ANNUAL REPORT 2007

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A MESSAGE FROM THE CHAIRMAN

I am pleased to report that 2007 was another year of excellent results and achievements both for the company and the subsidiaries highlighted by the company's financial strength and credit rating upgrade to A-, by AM Best Rating Agency.

This outcome is due to the wise guidance of the relevant Board of Directors and to the dynamic performance of the management and staff of the company and the subsidiaries, to whom I would like to extend my thanks and appreciation.

I am also glad to see that the restructuring of the company's Board and the executive management team has contributed to the better performance of the company in all aspects. I am sure the company will continue to benefit from the experience and the guidance of the enhanced Board.

I would also like to thank the ultimate Holding company and all the subsidiaries for their continued guidance and support.

The company's current three year Business Plan clearly states the mission and vision of the company and will direct various internal units and subsidiaries in achieving the short, medium and long term objectives and goals set out in that plan.

We will continue revisiting our strategy and objectives in line with the changing market conditions and industry practices. In order to enhance further this area we have recruited a high profile individual from the London Market to Head the company's Business Strategy and Market Development section.

As in previous years, the company will continue to operate on the following principles:

1. A marketing approach with a close presence to our clients in order to continue providing them with continued professional service and further enjoy their confidence. We have started to deploy all necessary marketing efforts to widen our client base.
2. We continue to enhance the technical and professional abilities of our team, through various educational and training programs, so as to provide the best and most reliable service to our clients.
3. We seek and explore possibilities of widening the scope of our business and services both through larger networking and strategic partnerships, and by offering new products.
4. We are committed to adhere to the best Corporate Governance practices.
5. We are working on implementing Enterprise Risk Management (ERM) throughout the company. We will widen the risk management culture of the company by providing proper training to the management and staff.
6. Our efforts will continue to be not only on maintaining the A- rating but also further improving it.

I would like to emphasize the importance of human resources to our operations. We will continue motivating our existing staff through educational and training opportunities, performance rewarding and career progression in order to recruit and retain the best employees.

As part of enhancing our image, we have modified the Corporate Profile of the company and the insurance subsidiaries by adopting a new brand name and logo reflected on all company documents. This task has been undertaken by a well known international advertising and branding company and was launched in February 2008. I am sure that the modified and enhanced branding will further strengthen the company's already well known and respected name and image.

I am also happy to report that the two main UK subsidiaries posted a healthy profit for the year.

Finally I am pleased to report that the construction of the company's office tower in Diplomatic Area, Manama was completed and already partly occupied by the company.

In conclusion, I would like to extend, on behalf of the Board, our thanks to all our clients, collaborators, business associates, subsidiaries and of course to all our management and staff for their continued commitment, dedication and cooperation.

Kamel Ghazi Abu Nahl
Chairman
18th April, 2008

Re insurance Market Environment
Partly due to the rather benign wind storm season in the Gulf of Mexico area rates are continuing to decline globally in general and for Middle East and Asian business in particular. Another reason is a constantly growing capacity and the establishment of Bermudian and Lloyd's capacities through branches in Asia. Singapore market capacity now stands at more than USD 1 Billion.

Global capacity for Property and Energy classes of business has increased to around USD 3.5 Billion while Marine stands at USD 1 Billion. There is thus, for most accounts, substantial overcapacity leading to increased competition and further rate reductions.

What is noticeable in the Arab World and in South East Asia is that there is a marked increase in the number of Takaful companies being established. They are all fairly aggressive and this has also led to a further downward pressure of rates particularly for commercial business. Also, many of the major reinsurers are establishing ReTakaful companies.

During the 2007 treaty renewals, there were not many variations seen, but definitely on the non-performing programs some improvements were noticed in the terms and conditions. The improvement in the proportional treaties ranged from increased retentions, limits on facultative cessions, slight reductions in commissions, application of sliding scales, introduction of loss corridors, sub limits for natural perils & terrorism losses, etc.

In the non-proportional treaties, increases in rates on line and excess points, introduction of annual aggregate deductibles, limitations on reinstatement etc. were experienced.

Subsidiaries activities and outlook
We have two main subsidiaries in the United Kingdom.

Ventura Del Mar SA Ltd

This wholly owned subsidiary holds 12 luxury apartments and a beach restaurant in Puerto Banus Marbella, Spain.

Due to buoyant property market and price hikes 12 units (from a development of 120 luxury apartments built and all sold between 1998-2000) were held back.

The value of these remaining units as professionally and independently assessed at 31st December 2007 exceeds US$ 36 million (cost US$ 10 million).

Three of the units have since 31.12.2007 been sold at their fair market values. The local management expect to sell the remaining apartments and the beach restaurant in the next 18 months.

Trust Underwriting Ltd
Our UK wholly owned subsidiary is a Lloyds Corporate Capital entity participating in the capacities of various Lloyds syndicates. The subsidiary has consistently posted profits and substantial return on capital since 2002. The participation

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2007

in capacities for 2006 and 2007 were Stg£29.020.894 and Stg£29.154.314 respectively.

The company is not involved directly in the management of the syndicate's activities, including employment of syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each syndicate, although by their nature insurers do not produce significant environmental emissions.

In order to support the subsidiary's spread portfolio in various syndicate capacities the company provides a bank guarantee to Lloyds for Stg£10.800.934 (2006 – Stg£10.800.934) for which a facility fee plus all direct expenses is charged to the subsidiary. This guarantee was effective from 13 December, 2002 and will remain in force on a four year revolving basis.

The company also has a 70 % Quota Share arrangement with the subsidiary, which is reviewed annually.

Other Subsidiaries
The other subsidiaries in Houston Texas USA, Spain and Channel Islands are service providers either to the company or the subsidiaries.

Company Strategy and Activity
During 2008 we are aiming to use the "Marketing Unit" concept which should lead to a better interconnection between the facultative and treaty underwriting teams in order to benefit from synergy effects that should lead to an increased flow of business and transparency of the operations. These marketing units will also at a later stage be individual profit centers as Business Units which should lead to a better focus on bottom line profit. Marketing efforts will also be better synchronized and focused.
Apart from concentrating on direct local and regional business, especially in areas where we have affiliated group companies and subsidiaries, we will also explore new markets that we believe can offer opportunities in Africa and countries of the former Soviet Union.
With our newly acquired ReTakaful license in Labuan, we will also focus on giving existing and new Takaful clients better service and accommodation.

The Group's Results
The Group's gross premium in 2007 reached US$239.4 million compared to US$220.2 million in 2006. Retained premium stood at US$125.6 million (52.46%) as against US$90.97 million (41.31%) in 2006.

For 2007, the level of incurred claims was US$76.85 million, against US$54.72 million in 2006. The net underwriting results improved, reaching US$17.15 million in 2007 as compared to US$15.25 million in 2006.

The net loss ratio is 64.52% in 2007 as compared to 61.27% in 2006. The combined ratio was 87.08% for 2007 compared to 83.90% in 2006.

Investment and other income were lower for 2007 reaching US$21.27 million compared to US$61.72 million in 2006. The decrease in 2007 in the investment and other income is due to reduced volume of disposal of investments, compared to 2006, by the holding company.

General and administrative expenses were higher for 2007 at US$12.59 million compared to US$9.95 million in 2006.

As a result of the above, the Group has posted for 2007 a net profit of US$39.48 million compared to US$70.46 million in 2006.

The Company Results

The company's gross premium in 2007 reached US$184.1 million compared to US$181.41 million in 2006. Retained premium stood at US$88.02 million (47.8%) as against US$62.19 million (34.3%) in 2006.

The increase in the retained premiums is due to the effect of the company's new reinsurance program effective from July 2007.

For 2007, the level of incurred claims was US$50.37 million, against US$33.55 million in 2006. The net underwriting results marginally improved reaching US$14.9 million in 2007 as compared to US$14.64 million in 2006.

The net loss ratio is 60% in 2007 as compared to 57% in 2006. The combined ratio was 84% for 2007 compared to 77% in 2006.

Investment and other income were substantially lower for 2007 reaching US$16.2 million compared to US$56.9 million in 2006. The decrease in 2007 in the investment and other income is due to reduced volume of disposal of the investments compared with 2006.

General & administrative expenses were higher for 2007 at US$8.7 million, compared to US$7.35 million in 2006.

As a consequence of these factors, the company has posted for 2007 a net profit of US$35.93 million compared to US$67.93 million in 2006.

The Group's Financial Strength
The Group's net technical reserves stood at US$75.56 million in 2007 compared to US$70.43 million in 2006. Cash and bank balances were at US$66.24 million for 2007, as compared to US$69.52 in 2006. The doubtful debts provision was increased to US$3.6 million to further strengthen the Group's financial position and standing.

Total investments stood at US$120.35 million at the end of 2007 compared to US$87.95 million at the end of 2006. The increase in total investments was partly due to adoption of the Fair Market Value method in the holding company on investment properties.

Key Ratios for the year were:

Performance Ratios %

	Note	2007	2006
Underwriting Profit	1	14.40	17.07
Retention Ratio	2	52.46	41.31
Combined Ratio	3	87.08	83.90
Return on Equity	4	20.71	41.13

The Company's Financial Strength
The company's net technical reserves stood at US$41.16 million in 2007 compared to US$33.45 million in 2006. Cash and bank balances were at US$60.83 million for 2007, as compared to US$62.5 million in 2006. The doubtful debts provision was increased to US$3.6 million to further strengthen the company's financial position and standing.

Total investments stood at US$130.2 million at the end of 2007 compared to US$100.7 million at the end of 2006. The increase in total investments was mainly due to implementation of Fair Market Value method on the company investment properties.

Key Ratios for the year were:

Performance Ratios %

	Note	2007	2006
Underwriting Profit	1	17.78	25.43
Retention Ratio	2	47.81	34.28
Combined Ratio	3	84.32	76.66
Return on Equity	4	19.85	31.95

The company's results include 70% Quota Share arrangement with Trust Underwriting Ltd, as shown in note 26 of the financial statements.

Significance of Ratios:

1. Underwriting Profit:
This ratio compares underwriting profit to net earned premium.

2. Retention Ratio:
This ratio indicates the extent of dependence on reinsurance.

3. Combined Ratio:
The combined ratio aggregates the cost ratio (acquisition costs and operating costs) and the loss ratio (net incurred claims).

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4. Return on Equity:
Computed as a proportion of net profit to average shareholders equity.

Solvency Statement
This summarized Solvency Statement seeks to compare the company's available capital to its solvency margin requirements, both of which are determined in accordance with regulatory provisions prescribed by the Central Bank of Bahrain.

Available capital is determined as the aggregate of two tiers of capital funds. Tier 1, or core capital, comprises the highest quality capital. Tier 2, or supplementary capital, comprises other instruments that, to varying degrees, fall short of the quality of Tier 1 capital but, nonetheless, contribute to the overall financial strength of the company.

For general insurance business, solvency margin requirements are determined by taking the higher of premium basis and claim basis calculations that are prescribed by the Central Bank of Bahrain. Where these calculations result in solvency margin requirements falling below the minimum fund size prescribed by regulations, such minimum fund size is considered as the required margin of solvency.

Total available capital is then compared with the required margin of solvency and the total excess or deficiency determined. As at 31 December 2007, the company's summarized solvency position is as follows:

Description	3107-12- US$>000	3106-12- US$>000
Available Capital	99.099	66.582
Required Margin	17.336	17.096
Excess	81.763	49.486

The UK Corporate Capital subsidiary solvency requirements is subject to United Kingdom Financial Services Authority and Lloyds regulations.

Risk Management
The company's risk Management process is based on an Enterprise Risk Management (ERM) concept, which takes a holistic approach to managing risks on an enterprise-wide basis.

In order to meet its ERM objectives, we have established a risk framework that contains the following components: (a) a robust risk governance structure; (b) risk appetites; (c) Internal risk based controls and risk policies; and (d) methodologies that focus on risk identification, risk measurement, risk assessment, action plans, monitoring and reporting. This process is operated throughout the year.

As regard to the UK Corporate Capital subsidiary the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. These risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates.

Internal Audit
The company's Board follows closely the activities of the Internal Audit Department (IAD) as a service to all levels of Management as well as to the Board. The main objective of the independent Internal Audit Department established since 1st January 2006 (Previously outsourced since 2003) is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate, economic and is operating satisfactorily. Through a risk-based audit process, the IAD will identify weaknesses in the internal controls which are commercially unsound and will recommend remedial actions. Moreover, IAD adds value to the company's operations by acting as internal consultant in making suggestions and recommendations for improved operational performance.

The subsidiaries are also subject to the Internal audit process.

Code of Conduct
The company has established a Code of Conduct and Ethics in accordance with the Central Bank of Bahrain's statutory requirements. The Code established standards by giving examples and expectations of honesty, integrity, leadership, reliability and professionalism. The Code which was circulated to all employees also outlined policies and processes for the identification, reporting and prevention of potential conflict.

Compliance
In accordance with the requirements of regulatory framework, the company has set up an independent Compliance Department headed by a qualified Compliance Officer, reporting to the Chief Executive Officer and the Risk Committee.

Succession Plan
A comprehensive succession plan is under review by the Board of Directors Nomination and Remuneration and Human Resources Committees.

HR Learning and Development
360-Degree Performance Appraisal System:
The company has implemented the 360-Degree Appraisal. This (all around feedback) is to obtain a balanced assessment which is both vertical and horizontal. The computerized system evaluates skills within the Technical and Organisational areas as well as

Behaviours of the employees to match those required by the job profile. This system will be applied twice a year, in February and September.

Part of our recruitment process requires Psychometric Personality Factor Testing: for all prospective recruitments.

The test assesses the whole domain of human personality. It offers in-depth information describing personality traits, how those traits relate to successful management performance, leadership and creativity. The process reveals 16 primary and 8 secondary managerial traits that identify personal qualities that influence work-related behaviors including problem solving, sensitivity, assertiveness, self-discipline, drive and interpersonal style. It helps to ensure that the personality is compatible with current or future management team abilities in achieving their goals.

The company believes it is necessary to provide adequate training for its employees in order to maximize productivity and to implement effectively its employee development programme. Also, the company appreciates the mutual benefits derived from such training by the company and the employees themselves. Consequently, it is the company's policy to assist employees to improve their skills and to develop their technical and professional abilities to the maximum of their potential in line with the company's requirements. Towards this end the company has and will develop and maintain job related technical and educational programmes.

- Overseas on-job-training
- In- house training on-job-training
- Cross-border training
- Workshop on innovative team, innovative plan, and innovative action
- Professional courses
- Insurance related technical courses

The company's rating with AM Best rating agency was upgraded to A- (Excellent). This is a very positive outcome and confirms the efforts that we made to improve operations, increase capital and surplus and successfully position the company to receive an even improved rating.

The company's 21 storey office tower was completed end of 2007 and the company fit outs at the end of February 2008. Nine floors are occupied by the company and six floors will be managed by Regus as business centre in partnership with the company. Regus will also manage the conference facilities on the first floor. The remaining space will be let. The company's 21 storey office tower was valued as at December 31, 2007 for BD13.00 million (US$34.45 million).

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Board Composition

CORPORATE GOVERNANCE REPORT

The company has adopted a Corporate Governance policy which adheres with the best practices in the industry and in compliance with the statutory requirements.

THE COMPANY'S BOARD OF DIRECTORS

The company is governed through its Board of Directors. The Board's main roles are to create value to shareholders; to provide entrepreneurial leadership of the Company; to approve company's strategic objectives; to monitor business performance and internal controls, and to ensure the necessary financial and other resources are made available to enable the objectives to be met.
The members of the Board are appointed for a term of three years. Seven out of eleven members are either Independent and/or Non-Executive directors, being persons with no responsibility for implementing the decisions and policies of the company and are independent from the shareholders.

BOARD COMPOSITION

Name	Position	Independence	Attendance*
Kamel Abu Nahl	Chairman	Executive	5
Jean Choueiri	Vice-Chairman	Independent-Non Executive	5
Ghazi Abu Nahl	Member	Non Executive	5
Fadi Abu Nahl	Member	Executive	5
HE Sheikh Mohammad Al Thani	Member	Independent-Non Executive	1
Adnan Bseisu	Member	Independent-Non Executive	5
Professor Gerry Dickinson	Member	Independent-Non Executive	3
Jamal Abu Nahl	Member	Non Executive	5
Hugh Bohling	Member	Independent-Non Executive	5
Nabil Kotran	Member	Executive	5
Mehran Eftekhar	Member	Non-Executive	5

* During the year 2007, the Board of Directors held 5 meetings

Mr Kamel Abu Nahl has been in the insurance industry for more than 11 years including secondment as an assistant underwriter in a Lloyd>s syndicate in London.

Mr Jean Choueiri has been in the insurance industry for 40 years, 34 years of which were spent at Munich Re as Executive Manager responsible for Middle East and Africa regions. Mr Choueiri is an associate of the Chartered Insurance Institute and holds a BSc in Commerce.

Mr Ghazi Abu Nahl has over 36 years of experience in insurance and insurance related entities including membership of Lloyd's of London for almost 30 years. He is also a member of the Board of Directors of World Trade Centre, New York USA.

Mr Fadi Abu Nahl has been involved in the insurance industry for 14 years including a period with Sedgwick Insurance Brokers in the UK. He is also the company's Chief Executive Officer.

His Excellency Sheikh Mohammad Al Thani is a member of the Qatari Royal Court with extensive experience in corporate issues.

Mr Adnan Bseisu has been in the Banking and Finance fields for more than 41 years. These include Central Bank of Saudi Arabia, Gulf Air and other Banking institutions. He is the author of several publications covering monetary, banking and finance issues. He has also been and continues to be member or advisor to the Bahrain Government, banking associations and educational establishments.

Mr Gerry Dickinson is Professor Emeritus of International Insurance at the Cass Business School, City University, London. He is Vice Secretary General and Head of Insurance and Finance Research at the Geneva Association. He holds a PhD degree in Insurance Economics from the University of Sussex and has held visiting professorships at the University of Oxford, University of British Columbia and Beijing University. He is a consultant to the European Commission, OECD and World Bank on international insurance and investment issues.

Mr Jamal Abu Nahl has 24 years of experience in investment and related fields. He is and has been involved in the insurance industry responsible for investment matters for 20 years. Mr Abu Nahl holds an MBA from Salem State College Boston USA.

Mr Hugh Bohling is a UK qualified lawyer with more than 24 years' experience in private practice specializing in corporate, commercial and regulatory matters relating to the insurance industry. This includes 10 years as a partner with an international firm of lawyers in the UK. He also has extensive experience in regulatory and Corporate Governance issues. Mr Bohling established his own legal practice in May, 2006 and is a graduate of Cambridge University.

Mr Nabil Kotran has 33 years of experience in the insurance industry, 18 years of which has been with this company. He is also the company's Chief Operating Officer.

Mr Mehran Eftekhar (Also Secretary to the Board) is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He has 35 years of experience in the professional and private sector of finance and corporate issues.

BOARD COMMITTEES

The Board delegates certain responsibilities to committees. Any such committee must keep the Board appraised on a timely basis of actions and determinations. A description about the composition and mandate is given hereunder.

(a) Audit & Risk Committees

Adnan Bseisu	Chairman of Audit Committee and member of Risk Committee
Prof.Gerry Dickinson	Chairman of Risk Committee and member of Audit Committee
Hugh Bohling	Member
Mehran Eftekhar	Member

Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit and the company's process for monitoring the compliance with the laws and regulations and the code of conduct. Audit Committee met 4 times in 2007, and all members were present for the 4 meetings, except Prof.Gerry Dickinson who was absent once.

Risk Committee assists the Board in fulfilling its oversight responsibilities for the identification, analysis, assessment and management of all the risks which the company faces in its operation and which may impact upon the assets and

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liabilities of the company; in particular (without limitation) to assist in identifying those risks which may at first seem unlikely or even remote.

(b)Nomination and Remuneration Committee

Jean Choueiri	Chairman
Ghazi Abu Nahl	Member
Jamal Abu Nahl	Member

The Committee's primary functions are to: assess required and necessary competencies of Board members, review Board succession plans, evaluate Board's performance and make recommendations to the Board on executive remuneration and incentive policies, remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, pension arrangements and the remuneration framework for directors.

(c)Investment Committee

Jamal Abu Nahl	Chairman
Ghazi Abu Nahl	Member
Nabil Kotran	Member

The committees primary functions are: to carry out Board supervision of the company's investment program, planning and implementation in the best interests of the company, to approve transactions for which the Board has delegated the appropriate authority, to make recommendations to the Board regarding investments acquisition, disposal and/or evaluation, to evaluate company's investment strategies and policies and to report on the extent to which the investments and the assets comprised therein match the company's own liabilities and on the impact of the strategy and policies on the company's regulatory capital and solvency requirements.

(d)Human Resources Committee

Fadi Abu Nahl	Chairman
Kamel Abu Nahl	Member
Nabil Kotran	Member

The Committee assists the Board independently ensuring that the company establishes appropriate Human Resources strategies and policies consistent with the best practices and business requirements, and adopts/complies with remuneration policies/ compensation & benefit programs.

(e)Board Executive Committee

Fadi Abu Nahl	Chairman
Kamel Abu Nahl	Member
Nabil Kotran	Member

The committee assists the Board in implementing the company's overall Philosophy, Mission Strategy, Policies, Procedures and annual targets and objectives; and ensures that the proper and focused development of the various divisions is in synergy with overall corporate objectives and within defined operational performance and investment return parameters.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The company follows a policy of segregating the roles of the Chairman of the Board and the Chief Executive Officer (CEO).

The Chairman of the Board Mr.Kamel Abu Nahl is responsible for leading and ensuring the effectiveness of the Board and conduct of its meetings.

The CEO, Mr.Fadi Abu Nahl is responsible for the executive leadership and operational management of the company. CEO is accountable to the Board for the development, recommendation of strategies, policies and the framework of controls.

MAIN SUBSIDIARIES' DIRECTORS

a. Trust Underwriting Ltd

The UK Corporate capital subsidiary directors are:

Mr Ghazi Abu Nahl
Mr Kamel Abu Nahl
Mr Fadi Abu Nahl
Miss Reem Abu Nahl
Mr Nabil Kotran
Mr Mehran Eftekhar

b. Ventura Del Mar SA Ltd

The UK subsidiary directors are:

Mr Fadi Abu Nahl
Miss Reem Abu Nahl
Mr Mohsen Eftekhar

MANAGEMENT TEAM
The company has a high caliber management team to run the operational activities of the company. In addition to the Chief Executive Officer, Mr Fadi Abu Nahl and the Chief Operating Officer, Mr Nabil Kotran, the following are the members of the management team:

Mr Samir Shaman, Deputy Chief Operating Officer, is an Engineer and Associate member of Chartered Insurance Institute and has 30 years experience in insurance.

Mr Mahmud Bhatti, Head of Strategy & Business Development, is an Associate member of Chartered Insurance Institute, gained his experience in insurance field from London market for more than 20 years.
Mr Gunnar Maltegard, Chief Underwriter, he is a well known underwriter in the insurance market and has over 35 years of experience.

Mr Yousef Anzawi, Head of Finance, is a Certified Public Accountant with more than 25 years of experience.

Mr Kuriyan Oomman, Claims Manager is B.Com holder with over 25 years experience in the insurance/reinsurance industry.

Mr Said Younsi, Head of Risk, is an Actuary having 12 years of experience in the London market.

Mr Malcom Fonseca, Technical Manager is a Fellow member of Indian Insurance Institute and Associate member of Chartered Insurance Institute with 30 years experience in insurance/reinsurance industry.

Mr Selastin Anthoniappan, Finance Manager, is a Chartered Accountant having 18 years of experience.

Mr Talal Ahmad Ali, Deputy Human Resources & Administration Manager, is a postgraduate in human resources management and has nine years of experience.

Mr Biju Anthony, Compliance Officer and Legal Advisor, is a Chartered Accountant and an enrolled Lawyer, with 15 years of experience.

Mr Nabil Hajjar, Director of Fair Oil and Energy Insurance syndicate managed by the company, has worked with insurance/reinsurance industry for over 30 years.

INTERNAL AUDIT
Mr Rizami Annuar, Internal Audit Manager, has worked in insurance industry for more than seven years.

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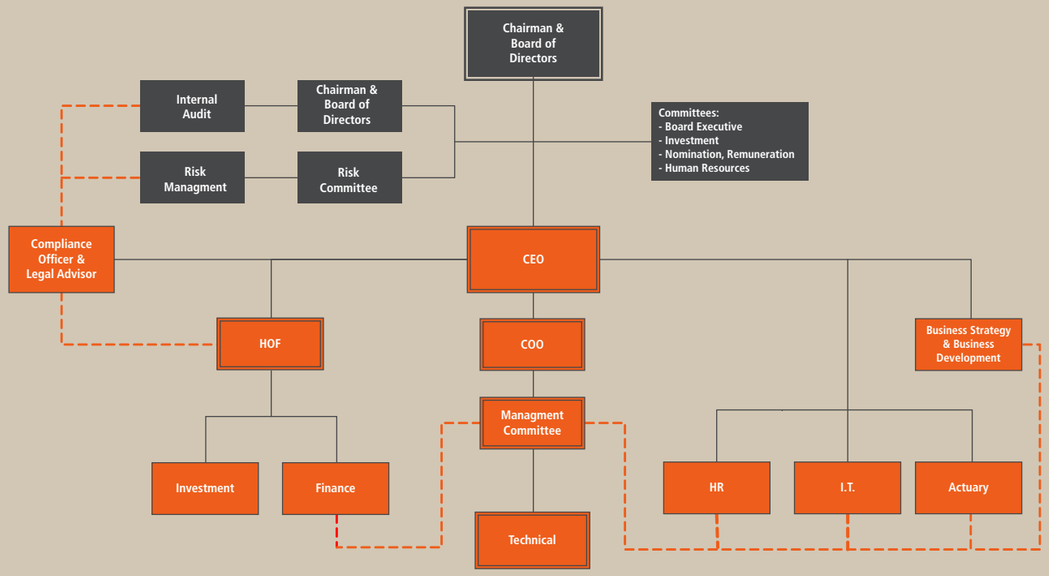
Company's' organization chart



Directors' Fees and Executive Management Team's Compensation
The Directors annual fees is fixed in accordance with Legislative Decree No (21) of 2001 of Commercial Companies Law. The amount is capped at 10% of the net profit, after deduction of prescribed legal reserves and cash dividend distribution.

The Board of Directors will propose to the Annual General meeting a fee of US$275.000 to be paid to the Directors for the year 2007.

The total remuneration and management fees paid to the Executive Management team and the holding company in 2007 amounted to US$ 1.6 million.

Auditors
Pannell Kerr Forster & Partners Bahrain have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting, subject to the appropriate approval by the Central Bank of Bahrain.

Capital Increase
During 2007 the company's authorized and paid up capital was increased to US$100 million.

Dividend
The Board of Directors will propose to the Annual General Meeting a cash dividend of US$15 million i.e. 15% of the company's paid-up capital for the year ended 31st December, 2007.

Change of Name
During 2007 company's name was changed to Trust International Insurance & Reinsurance company B.S.C. (c) Trust Re.

Acknowledgement
The Board of Directors expresses its sincere appreciation to all our valued clients, reinsurers, brokers, business partners collaborators subsidiary's management, Boards and staff, the Ministry of Industry and Commerce and to the Central Bank of Bahrain for their support and cooperation. The Board looks forward to the continued encouragement of all these parties in the future. Ultimately, the success of the company and subsidiaries is the composite and combined efforts and professional skills and ideas of all the employees of the group, its advisers and operational management. On behalf of the Board of Directors and the Executive Management, we want to thank them, and particularly all our staff, for their commitment and valuable contribution.

On Behalf of the Board

Fadi Abu Nahl
Chief Executive Officer
18th April, 2008

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AUDITORS REPORT TO THE MEMBERS OF TRUST INTERNATIONAL INSURANCE & REINSURANCE COMPANY B.S.C.(c) TRUST RE

Report on the financial statements
We have audited the consolidated financial statements of Trust International Insurance & Reinsurance Company B.S.C.(c) Trust Re as set out on pages 19 to 51.

Respective responsibilities of directors and auditors
The company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. This report is made solely to the company's members, as a body, in accordance with the Bahrain Commercial Companies Law. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis of Opinion
We conducted our audit in compliance with the Bahrain Audit Law 26/1996 and in accordance with International Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of the company the results of its operations, the changes in its equity, as at 31 December, 2007 and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applicable to Insurance Companies and comply with the Bahrain Commercial Companies Law No. 21 of 2001 and the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2b regarding the consolidation of Trust Underwriting Ltd results, using the 31.12.2007 management accounts.

Other regulatory matters
In addition, in our opinion, the company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the information contained therein is consistent with the financial statements. To the best of our knowledge and belief, no violations of the Bahrain Commercial Companies Law No. 21 of 2001, the Central Bank of Bahrain and Financial Institution Law 2006 and Volume 3 of the Central Bank of Bahrain Rule Book or the terms of the company>s memorandum and articles of association have occurred that might have had a material adverse effect on the business of the company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

PANNELL KERR FORSTER & PARTNERS
BAHRAIN

19 April, 2008

04 CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2007

	Note	2007 Group	2007 Company	2006 Group	2006 Company
		US$	US$	US$	US$
ASSETS					
NON CURRENT ASSETS					
Goodwill on consolidation	2b	22.767.386	-	22.767.386	-
Property, plant and equipment	8	21.246.976	15.845.329	17.588.699	12.542.151
Intangible assets	9	2.147.601	-	1.840.696	-
Investments	10	120.347.216	130.248.189	87.951.272	100.710.209
		166.509.179	146.093.518	130.148.053	113.252.360
CURRENT ASSETS					
Reinsurers' share of technical reserves	20	150.267.745	142.586.091	139.415.196	130.234.713
Gross deferred acquisition cost		15.681.125	12.257.736	15.653.679	12.773.758
Stock and work in progress	11	10.022.554	-	10.386.913	-
Accounts receivable and prepayments	12	92.592.371	90.648.298	62.959.678	59.374.788
Reinsurance balances receivable	13	12.994.431	7.757.484	12.110.120	6.193.548
Parent undertaking	15	2.765.751	2.765.751	24.735.925	24.735.925
Cash and cash equivalents	16	66.242.805	60.831.355	69.518.297	62.496.789
		350.566.782	316.846.715	334.779.808	295.809.521
Total assets		517.075.961	462.940.233	464.927.861	409.061.881
LIABILITIES AND SHAREHOLDERS' EQUITY					
CAPITAL AND RESERVES					
Share capital	17	100.000.000	100.000.000	75.000.000	75.000.000
Reserves	18	90.624.233	88.343.523	96.179.590	98.579.798
Equity attributable to equity holders					
of the parent		190.624.233	188.343.523	171.179.590	173.579.798
Minority interest		256.398	-	308.192	-
		190.880.631	188.343.523	171.487.782	173.579.798
CURRENT LIABILITIES					
Creditors and accruals	22	66.848.519	61.224.577	51.041.201	45.035.765
Bank loan	21	2.143.710	-	3.254.466	-
Reinsurance balances payable		22.171.876	20.424.230	19.869.232	17.332.159
Technical reserves	20	225.831.987	183.748.665	209.843.493	163.682.472
Reinsurers' share of deferred acquisition cost		9.199.238	9.199.238	9.431.687	9.431.687
		326.195.330	274.596.710	293.440.079	235.482.083
Total liabilities and shareholders' equity		517.075.961	462.940.233	464.927.861	409.061.881

KAMEL GHAZI ABU NAHL
Chairman

JEAN CHOUEIRI
Deputy Chairman

FADI ABU NAHL
Chief Executive Officer

18th April, 2008 The accompanying notes
on pages 24 to 51 form part of these financial statements

05 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2007

	Note	2007 Group	2007 Company	2006 Group	2006
		US$	US$	US$	US$
Gross written premium	23	239.408.547	184.101.146	220.157.476	181.407.597
Net earned premium		119.109.776	83.834.570	89.309.327	58.802.340
Claims and related expenses		(76.846.662)	(50.372.143)	(54.721.300)	(33.551.612)
Acquisition costs, commissions and taxes		(19.879.141)	(13.289.690)	(13.633.767)	(4.897.630)
Gross underwriting profit	23	22.383.973	20.172.737	20.954.260	20.353.098
Operating income		1.760.882	1.760.882	866.282	866.282
Operating expenses	5	(6.995.259)	(6.995.259)	(6.572.381)	(6.572.381)
Net underwriting profit		17.149.596	14.938.360	15.248.161	14.646.999
Investment income	3	18.170.411	15.036.911	57.051.926	55.673.512
Other income	4	3.099.836	1.175.223	4.671.114	1.268.062
Impairment of available for sale investments	-	-	(4.371.772)	(4.371.772)	
Non operating expenses	5	(5.365.338)	(1.726.106)	(3.180.872)	(770.804)
Financial income	6	6.885.474	6.518.558	1.564.072	1.489.151
Profit from operations		22.790.383	21.004.586	55.734.468	53.288.149
Profit for the year before tax		39.939.979	35.942.946	70.982.629	67.935.148
Taxation	7	(311.878)	(11.189)	(368.555)	(6.791)
Net profit for the year available for appropriation		39.628.101	35.931.757	70.614.074	67.928.357
Appropriated as follows:					
Equity holders of the parent		39.705.430	35.931.757	70.659.880	67.928.357
Minority interest		(77.329)	-	(45.806)	-
		39.628.101	35.931.757	70.614.074	67.928.357
Equity holders of the parent appropriated					
as follows:					
Transferred to retained earnings		36.112.254	32.338.581	63.867.044	61.135.521
Transferred to statutory reserve		3.593.176	3.593.176	6.792.836	6.792.836
		39.705.430	35.931.757	70.659.880	67.928.357

The accompanying notes on pages 24 to 51 form part of these financial statements.

06 CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2007

	2007 Group US$	2007 Company US$	2006 Group US$	2006 Company US$
Cash flows from operating activities				
Net profit for the year before taxation	39.715.229	35.942.946	70.781.339	67.935.148
Adjustments for:				
Depreciation	276.751	229.081	198.915	130.527
Amortisation	343.537	-	556.728	-
Provision for bad debts less write offs	250.000	250.000	109.037	109.037
Profit on disposal of property and equipment	(4.122)	(4.122)	-	-
Profit on disposal of investments	(816.451)	(816.451)	(55.443.142)	(55.443.142)
Profit on disposal of real estate	(2.297.087)	-	-	-
Profit on disposal of intangible assets	-	-	(2.691.895)	-
Impairment of available for sale investments	-	-	3.036.657	4.371.772
Revaluation of property and equipment	(330.920)	(7.223.995)	(398.601)	-
Revaluation of investments	(13.952.817)	-	-	-
Exchange difference	840.861	-	(334.877)	-
Increase in reserve for unearned premium				
(net of deferred acquisition cost)	4.617.905	4.470.444	12.102.030	3.305.536
Increase/(decrease) in provision for outstanding				
claims and claims incurred but not reported (net)	258.145	3.527.944	25.655.718	351.595
Operating profit before working capital changes	28.901.031	36.375.847	53.571.909	20.760.473
Stock and work in progress	2.661.446	-	(999.928)	-
Accounts receivable and prepayments	(30.085.235)	(31.273.510)	(27.306.858)	(22.672.022)
Reinsurance balances receivable	(884.311)	(1.563.936)	(2.014.617)	(571.361)
Parent undertaking	21.970.174	21.970.174	(24.735.925)	(19.853.320)
Creditors and accruals	15.017.891	16.188.812	37.715.232	1.790.431
Reinsurance balances payable	3.092.071	3.092.071	(17.733.507)	13.210.352
Cash generated from /(used in) operating activities	40.673.067	44.789.458	18.496.306	(7.335.447)
Taxation paid and exchange difference	(109.336)	(11.189)	(741.817)	(6.791)
Net cash generated from/(used in) operating activities	40.563.731	44.778.269	17.754.489	(7.342.238)
Cash flows from investing activities				
Purchase of property and equipment	(6.178.881)	(5.821.630)	(8.200.101)	(8.001.478)
Purchase of intangible assets	(613.174)	-	(253.143)	-
Proceeds from sale of property and equipment	23.534	23.534	81	81
Proceeds from sale of investments	799.896	3.553.015	105.582.453	102.324.753
Proceeds from sale of intangible assets	-	-	3.024.947	-
Acquisition of investments	(10.509.842)	(17.948.622)	(77.845.316)	(53.096.202)
Net cash (used in)/generated from investing activities	(16.478.467)	(20.193.703)	22.308.921	41.227.154
Cash flows from financing activities				
Bank loan	(1.110.756)	-	108.257	-
Cash dividend paid	(26.250.000)	(26.250.000)	(5.100.000)	(5.100.000)
Net cash used in financing activities	(27.360.756)	(26.250.000)	(4.991.743)	(5.100.000)
Net (decrease)/increase in cash and cash equivalents	(3.275.492)	(1.665.434)	35.071.667	28.784.916
Cash and cash equivalents at beginning of year	69.518.297	62.496.789	34.446.630	33.711.873
Cash and cash equivalents at end of year (note 16)	66.242.805	60.831.355	69.518.297	62.496.789

The accompanying notes on pages 24 to 51 form part of these financial statements.

07 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2007

a. Group

	Share Capital US$	Earnings Earnings US$	Investment Revaluation Reserve US$	Property Revaluation Reserve US$	Statutory Reserve US$	Exchange difference reserve US$	Total US$	Minority Interest US$	Total US$
Balance as at 1.1.2006	60.000.000	14.538.022	166.695.656	-	5.401.684	-	246.635.362	233.043	246.868.405
Profit for the year	-	70.659.880	-	-	-		70.659.880	(45.806)	70.614.074
Issue of bonus shares (2005)	15.000.000	(15.000.000)	-	-	-	-		-	-
Directors' remuneration	-	(201.290)	-	-		-	(201.290)		(201.290)
Impairment of available for									
sale investments	-	-	3.036.657	-	-	-	3.036.657	-	3.036.657
Disposal of investments									
available for sale	-	-	(119.484.356)	-	-	-	(119.484.356)	-	(119.484.356)
Transfer to statutory reserve	-	(6.792.836)	-	-	6.792.836		-	-	-
Cash dividend paid (2005)	-	(5.100.000)	-	-	-	-	(5.100.000)	-	(5.100.000)
Exchange difference	-	(442.428)	-	-	-	297.996	(144.432)	120.955	(23.477)
Revaluation of investments	-	-	(24.222.231)	-	-	-	(24.222.231)	-	(24.222.231)
Balance as at 1.1.2007	75.000.000	57.661.348	26.025.726	-	12.194.520	297.996	171.179.590	308.192	171.487.782
Profit for the year	-	39.705.430	-	-	-	-	39.705.430	(77.329)	39.628.101
Issue of bonus shares	25.000.000	(25.000.000)	-	-	-	-	-	-	-
Directors' remuneration	-	(224.750)	-	-	-	-	(224.750)	-	(224.750)
Transfer to statutory reserve	-	(3.593.176)	-	-	3.593.176	-	-	-	-
Cash dividend paid	-	(26.250.000)	-	-	-	-	(26.250.000)	-	(26.250.000)
Exchange difference	-	(113.914)	-	-	-	1.021.159	907.245	25.535	932.780
Disposal of investments available for sale	-	-	(419.942)	-	-	-	(419.942)	-	(419.942)
Revaluation of investments	-	-	(1.497.335)	-	-	-	(1.497.335)	-	(1.497.335)
Revaluation of building per IAS40	-	-	-	7.223.995	-	-	7.223.995	-	7.223.995
Balance as at 31.12.2007	100.000.000	42.184.938	24.108.449	7.223.995	15.787.696	1.319.155	190.624.233	256.398	190.880.631

The accompanying notes on pages 24 to 51 form part of these financial statements.

07 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2007

b. Company

	Share Capital US$	Retained Earnings US$	Reserve US$	Revaluation Reserve US$	Revaluation Reserve US$	Statutory Total US$
Balance as at 1.1.2006	60.000.000	20.719.320	165.501.657	-	5.401.684	251.622.661
Profit for the year	-	67.928.357	-	-	-	67.928.357
Issue of bonus shares (2005)	15.000.000	(15.000.000)	-	-	-	-
Impairment of available for sale investments	-	-	3.036.657	-	-	3.036.657
Disposal of investments available for sale	-	-	(119.484.356)	-	-	(119.484.356)
Transfer to statutory reserve	-	(6.792.836)	-	-	6.792.836	-
Cash dividend paid (2005)	-	(5.100.000)	-	-	-	(5.100.000)
Directors' remuneration	-	(201.290)	-	-	-	(201.290)
Revaluation of investments	-	-	(24.222.231)	-	-	(24.222.231)
Balance as at 31.12.2006	75.000.000	61.553.551	24.831.727	-	12.194.520	173.579.798
Balance as at 1.1.2007	75.000.000	61.553.551	24.831.727	-	12.194.520	173.579.798
Profit for the year	-	35.931.757	-	-	-	35.931.757
Issue of bonus shares (2006)	25.000.000	(25.000.000)	-	-	-	-
Revaluation of investments	-	-	(1.497.335)	-	-	(1.497.335)
Disposal of investments available for sale	-	-	(419.942)	-	-	(419.942)
Revaluation of building per IAS40	-	-	-	7.223.995	-	7.223.995
Transfer to statutory reserve	-	(3.593.176)	-	-	3.593.176	-
Cash dividend paid (2006)	-	(26.250.000)	-	-	-	(26.250.000)
Directors' remuneration	-	(224.750)	-	-	-	(224.750)
Balance as at	100.000.000	42.417.382	22.914.450	7.223.995	15.787.696	188.343.523

The accompanying notes on pages 24 to 51 form part of these financial statements.

08 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2007

1. General information

The company is registered in the Kingdom of Bahrain with the purpose of carrying out insurance and reinsurance business. The company has operating branches in Cyprus and Malaysia.

The company in accordance with Commercial Company Laws 21/2001 and 17/1987 has changed its status from an Exempt Company (E.C) to a Closed Joint Stock Company (B.S.C.(c)).

The group comprises the company and its subsidiaries as stated in note 10(c).

2. Summary of significant accounting policies

The most important accounting policies used by the company are explained below for the purpose of a better understanding and evaluation of the financial statements:

a) Accounting convention

The financial statements have been prepared under the International Financial Reporting Standards. United States dollars is the functional currency of the company. The accounting policies for the year 2007 remained unchanged except for the company's Investment Properties.

The financial statements have been prepared under the historical cost convention except for the company's properties (land and buildings and leasehold properties) and listed available for sale investments, which are stated at fair value.

During the year the company has adopted the new IFRS 7, which requires disclosures about the significance of financial instruments on an entity's financial position.

b) Consolidation

The consolidated financial statements include the audited financial statements of the company and its subsidiaries (except for Trust Underwriting Ltd) prepared in accordance with International Financial Reporting Standards and/or applicable local laws and regulations. For this purpose a Subsidiary is considered to be a company in which the controlling interest is more than 50% of the voting power. A subsidiary is excluded from consolidation when control is intended to be temporary because it is held exclusively for disposal in the near future.

An Associate is considered to be an entity in which the company controls more than 20% but less than 50% of the voting power and has significant influence on the Board of Directors.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Foreign exchange differences arising on translation of financial statements of subsidiaries, whose reporting currency is other than the US Dollars, are recognised directly in the statement of changes in equity as part of consolidation.

b) Consolidation – cont'd

Lloyds' three year accounting cycle results are normally published annually at the end of each May. As a result of this, the audited financial statements of Trust Underwriting Ltd, the Lloyds Corporate Capital subsidiary, can only be made available subsequent to the publication of the official Lloyds' results. For the purposes of consolidation we have relied on the 31 December, 2007 management accounts of that subsidiary, prepared by the UK company's external accountants using the most up-to-date quarterly syndicate results.

c) Premiums

Premium income is recognised when cover notes are issued and relate to contracts incepting in the financial year as well as adjustments arising in the current financial year for premiums receivable relating to business written in previous financial years. Included in this amount are estimates of pipeline premiums which are premiums written but not reported to the company as at the balance sheet date. Pipeline premiums are recorded as accrued insurance premiums.

d) Reinsurance

The company enters into contracts with other reinsurers for minimizing its financial exposure from large claims. Reinsurance premiums ceded and reinsurance recoveries on claims incurred are deducted from the gross premiums written and claims costs respectively. This arrangement results in reinsurance assets and liabilities which include amounts recoverable from reinsurance companies for paid and unpaid losses, ceded unearned premiums and reinsurance balances payable.

Amounts due to reinsurers are estimated in a manner consistent to the relative reinsurance contract.

Amounts recoverable from reinsurers are calculated with reference to the claims liability associated with the reinsured risk. Ceded premiums are recognised in the revenue account over the period that coverage is provided.

The reinsurance programme consists of proportional and non proportional treaties. The accounting for premium due and claim recoveries is done periodically as normally done in proportional treaty accounting. The premium due for non proportional cover is booked on the due date. Claim recovery is accounted as and when the priority is exceeded, taking outstanding claims reserve if any into account.

e) Net commission earned

This represents net commission earned on accepted and ceded reinsurance and profit commission received from reinsurers on previous underwriting years in accordance with treaty conditions. Commissions earned and paid are recognised when cover notes are written.

f) Technical reserves

i) Outstanding claims reserve

Full provision is made in outstanding claims for the estimated cost of all claims notified but not settled at the date of the balance sheet, using the best information available at the time. A provision is calculated for claims incurred but not reported (IBNR) using statistical methods that incorporate historical data analysis, quantitative and qualitative information and underwriters', management and actuarial valuation of reserves.

Any differences between the estimated cost and subsequent settlement of claims are included in the revenue account of the year of settlement. Subsequent re-estimations are dealt with in the same manner.

ii) Unearned Premium reserve

Unearned premiums are those proportions of the premiums accounted for in the financial year, but relate to periods of risks that extend beyond the end of the financial year. For facultative business, these premiums are calculated for each insurance policy on prorata temporis basis while for treaty business they are calculated using the 1/24th method. Deferred acquisition costs represent commission which is considered in the calculation of the unearned premium reserve.

g) Deferred acquisition costs

Policy acquisition costs which relate to periods of risk that extend beyond the end of the financial year are reported as deferred acquisition costs.

h) Claims paid

Claims paid represent amounts settled during the year arising either from events during the year or prior years and are charged to the revenue account as incurred net of any recoveries.

i) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs, outstanding claims reserve and Incurred But Not Reported Reserves. In performing the test, current best estimates of future contractual cash flows, investment income from assets backing such liabilities and claims holding and administration expenses are used. Any inadequacy is immediately charged to the income statement by establishing a provision.

J) Salvage, subrogation and other recoveries from third parties

When the salvage amount is known at the time of claims settlement, it is deducted from the claim amount and the net amount is credited to the reinsured. If salvage recovery is done later, the amount is credited to the claims paid account by charging the reinsured account. Subrogation and other recoveries, which will take place after claims settlement, are treated as above.

The corresponding refund to the reinsurers is done simultaneously with the accounting of recoveries for salvage, subrogation etc and other recovers from third parties.

K) Closed years of account
At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsurance syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Lloyds Corporate capital subsidiary has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

l) Run-off years of account
Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

m) Property and equipment
Items of own use property and equipment are stated at cost less accumulated depreciation except for land and building, which as from the current year are stated at fair value based on professional valuation by independent external Valuers.

On revaluation, any increase in the carrying amount of the asset is carried in the Statement of changes in equity, under Revaluation reserve and any decrease is recognised as an expense, except to the extent that it reverses a previous increase recognised in equity. The balance in the revaluation reserve is transferred to general reserve upon sale of property and realization of profit.

Investment properties are accounted for as long term investments and as from the current year are stated at fair value in accordance with IAS 40 "Investment

08 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2007

property". Fair value is determined by independent external Valuers. The change in fair value of investment property is transferred to the income statement.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

m) Property and equipment – cont'd
Depreciation is charged so as to write off the cost, other than land and properties, over the estimated useful lives, using the straight line method.

The expected useful life of the assets is as follows:

	Years
Motor vehicle	4
Furniture, fittings and equipment	4
Computer hardware and software	3 – 4

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in the income statement.

n) Impairment of tangible assets
At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) and a provision is taken in respect to the particular asset to the extent of the excess of its current amount as compared to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Any impairment loss is charged immediately to the income statement.

o) Intangible assets
Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

p) Investments
Investments in subsidiaries are stated at cost unless there is an impairment in value. Any such impairment is recognised directly in the income statement. Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the income statement for the period. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

p) Investments – cont'd
For publicly traded investments their fair value is based on quoted market prices as at the Balance Sheet date. Fair values of other investments are estimated realisable values. Where the fair value can not be estimated the investment is carried at initial recognition cost.

For the fair value assessment of the property holding subsidiary, Ventura Del Mar SA Ltd, that subsidiary's stocks are professionally valued annually by an independent firm of valuers in order to assess the fair market value of the subsidiary in the company's investments.

q) Bank and cash balances
Bank and cash balances comprise of cash balances and bank deposits with maturity not more than one month which are convertible to known accounts and are subject to insignificant risk of changes in value.

Accounts receivables/reinsurance, balances
These receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

s) Stocks
Stocks are valued at the lower of cost and net realisable value and include expenses incurred in respect of the transfer fees and the repairs and renovations of real estate by the group. Expenditure on maintaining the stock in its current condition during marketing of the real estate for sale is capitalised up until the stock has been sold.

t) Foreign currencies
Assets and liabilities expressed in foreign

currencies are converted to United States dollars at the exchange rates ruling at the balance sheet date. Transactions during the year other than in United States dollars are converted at the rates of exchange ruling on the dates when they occur. Differences on exchange are included in the income statement.

u) Trade account payables
Trade account payables are measured at fair value.

v) Contingent liabilities
Contingent liabilities are disclosed if their confirmation or loss is considered possible from future events.

w) Provisions
Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

X) Dividend and directors' fees
Dividends and directors' fees are recognised as a liability in the year in relation to which they are approved.

08 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2007

3. Investment income

	2007 Group US$	2007 Company US$	2006 Group US$	2006 Company US$
Dividends from available for sale investment	5.318.420	2.184.920	1.608.784	230.370
Profit from sale of available for sale investment	816.451	816.451	55.443.142	55.443.142
Revaluation of investment properties	12.035.540	12.035.540	-	-
	18.170.411	15.036.911	57.051.926	55.673.512

4. Other income
Other income is made up of the following items:

	2007 Group US$	2007 Company US$	2006 Group US$	2006 Company US$
Profit on disposal of real estate	2.297.087	-	-	-
Profit on disposal of intangible assets	-	-	2.691.895	-
Management fees	483.455	860.639	417.284	707.430
Miscellaneous income	319.294	314.584	1.561.935	560.632
	3.099.836	1.175.223	4.671.114	1.268.062

5. Apportionment of overheads
The group's overheads are apportioned as follows:

	2007 Group US$	2007 Company US$	2006 Group US$	2006 Company US$
Operating (underwriting)	6.995.259	6.995.259	6.572.381	6.572.381
Non-operating (general and administrative)	5.365.338	1.726.106	3.180.872	770.804
	12.360.597	8.721.365	9.753.253	7.343.185

The underwriting expenses for the group and the company are the same as the managing agents whose syndicates capacities Trust Underwriting Ltd participates in do not disclose separately in the quarterly accounts the underwriting and administrative expenses.

6. Financial income – (net)

	2007 Group US$	2007 Company US$	2006 Group US$	2006 Company US$
Interest earned	3.940.868	3.573.952	1.070.273	995.352
Gain/(loss) on currency transactions	2.944.606	2.944.606	493.799	493.799
	6.885.474	6.518.558	1.564.072	1.489.151

7. Taxation

The company's branch in Cyprus is subject to a taxation charge of 10% on its chargeable income for the year. A further 10% charge is levied on its interest earnings. Based on confirmation received from Spanish tax authorities and accepted by the UK tax authorities, the control and management of Ventura Del Mar SA Ltd, a company registered in the UK, is in Spain and therefore no tax liabilities will arise in the UK. The subsidiary has tax losses arising in Spain which are in excess of Euro 1 million and are available to offset against future taxable profits. The other subsidiaries or branches in UK, USA and Spain are also subject to local taxation.

8. Property and equipment

a. Group

	Land and buildings	Investment property under construction	Motor vehicle	Computer hardware software	Furniture and fixtures	Total
Cost	US$	US$	US$	US$	US$	US$
At 1 January, 2006	8.666.958	-	346.991	369.550	1.510.861	10.894.360
Additions	7.615.416	169.869	26.500	364.289v	24.026 8.200.100	
Disposals	-	-	-	(14.244)	(4.410)	(18.654)
Revaluation of PE	398.601	-	-	-	-	398.601
Exchange difference	35.925	-	-	4.421	17.825	58.171
At 1 January, 2007	16.716.900	169.869	373.491	724.016	1.548.302	19.532.578
Additions	4.517.392	340.053	71.110	58.717	1.191.609	6.178.881
Disposals / Write offs	-	-	(86.925)	(5.364)	(618)	(92.907)
Revaluation of PE	18.390.908	-	-	-	-	18.390.908
Cost transferred to investment						
property	(9.834.007)	-	-	-	-	(9.834.007)
Revaluation transferred to						
investment property	(10.835.993)	-	-	-	-	(10.835.993)
Exchange difference	37.911	-	-	4.751	15.940	58.602
At 31 December, 2007	18.993.111	509.922	357.676	782.120	2.755.233	23.398.062
Depreciation						
At 1 January, 2006	-	-	(187.870)	(291.334)	(1.310.767)	(1.789.971)
Charge for the year	-	-	(72.348)	(56.885)	(39.538)	(168.771)
Disposals	-	-	-	14.244	4.329	18.573
Exchange difference	-	-	-	(2.801)	(909)	(3.710)
At 1 January, 2007	-	-	(260.218)	(336.776)	(1.346.885)	(1.943.879)
Charge for the year	-	-	(67.486)	(162.425)	(46.840)	(276.751)
Disposals / Write offs	-	-	68.175	5.114	206	73.495
Exchange difference	-	-	-	- (3.760)	(191)	(3.951)
At 31 December, 2007	-	-	-(259.529)	(497.847)	(1.393.710)	(2.151.086)
Carrying amount						
At 31 December, 2007	18.993.111	509.922	98.147	284.273	1.361.523	21.246.976
At 31 December, 2006	16.716.900	169.869	113.273	387.240	201.417	17.588.699

8. Property and equipment (cont'd)

b. Company

	Land and Building	Investment Property Under Construction	Motor Vehicles	Computer hardware and software	Furniture and fixtures	Total
	US$	US$	US$	US$	US$	US$
Cost						
At 1 January, 2006	4.277.112	-	315.741	326.847	1.162.220	6.081.920
Additions	7.595.508	169.869	26.500	360.934	18.536	8.171.347
Disposals	-	-	-	(14.244)	(4.410)	(18.654)
At 1 January, 2007	11.872.620	169.869	342.241	673.537	1.176.346	14.234.613
Additions	4.517.392	340.053	59.337	56.200	1.188.701	6.161.683
Disposals / Write offs	-	-	(86.925)	(5.364)	(618)	(92.907)
Revaluation of building	18.059.988	-	-	-	-	18.059.988
Cost transferred to investment properties	(9.834.007)	-	-	-	-	(9.834.007)
Revaluation transferred to investment properties	(10.835.993)	-	-	-	-	(10.835.993)
At 31 December, 2007	13.780.000	509.922	314.653	724.373	2.364.429	17.693.377
Depreciation						
At 1 January, 2006	-	-	(183.541)	(264.277)	(1.132.690)	(1.580.508)
Charge for the year	-	-	(66.189)	(46.789)	(17.549)	(130.527)
Disposals	-	-	-	14.244	4.329	18.573
At 1 January, 2007	-	-	(249.730)	(296.822)	(1.145.910)	(1.692.462)
Charge for the year	-	-	(60.254)	(154.425)	(14.402)	(229.081)
Disposals / Write offs	-	-	68.175	5.114	206	73.495
At 31 December, 2007	-	-	(241.809)	(446.133)	(1.160.106)	(1.848.048)
Carrying amount						
At 31 December, 2007	13.780.000	509.922	72.844	278.240	1.204.323	15.845.329
At 31 December, 2006	11.872.620	169.869	92.511	376.715	30.436	12.542.151

Note:
During the year under review the company has changed its accounting policy on the measurement of land and buildings and investment property from cost to fair value. External valuation was performed by independent professional valuers assessing a market value of BD13.00 million (approximately US$34.45 million).
The building is used partly as owner occupied property, as well as investment property, earning rental income and property appreciation. For this reason part of its valuation has been transferred to investment properties (note 10a). The company has used areas as a basis of allocating the market value of the building into property and equipment and investment property. The split was determined by the area occupied by the self-occupied portion, which is 40% and the letable area, which is 60%.

Investment property under construction is disclosed as investment property. IAS 16 applies to such property until construction is complete, at which time the property becomes investment property.

9. Intangible fixed assets

	Licence	Purchase of capacity (corporation Lloyd's of London) (Note)	Total
Cost	US$	US$	US$
At 1 January, 2006	16.950	2.628.010	2.644.960
Additions	-	253.143	253.143
Disposals	-	(458.436)	(458.436)
Exchange difference	1.755	345.005	346.760
At 1 January, 2007	18.705	2.767.722	2.786.427
Additions	-	613.174	613.174
Exchange difference	1.761	53.948	55.709
At 31 December, 2007	20.466	3.434.844	3.455.310
Amortisation			
At 1 January, 2006	-	(424.566)	(424.566)
Charge for the year	-	(556.728)	(556.728)
On Disposals	-	125.384	125.384
Exchange difference	-	(89.821)	(89.821)
At 1 January, 2007	-	(945.731)	(945.731)
Charge for the year	-	(343.537)	(343.537)
Exchange difference	-	(18.441)	(18.441)
At 31 December, 2007	-	(1.307.709)	(1.307.709)
Net book value			
At 31 December, 2007	20.466	2.127.135	2.147.601
At 31 December, 2006	18.705	1.821.991	1.840.696

Note:
These costs have been incurred by the UK subsidiary in the Corporation of Lloyd's auctions acquiring rights to participate on various syndicates' capacities. These costs are included in intangible fixed assets and amortized over a 3 year period beginning in the third year after the underwriting commences. The market value of those capacities based on the average price of the three 2007 auctions in Lloyds was Stg£7.0 million.
Intangible fixed assets also include cost of acquiring licence for operating the restaurant in Spain.

10. Investments
Analysed as follows:

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
a) Investment properties	22.366.942	22.366.942	497.395	497.395
b) Available-for-sale investments	97.980.274	71.372.110	87.453.877	62.874.632
c) Subsidiary companies	-	36.509.137	-	37.338.182
	120.347.216	130.248.189	87.951.272	100.710.209

Investments (cont'd)

a) Investment properties

	Land	Leasehold properties	Total
	US$	US$	US$
Cost			
As at 1 January, 2007	-	1.005.016	1.005.016
Transfer from property			
and equipment	9.834.007	-	9.834.007
Revaluation of properties	10.835.993	691.926	11.527.919
As at 31 December, 2007	20.670.000	1.696.942	22.366.942
Depreciation			
As at 1 January, 2007	-	507.621	507.621
Reversal of previous years'			
depreciation due to revaluation	-	(507.621)	(507.621)
As at 31 December, 2007	-		-
Net book value			
As at 31 December, 2007	20.670.000	1.696.942	22.366.942
As at 31 December, 2006	-	497.395	497.395

Note:
The company's two leasehold properties are located in the United Kingdom. The duration of these finance leases are 125 and 99 years starting from 1984 and 1974 respectively.
Building represents 60% of the fair value of the company's property, in Kingdom of Bahrain which will be used for rental purposes, as valued by external valuers. The allocation of 60% was estimated using area available for letting as the basis of calculation.
A professional valuation was undertaken in 2006 on the two UK leasehold properties. It has been confirmed by the valuers that there has been no adverse change to the properties' values during 2007.

b) Available for sale

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Listed companies	84.629.209	58.021.045	82.593.119	58.013.874
Unlisted companies	13.351.065	13.351.065	4.860.758	4.860.758
	97.980.274	71.372.110	87.453.877	62.874.632

The above listed investments are stated at fair value and offer the company the opportunity for return through dividend income and fair value gains.
The unlisted investments are stated at cost and any impairment on them is recognised in the income statement.

10. Investments (cont'd)

b) Available for sale
The value of available for sale investments by currencies in which they are denominated are as follows:

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Sterling investments held by Trust Underwriting Ltd	26.608.164	-	24.579.245	-
U.S.Dollar	10.496.844	10.496.844	1.963.740	1.963.740
Omani Rial	15.001.345	15.001.345	6.936.808	6.936.808
Jordan Dinar	1.862.434	1.862.434	2.130.036	2.130.036
Lebanese pound	330.762	330.762	281.159	281.159
Algerian Dinar	2.702.337	2.702.337	2.702.337	2.702.337
Qatari Rial	40.978.388	40.978.388	48.860.552	48.860.552
	97.980.274	71.372.110	87.453.877	62.874.632

c) Consolidated subsidiary companies

	Country of Incorporation or registration	Holding	Principal activity
Trust Underwriting Limited	U.K	100%	Corporate Member of Lloyds
Texas International Underwriters, Inc.	U.S.A.	100%	Insurance Agency
Aegean Properties Ltd	Guernsey	83,33%	Original holding company
Ventura Del Mar S.A.	Spain	83,33%	Original developer/Restaurant
			owner
Ventura Del Mar S.A. Limited	UK	100%	Property ownership
Ribera De Marbella S.L	Spain	100%	Service company

11. Stock and work in progress
Stock comprises of properties in the market for sale, stated at cost, plus any expenses incurred for permanent structure changes. As per independent professional valuation as at 31 December, 2007, the market value of these properties were approximately US$36 million.

12.Accounts receivable and prepayments

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Trade accounts	19.858.908	13.794.075	16.455.470	10.329.270
Less: Provision for doubtful debts	(2.049.726)	(2.049.726)	(1.443.256)	(1.443.256)
	17.809.182	11.744.349	15.012.214	8.886.014
Inward Pipeline Premium Provision	32.736.957	32.736.957	17.835.446	17.835.446
Inward Treaty Premium and Loss Deposit	14.868.278	14.868.278	12.687.748	12.687.748
Related companies	22.404.950	29.719.422	8.343.602	19.304.934
Other debtors and prepayments	4.773.004	1.579.292	9.080.668	660.646
	92.592.371	90.648.298	62.959.678	59.374.788

The directors consider that the carrying amount of trade and other receivables approximate their fair value. No interest is charged on these receivables.

13. Reinsurance balances receivable

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Reinsurance balances receivable	14.520.171	9.283.224	13.992.330	8.075.758
Less: Provision for doubtful debts	(1.525.740)	(1.525.740)	(1.882.210)	(1.882.210)
	12.994.431	7.757.484	12.110.120	6.193.548

14. Provision for doubtful debts

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Opening balance	3.325.466	3.325.466	3.175.185	3.175.185
Increase in provision	250.000	250.000	250.000	250.000
Write off uncollectible debts	-	-	(99.719)	(99.719)
Closing balance	3.575.466	3.575.466	3.325.466	3.325.466

15. Parent Undertaking

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Amount receivable from ultimate holding company	2.765.751	2.765.751	24.735.925	24.735.925

The amount carries no interest.

The ultimate holding company is Nest Investments (Holdings) Ltd, a company incorporated in Jersey, Channel Islands. The ultimate beneficial majority shareholder is Mr. Ghazi K. Abu Nahl.

Stg£2.65 million of the ultimate holding company's and its subsidiaries' assets, are used as security for the company's guarantee facilities to Lloyds (note 29).

16. Cash and cash equivalents

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Cash in hand	9.392	9.192	10.177	9.977
Cash at bank	62.664.656	57.253.406	66.238.997	59.217.689
Statutory deposits (note b)	3.568.757	3.568.757	3.269.123	3.269.123
	66.242.805	60.831.355	69.518.297	62.496.789

Note:
a) The carrying amount of these assets approximates their fair value.
b) Statutory deposit and blocked amounts with local Monetary Agencies.

17. Share capital

	2007	2006
	US$	US$
Authorised, issued and fully paid 1.000.000 shares of US$100 each (2006: 750.000 shares of US$100 each)	100.000.000	75.000.000

Note:
During the year the Authorised and Paid-up Capital of the company was increased by US$ 25 million to US$ 100 million, through a bonus stock issue of 33.33% i.e. one share for every three shares held.

18. Company's Statutory Reserve

The Bahrain Commercial Companies Law No. 21 of 2001 requires that 10% of the net profit of each year should be transferred to the Statutory Reserve until the amount of this reserve becomes 100% of the issued and fully paid share capital of the company.

19. Profit appropriations

The directors propose a dividend of US$15 per share amounting to US$15.0 million. These and other appropriations mentioned below are subject to the shareholders' approval at the company's next Annual General Meeting.

	2007	2006
	US$	US$
Proposed cash dividend	15.000.000	26.250.000
Bonus stock issue (note 17)	-	25.000.000
Directors' fees	275.000	225.000
	15.275.000	51.475.000

20. Technical Reserves

a) Gross technical reserves

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Unearned premium reserve	61.104.205	47.067.110	67.675.779	54.500.630
Outstanding claims reserve	144.142.116	116.095.889	121.576.235	88.590.363
I.B.N.R.	20.585.666	20.585.666	20.591.479	20.591.479
	225.831.987	183.748.665	209.843.493	163.682.472

b) Reinsurers' share of technical reserves

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Unearned premium reserve	30.991.791	29.322.040	42.441.165	40.942.431
Outstanding claims reserve	105.240.288	99.228.385	82.932.552	75.250.803
I.B.N.R	14.035.666	14.035.666	14.041.479	14.041.479
	150.267.745	142.586.091	139.415.196	130.234.713

20. Technical Reserves – cont'd

c) Net technical reserves

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Unearned premium reserve	30.112.414	17.745.070	25.234.614	13.558.199
Outstanding claims reserve	38.901.828	16.867.504	38.643.683	13.339.560
I.B.N.R.	6.550.000	6.550.000	6.550.000	6.550.000
	75.564.242	41.162.574	70.428.297	33.447.759

The company undertook a valuation of its Technical reserves by an international firm of external actuaries at the year end. The estimated reserve, as per the actuary valuation, was US$22.2 million net of reinsurance, this is compared to US$41 million provided into company's technical reserves.

21. Bank loan

The bank loan related to the Spanish property holding subsidiary. The loan carries interest at varying rates and is payable over a fifteen year period from June 2003. The loan is secured by some of the property stocks of the company.

22. Creditors and accruals

	2007 Group	2007 Company	2006 Group	2006 Company
	US$	US$	US$	US$
Trade accounts payable	16.987.650	15.561.570	9.314.328	8.025.220
Outward Pipeline Premium Provision	17.000.082	17.000.082	11.792.668	11.792.668
Outward Treaty Premium and Loss Deposit	20.786.561	20.786.561	19.151.191	19.151.191
Related companies	2.242.430	1.370.233	1.585.570	1.585.570
Other accounts payable and accruals	9.831.796	6.506.131	9.197.444	4.481.116
	66.848.519	61.224.577	51.041.201	45.035.765

The directors consider that the carrying amount of creditors and accruals approximate their fair value.

23. Analysis of revenue by primary business segment – Group

	Year ended 31 December, 2007			
	Trust Underwriting			
	Facultative	Treaty	Limited	Total
	US$	US$	US$	US$
INSURANCE REVENUE				
Gross written premium	57.553.508	126.577.638	55.277.401	239.408.547
Outward reinsurance premium	(37.722.658)	(58.379.547)	(17.679.352)	(113.781.557)
Premium retained	19.830.850	68.198.091	37.598.049	125.626.990
Change in unearned premium	(4.995.950)	809.079	(2.330.343)	(6.517.214)
Net earned premium	14.834.900	69.007.170	35.267.706	119.109.776
COSTS AND EXPENSES				
Gross claims paid	(20.814.147)	(75.129.399)	(24.001.743)	(119.945.289)
Claims recovered from reinsurers	16.051.236	33.048.113	6.144.351	55.243.700
Change in provision for outstanding claims				
- Gross	(16.399.497)	(11.131.435)	2.071.196	(25.459.736)
Change in provision for outstanding claims				
- Reinsurance	13.886.159	10.116.827	(10.688.323)	13.314.663
Claims and related expenses	(7.276.249)	(43.095.894)	(26.474.519)	(76.846.662)
Commissions and taxes paid	(9.895.763)	(29.828.283)	(6.589.451)	(46.313.497)
Commissions and taxes received from reinsurers	10.698.833	16.108.273	-	26.807.106
Interest on premium reserve	-	289.448	-	289.448
Interest on premium reserve-reinsurance	(91.509)	(287.117)	-	(378.626)
Change in deferred acquisition cost – Gross	1.368.742	(1.884.764)	-	(516.022)
Change in deferred acquisition cost – Reinsurance	(976.604)	1.209.054	-	232.450
Deferred acquisition costs, commissions and taxes	1.103.699	(14.393.389)	(6.589.451)	(19.879.141)
Gross underwriting profit	8.662.350	11.517.887	2.203.736	22.383.973
Operating income	-	1.760.882	-	1.760.882
Operating expenses	(3.797.433)	(3.197.826)	-	(6.995.259)
Net underwriting profit	4.864.917	10.080.943	2.203.736	17.149.596

23. Analysis of revenue by primary business segment (cont'd) - Company

	Year ended 31 December, 2007		
	Facultative	Treaty	Total
	US$	US$	US$
INSURANCE REVENUE			
Gross written premium	57.523.508	126.577.638	184.101.146
Outward reinsurance premium	(37.700.158)	(58.379.547)	(96.079.705)
Premium retained	19.823.350	68.198.091	88.021.441
Change in unearned premium	(4.995.950)	809.079	(4.186.871)
Net earned premium	14.827.400	69.007.170	83.834.570
COSTS AND EXPENSES			
Gross claims paid	(20.814.147)	(75.129.399)	(95.943.546)
Claims recovered from reinsurers	16.051.236	33.048.113	49.099.349
Change in provision for outstanding claims			
- Gross	(16.399.497)	(11.131.435)	(27.530.932)
Change in provision for outstanding claims			
- Reinsurance	13.886.159	10.116.827	24.002.986
Claims and related expenses	(7.276.249)	(43.095.894)	(50.372.143)
Commissions and taxes paid	(9.895.763)	(29.828.283)	(39.724.046)
Commissions and taxes received from reinsurers	10.698.833	16.108.273	26.807.106
Interest on premium reserve	-	289.448	289.448
Interest on premium reserve-reinsurance	(91.509)	(287.117)	(378.626)
Change in deferred acquisition cost – Gross	1.368.742	(1.884.764)	(516.022)
Change in deferred acquisition cost – Reinsurance	(976.604)	1.209.054	232.450
Deferred acquisition costs, commissions and taxes			
	1.103.699	(14.393.389)	(13.289.690)
Gross underwriting profit	8.654.850	11.517.887	20.172.737
Operating income	-	1.760.882	1.760.882
Operating expenses	(3.797.433)	(3.197.826)	(6.995.259)
Net underwriting profit	4.857.417	10.080.943	14.938.360

23. Analysis of revenue by primary business segment (cont'd) – Group

	Year ended 31 December, 2006			
	Trust Underwriting			
	Facultative	Treaty	Limited	Total
	US$	US$	US$	US$
INSURANCE REVENUE				
Gross written premium	63.070.741	118.366.856	38.719.879	220.157.476
Outward reinsurance premium	(49.273.829)	(69.967.667)	(9.949.438)	(129.190.934)
Premium retained	13.796.912	48.399.189	28.770.441	90.966.542
Change in unearned premium	(2.178.923)	(1.207.338)	1.729.046	(1.657.215)
Net earned premium	11.617.989	47.191.851	30.499.487	89.309.327
COSTS AND EXPENSES				
Gross claims paid	(23.622.817)	(62.197.310)	(27.137.866)	(112.957.993)
Claims recovered from reinsurers	20.027.554	32.592.555	11.400.204	64.020.313
Change in provision for outstanding claims				
-Gross	15.539.449	(1.595.232)	(5.229.809)	8.714.408
Change in provision for outstanding claims				
-Reinsurance	(14.996.952)	701.141	(202.217)	(14.498.028)
Claims and related expenses	(3.052.766)	(30.498.846)	(21.169.688)	(54.721.300)
Commissions and taxes paid	(9.706.198)	(25.010.473)	(8.736.137)	(43.452.808)
Commissions and taxes received from				
reinsurers	13.870.704	15.954.688	-	29.825.392
Interest on premium reserve	(78.184)	(8.892)	-	(87.076)
Change in deferred acquisition cost				
– Gross	69.253	143.767	-	213.020
Change in deferred acquisition cost				
– Reinsurance	(34.836)	(97.459)	-	(132.295)
Deferred acquisition costs, commissions and tax				
	4.120.739	(9.018.369)	(8.736.137)	(13.633.767)
Gross underwriting profit	12.685.962	7.674.636	593.662	20.954.260
Operating income	-	866.282	-	866.282
Operating expenses	(3.520.620)	(3.051.761)	-	(6.572.381)
Net underwriting profit	9.165.342	5.489.157	593.662	15.248.161

23. Analysis of revenue by primary business segment (cont'd) - Company

	Year ended 31 December, 2006		
	Facultative	Treaty	Total
	US$	US$	US$
INSURANCE REVENUE			
Gross written premium	63.040.741	118.366.856	181.407.597
Outward reinsurance premium	(49.251.329)	(69.967.667)	(119.218.996)
	13.789.412	48.399.189	62.188.601
Change in unearned premium	(2.178.923)	(1.207.338)	(3.386.261)
Net earned premium	11.610.489	47.191.851	58.802.340
COSTS AND EXPENSES			
Gross claims paid	(23.622.817)	(62.197.310)	(85.820.127)
Claims recovered from reinsurers	20.027.554	32.592.555	52.620.109
Change in provision for outstanding claims			
-Gross	15.539.449	(1.595.232)	13.944.217
Change in provision for outstanding claims			
-Reinsurance	(14.996.952)	701.141	(14.295.811)
Claims and related expenses	(3.052.766)	(30.498.846)	(33.551.612)
Commissions and taxes paid	(9.706.198)	(25.010.473)	(34.716.671)
Commissions and taxes received from reinsurers	13.870.704	15.954.688	29.825.392
Interest on premium reserve	(78.184)	(8.892)	(87.076)
Change in deferred acquisition cost – Gross	69.253	143.767	213.020
Change in deferred acquisition cost – Reinsurance	(34.836)	(97.459)	(132.295)
Deferred acquisition costs, commissions and tax			
	4.120.739	(9.018.369)	(4.897.630)
Gross underwriting profit	12.678.462	7.674.636	20.353.098
Operating income	-	866.282	866.282
Operating expenses	(3.520.620)	(3.051.761)	(6.572.381)
Net underwriting profit	9.157.842	5.489.157	14.646.999

24. Movements in insurance liabilities and assets - Company

	Year ended 31 December, 2007		
	Gross	Reinsurance	Net
	US$	US$	US$
Claims			
Claims outstanding	88.590.363	75.250.803	13.339.560
IBNR	20.591.479	14.041.479	6.550.000
Total at beginning of year	109.181.842	89.292.282	19.889.560
Increase in provision during the year	123.443.259	73.071.117	50.372.142
Claims settled during the year	(95.943.546)	(49.099.349)	(46.844.197)
Balance at end of year	136.681.555	113.264.050	23.417.505
Unearned premium			
At beginning of year	54.500.630	40.942.431	13.558.199
Increase/(decrease) in provision			
during the year	(7.433.520)	(11.620.391)	4.186.871
Balance at end of year	47.067.110	29.322.040	17.745.070
Deferred acquisition cost			
At beginning of year	12.773.758	9.431.687	3.342.071
Increase/(decrease) during the year	(516.022)	(232.450)	(283.572)
Balance at end of year	12.257.736	9.199.237	3.058.499

	Year ended 31 December, 2006		
	Gross	Reinsurance	Net
	US$	US$	US$
Claims			
Claims outstanding	102.534.577	89.546.612	12.987.965
IBNR	20.591.479	14.041.479	6.550.000
Total at beginning of year	123.126.056	103.588.091	19.537.965
Increase in provision during the year	71.875.911	38.324.298	33.551.613
Claims settled during the year	(85.820.125)	(52.620.107)	(33.200.018)
Balance at end of year	109.181.842	89.292.282	19.889.560
Unearned premium			
At beginning of year	39.165.415	30.222.303	8.943.112
Increase/(decrease) in provision			
during the year	15.335.215	10.720.128	4.615.087
Balance at end of year	54.500.630	40.942.431	13.558.199
Deferred acquisition cost			
At beginning of year	8.696.356	6.663.836	2.032.520
Increase/(decrease) during the year	4.077.402	2.767.851	1.309.551
Balance at end of year	12.773.758	9.431.687	3.342.071

25. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Group

Gross premiums from:	Year ended 31 December, 2007			
	Trust underwriting			
	Facultative	Treaty	Limited	Total
	US$	US$	US$	US$
- Texas Underwriters, Inc.	30.000	-	-	30.000
- Trust Underwriting Ltd	-	-	55.277.401	55.277.401
- Arab region	26.644.889	16.942.035	-	43.586.924
- Asia	10.572.821	33.884.071	-	44.456.892
- Far and South East Asia	17.717.241	13.683.952	-	31.401.193
- Africa	2.588.557	651.618	-	3.240.175
- Quota share with Trust Underwriting Ltd	-	61.415.962	-	61.415.962
	57.553.508	126.577.638	55.277.401	239.408.547

Gross premiums from:	Year ended 31 December, 2006			
	Trust Underwriting			
	Facultative	Treaty	Limited	Total
	US$	US$	US$	US$
- Texas Underwriters, Inc.	30.000	-	-	30.000
- Trust Underwriting Ltd	-	-	38.719.879	38.719.879
- Arab region	35.611.714	18.919.671	-	54.531.385
- Asia	10.553.020	29.239.491	-	39.792.511
- Far and South East Asia	14.184.167	8.599.850	-	22.784.017
- Africa	2.691.840	573.323	-	3.265.163
- Quota share with Trust Underwriting Ltd	-	61.034.521	-	61.034.521
	63.070.741	118.366.856	38.719.879	220.157.476

25. Analysis of premiums by secondary business segment – Geographical location of the risk insurance – Company:

	Year ended 31 December, 2007		
	Facultative US$	Treaty US$	Total US$
Gross premiums from:			
- Arab region	26.644.889	16.942.035	43.586.924
- Asia	10.572.821	33.884.071	44.456.892
- Far and South East Asia	17.717.241	13.683.952	31.401.193
- Africa	2.588.557	651.618	3.240.175
- Quota share with Trust Underwriting Ltd	-	61.415.962	61.415.962
	57.523.508	126.577.638	184.101.146
	Year ended 31 December, 2006		
	Facultative	**Treaty**	**Total**
	US$	**US$**	**US$**
Gross premiums from:			
- Arab region	35.611.714	18.919.671	54.531.385
- Asia	10.553.020	29.239.491	39.792.511
- Far and South East Asia	14.184.167	8.599.850	22.784.017
- Africa	2.691.840	573.323	3.265.163
- Quota share with Trust Underwriting Ltd	-	61.034.521	61.034.521
	63.040.741	118.366.856	181.407.597

26. Related party transactions

These represent transactions with related parties (i.e. holding company, companies related to the holding company and other related parties) in which the company enters during its normal course of business.

These transactions are approved by the directors who consider these to be at normal arm's length terms with third parties.

The balances with the related parties as at the balance sheet date are disclosed in notes 12 and 22 to the financial statements.

The company entered into the following trading transactions with related parties during the year:

		Related companies US$
a) Written premiums	- 2007	1.478.222
	- 2006	1.656.166
b) Commissions	- 2007	267.072
	- 2006	355.598
c) Claims paid	- 2007	-
	- 2006	-
d) Dividend income	- 2007	32.175
	- 2006	20.625

The company has quota share arrangements with one of its subsidiaries, Trust Underwriting Limited.

Trust Underwriting Limited underwrites insurance business at Lloyd's of London through participation to the capacities of a number of underwriting syndicates.

The quota share arrangements covered the underwriting years 2002 to 2007. Terms of the contracts was that the company accepts 70% of all underwriting transactions undertaken by Trust Underwriting Limited.

26. Related party transactions – cont'd

The transactions resulting from these quota shares contracts, which cover the underwriting years 2002 to 2007, have been included in the income statement for 2007 shown on page 20. The figures included within the revenue account in respect of the above quota share arrangement are as follows:

	2007	2006
	US$	US$
Gross premiums written	61.415.963	61.034.521
Outward Reinsurance	(11.536.853)	(26.257.089)
Net written premium	49.879.110	34.777.432
Commissions paid	(10.844.850)	(6.978.630)
Other operating income	1.760.882	866.282
	40.795.142	28.665.084
Gross claims paid	(43.594.490)	(34.896.042)
Reinsurance recovery	9.091.066	11.137.265
Operating expenses	(90.836)	(171.255)
Technical profit	6.200.882	4.735.052

Other than the above arrangement, the company entered into the following trading transactions with related parties during the year:

27. Directors' remuneration

The remuneration and other benefits paid to two directors of the company during the year was US$541.931 (2006: US$297.636 for one director).
The remuneration paid to a director of Trust Underwriting Ltd during the year was US$69.906 (2006: US$50.937)

28. Claims development – Company

Underwriting year	2003	2004	2005	2006	2007	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Gross						
At end of underwriting year	8.900	11.732	14.572	1.649	468	
One year later	23.450	34.614	44.169	44.206		
Two years later	28.780	41.918	74.006			
Three years later	30.511	47.185				
Four years later	30.944					
Current estimate of						
incurred claims	30.944	47.185	74.006	44.206	468	196.809
Cumulative payments to date	(26.090)	(33.157)	(53.744)	(11.252)	14	(124.229)
IBNR	67	210	597	3.674	16.033	20.581
Liability at end	4.921	14.238	20.859	36.628	16.515	93.161
Liability in respect of prior years -	-	-	-	-	-	43.521
Total liability included in the						
balance sheet	-	-	-	-	-	136.682

28. Claims development – Company (cont'd)

Underwriting year	2003	2004	2005	2006	2007	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Net						
At end of underwriting year	1.354	1.073	3.691	682	302	
One year later	3.369	5.544	11.324	12.340		
Two years later	4.166	7.002	14.381			
Three years later	4.387	7.283				
Four years later	4.271					
Current estimate of						
incurred claims	4.271	7.283	14.381	12.340	302	38.577
Cumulative payments to date	(3.576)	(5.156)	(12.892)	(3.971)	5	(25.590)
IBNR	-	20	106	693	5.730	6.549
Liability at end	695	2.147	1.595	9.062	6.037	19.536
Liability in respect of prior years	-	-	-	-	-	3.882
Total liability included in the balance sheet	-	-	-	-	-	23.418

29. Contingent liabilities
The company has issued a guarantee on behalf of the UK Corporate Capital subsidiary for Stg£10.833.416. This is secured by the company's bank balances and other securities provided by the ultimate holding company (note 15). The directors are satisfied that the prospect of any loss arising under this guarantee is unlikely.
The subsidiaries did not have any contingent liabilities as at the year end.

30. Capital commitments
The company has entered into contractual agreements with third parties relating to the development of the land held in Bahrain. As at the balance sheet date the total cost still to be paid as per these contracts is approximately US$6.50 million (BD2.45 million). The subsidiaries did not have any capital commitments as at the year end.

31. Comparative figures
Certain comparative figures for the year ended 31 December, 2006 have been reclassified in order to be consistent with the current year's presentation. In particular, technical figures are shown gross along with the relevant reinsurers' share.

32.Financial instruments and risk management
Financial instruments consist of financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets of the company and subsidiaries include cash and cash equivalents, deposits, investments and receivables.

Financial liabilities of the company and subsidiaries include payables to insurance and reinsurance companies and other creditors and accrued liabilities.

The risks involved with financial instruments and the approach to controlling such risks are explained below:

32.Financial instruments and risk management (cont'd)

Reinsurance risk
In order to control financial exposure arising from large claims, the company in its normal course of business enters into agreements with other parties for reinsurance purposes. This is a common practice in reinsurance industry.

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and consequently the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

In order to limit its exposure to significant losses that might arise from large claims from insolvent reinsurers the company continuously evaluates its reinsurers' financial condition and follows up developments in their areas of operations.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's reporting currency is the United States Dollar. The company does not have significant exposure in other currencies, other than those recognised and disclosed in the Financial Statements.

Market risk
Market risk is the risk that the value of a financial instrument or property will fluctuate as a result of changes in market prices. The company and group are exposed to market risk with respect to its investments in quoted securities, investment properties and stock.

The company limits its market risk by maintaining a conservative investment portfolio and continuously monitoring the related stock and property markets values and the factors which affect their performance.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company has time deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing time deposits. The company limits interest rate risk by following up changes in interest rates in the currencies in which its time deposits are denominated. During the year the average effective interest rate on the time deposits, which were denominated in US Dollars was 4%.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company employs certain policies and procedures in order to maintain credit risk exposures within reasonable limits.

The company monitors receivables on an ongoing basis and cedes its majority of business to reinsurers with satisfactory credit ratings.

The credit risk on liquid funds is limited, as the counter parties are well known banks, with high credit rating by international credit rating agencies.

The maximum exposure to credit risk for the company is represented by the carrying amount of each financial asset as disclosed in the financial statements.

Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and the management is confident that sufficient funds are available to meet any commitments as they may arise.

Concentration risk
The company and subsidiaries are aware of the concentration risks attributed to various assets. Efforts are made through the ERM Process in order to minimize such risk.

In addition to the above, the Corporate Capital subsidiary has also the following risks:

Syndicate risk
The syndicate's activities expose one subsidiary to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet the share of claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, of a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired to. If the company considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

32.Financial instruments and risk management (cont'd)

Regulatory risks
The company is subject to continuing approval by Lloyd's and the Financial Services Authority to be a member of Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

33. Fair values
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of assets and liabilities, approximate their carrying values at the balance sheet date, assuming the company will continue as a going concern without any intention or need to liquidate, undertake transactions on adverse terms or materially discontinue its operations.

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