1,709	2,695	(3,928)	(3,239)
Impairment loss	(101)	(114)	(215)	-	(510)
Other	1,454	1,218	2,672	651	507
	12,936	21,751	34,687	26,236	38,377

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 September 2007			Financial year-to-date 30 September 2006	Year ended 31 December 2006
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	8,827	5,671	14,498	13,440	17,922
General and administration	3,230	2,828	6,058	4,440	6,266
	12,057	8,499	20,556	17,880	24,188

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2007	Financial year-to-date 30 September 2006	Year ended 31 December 2006
Warranty claims	-	-	10,414
Third party administration services	5,575	4,977	6,704
Fees on managing Islamic reinsurance operations	2,404	512	1,216
Software sales and related services	551	503	848
Interest on cash balances	137	393	210
Gain on sale of interest in associate	-	460	459
Other	352	471	433
	9,019	7,316	20,284

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2007	Financial year-to-date 30 September 2006	Year ended 31 December 2006
Provision for doubtful receivable & deposits	**(91)**	228	1,624
Foreign exchange (gain) loss	**(195)**	849	2,748
Scheme of arrangement fee	**84**	70	379
Interest on borrowing	**2,279**	2,801	3,604
Goodwill amortised	**250**	-	-
Other	**2,266**	238	482
	4,593	4,186	8,837

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share has been computed as follows:

		Financial year-to-date 30 September 2007	Financial year-to-date 30 September 2006	Year ended 31 December 2006
Weighted average number of shares outstanding	'000	**214,513**	216,724	216,392
Net profit	US$'000	**10,286**	12,940	30,366
Earnings per share	US$	**0.05**	0.06	0.14

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

	US$ '000		
	Financial year-to-date 30 September 2007	Financial year-to-date 30 September 2006	Year ended 31 December 2006
Profit before minority interests	**14,002**	14,222	32,649
Increase in insurance funds	**108,179**	24,603	11,175
Change in insurance receivable/payable, net	**(3,715)**	(18,468)	(3,884)
Change in accrued income	**(54,348)**	(13,481)	(504)
Change in other assets/liabilities, net	**(27,994)**	(25,352)	(27,658)
Net cash provided by (used in) operating activities	**36,124**	(18,476)	11,778

18. PRINCIPAL SUBSIDIARIES

At 30 September 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.

19. RELATED-PARTY TRANSACTIONS

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

	US$ '000		
	Financial year-to-date 30 September 2007	Financial year-to-date 30 September 2006	Year ended 31 December 2006
i) Directors			
- Remuneration paid	1,130	1,080	1,080
- Allowances	67	64	108
ii) Key management compensation			
- Salaries and other short-term employee benefits	733	1,280	1,080
- Post employment benefits	-	809	943
- Share-based compensation	-	107	131

20. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in investee companies held as part of its investment portfolios amounting to US$ 10.3 million (31 December 2006: US$ 8.0 million; 30 September 2006: US$ 9.6 million).

21. PORTFOLIO TAKEOVER

On 29 June 2007, the Company has entered into an agreement with Scottish Re Limited, United Kingdom, to takeover Scottish Re Limited's Middle East Life Reinsurance portfolio as of 1 January 2007 for a net consideration in cash of US$ 6.6 million.

The assets and liabilities taken over on the acquisition date are as follows:

	US$'000	
	Assets	Liabilities
Cash and cash equivalents	6,621	-
Investments	10,426	-
Accrued income	11,738	-
Deferred policy acquisition costs	521	-
Insurance receivable	3,359	-
Technical provisions	-	37,531
Other Liability/Assets	-	134
Present Value of Future Profits	5,000	-

The takeover has resulted in the recognition of an intangible asset, Present Value of Future Profits (PVFP) of US$ 5.0 million. The PVFP would be amortised over a period of 60 months.