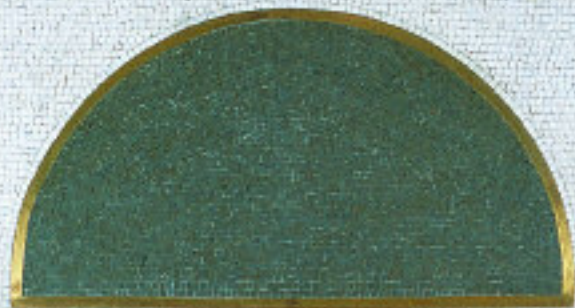


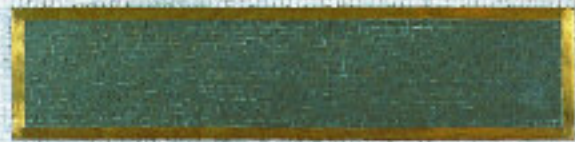
ANNUAL REPORT

2006

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



بيت إعادة التأمين النوني السعودي



B.E.S.T
REINSURANCE

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

ANNUAL REPORT

2006



HEAD OFFICE

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PHONE : (216) 71 86 03 55 - FAX : (216) 71 86 10 11 / (216) 71 86 20 14 - E-mail : general@bestre.com.tn

WEB SITE : www.best-re.com



**BOARD OF
DIRECTORS**

Dr. Saleh Jamil Malaikah

Chairman

Reyda Farid Benbouzid

Managing Director

Tan Kin Lian

Director

(as from April, 1st, 2007)

Fathi Hamam

Director

(as from January, 1st, 2007)

Jean-Paul Lasserre

Director

(as from January, 1st, 2007)

**SHARIAH
SUPERVISOR**

Sheikh Mohammed Mokhtar Sellami

AUDITOR

F.M.B.Z

KPMG Tunisia

**HEAD OFFICE
MANAGEMENT**

Reyda Farid Benbouzid

Managing Director

Mahfoudh Raïs

Deputy General Manager

Malek Chahed

Secretary General

Leila Bel Hadj Amor

Senior Manager -

Organisation & Control

Sami Guellouz

Senior Manager-Actuarial

& Family Retakaful

Fethennour Braham Chaouch

Senior Manager-Underwriting

Nejib Boubaker

Chief Marketing Officer

Makrem Ben Sassi

Manager -

Projects & Development

Riadh Maaoui

Manager-Claims

Wahib Berrayana

Manager -

Accounting & Finance

Olfa Ben Mansour

Head-Technical Accounting

Monia Zribi

Head-General Accounting

**REGIONAL
OFFICES'
MANAGERS**

Riadh Karray

Labuan

Abdellah Badaoui

Beirut

Abdelhafid Hachani

Istanbul

Ahmed Amrouche

Tunis

Amar Hadjloum

Algiers

Mohammed Omari

Dakar

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INTRODUCTION

2006 witnessed further strengthening of the Company's capital base. This was achieved through a capital increase of US\$ 45 millions and a long-term subordinated loan of US\$ 42 millions from the international market, thus boosting the Company's total funds to more than US\$ 150 millions.

Despite soft market conditions, operating performances continued to show sustained premium growth supported by excellent combined ratios and underwriting profit.

The Company's business model continued to be centred on proven strategic choices in terms of geographic and line of business structure, whilst maintaining a high financial solvency. This impacted favourably its ratings with both Standard & Poor's and A.M. BEST, resulting in an upgrade which will no doubt reinforce and improve its competitive position in the emerging markets.

In order to diversify its presence in the Takaful markets, BEST Re obtained recently a licence from the Malaysian authorities for transacting Family ReTakaful business. The Company intends to use its operational base in Labuan as the back-office of its entire Family ReTakaful activities. This is yet another milestone in the Company's business development as it is anticipated that this segment will contribute significantly to future growth, particularly in South East Asia and in the Middle East & Gulf countries.

To fully play its role as a "Proximity" reinsurer, the Company continued to offer its value-added services to its partners in the form of training seminars, and the much acclaimed "Learning by Doing" workshops.

In terms of governance, the Company continued to improve its Enterprise Risk Management culture and approach, disseminating it across all its business units with the aim of matching the best practices in the industry.

FINANCIAL HIGHLIGHTS

SHARE CAPITAL

	2002	2003	2004	2005	2006
Par value per share in US\$	100	100	100	100	100
Number of Shares issued	420 000	420 000	550 000	550 000	1 000 000
Paid-up Capital in US\$	42 000 000	42 000 000	55 000 000	55 000 000	100 000 000

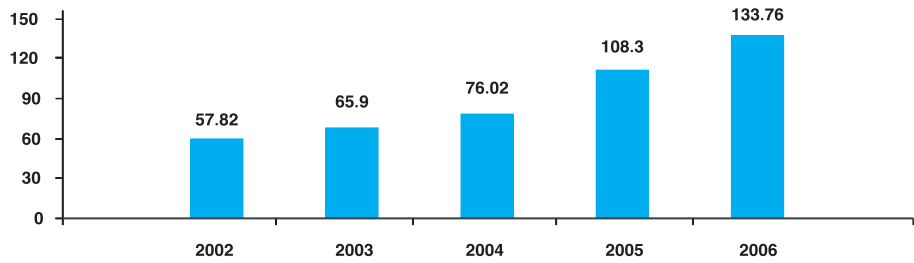
KEY PERFORMANCE INDICATORS

	2002	2003	2004	2005	2006
					(US millions)
Net profit	5.2	4.5	4.8	7.1	9.3
Shareholders' Equity	49.2	50.6	65.0	66.9	114.5
Return on Equity	11.8%	9.0%	8.2%	10.8%	10.3%
Dividends	2.2	2.5	2.7	4.3	5.6
Distribution rate	43%	55.8%	56.7%	60%	60%

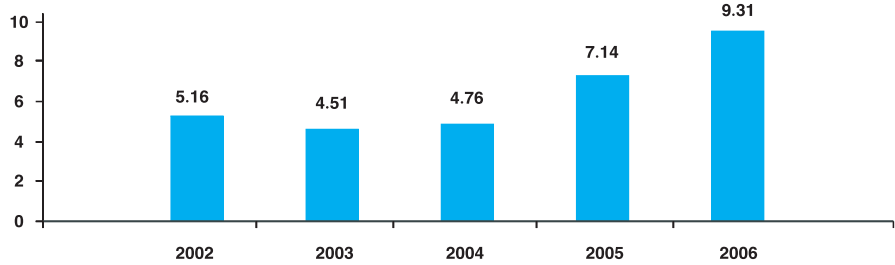
PERFORMANCE PER SHARE

	2002	2003	2004	2005	2006
					(US\$)
Earning per share	12.3	10.7	8.7	13.0	12.6
Equity per share	117.1	120.5	118.1	121.6	114.5
Dividend per share	5.24	6.0	4.9	7.8	7.6

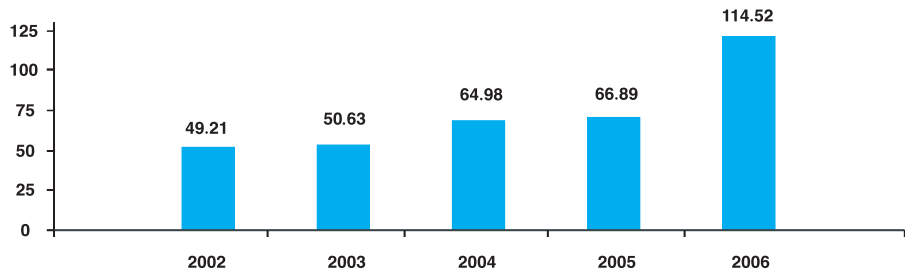
Gross Premiums written - US\$ millions



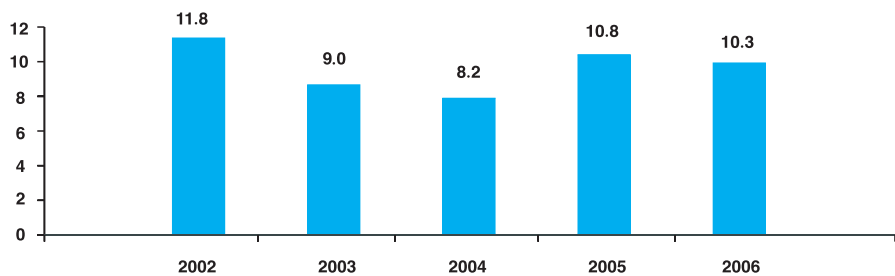
Net Income - US\$ millions



Shareholders' Equity - US\$ millions

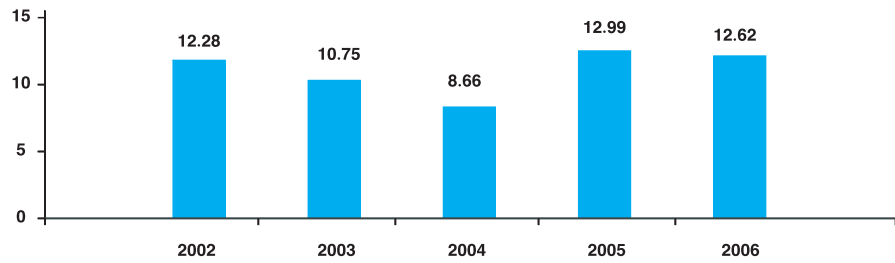


Return on Equity - in% (*)

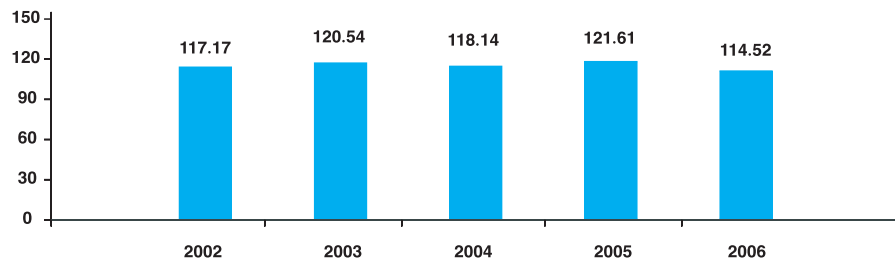


(*) calculated on a two-year average of shareholders' equity

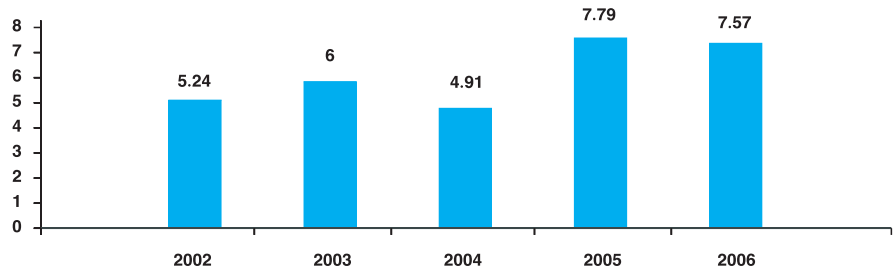
Earning per share - US\$



Equity per share - US\$



Dividend per share - US\$



OPERATING
&
FINANCIAL REVIEW

OPERATING PERFORMANCE

In the year under review, BEST Re recorded a net profit of US\$ 9.3 millions, up from US\$ 7.1 millions in the previous year. This highlights the continued strong operating performance of the Company despite prevailing soft market conditions.

Gross Written Premium reached US\$ 133.8 millions, i.e. + 23.5% over last year.

This significant growth was supported by a stronger capital base following the capital increase of US\$ 45 millions in August 2006.

Total paid-up capital now stands at US\$ 100 millions and total shareholders' equity at US\$ 114.5 millions.

The Company's funds were further strengthened by an additional soft capital in the form of a subordinated loan of US\$ 42 millions subscribed with Merrill Lynch International and managed by Dekania Capital Management, LLC in September 2006, thus underlining the Company's financial flexibility. Accordingly, the Company's total funds now reach US\$ 156.5 millions, of which US\$ 114.5 millions in shareholders' equity and 42 millions in quasi equity.

Return on Equity stands at a healthy 10.3%(*) and Earning per Share remains strong at US\$ 12.6, with a dividend distribution rate of 60%, i.e. US\$ 7.6 per share.

A further reflection of these encouraging operating performances, are the recent upgrades from rating agencies which now read as follows:

Standard & Poor's: BBB+ (Outlook: Stable).

A.M. Best: FSR B++; ICR BBB+ (Outlook: Stable).

UNDERWRITING

Despite prevailing soft market conditions, 2006 recorded good performances across all classes of business due to a continued targeted, proactive but selective underwriting policy.

Underwriting profit stood at US\$ 11.6 millions. Total Gross Written Premium exceeded US\$ 133 millions i.e. a growth of 24% over last year, and Net Earned Premium reached US\$ 112.5 millions against US\$ 99 millions in 2005.

In the absence of major catastrophes and/or individual large losses the overall combined ratio improved to 90% from 91% in 2005, whereas Net Loss ratio posted a healthy 53%, an improvement of 10% over 2005.

The portfolio continued to be dominated by the Fire class in terms of premium income. This segment is back to profit after the negative result recorded in 2005. It is followed by the Motor class, a main contributor to the overall result this year.

The table in page 13 provides a breakdown of underwriting performances by line of business.

(*) calculated on a two-year average of shareholders' equity

Key Performance Indicators 2006

By line of Business

US\$ thousands

Classes of Business	Fire	Engineering	Accident	Motor	Financial Risks	Marine	Total
Gross written premium	70 048	14 833	14 628	16 664	1 540	16 049	133 763
Net written premium	60 407	12 028	12 524	16 664	1 540	13 069	116 232
Net earned premiums	57 583	11 300	12 471	17 129	1 311	12 723	112 518
Net claims paid	23 659	3 852	4 004	8 208	550	5 136	45 409
Net change in outstanding claims reserves	8 530	2 203	1 138	192	-399	2 400	14 064
Net incurred claims	32 189	6 055	5 142	8 400	151	7 536	59 473
Net acquisition costs	19 962	4 420	4 742	2 477	632	4 548	36 781
Management expenses	2 461	521	514	586	54	564	4 700
Net Underwriting profit	2 971	304	2 073	5 666	474	75	11 563

Ratios	Fire	Engineering	Accident	Motor	Financial Risks	Marine	Total
Net retention ratio	86%	81%	86%	100%	100%	81%	87%
Net loss ratio	56%	54%	41%	49%	12%	59%	53%
Net expenses ratio	39%	44%	42%	18%	52%	40%	37%
Net combined ratio	95%	97%	83%	67%	64%	99%	90%
Net underwriting profit	5%	3%	17%	33%	36%	1%	10%

Net retention ratio: Net written premium/ Gross written premium
 Net loss ratio: Net incurred claims/ Net earned premiums
 Net expenses ratio: (Net acquisition costs+Management expenses)/ Net earned premiums
 Net combined ratio: Net incurred claims+Net expenses ratio/ Net earned premiums
 Net U/W profit ratio: Net Underwriting profit/ Net earned premiums

INVESTMENT

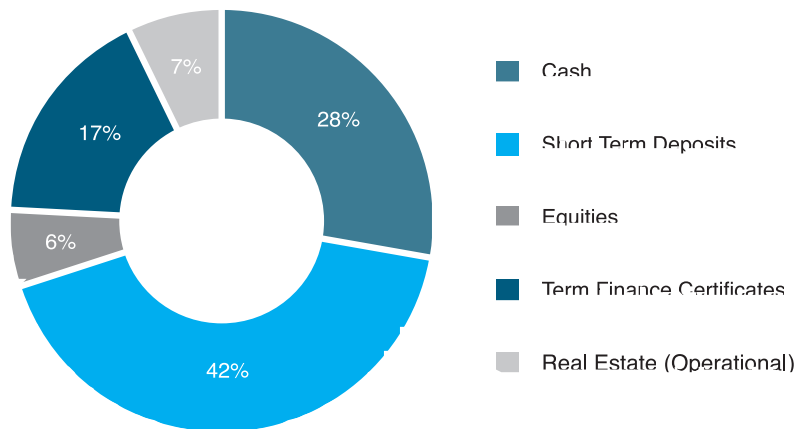
During 2006, Best Re pursued its conservative investment strategy, adopting a prudent asset allocation and a strict Shariah compliance approach, whilst guaranteeing a high liquidity level.

At year-end, 60% of invested assets were in cash and short term deposits. Equities and term finance certificates represented just 23% and other investments, mainly in real estate, accounted for merely 7% of the total.

Total invested assets at year-end, stood at US\$ 123.4 millions, compared to US\$ 74.6 millions in 2005.

New capital and quasi capital resources coupled with a more selective asset allocation yielded an improved investment return of US\$ 2.8 millions against US\$ 0.6 millions in the previous year. This represents a 5% contribution in the Company's net annual return.

BEST Re Investment Portfolio, 2006
Total US\$ 123,4 Million



AUDITOR'S
REPORTS



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Tunisie

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TUNIS, le 2 MAI 2007

TO THE SHAREHOLDERS OF BEIT IADAT ETTAMINE SAOUDI TOUNSI
« BEST-Ré »
Immeuble BEST-Ré
LES BERGES DU LAC
1080 TUNIS CEDEX/

**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2006**

Dear Sirs,

We have audited the accompanying financial statements of BEIT IADAT ETTAMINE SAOUDI TOUNSI "BEST-Re", which comprise the balance sheet as of December 31st, 2006, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Financial statements referred to above present a balance sheet total of USD 293,849,378 as of December 31st, 2006 and a net profit of USD 9,308,850 for the period then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing standards generally accepted in Tunisia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of BEIT IADAT ETTAMINE SAOUDI TOUNSI "BEST-Re", as of December 31st, 2006, and of its financial performance and its cash flows for the year then ended in accordance with Tunisian accounting standards.

*F.M.B.Z. - KPMG Tunisia member firm of
KPMG International*

Dhia BOUZAYEN
Partner

F.M.B.Z. KPMG TUNISIE est membre
de KPMG INTERNATIONAL,
Coopération de droit tunisien

Capital social : 150 000 DT
N° d'identification fiscale : 9 0803 3446000
N° de registre de commerce : 9 148800002

AUDITOR'S SPECIAL REPORT

BEIT IADAT ETTAMINE SAOUDI TOUNSI

« BEST-Ré »
Immeuble BEST-Ré
LES BERGES DU LAC

- 1080 TUNIS CEDEX -

**REPORT FROM THE AUDITOR AS PER ARTICLE 200
OF THE COMMERCIAL COMPANIES CODE
FOR THE FINANCIAL PERIOD ENDING DECEMBER 31, 2006**

Dear Sirs,

Over the past year, we have not been notified that an agreement between the President, the Managing Director or one of your Company's Board of Directors with the BEIT IADAT ETTAMINE SAOUDI TOUNSI "BEST-Re" or any third party has been submitted to the prior approval of the Board of Directors in accordance with Article 200 of the Tunisian Commercial Companies Code.

Besides, we have not noted any transaction that should be subject to the formalities provided by the above mentioned article.

TUNIS, 02 MAI 2007

Dhia BOUZAYEN

E.M.B.Z. KPMG TUNISIA

AUDITED
FINANCIAL STATEMENTS

BALANCE SHEET

As at
31st December, 2006

Assets	Gross	Depreciation/ Amortisation	US\$ millions	
			2006	2005
			Net	Net
Intangible assets	1.9	0.5	1.3	1.0
Software concessions & patents	1.9	0.5	1.3	1.0
Tangible assets	3.2	2.2	0.9	1.1
Technical installations & machinery	2.2	1.4	0.8	0.9
Other installations	1.0	0.9	0.1	0.2
Investments	165.0	3.1	162.0	100.5
Real Estate	8.2	0.5	7.6	6.8
Equities	3.6	2.4	1.3	4.3
Hybrid Islamic certificates	77.2	0.2	77.0	15.0
Deposits with ceding companies	76.0	-	76.0	74.4
Retrocessionaires' share in technical reserves	19.1	-	19.1	15.8
Unearned Premium Reserves	3.5	-	3.5	2.5
Outstanding Losses Reserves	15.6	-	15.6	13.3
Receivables	75.1	0.9	74.2	59.1
Pipeline premium (Net of commissions)	54.6	-	54.6	39.9
Receivables from ceding companies	17.0	-	17.0	12.5
Other debtors	3.5	0.9	2.5	6.7
Other assets	37.1	0.8	36.3	47.8
Cash at banks and in hand	34.4	-	34.4	46.9
Deferred expenses	2.7	0.8	1.9	1.0
Total assets	301.4	7.6	293.8	225.3

	US\$ millions	
	2006	2005
Shareholders' Equity		
Paid-up capital	100.0	55
Statutory reserves	4.8	4.1
Cedents' reserves	2.7	2.2
Special reserves	2.9	3.0
Reserves for exceptional risks	1.3	0.3
Retained earnings	0.2	0.5
Profit for the year	9.3	7.1
Total Shareholders' equity (*)	121.2	72.1
Liabilities		
Financial liabilities	42.4	45.4
Subordinated debts	42.4	45.0
Debts from financial institutions	-	0.4
Provisions for risks & charges	4.6	4.1
Gross technical reserves	105.5	84.3
Unearned premiums reserves	17.5	12.7
Outstanding losses reserves	88.0	71.6
Other payables	20.2	19.4
Payables to retrocessionaires	9.0	9.0
Payables to ceding companies	6.5	8.3
Other creditors	4.7	2.1
Total liabilities	172.7	153.2
Total Shareholders' Equity & Liabilities	293.8	225.3

(*) Before profit allocation

STATEMENT OF INCOME

For the year ended
31st December, 2006

	US\$ millions			
			2006	2005
	Gross	Retro	Net	Net
Earned premiums	129.0	16.5	112.5	99.1
Premiums written	133.8	17.5	116.2	95.3
Change in unearned premiums	(4.8)	(1.1)	(3.7)	3.8
Incurred claims	66.6	7.2	59.5	58.2
Paid claims	50.3	4.9	45.4	41.0
Change in loss reserves	16.4	2.3	14.1	17.2
Operating expenses	38.7	-	38.7	30.9
Acquisition costs	39.3	-	39.3	31.0
Management expenses	1.9	-	1.9	1.5
Commissions received from retrocessionaires	(2.5)	-	(2.5)	(1.6)
Other technical expenses	2.8	-	2.8	1.3
Underwriting result	20.9	9.3	11.6	8.6
Investment income	3.3	-	3.3	1.0
Investment income	2.8	-	2.8	0.6
Other income	0.4	-	0.4	0.2
Net realized gains on investments	-	-	-	0.2
Investment expenses	2.8	-	2.8	0.8
Investment charges	3.0	-	3.0	0.5
Net profit/loss realized on investments	(0.2)	-	(0.2)	0.3
Other non technical income	0.7	-	0.7	0.2
Other non technical expenses	3.4	-	3.4	1.8
Ordinary activity result	18.6	9.3	9.3	7.2
Tax	-	-	-	-
Net result for the year	18.6	9.3	9.3	7.1

STATEMENT OF CHANGES IN EQUITY

For the year ended
31st December, 2006

	US\$ millions	
	2006	2005
Balance at 1st January	66.9	65.0
Net income	9.3	7.1
Balance at 31st December (*)	76.2	72.1
Change in:		
Share capital	45.0	-
Statutory reserves	1.0	0.8
Retained earnings	(3)	(2.2)
Cedants' fund	0.7	0.5
Special reserves	1.0	1.0
General reserves	-	(0.1)
Staff Bonus	(0.9)	(0.9)
Dividends	(5.6)	(4.3)
Total changes	38.3	(5.2)
Balance at 31st December (**)	114.5	66.9

(*) Before distribution

(**) After distribution

STATEMENT OF CASH FLOWS

For the year ended
31st December, 2006

	US\$ millions	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	9	7
Adjustment for:		
Depreciation & amortisation	1	1
Provisions	3	2
Technical reserves relating to Retrocession and Pipeline Premium	(18)	(15)
Technical reserves on inwards business	21	28
Changes in:		
Receivables from ceding companies and technical deposits	(6)	(23)
Receivables from retrocessionaires		1
Other current assets	2	(2)
Liabilities towards ceding companies and retrocessionaires	(2)	1
Various creditors	2	2
Net cash (used in) provided by operating activities	12	1
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (tangible and intangible)	(2)	(1)
Purchase of financial assets (investments)	2	(1)
Net cash (used in) provided by investing activities	-	(1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deposits with banks	(62)	(1)
Dividends paid and other distributions	(5)	(3)
Net borrowings	42	44
Net cash (used in) provided by financing activities	(25)	39
Net (decrease) increase in cash and cash equivalents	(12)	39
Cash and cash equivalents at beginning of year	47	8
Cash and cash equivalents at end of year	34	47

SHARIAH COMPLIANCE

INTRODUCTION

As stipulated in its Articles of Association, BEST Re is a Shariah compliant reinsurance company. Financial statements are examined each year by its Shariah supervisor. Shariah compliance is ascertained by a specific report submitted to the Annual Ordinary General Assembly.

Despite some specific views on the matter, a ReTakaful company cannot reasonably exist to serve only direct takaful companies. By writing both Takaful and Non Takaful business, the main concern is, therefore, to manage the business on a Shariah-compliant basis by maintaining proper accounting procedures to this effect.

As a ReTakaful company, BEST Re operates on the **Tabarru'** and **Wakala** principles.

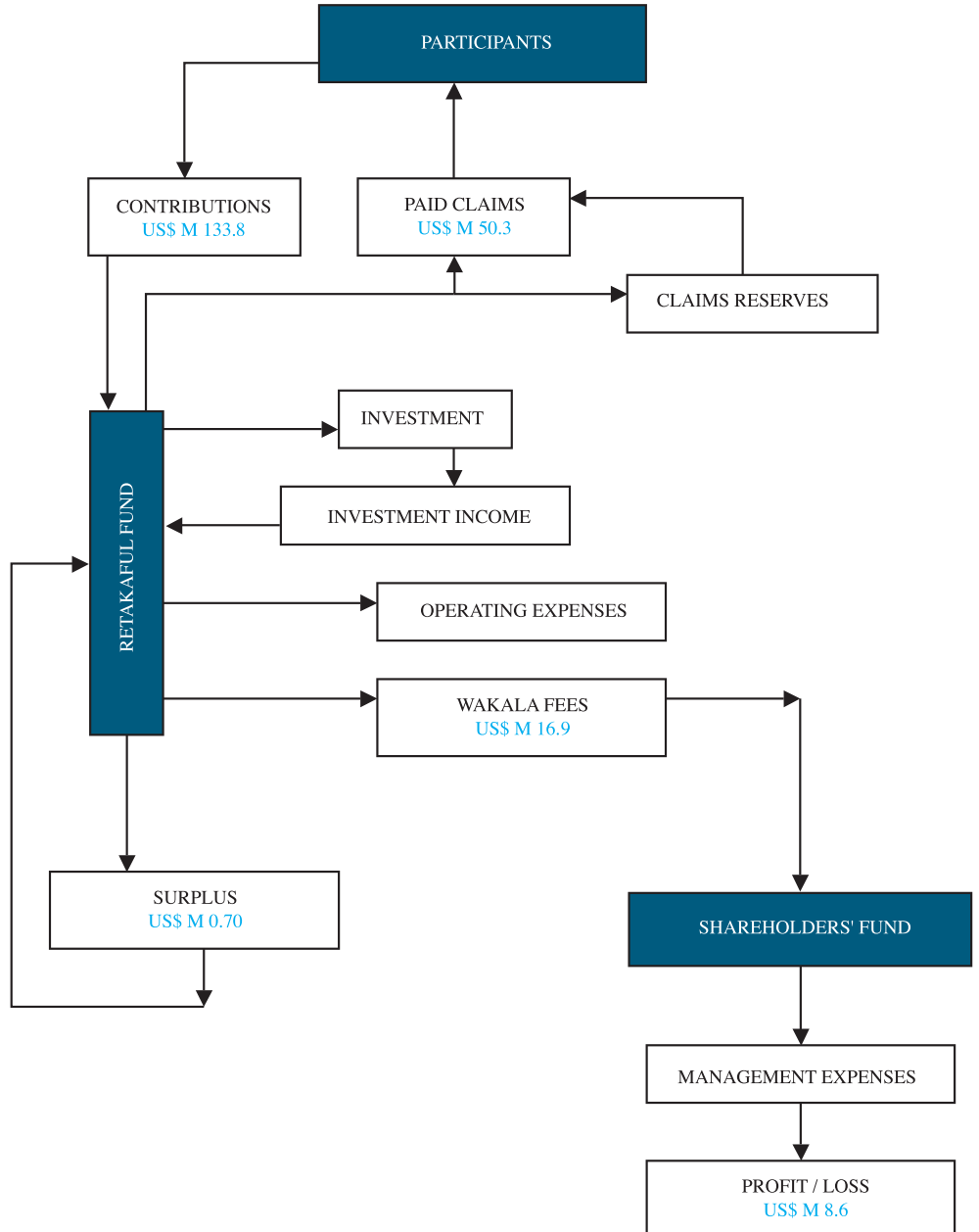
Ceded contributions/ Premiums are pooled in a **Retakaful fund** managed by the Company which acts as a managing agent (**Wakeel**) against a fee (**Wakala fee**).

Retakaful fund resources are used to pay operating costs associated with ceded risks (acquisition costs, retrocession etc.) as well as the ceded share of claims. Any surplus is invested in Shariah-compliant instruments in order to generate a reasonable income to the fund.

All investments are undertaken with Islamic financial institutions or using Shariah-compliant instruments. Any proceeds ensuing from interest-bearing deposits held by ceding companies are deemed non Shariah-compliant and, therefore, not included in the underwriting result.

In 2006, the net surplus amounted to US\$ 0.70 millions compared to US\$ 0.45 millions in 2005.

As a managing agent, BEST Re does not share in this surplus but earns a management fee. This "Wakala" fee, set at a maximum of 15% of the Company's net earned premiums following a Board decision on 10th January 1998, amounted to US\$16.9 millions in 2006. This corresponds to 15% of net earned premium, against 12.8% in 2005.



FINANCIAL STATEMENTS IN RETAKAFUL MODEL FORMAT

The audited financial statements published in pages 19-24 are those prepared in compliance with the Tunisian statutory format. Hereafter, these financials have been restated in accordance with the Wakala ReTakaful model format and accounts split into two categories: a Retakaful Fund's account and a Wakala account.

For the sake of clarity, the following table reconciles the two formats:

Year 2006	Best Re Financials as per Tunisian Regulation	Financials as per Takaful Model	
		Retakaful Fund	Wakala Account
Net income/Surplus	9 308 849.8	705 829.2	8 854 849.8
<i>Changes in:</i>			
Statutory reserves	953 404.4		953 404.4
Retained earnings	204 306.40		204 306.40
Cedents' reserve fund	705 829.2	705 829.2	
Special reserves	1 000 000.0		1 000 000.0
General reserves	0.0		0.0
Staff Bonus	860 000.00		860 000.00
Dividends	5 585 309.9		5 585 309.9
Total	9 308 849.9	705 829.2	8 603 020.6

It would be noted that in the legal format, the "Cedents' Reserve Fund" of US\$ 705 830 corresponds to the net surplus of the same amount under the Retakaful Fund account and the "Net income" of US\$ 9 308 850.80 corresponds to the sum total of the Retakaful fund and the Wakala account; i.e. US\$ 8 603 020.60 and US\$ 705 829.20, respectively.

RETAKAFUL FUND
ACCOUNTS

BALANCE SHEET

As at 31st December, 2006

US\$ thousands

	2006	2005
Assets		
Investments		
Intangible Assets	-	-
Equipment	-	-
Investments	88 420	87 168
Total Investments	88 420	87 168
Debts from retrotakaful transactions		
Retakaful contribution reserves	3 524	2 453
Outstanding loss reserves	15 615	13 307
Total Debts from retrotakaful transactions	19 136	15 760
Receivables		
Premium earned not written	54 602	39 890
Others retakaful transactions	17 045	12 478
Debt from retrocessionnaires	-	-
Various debtors	654	1068
Expenses brought forward	1 855	963
Total Receivables	74 156	54 399
Cash at Banks and in hand	2 601	2 506
Total Retakaful Assets	184 316	159 834
Retakaful Funds and Retakaful Liabilities		
Retakaful Funds	79 711	69 978
Reserves		
Reserves for Outstanding Claims	87 972	71 602
Other debts		
Debt owed to retrocessionnaires	4 000	8 807
Debt owed to cedents	6 515	8 349
Payable to retrocessionnaires	5 045	163
Various creditors	1 073	934
Total Retakaful Liabilities	104 605	89 855
Total Retakaful Funds and Liabilities	184 316	159 834

STATEMENT OF INCOME

For the year ended
31st December, 2006

US\$ thousands

	2006	2005
Revenues		
Contributions	133 763	108 303
Less : Retrotakaful	(17 531)	(13 003)
Net Contributions	116 232	95 300
Change in Unearned Contributions Reserves	(3 714)	3 761
Earned Contributions	112 518	99 061
Claims		
Paid claims	50 266	48 803
Less : Retrotakaful Share	(4 857)	(7 781)
Net Claims	45 409	41 022
Change in claims reserves	14 064	17 174
Net Claims Incurred	59 473	58 196
Net Commission	35 235	27 454
Underwriting Surplus Before Management Expenses & Wakala fee	17 810	13 320
Wakala fee	16 878	12 640
Management Expenses	-	-
Underwriting Surplus	932	680
Investment Income	6	231
Investment Expenses	(207)	(433)
Other Operating Income	-	-
Other Operating Expenses	-	-
General Allowance for Decrease in Value of Investments	-	-
Profit (Loss) Before Taxation	730	477
Taxation	25	24
Surplus Attributable to the Company and Participants	706	454
Surplus Attributable to the Company / Carried forward	-	-
Net Surplus Attributable to Participants for Financial Year	706	454
Surplus Attributable to Participants as at 1 st January	2 673	2 220
Surplus Paid During the Year	-	-
Surplus Attributable to Participants as at 31 December	3 379	2 673
Quardhul Hassan	58 801	54 559
Unearned Contributions Reserves carried forward	17 530	12 746
Allowance for Decrease in Value of Investment at 1 st January	-	-
Allowance for Decrease in Value of Investments of the Year	-	-
Retakaful Fund as of 31 December	79 711	69 978

WAKALA ACCOUNTS

BALANCE SHEET

As at 31st December, 2006

US\$ thousands

	2006	2005
Shareholders' Assets		
Intangible Assets	1 316	979
Equipment	98	1 121
Investments	73 549	13 363
Total Fixed Assets	75 803	15 464
Receivables	60 697	60 200
Bank and Cash	31 835	44 378
Total Shareholders' Assets	168 335	120 042
Total Retakaful Assets	184 316	159 834
Total Assets	352 651	279 876
Shareholders' Equity, Retakaful Funds and Liabilities		
Shareholders' Equity		
Capital	100 000	55 000
Reserves & Retained Earnings	9 214	7 757
Net Income	8 603	6 690
Total Shareholders' Equity before allocation	117 817	69 447
Total Retakaful Funds	79 711	69 978
Liabilities		
Shareholders' Liabilities	50 518	50 596
Retakaful Liabilities	104 605	89 855
Total Liabilities	155 123	140 451
Total Shareholders' Equity, Retakaful Funds and Liabilities	352 651	279 876

STATEMENT OF INCOME

For the year ended
31st December, 2006

	US\$ thousands	
	2006	2005
Revenues		
Wakala fee	16 878	12 640
Profit brought forward from Retakaful Income Statement	-	-
Investment Income	694	355
Total Revenues	17 572	12 995
Other Income and Expenses		
Management Expenses	(6 247)	(4 717)
Other Income	716	199
Other Expenses	(3 439)	(1 787)
Net Other Income and Expenses	(8 969)	(6 306)
Profit (Loss) Before Zakat and Taxation	8 603	6 690
Zakat	-	-
Taxation	-	-
Net Income	8 603	6 690

ORDINARY GENERAL ASSEMBLY
RESOLUTIONS

During the General Assembly meeting held in Tunis on May 18th, 2007, the following resolutions were adopted:

FIRST RESOLUTION

After hearing the Board of Directors Report on the Company's activities and its financial position for the year 2006; after reviewing the Balance Sheet, the Statement of Income and other statements for the year ended on 31st December 2006 and after hearing the Auditor's report on these statements, the General Assembly approves these two reports and gives full discharge to all Board members for the financial year under consideration.

This resolution was passed unanimously.

SECOND RESOLUTION

The Ordinary General Assembly endorses the general Auditor's report as well as his special report pertaining to the operations falling under Article 200 of the Code of Commerce and Article 30 of the Company's by-laws and gives him full discharge thereof.

This resolution was passed unanimously.

THIRD RESOLUTION

The Ordinary General Assembly has reviewed the annual report submitted by the Company's Shariah supervisor, Sheikh Mohammed Mokhtar Sellami, in respect of 2006 and notes his remarks and invite the Board of Directors to undertake the appropriate measures.

This resolution was passed unanimously.

FOURTH RESOLUTION

After reviewing the Company's accounts for 2006, the Ordinary General Assembly recognises that proceeds from interest-bearing deposits held by ceding companies amounted to US\$ 180 429 and gives authority to the Chairman to distribute them to charities as deemed appropriate. The said amounts are to be levied from "non Shariah-compliant proceeds" under "Provision for liabilities and charges"

This resolution was passed unanimously.

FIFTH RESOLUTION

The Ordinary General Assembly examined the Board's recommendation in respect of the appropriation of the net profit for the year 2006, amounting to US\$ 9 308 849, as follows:

Net profit for the year	9 308 849
Profit brought forward from previous year	225 194
Profit for distribution	9 534 043
Legal Reserve	953 404
Cedents Reserve Fund	705 829
Extraordinary Reserve Fund	1 000 000
Staff Bonus	860 000
Shareholders' Dividend	5 585 309
Profit carried forward	429 500

The Ordinary General Assembly gives authority to the Board of Directors to determine the appropriate date for the distribution of dividends to the shareholders.

[This resolution was passed unanimously.](#)

SIXTH RESOLUTION

The Ordinary General Assembly decides to grant Board members a fee of US\$ 3000 for each Board meeting attended and entrusts the Board to implement this resolution.

[This resolution was passed unanimously.](#)

SEVENTH RESOLUTION

The Ordinary General Assembly decides to distribute the underwriting surplus recorded for the years 1986-1996, whilst taking into consideration the claims reserves element still outstanding.

It further entrusts the Board with the responsibility of preparing the appropriate lists and tables in order to implement this resolution, in strict accordance with the Company's by-laws.

[This resolution was passed unanimously.](#)

EIGHTH RESOLUTION

The Ordinary General Assembly grants full powers to the bearer of these resolutions in order to carry out all required legal formalities.

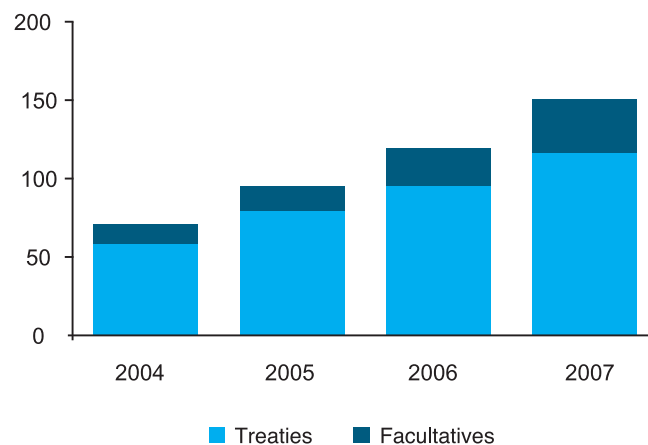
[This resolution was passed unanimously.](#)

**BUSINESS REVIEW
AND
2007 RENEWALS**

Premium Analysis by type of business

US\$ millions

	2004	2005	2006	2007
Treaties	59	81	97	118
Facultatives	13	16	24	35
Total	72	97	121	153



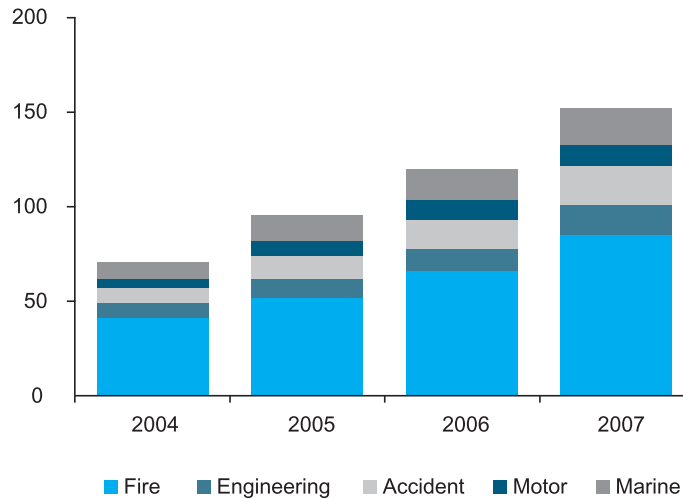
Our portfolio remains predominantly geared towards treaty business (77%). The proportion of facultative acceptances (23% in 2006) shows, however, a clear progression since 2004.

Total portfolio structure is closer than ever to our strategic target matrix aiming at a mix of 65%-15%-20% for Proportional- Non Proportional- Facultative business.

Premium Analysis by line of business

US\$ millions

	2004	2005	2006	2007
Fire	41	52	66	85
Engineering	8	10	13	16
Accident	8	12	16	21
Motor	5	9	12	12
Marine	9	14	16	20
Total	72	97	121	153

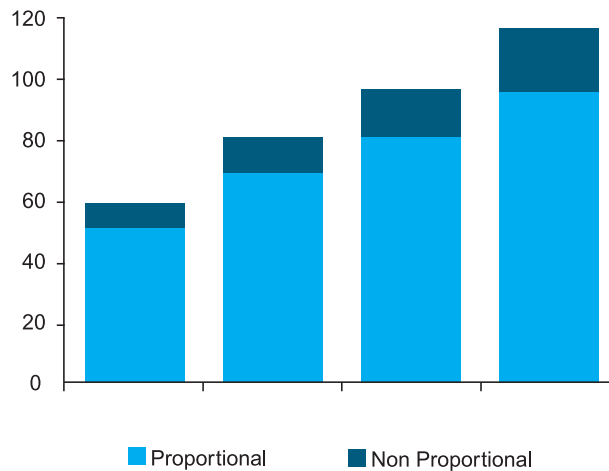


Our portfolio continues to be mainly a Property book of business, dominated by the “Fire” class, which represents 56% of our acceptances in 2007. The “Accident” and “Engineering” classes follow suit with 14% and 10%, respectively. “Marine” remains stable at 13%, whereas “Motor” shows a slight voluntary decrease to 8%. Apart from this planned decrease, all classes show a dynamic growth varying from 24% to 36% in 2007.

Treaty premium analysis by type of business

US\$ millions

	2004	2005	2006	2007
Proportional	51	69	81	96
Non Proportional	8	13	17	21
Total	59	81	97	118

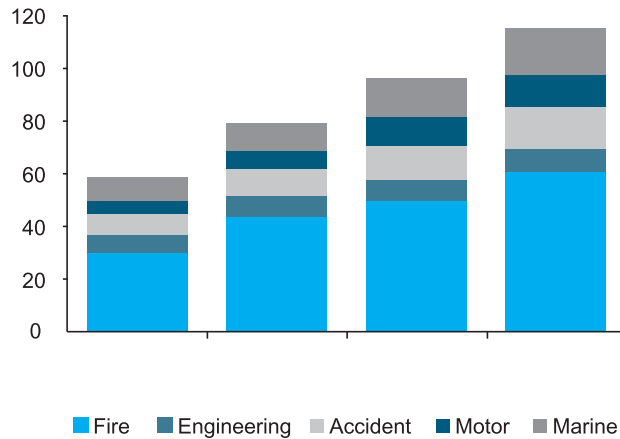


Our “Treaty” portfolio continues to be mainly proportional. In 2007, the non-proportional component is anticipated to be around 18%, a slight increase over 2006 where it stood at 17%. Non proportional treaties acceptances recorded a significant increase in terms of premium income since 2005. In 2007, their anticipated growth is estimated at around 29%.

Treaty premium analysis by line of business

US\$ millions

	2004	2005	2006	2007
Fire	30	44	50	61
Engineering	7	9	8	9
Accident	8	10	13	17
Motor	5	7	12	13
Marine	9	12	15	18
Total	59	81	97	118

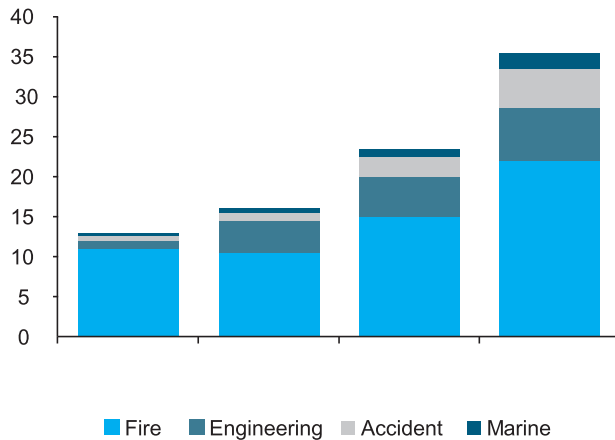


Our Treaty book structure remains fairly stable, with Fire representing 52% of the total estimated premium in 2007. Apart from the "Motor" class, all lines of business are expected to show a significant but controlled growth, varying between 16% and 25%.

Facultative premium analysis by line of business

US\$ millions

	2004	2005	2006	2007
Fire	11	11	15	22
Engineering	1	4	5	7
Accident	1	1	3	5
Marine	0	1	1	2
Total	13	16	24	35



Our Facultative book of business remains mainly property oriented and where the “Fire” class has the lion’s share with 63% of our acceptances. The “Engineering” and “Accident” classes come next, with 19% and 13%, respectively. The average overall growth for all classes is estimated at 49% in 2007, with a special mention for “Accident” and “Marine” which are expected to show a growth of around 82% and 65%, respectively.

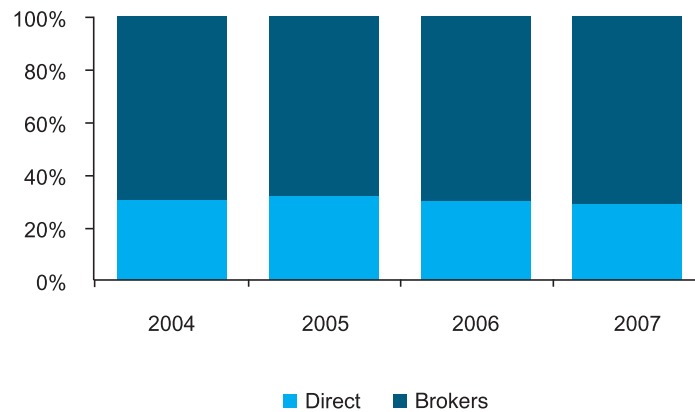
Premium analysis by source of business

• Treaty

US\$ millions

	2004	2005	2006	2007
Direct	18	26	30	34
Brokers	41	55	68	83
Total	59	81	97	118

Direct	31%	33%	30%	29%
Brokers	69%	67%	70%	71%
Total	100%	100%	100%	100%



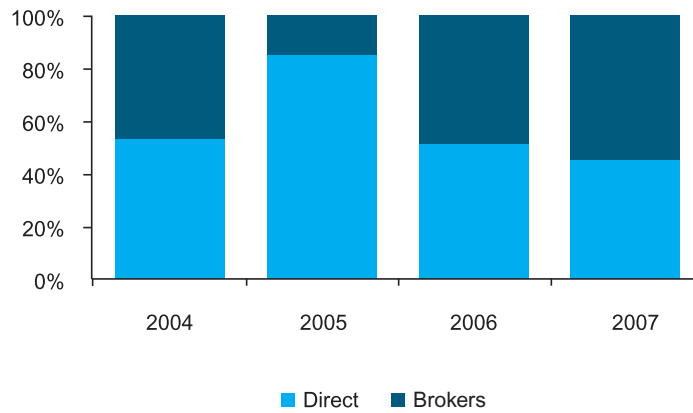
The breakdown between "Direct" and "Broker" treaty business remains fairly stable and is expected to continue unchanged in 2007.

• **Facultatives**

US\$ millions

	2004	2005	2006	2007
Direct	7	14	12	16
Brokers	6	2	12	19
Total	13	16	24	35

Direct	53%	85%	51%	45%
Brokers	47%	15%	49%	55%
Total	100%	100%	100%	100%



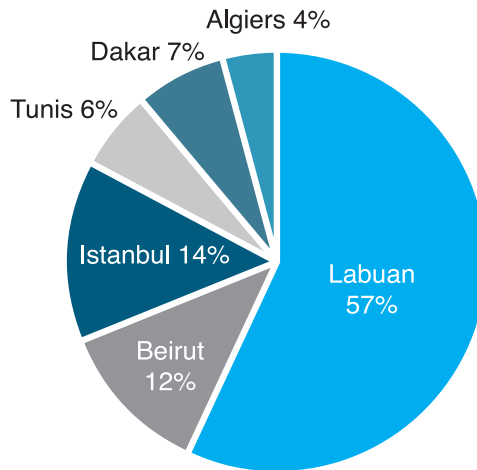
The share of Direct business is expected to be in the region of 45% in 2007.

Premium analysis by regional office

US\$ millions

	2004	2005	2006	2007
Labuan	38	52	69	88
Beirut	13	14	17	19
Istanbul	11	13	14	21
Tunis	6	8	8	9
Dakar	10	8	7	10
Algiers	3	4	5	6
Total	81	97	121	153

U/W 2007

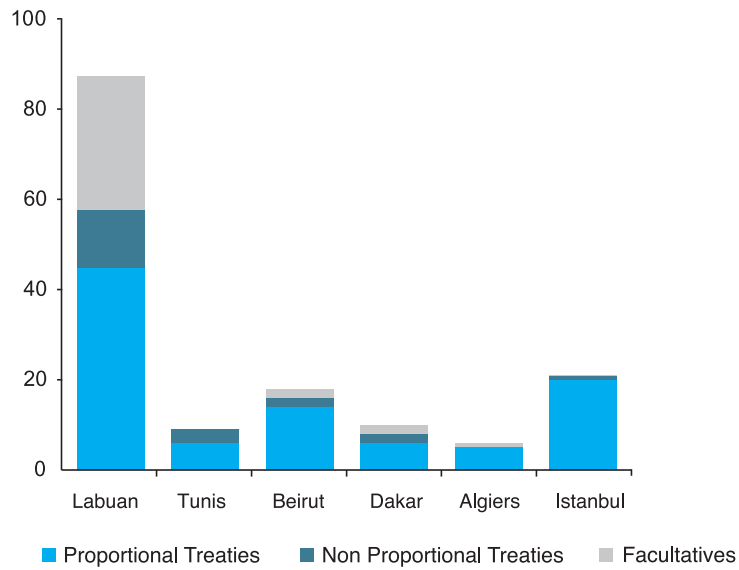


More than half of our premium income continues to be written through our Labuan office, which represents around 57% of our total estimated premium income in 2007.

• **By type of business**

US\$ millions

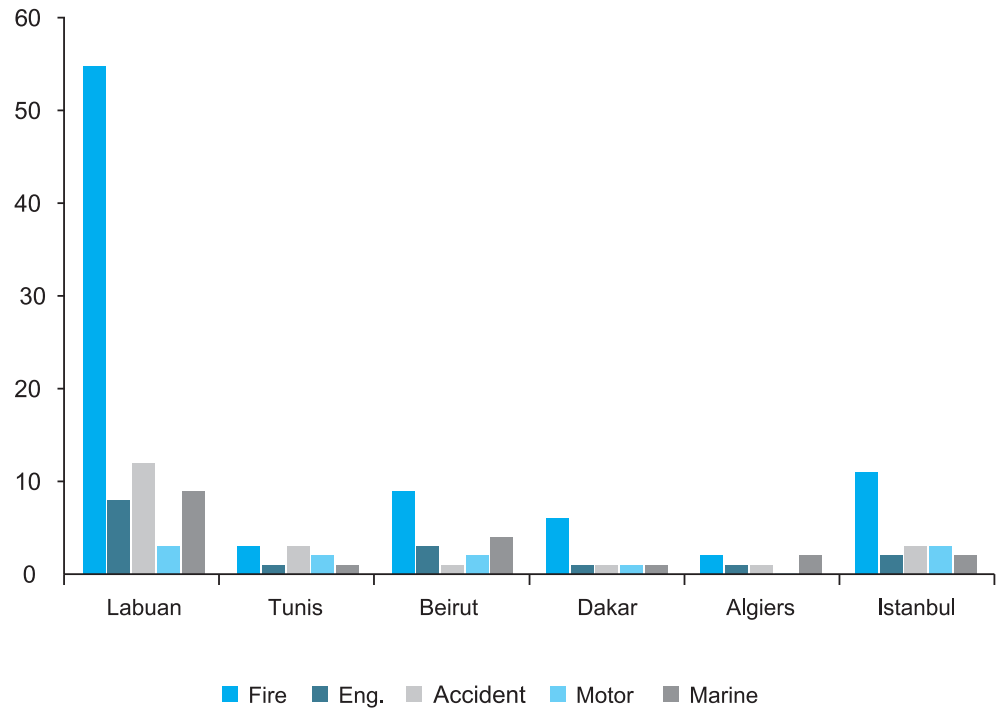
U/W 2006	Labuan	Tunis	Beirut	Dakar	Algiers	Istanbul	Total
Proportional Treaties	39	5	13	5	4	14	81
Non Proportional Treaties	10	3	1	2	1	0	16
Facultatives	19	0	2	1	0	0	24
Total	69	8	17	8	5	14	121



• By line of business

US\$ millions

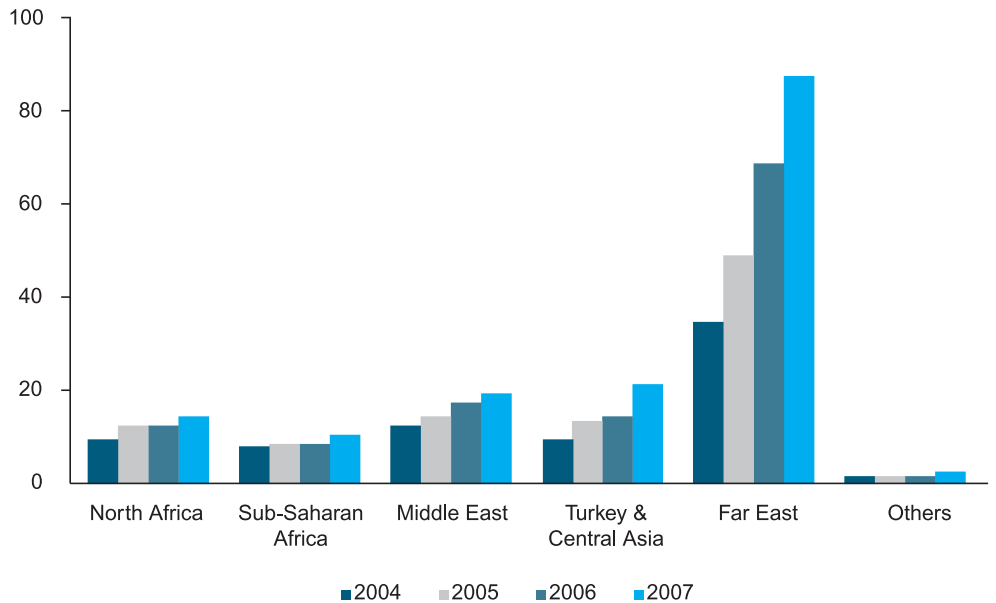
U/W 2006	Labuan	Tunis	Beirut	Dakar	Algiers	Istanbul	Total
Fire	44	2	8	4	2	5	66
Engineering	7	1	3	1	1	1	13
Accident	8	2	1	1	1	2	16
Motor	3	2	1	1	0	5	12
Marine	7	1	4	1	1	1	16
Total	69	8	17	8	5	14	121



Premium analysis by geographic zone

US\$ millions

U/W Year	North Africa	Sub-Saharan Africa	Middle East	Turkey & Central Asia	Far East	Others	Total
2004	9	7	12	9	35	1	72
2005	12	8	14	13	49	1	97
2006	12	8	17	14	69	1	121
2007	14	10	19	21	88	1	153



Geographically, our portfolio structure remains fairly stable. The Far East continues to be the leading area with 58% of total expected premium written in 2007. It is followed by Turkey & Central Asia and the Middle East & Gulf areas with 14% and 12%, respectively. North and sub-Saharan Africa are expected to generate 9% and 6% of total gross written premium income in 2007.

It would be noted that Turkey & Central Asia witnessed the highest growth in 2007 with +47%, against 10% in 2006.

Number of Ceding Companies

	2004	2005	2006	2007
Number of cedents	434	586	605	540

Number of Contracts

	2004	2005	2006	2007
Proportional Treaties	1 381	1 469	1 612	1 752
Non Proportional Treaties	1 543	1 926	2 195	2 430
Facultatives	4 027	4 134	5 163	6 790
Total	6 951	7 529	8 970	10 972

VALUE-ADDED SERVICES

As part of its marketing strategy to be recognised as The “Proximity” Reinsurer for the emerging markets, BEST Re has spared no effort in trying to meet its partners’ needs in terms of value-added services.

Since 2003, BEST Re has launched a series of successful workshops and seminars around powerful, interactive and user-friendly simulation tools. These were developed in the UK by a world leader in designing computer-based business simulations applied to insurance and reinsurance and the International Cooperative and Mutual Insurance Federation (ICMIF), of which BEST Re is a member.

Morotania, ReAction and Atlas, their highly acclaimed products, are expertly utilised and facilitated by a dedicated BEST Re team from our corporate centre in Tunis.

Associated “Learning by Doing” workshops cover topics such as:

- Launching and running a Non-Life insurance company (Morotania)
- Designing and negotiating an efficient and cost-effective reinsurance programme (ReAction)
- Running a Life Assurance company (Atlas)

Since 2004, BEST Re has also organised “Excess of loss treaty pricing” workshops based on our its pricing model, which was developed in partnership with Deloitte & Touche and a team from the University of Connecticut (USA).

In 2005, BEST Re has also launched a specific workshop the Risk-based Capital Approach (RBCA) in collaboration with Joel Winter & Associés (JWA), a French actuaries’ firm.

In 2006, BEST Re’s offer was further enhanced with the addition of a so-called “Back-office” module, which covers basic principles of reinsurance accounting, reserving and claims handling.

These seminars and workshops, aimed at higher level to middle management of insurance companies, have proven to be an outright success among partners across the emerging markets.

From 2003 to date, 40 events were organised, attracting 782 participants representing 353 companies or institutions from 30 countries.

Events organised from 2003 to date

Workshops	Events	Participants
Morotania	14	184
ReAction	13	267
XOL	10	249
Atlas	1	22
RBC	1	30
Back Office	1	30
Total	40	782

It is our ambition to capitalise on this success and continue to enrich our current catalogue in line with our partners' needs and future expectations.

NOTES

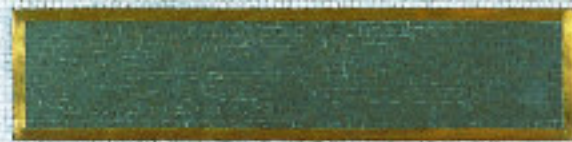
NOTES

2006

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



بيت إعادة التأمين التوطيني السعودي



B.E.S.T
REINSURANCE