

Ariel Reinsurance Company Ltd.
Balance sheets
As at June 30, 2007
(expressed in United States dollars)

	30-Jun-07	31-Dec-06
Assets		
Fixed maturity investments, available for sale, at fair value (amortized cost \$1,136,254,498 and \$1,094,209, respectively)	1,162,356,910	1,096,516,557
Other Investments	122,444,247	89,022,262
Short term investments	22,596,659	14,147,633
Cash and cash equivalents	33,840,375	24,824,303
Premiums receivable	156,982,064	45,733,473
Accrued investment income	10,003,977	7,958,742
Deferred acquisition costs	28,105,799	11,388,798
Prepaid reinsurance	5,206,451	814,871
Reinsurance recoverable balances	173,361	47,888
Intangible assets	0	1,993,171
Fixed assets	2,516,623	1,326,790
Prepaid expenses	391,147	862,495
Other assets	381,177	851,691
Securities receivable	422,706	371,112
Total assets	1,545,421,496	1,295,859,783
Liabilities		
Reserve for losses and loss adjustment expenses	47,673,551	20,259,957
Unearned premiums	210,105,970	86,973,707
Deposit Liability	968,623	1,180,166
Reinsurance premiums payable	1,817,812	82,463
Losses Payable	-	11,345
Intercompany payable	20,245,334	18,798,560
Accounts payable	294,647	(8,179)
Accrued liabilities	5,538,188	8,752,032
Securities payable	1,492,952	-
Other liabilities	-	-
Total liabilities	288,137,078	136,050,051
Shareholder's equity		
Ordinary share capital (1,000,000 shares outstanding, par value \$1)	1,000,000	1,000,000
Additional paid-in capital	999,000,000	999,000,000
Deferred stock grant compensation	-	-
Retained earnings	256,244,973	157,501,732
Accumulated other comprehensive (loss) income	1,039,445	2,308,000
Total shareholder's equity	1,257,284,418	1,159,809,732
Total liabilities and shareholder's equity	1,545,421,496	1,295,859,783

Ariel Reinsurance Company Ltd.
Income statement
For the periods to June 30, 2007
(expressed in United States dollars)

	MTD	QTD	YTD
Revenue			
Gross premiums written	98,343,116	137,747,915	271,715,205
Net premiums written	97,101,866	136,391,264	262,996,058
Change in unearned net premiums	(67,587,126)	(58,872,041)	(118,740,684)
Net premiums earned	29,514,740	77,519,224	144,255,374
Other underwriting Income	193,455	193,455	573,701
Net investment income	4,378,312	18,809,293	35,800,024
Net foreign exchange gain (loss)	10,530	2,191	(302,903)
Net realized gains (losses) on investments	(5,675,284)	(5,125,395)	(5,560,780)
	<u>28,421,754</u>	<u>91,398,769</u>	<u>174,765,417</u>
Losses and expenses			
Losses and loss adjustment expenses	10,962,403	17,605,636	32,076,007
Acquisition costs	3,838,946	9,908,902	17,959,296
General and administrative expenses	3,695,218	12,420,082	23,993,704
Amortization of intangible assets	284,739	854,216	1,993,171
	<u>18,781,307</u>	<u>40,788,836</u>	<u>76,022,177</u>
Net income	<u>9,640,447</u>	<u>50,609,933</u>	<u>98,743,240</u>
Underwriting result			
Operating income			
Loss ratio	37.14%	22.71%	22.24%
Acquisition expense ratio	13.01%	12.78%	12.45%
General and administrative expense ratio	12.52%	16.02%	16.63%
Combined Ratio	62.67%	51.52%	51.32%

Ariel Reinsurance Company Ltd.
Statement of comprehensive income
For the periods to June 30, 2007
(expressed in United States dollars)

	Month Ended	2007	2007
	30-Jun-07	QTD	YTD
Net income	9,640,447	50,609,933	98,743,240
Other comprehensive income			
Net unrealized (loss) gain on investments	3,643,661	(4,038,521)	(1,268,555)
	<u>3,643,661</u>	<u>(4,038,521)</u>	<u>(1,268,555)</u>
Comprehensive income	<u>13,284,108</u>	<u>46,571,412</u>	<u>97,474,684</u>

Ariel Reinsurance Company Ltd.
Statement of shareholder's equity
As at June 30, 2007
(expressed in United States dollars)

	QTD	YTD
Ordinary share capital, par value \$1		
Balance, beginning of period	1,000,000	1,000,000
Additional shares issued	-	-
Balance, end of period	<u>1,000,000</u>	<u>1,000,000</u>
Additional paid in capital		
Balance, beginning of period	999,000,000	999,000,000
Additional paid in capital on shares issued	-	-
Balance, end of period	<u>999,000,000</u>	<u>999,000,000</u>
Retained earnings		
Balance, beginning of period	205,635,039	157,501,733
Net income	50,609,933	98,743,240
Balance, end of period	<u>256,244,972</u>	<u>256,244,973</u>
Accumulated other comprehensive (loss) income		
Balance, beginning of period	5,077,966	2,308,000
Net unrealized gains (losses) on securities	(4,038,521)	(1,268,555)
Balance, end of period	<u>1,039,445</u>	<u>1,039,445</u>
Total shareholders' equity	<u>1,257,284,417</u>	<u>1,257,284,417</u>

Ariel Reinsurance Company Ltd.
Statement of cash flows
For the periods to June 30, 2007
(expressed in United States dollars)

	MTD	QTD	YTD
Cash flows provided by operating activities			
Net income	9,640,447	50,609,933	98,743,240
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation			
Renewal right amortization	76,502	228,612	466,826
Net unrealized gains (losses) on FX	284,739	854,216	1,993,171
Amortization of fixed income securities	4,419	12,363	(259,758)
Amortization of short term securities	(90,945)	(180,337)	(345,809)
Other items	1,438,256	(1,316,192)	(2,253,670)
Net realized investment losses (gains) (includes fx realised - investments)	5,675,284	5,125,395	5,560,780
Change in:			
Premiums receivable	(69,910,617)	(61,975,333)	(111,248,591)
Accrued investment income	(1,042,564)	(2,087,821)	(2,045,234)
Deferred acquisition costs	(8,698,640)	(7,712,775)	(16,717,001)
Prepaid reinsurance	(577,311)	714,631	(4,391,580)
Reinsurance recoverable balances	(16,387)	(100,755)	(125,473)
Prepaid expenses	48,722	354,941	471,349
Other assets	(31,454)	(4,656)	(39,003)
Reserve for losses and loss adjustment expenses	10,174,078	14,823,799	27,413,595
Losses Payable	-	-	(11,345)
Unearned premiums	68,164,437	58,157,409	123,132,264
Deposit Liability	(235,167)	(235,167)	(211,543)
Reinsurance premiums payable	1,084,601	1,154,302	1,735,349
Intercompany payable	227,751	(433,579)	1,446,773
Accounts payable	46,548	(81,109)	302,826
Accrued liabilities	790,424	2,002,195	(3,213,844)
Net cash provided by operating activities	17,053,122	59,910,073	120,403,319
Cash flows used in investing activities			
Proceeds from sales of investments available for sale	52,370,463	222,880,144	518,128,175
Purchase of investments available for sale	(45,434,871)	(252,912,596)	(590,373,002)
Proceeds from sales of short-term investments	43,515,526	233,665,763	446,206,672
Purchase of short-term investments	(35,384,959)	(226,725,898)	(454,377,858)
Net purchase of other investments	(7,000,000)	(20,500,000)	(30,500,000)
Securities payable	(12,904,510)	(9,539,046)	1,492,952
Securities receivable	3,904,154	954,978	(51,594)
Purchases of fixed assets	(248,131)	(354,542)	(1,656,659)
Net cash used in investing activities	(1,182,330)	(52,531,198)	(111,131,314)
Cash flows provided by financing activities			
Credit facility issuance expenses paid	(59,832)	(255,932)	(255,932)
Net proceeds from share issuance	-	-	-
Net cash provided by financing activities	(59,832)	(255,932)	(255,932)
Net (decrease) increase in cash and cash equivalents	15,810,960	7,122,944	9,016,072
Cash and cash equivalents, beginning of period	18,029,414	26,717,430	24,824,303
Cash and cash equivalents, end of period	33,840,374	33,840,374	33,840,375