Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the three months ended 31 March 2008

KPMG Fakhro
Audit
5th Floor
Chamber of Commerce Building
PO Box 710, Manama
Kingdom of Bahrain

CR No. 6220
Telephone +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

Independent report on review of interim financial information

The Directors
Arab Insurance Group BSC
Manama
Kingdom of Bahrain

14 May 2008

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 2008, and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended (the "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

KPMG Fakhro, a registered partnership under Bahrain law,
is a member of KPMG International, a Swiss cooperative.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

(In thousands of U.S. Dollars)

	Note	31 March 2008 (reviewed)	31 December 2007 (audited)	31 March 2007 (reviewed)
ASSETS				
Cash and cash equivalents		**391,703**	386,293	310,592
Investments	4	**317,906**	319,366	365,807
Accrued income	5	**119,542**	73,154	81,896
Insurance receivables		**71,320**	56,354	49,149
Insurance deposits		**56,976**	54,945	50,477
Deferred policy acquisition costs		**31,821**	17,212	26,135
Reinsurers' share of technical provisions	6	**75,152**	75,755	74,622
Other assets	7	**18,383**	26,680	18,453
Takaful participants' assets	8	**40,311**	29,694	23,775
Fixed assets		**19,686**	10,355	9,480
		1,142,800	1,049,808	1,010,386
LIABILITIES				
Technical provisions	9	**611,463**	534,859	491,386
Insurance payables		**32,287**	32,589	33,084
Borrowings		**51,465**	45,802	56,126
Other liabilities	10	**64,480**	43,702	66,905
Takaful fund and participants' liabilities	8	**40,311**	29,694	23,775
		800,006	686,646	671,276
EQUITY				
Shareholders' equity				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(6,885)**	(6,548)	(4,659)
Reserves		**42,645**	44,974	38,375
Retained earnings		**26,113**	40,012	26,070
		281,873	298,438	279,786
Minority interests		**60,921**	64,724	59,324
		342,794	363,162	339,110
		1,142,800	1,049,808	1,010,386

These consolidated interim condensed financial statements were approved by the Board of Directors on 14 May 2008 and signed by:

Khalid A. Al Bustani
Chairman

Khalid J. Bin Kalban
Vice Chairman

Yassir Albaharna
Chief Executive Officer

The accompanying notes 1 to 20 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 2008

(In thousands of U.S. Dollars)

	Note		For the financial year-to-date 31 March 2008 (reviewed)	For the financial year-to-date 31 March 2007 (reviewed)	For the year ended 31 December 2007 (audited)
Gross premiums written			**130,730**	92,997	249,968
Net earned premiums			**69,771**	36,142	210,759
Claims and related expenses			**(53,936)**	(24,888)	(172,006)
Policy acquisition costs			**(12,538)**	(8,183)	(41,752)
Investment income attributable to insurance funds	12		**1,885**	3,605	19,542
Operating expenses	13		**(4,188)**	(3,004)	(16,273)
Underwriting result	11		**994**	3,672	270
Investment income attributable to shareholders' funds	12		**1,308**	5,395	34,151
Operating expenses – non underwriting activities	13		**(3,992)**	(2,586)	(12,897)
Borrowing cost			**(650)**	(629)	(3,079)
Other income	14		**5,371**	2,501	14,668
Other expenses and provisions	15		**(434)**	(22)	(3,442)
Profit for the period			**2,597**	8,331	29,671
Minority interests			**359**	(693)	(6,016)
Net profit attributable to shareholders			**2,956**	7,638	23,655
Earnings per share attributable to shareholders :	16	US$	**0.01**	0.04	0.11

The accompanying notes 1 to 20 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 2008

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Shareholders' equity	Minority interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2007	220,000	(6,548)	23,813	13,213	7,948	44,974	40,012	298,438	64,724	363,162
Changes on remeasurement of available for sale assets	-	-	-	(2,238)	-	(2,238)	-	(2,238)	(161)	(2,399)
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	-	-	-	2	2	-	2
Transfer of net depreciation on revalued property	-	-	-	-	(91)	(91)	91	-	-	-
Net (expense) income recognised directly in equity	-	-	-	(2,238)	(91)	(2,329)	93	(2,236)	(161)	(2,397)
Net profit for the period	-	-	-	-	-	-	2,956	2,956	(359)	2,597
Total recognised (expense) income	-	-	-	(2,238)	(91)	(2,329)	3,049	720	(520)	200
Purchase of treasury shares	-	(337)	-	-	-	-	-	(337)	-	(337)
Dividends payable	-	-	-	-	-	-	(15,922)	(15,922)	-	(15,922)
Directors' remuneration payable	-	-	-	-	-	-	(1,026)	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	(3,283)	(3,283)
Balances at 31 March 2008	220,000	(6,885)	23,813	10,975	7,857	42,645	26,113	281,873	60,921	342,794

The accompanying notes 1 to 20 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 YEAR ENDED 31 DECEMBER 2007

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Shareholders' equity	Minority interests	Total Equity (audited)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2006	220,000	(4,293)	21,414	7,456	7,872	36,742	40,947	293,396	58,964	352,360
Revaluation of property	-	-	-	-	431	431	-	431	-	431
Changes on remeasurement of available for sale assets	-	-	-	6,020	-	6,020	-	6,020	84	6,104
Transfers for recognition of gains/losses on disposal of available for sale assets	-	-	-	(263)	-	(263)	(1)	(264)	-	(264)
Transfer of net depreciation on revalued property	-	-	-	-	(355)	(355)	355	-	-	-
Net income recognised directly in equity	-	-	-	5,757	76	5,833	354	6,187	84	6,271
Net profit for the year	-	-	-	-	-	-	23,655	23,655	6,016	29,671
Total recognised income	-	-	-	5,757	76	5,833	24,009	29,842	6,100	35,942
Purchase of treasury shares	-	(2,255)	-	-	-	-	-	(2,255)	-	(2,255)
Dividends paid	-	-	-	-	-	-	(21,465)	(21,465)	-	(21,465)
Directors' remuneration paid	-	-	-	-	-	-	(1,080)	(1,080)	-	(1,080)
Transfer to legal reserves	-	-	2,399	-	-	2,399	(2,399)	-	-	-
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	(340)	(340)
Balances at 31 December 2007	220,000	(6,548)	23,813	13,213	7,948	44,974	40,012	298,438	64,724	363,162
Parent company balances at 31 December 2007	220,000	(6,548)	23,747	13,096	7,948	44,791	40,195	298,438	-	298,438

The accompanying notes 1 to 20 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				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	40,947	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)
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 20 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 2008

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 31 March 2008 (reviewed)	For the financial year-to-date 31 March 2007 (reviewed)	For the year ended 31 December 2007 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		**150,678**	104,229	297,178
Reinsurance premiums paid		**(6,952)**	(4,911)	(14,760)
Claims paid		**(138,824)**	(95,459)	(257,446)
Reinsurance receipts in respect of claims		**3,479**	1,449	14,083
Investment income received		**1,491**	1,018	15,000
Interest received		**7,973**	8,567	27,120
Dividends received		**199**	199	2,223
Interest paid		**(1,339)**	(433)	(3,206)
Operating expenses paid		**(5,996)**	(10,589)	(26,227)
Other income/expenses, net		**2,805**	1,831	2,098
Insurance deposits (paid) received		**(1,897)**	643	(3,891)
Purchase of trading investments		**(70,489)**	(40,770)	(243,932)
Sale of trading investments		**69,481**	30,053	260,633
Directors' remuneration paid		**-**	-	(1,080)
Net cash provided by (used in) operating activities	17	**10,609**	(4,173)	67,793
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of portfolio		**-**	-	6,621
Maturity/sale of investments		**13,019**	20,627	76,025
Purchase of investments		**(20,586)**	(10,484)	(39,368)
Collateralised cash deposits received (paid)		**38**	(10)	263
Purchase of fixed assets		**(6,468)**	(150)	(1,009)
Purchase of intangible assets		**-**	-	(108)
Net cash (used in) provided by investing activities		**(13,997)**	9,983	42,424
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid		**-**	-	(21,747)
Purchase of treasury shares		**(337)**	(366)	(2,255)
Net borrowings		**7,001**	630	(10,127)
Net cash provided by (used in) financing activities		**6,664**	264	(34,129)
Net increase in cash and cash equivalents		**3,276**	6,074	76,088
Effect of exchange rate on cash and cash equivalents		**2,134**	(23)	5,664
Cash and cash equivalents, beginning of period		**386,293**	304,541	304,541
Cash and cash equivalents, end of period		**391,703**	310,592	386,293

The accompanying notes 1 to 20 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 2008

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 2007 that were prepared in accordance with International Financial Reporting Standards (IFRS). 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 2008	31 December 2007	31 March 2007
At fair value through profit or loss			
Held for trading			
Debt securities			
- Others	**-**	-	7,656
Common stock of listed companies	**101,729**	107,264	109,673
	101,729	107,264	117,329
Designated at fair value on initial recognition			
Debt Securities			
- Other	**25,785**	26,966	41,268
	25,785	26,966	41,268
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**31,923**	33,918	33,881
- Other investment grade	**38,947**	44,942	64,933
	70,870	78,860	98,814
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**39,474**	26,441	42,028
- Other investment grade	**15,396**	9,063	8,959
- Non-OECD country governments	**6,144**	6,138	4,654
- Other	**11,818**	16,134	13,295
Common stock of listed companies	**2,332**	2,047	2,206
Common stock of unlisted companies	**20,498**	22,511	16,034
Other	**23,860**	23,942	21,220
	119,522	106,276	108,396
	317,906	319,366	365,807

Debt securities amounting to US$ 47.4 million (31 December 2007: US$ 48.5 million; 31 March 2007: US$ 45.3 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and US$ 53.4 million (31 December 2007: US$ 54.0 million; 31 March 2007: 64.9 million) for borrowings.

5. ACCRUED INCOME

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
Accrued insurance premiums	**114,812**	67,155	76,518
Accrued interest	**4,730**	5,999	5,378
	119,542	73,154	81,896

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
General insurance business			
- Claims outstanding	**61,565**	63,372	58,305
- Unreported general insurance claims	**7,672**	10,160	8,363
- Deferred retrocession premium reserve	**5,674**	1,497	7,162
	74,911	75,029	73,830
Life insurance business			
- Life insurance claims outstanding	**83**	296	356
- Life insurance unreported losses	**158**	430	436
	241	726	792
	75,152	75,755	74,622

7. OTHER ASSETS

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
Intangible assets :			
- Goodwill	**1,893**	1,893	1,893
- Present value of future profits (PVFP)	**5,000**	5,000	-
- Computer software	**9,634**	9,538	9,196
	16,527	16,431	11,089
Less: accumulated amortisation	**(9,364)**	(9,088)	(8,522)
Net intangible assets	**7,163**	7,343	2,567
Other assets :			
- Collateralised cash deposits	**3,933**	3,971	4,244
- Prepayments and other receivables	**7,287**	15,366	11,642
	11,220	19,337	15,886
	18,383	26,680	18,453

8. TAKAFUL PARTICIPANTS' FUND ACCOUNTS

i) BALANCE SHEET

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
ASSETS			
Cash & cash equivalents	**4,379**	3,721	560
Accrued income	**15,129**	11,354	13,375
Insurance receivable	**7,994**	6,018	1,551
Insurance deposits	**3,529**	2,711	1,014
Deferred acquisition costs	**5,805**	3,609	4,302
Deferred wakala fees	**3,475**	2,281	2,852
Other assets	**-**	-	121
	40,311	29,694	23,775
LIABILITIES			
Accounts payable	**9,833**	7,434	4,910
TAKAFUL FUND			
Unearned contributions	**17,394**	11,418	14,263
Outstanding claims	**5,832**	5,077	696
Unreported losses	**8,521**	6,968	4,013
	31,747	23,463	18,972
Accumulated deficit	**(1,269)**	(1,203)	(107)
	40,311	29,694	23,775

ii) STATEMENT OF PARTICIPANTS' REVENUE

	US$ '000		
	Year-to-date 31 March 2008	Year ended 31 December 2007	Year-to-date 31 March 2007
Gross contributions	**11,675**	20,339	9,240
Outward reinsurance premiums	**(187)**	(694)	(105)
Unearned contributions	**(5,972)**	(2,440)	(5,294)
Net earned contributions	**5,516**	17,205	3,841
Reported losses	**(1,625)**	(5,062)	(267)
Provision for unreported losses	**(1,844)**	(4,632)	(1,660)
Claim and related expenses	**(3,469)**	(9,694)	(1,927)
Policy acquisition costs	**(3,232)**	(6,545)	(3,248)
Deferred policy acquisition costs	**2,196**	1,376	2,068
Policy acquisition costs	**(1,036)**	(5,169)	(1,180)
Fee payable to operator (Wakala fee)	**(1,141)**	(3,579)	(789)
Investment income	**39**	41	-
Other income	**25**	45	-
Deficit for the period	**(66)**	(1,151)	(55)

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
General insurance business			
Claims outstanding	**292,545**	288,513	275,562
Unreported losses	**104,990**	104,125	89,621
Unearned premiums	**140,055**	83,712	120,017
	537,590	476,350	485,200
Life insurance business			
Claims outstanding	**9,840**	10,007	3,010
Unreported losses	**49,713**	36,062	2,538
Unearned premiums	**14,320**	12,440	638
	73,873	58,509	6,186
	611,463	534,859	491,386

10. OTHER LIABILITIES

	US$ '000		
	31 March 2008	31 December 2007	31 March 2007
Accrued expenses	**2,957**	3,218	2,500
Post employment benefits	**12,252**	12,337	12,123
Accrual for scheme of arrangement fees	**3,043**	3,043	4,043
Reinsurance premiums accrued	**11,861**	11,861	10,775
Employee share scheme	**1,243**	1,287	738
Dividends payable	**16,473**	522	22,127
Other	**16,651**	11,434	14,599
	64,480	43,702	66,905

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

The Group's non-life reinsurance business consists of two main business segments, treaty and facultative mainly involving underwriting of property and marine classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies.

	US$ '000								
	Financial year-to-date 31 March 2008					Financial year-to-date 31 March 2007			
	Non-life		Life		Total				
	Treaty	Facultative	Short term	Long term		Treaty	Facultative	Life	Total
REVENUES :									
Gross premiums written	**96,397**	**7,652**	**16,491**	**10,190**	**130,730**	83,010	7,189	2,798	92,997
Outward reinsurance premiums	**(6,657)**	**(267)**	**(45)**	**21**	**(6,948)**	(4,090)	(805)	(20)	(4,915)
Change in unearned premiums - gross	**(56,029)**	**(312)**	**(1,847)**	**-**	**(58,188)**	(53,463)	(1,197)	(267)	(54,927)
Change in unearned premiums - reinsurance	**4,127**	**50**	**-**	**-**	**4,177**	2,875	112	-	2,987
Net earned premiums	**37,838**	**7,123**	**14,599**	**10,211**	**69,771**	28,332	5,299	2,511	36,142
Investment income attributable to insurance funds	**1,043**	**609**	**108**	**125**	**1,885**	2,201	1,369	35	3,605
	38,881	**7,732**	**14,707**	**10,336**	**71,656**	30,533	6,668	2,546	39,747
COSTS AND EXPENSES :									
Gross claims paid	**(20,864)**	**(4,154)**	**(5,532)**	**(3,863)**	**(34,413)**	(17,132)	(4,137)	(694)	(21,963)
Claims recovered from reinsurers	**2,823**	**295**	**361**	**-**	**3,479**	1,057	301	-	1,358
Change in provision for outstanding claims – gross	**(3,978)**	**242**	**6**	**210**	**(3,520)**	(3,326)	3,052	(51)	(325)
Change in provision for outstanding claims - reinsurance	**(1,312)**	**(519)**	**(213)**	**-**	**(2,044)**	(377)	(148)	-	(525)
Change in provision for unreported losses - gross	**(1,925)**	**904**	**(8,327)**	**-**	**(9,348)**	(91)	(124)	(1,176)	(1,391)
Change in provision for unreported losses - reinsurance	**(2,175)**	**(313)**	**158**	**-**	**(2,330)**	(2,649)	565	42	(2,042)
Claims and related expenses	**(27,431)**	**(3,545)**	**(13,547)**	**(3,653)**	**(48,176)**	(22,518)	(491)	(1,879)	(24,888)
Policy acquisition costs	**(27,903)**	**(1,242)**	**(230)**	**(76)**	**(29,451)**	(22,521)	(1,490)	(104)	(24,115)
Policy acquisition costs recovered from reinsurers	**2,285**	**17**	**-**	**-**	**2,302**	1,547	116	-	1,663
Change in deferred policy acquisition costs -gross	**17,003**	**(27)**	**(562)**	**(294)**	**16,120**	15,132	347	23	15,502
Change in deferred policy acquisition costs - reinsurance	**(1,502)**	**(7)**	**-**	**-**	**(1,509)**	(1,206)	(27)	-	(1,233)
Policy acquisition costs	**(10,117)**	**(1,259)**	**(792)**	**(370)**	**(12,538)**	(7,048)	(1,054)	(81)	(8,183)
Change in life insurance business technical provisions, net of reinsurance	**-**	**-**	**-**	**(5,760)**	**(5,760)**	-	-	-	-
Operating expenses	**(2,801)**	**(570)**	**(300)**	**(348)**	**(4,019)**	(2,179)	(364)	(210)	(2,753)
Segment underwriting result	**(1,468)**	**2,358**	**68**	**205**	**1,163**	(1,212)	4,759	376	3,923
Operating expenses – unallocated #					**(169)**				(251)
Underwriting result					**994**				3,672

 # Unallocated operating expenses represent corporate expenses.

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

	Year ended 31 December 2007				
	Non-life		Life		Total
	Treaty	Facultative	Short term	Long term	
REVENUES :					
Gross premiums written	163,747	34,881	21,678	29,662	249,968
Outward reinsurance premiums	(10,635)	(3,983)	(110)	(33)	(14,761)
Change in unearned premiums - gross	(14,733)	(3,109)	(2,217)	(1,659)	(21,718)
Change in unearned premiums - reinsurance	(2,719)	(11)	-	-	(2,730)
Net earned premiums	135,660	27,778	19,351	27,970	210,759
Investment income attributable to insurance funds	11,566	7,145	312	519	19,542
	147,226	34,923	19,663	28,489	230,301
COSTS AND EXPENSES :					
Gross claims paid	(90,391)	(33,707)	(17,504)	(10,268)	(151,870)
Claims recovered from reinsurers	7,706	6,246	-	12	13,964
Change in provision for outstanding claims - gross	(18,168)	10,776	2,227	(1,390)	(6,555)
Change in provision for outstanding claims - reinsurance	4,592	(623)	(61)	99	4,007
Change in provision for unreported losses – gross	(15,902)	1,215	(893)	810	(14,770)
Change in provision for unreported losses - reinsurance	858	(1,143)	3	-	(282)
Claims and related expenses	(111,305)	(17,236)	(16,228)	(10,737)	(155,506)
Policy acquisition costs	(40,949)	(7,381)	(477)	(1,284)	(50,091)
Policy acquisition costs recovered from reinsurers	2,990	275	-	(3)	3,262
Change in deferred policy acquisition costs - gross	2,474	841	485	293	4,093
Change in deferred policy acquisition costs - reinsurance	984	-	-	-	984
Policy acquisition costs	(34,501)	(6,265)	8	(994)	(41,752)
Change in life insurance business technical provisions, net of reinsurance	-	-	-	(16,500)	(16,500)
Operating expenses	(10,732)	(2,386)	(1,054)	(1,442)	(15,614)
Segment underwriting result	(9,312)	9,036	2,389	(1,184)	929
Operating expenses – unallocated #					(659)
Underwriting result					270

 # Unallocated operating expenses represent corporate expenses.

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 31 March 2008			Financial year-to-date 31 March 2007	Year ended 31 December 2007
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	**339**	**338**	**677**	267	1,174
- Others	**2,733**	**3,464**	**6,197**	5,077	23,160
Dividends	**84**	**116**	**200**	200	2,223
Realised gains					
- Trading investments	**(424)**	**(679)**	**(1,103)**	240	12,149
- Investment designated at fair value through profit or loss	**-**	**-**	**-**	709	845
- Available for sale	**841**	**1,217**	**2,058**	240	4,029
Gain (loss) on remeasurement of investments at fair value through profit or loss					
- Trading investments	**(1,983)**	**(3,438)**	**(5,421)**	1,621	7,742
- Investments designated at fair value through profit or loss	**(592)**	**(591)**	**(1,183)**	739	(2,047)
Impairment loss	**-**	**-**	**-**	-	(715)
Other	**887**	**881**	**1,768**	(93)	5,133
	1,885	**1,308**	**3,193**	9,000	53,693

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 31 March 2008			Financial year-to-date 31 March 2007	Year ended 31 December 2007
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	**3,342**	**2,412**	**5,754**	4,132	20,584
General and administration	**846**	**1,580**	**2,426**	1,458	8,586
	4,188	**3,992**	**8,180**	5,590	29,170

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 31 March 2008	Financial year-to-date 31 March 2007	Year ended 31 December 2007
Third party administration services	**1,942**	1,228	9,141
Fees on managing Islamic reinsurance operations	**1,142**	789	3,580
Foreign exchange gain (loss)	**1,770**	145	(937)
Software sales and related services	**438**	221	955
Interest on cash balances	**40**	62	200
Other	**39**	56	1,729
	5,371	2,501	14,668

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 31 March 2008	Financial year-to-date 31 March 2007	Year ended 31 December 2007
Provision for doubtful receivable & deposits	**52**	(91)	285
Scheme of arrangement fee	**-**	-	188
Intangible asset amortised	**250**	-	500
Other	**132**	113	2,469
	434	22	3,442

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share has been computed as follows:

		Financial year-to-date 31 March 2008	Financial year-to-date 31 March 2007	Year ended 31 December 2007
Weighted average number of shares outstanding	'000	**212,639**	215,265	213,939
Net profit	US$'000	**2,956**	7,638	23,655
Earnings per share	US$	**0.01**	0.04	0.11

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

	US$ '000		
	Financial year-to-date 31 March 2008	Financial year-to-date 31 March 2007	Year ended 31 December 2007
Profit before minority interests	**2,597**	8,331	29,671
Increase in insurance funds	**60,567**	42,364	89,159
Change in insurance receivable/payable, net	**(15,268)**	2,982	(4,601)
Change in accrued income	**(46,388)**	(38,832)	(30,090)
Change in other assets/liabilities, net	**9,101**	(19,018)	(16,346)
Net cash provided by (used in) operating activities	**10,609**	(4,173)	67,793

18. PRINCIPAL SUBSIDIARIES

At 31 March 2008, 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 2007.

19. RELATED-PARTY TRANSACTIONS

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

	US$ '000		
	Financial year-to-date 31 March 2008	Financial year-to-date 31 March 2007	Year ended 31 December 2007
i) Directors			
- Remuneration paid	-	-	1,080
- Allowances	23	30	104
ii) Key management compensation			
- Salaries and other short-term employee benefits	260	213	992
- Post employment benefits	-	-	288
- Share-based compensation	-	-	94

20. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in investee companies held as part of its investment portfolios amounting to US$ 8.5 million (31 December 2007: US$ 7.1 million; 31 March 2007: US$ 10.0 million). The Group also has commitments of US$ 22.2 million (31 December 2007: US$ 28.6 million; 31 March 2007: nil) towards purchase of property.