

**Ariel Reinsurance Company Ltd.**  
**Balance sheet**  
**As at June 30, 2008**  
**(expressed in United States dollars)**

	<b>30-Jun-08</b>	<b>31-Dec-07</b>
<b>Assets</b>		
Fixed maturity investments, available for sale, at fair value (amortized cost \$1,107,849 and \$992,027,682 respectively)	1,106,172,382	1,002,396,069
Other Investments	-	-
Short term investments	166,866,383	192,645,283
Cash and cash equivalents	140,359,904	10,930,727
Premiums receivable	140,870,233	30,271,822
Accrued investment income	167,303,791	69,410,107
Deferred acquisition costs	8,645,865	9,466,862
Prepaid reinsurance	23,462,322	14,923,979
Reinsurance recoverable balances	3,578,632	836,872
Intangible assets	584,063	344,808
Fixed assets	0	0
Prepaid expenses	4,289,029	3,792,469
Other assets	1,839,245	1,223,376
Securities receivable	576,049	691,770
	134,041,727	8,594,970
<b>Total assets</b>	<b>1,898,589,625</b>	<b>1,345,529,114</b>
<b>Liabilities</b>		
Reserve for losses and loss adjustment expenses	100,036,564	49,224,173
Unearned premiums	189,699,390	110,686,318
Deposit Liability	406,539	675,844
Reinsurance premiums payable	1,036,500	777,838
Losses Payable	-	-
Intercompany payable	84,355,562	(25,081,841)
Accounts payable	209,210	199,540
Accrued liabilities	4,542,877	9,722,224
Securities payable	247,212,721	30,802,396
Other liabilities	-	-
<b>Total liabilities</b>	<b>627,499,363</b>	<b>177,006,492</b>
<b>Shareholder's equity</b>		
Ordinary share capital (1,000,000 shares outstanding, par value \$1)	1,000,000	1,000,000
Additional paid-in capital	-	-
Deferred stock grant compensation	999,000,000	999,000,000
Retained earnings	-	-
Accumulated other comprehensive (loss) income	271,090,262	168,522,622
	-	-
<b>Total shareholder's equity</b>	<b>1,271,090,262</b>	<b>1,168,522,622</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,898,589,625</b>	<b>1,345,529,114</b>

**Ariel Reinsurance Company Ltd.**  
**Income statement**  
**For the period ended June 30, 2008**  
**(expressed in United States dollars)**

	<b>MTD</b>	<b>QTD</b>	<b>YTD</b>
	<b>30-Jun-08</b>	<b>30-Jun-08</b>	<b>30-Jun-08</b>
<b>Revenue</b>			
Gross premiums written	117,331,005	142,616,638	272,474,350
Net premium written	117,156,903	140,758,271	266,334,459
Change in unearned net premiums	(64,301,751)	(35,494,401)	(76,271,312)
Net premiums earned	52,855,152	105,263,870	190,063,147
Other underwriting Income	(916,928)	(916,928)	(741,986)
Net investment income	5,314,102	17,155,468	31,665,222
Net foreign exchange gain (loss)	1,864,605	321,279	106,633
Net realized gains (losses) on investments	(5,164,679)	(2,825,583)	5,478,321
Net unrealized (loss) gain on investments	(2,127,650)	(7,940,075)	(22,427,932)
	51,824,602	111,058,031	204,143,405
<b>Losses and expenses</b>			
Losses and loss adjustment expenses	38,585,934	44,864,682	60,279,222
Acquisition costs	7,037,811	12,814,868	22,325,087
General and administrative expenses	4,440,042	8,511,573	18,971,456
Amortization of intangible assets	-	-	-
	50,063,787	66,191,123	101,575,765
<b>Net income</b>	<b>1,760,815</b>	<b>44,866,908</b>	<b>102,567,640</b>
<b>Underwriting result</b>	<b>1,874,437</b>	<b>38,155,819</b>	<b>87,745,396</b>
<b>Operating income</b>	<b>7,188,539</b>	<b>55,311,287</b>	<b>119,410,618</b>
Loss ratio	73.00%	42.62%	31.72%
Acquisition expense ratio	13.32%	12.17%	11.75%
General and administrative expense ratio	8.40%	8.09%	9.98%
Combined Ratio	94.72%	62.88%	53.44%

**Ariel Reinsurance Company Ltd.**  
**Statement of shareholder's equity**  
**For the period ended June 30, 2008**  
**(expressed in United States dollars)**

	<b>QTD</b>	<b>YTD</b>	<b>YTD</b>
	<b>30-Jun-08</b>	<b>30-Jun-08</b>	<b>31-Dec-07</b>
<b>Ordinary share capital, par value \$1</b>			
Balance, beginning of period	1,000,000	1,000,000	1,000,000
Additional shares issued	-	-	-
Balance, end of period	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Additional paid in capital</b>			
Balance, beginning of period	999,000,000	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>	<u>999,000,000</u>
<b>Retained earnings</b>			
Balance, beginning of period	226,223,354	158,192,866	157,501,733
Net income	44,866,908	102,567,640	250,691,133
Change in accounting policy	-	10,329,756	-
Dividends on ordinary shares	-	-	(250,000,000)
Balance, end of period	<u>271,090,262</u>	<u>271,090,262</u>	<u>158,192,866</u>
<b>Accumulated other comprehensive (loss) income</b>			
Balance, beginning of period	-	10,329,756	2,308,000
Net unrealized gains (losses) on securities	-	-	8,021,756
Change in accounting policy	-	(10,329,756)	-
Balance, end of period	<u>-</u>	<u>0</u>	<u>10,329,756</u>
<b>Total shareholders' equity</b>	<u>1,271,090,262</u>	<u>1,271,090,262</u>	<u>1,168,522,622</u>

**Ariel Reinsurance Company Ltd.**  
**Statement of cash flows**  
**For the period ended June 30, 2008**  
**(expressed in United States dollars)**

	MTD 30-Jun-08	QTD 30-Jun-08	YTD 30-Jun-08
<b>Cash flows provided by operating activities</b>			
Net income	1,760,815	44,866,908	102,567,640
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	142,740	392,916	762,384
Renewal right amortization	-	-	-
Net unrealized (gains) losses on FX	-	-	-
Amortization of fixed income securities	(20,272)	(555,255)	(121,692)
Amortization of other investment	346,340	523,437	527,972
Amortization of short term securities	(20,099)	(36,773)	(46,509)
Net realized investment FX (gains) losses fixed income	(291,829)	92,271	(270,138)
Net realized investment FX (gains) losses other investments	48,227	43,898	70,901
Net realized investment FX (gains) losses accrued interest	(3,104)	(3,104)	(3,104)
Net realized investment FX (gains) losses cash	(3,030)	(3,030)	(3,030)
Net unrealized (gains) losses on investments	2,129,715	7,918,544	22,428,763
Net unrealized (gains) losses on cash	(2,159)	21,438	(924)
Net unrealized (gains) losses on accrued investments	93	93	93
Other	(34,693)	29,197	52,917
Net realized investment losses (gains) fixed income (excludes fx realised - investments)	(306,013)	(2,808,559)	(2,922,325)
Net realized investment losses (gains) other investments (excludes fx realised - investments)	5,470,581	5,632,695	(2,551,037)
Net realized investment losses (gains) short-term (excludes fx realised - investments)	111	1,447	(4,959)
Change in:			
Premiums receivable	(88,690,540)	(60,326,791)	(97,893,684)
Accrued investment income	(152,160)	(1,019,100)	824,008
Deferred acquisition costs	(7,511,292)	(3,268,185)	(8,538,343)
Prepaid reinsurance	535,339	176,919	(2,741,760)
Reinsurance recoverable balances	(156,624)	(156,624)	(239,255)
Prepaid expenses	(1,356,998)	(1,074,778)	(615,869)
Other assets	17,764	(6,924)	(36,572)
Reserve for losses and loss adjustment expenses	36,574,466	38,656,207	50,812,390
Losses Payable	-	-	-
Unearned premiums	63,766,412	35,317,482	79,013,072
Deposit Liability	(337,102)	(337,102)	(269,305)
Reinsurance premiums payable	161,500	(111,323)	258,663
Intercompany payable	100,031,721	92,117,133	109,437,402
Accounts payable	430	455	9,671
Accrued liabilities	744,411	720,889	(5,179,347)
<b>Net cash provided by operating activities</b>	<b>112,844,750</b>	<b>156,804,381</b>	<b>245,328,023</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sales of investments available for sale	347,241,872	830,571,900	1,543,275,891
Purchase of investments available for sale	(428,081,757)	(960,999,723)	(1,655,637,743)
Proceeds from sales of short-term investments	137,940,394	228,801,435	429,988,340
Purchase of short-term investments	(258,715,021)	(326,955,385)	(559,369,020)
Net purchase of other investments	(9,921,835)	(32,548,961)	17,209,999
Securities payable	179,392,063	144,970,198	216,410,325
Securities receivable	(41,700,734)	(9,200,499)	(125,446,757)
Purchases of fixed assets	(97,232)	(415,262)	(1,258,943)
<b>Net cash used in investing activities</b>	<b>(73,942,250)</b>	<b>(125,776,297)</b>	<b>(134,827,908)</b>
<b>Cash flows provided by financing activities</b>			
Credit facility issuance expenses paid	32,719	32,719	32,719
Net proceeds from share issuance	-	-	-
Dividends paid	-	-	-
<b>Net cash provided by financing activities</b>	<b>32,719</b>	<b>32,719</b>	<b>32,719</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>38,935,219</b>	<b>31,060,802</b>	<b>110,532,834</b>
FX movement on cash	72,146	(5,733)	65,577
Cash and cash equivalents, beginning of period	101,862,868	109,815,163	30,271,822
<b>Cash and cash equivalents, end of period</b>	<b>140,870,233</b>	<b>140,870,233</b>	<b>140,870,233</b>