

# Board of Directors Report

**The Board of directors is pleased to present the 29th Annual Report of the company to the distinguished shareholders with the balance sheet and income statement for the financial year ended 31 December 2005. This year is the third and last year in the term of the current Board of Directors.**

The Board completes its term with a sense of satisfaction for having guided and worked with the management to reposition the company as a major player in the local market:

Under the directions of the Board, rules, guidelines and procedures were restructured to improve efficiency and effectiveness with which the company could proactively respond to changing market conditions including guidelines for investment management. Record performance especially in investments and as well as in underwriting speaks for itself to show the outcome of those changes.

The Board played an active role in overseeing the training program including programs abroad that empowered the Bahraini staff to take up higher managerial responsibilities.

The Board guided the management to develop the information technology to a level that prepares the company for the next level of interaction with customers and to provide services to them that would have great impact on their satisfaction and loyalty to the company.

Important business strategic alliances were established with reputed Asian insurance players that resulted in launching of several unique products jointly, that are new to the market. Several more new products are being designed and are expected to be introduced during 2006 through this joint venture.

## Insurance Market Developments

The hard conditions that prevailed in the recent past in the international markets showed some easing trend during the year. Responding to this global trend and due to competitive environment triggered by the new entrants, the Bahrain market witnessed rate reduction in almost all classes of business despite the country registering a good economic growth for the year.

Bahrain Monetary Agency actively promoted the kingdom as a regional insurance hub. It published rulebooks and introduced motor third party tariff during the year to create transparent and stable environment for the development of insurance industry.

## Company performance for the year 2005

Business results of the Company for the year 2005 are very encouraging. Gross premium grew to BD 7,110,995 for the year 2005 compared to BD 6,753,428 for the previous year.

Net earned premium has increased from BD 1,915,594 for 2004 to BD 2,355,737 for 2005 showing a growth of 23%.

Net commission income earned has grown from BD 423,531 for 2004 to BD 566,410 for 2005 showing a growth of 34%.

Results of various insurance activities before deducting general and administration expenses are as follows:

	2005
Fire general risks & engineering	BD 440,232
Marine & aviation	BD 86,129
Medical & life	BD 40,967
Motor	BD 201,796
<b>Total</b>	<b>BD 769,124</b>

## Board of Directors Report continued

Excellent investment climate prevailed in the Middle-East during the financial year and the Board is proud to have been able to capture a good slice of this market action. Investment income was BD 2,081,077 for the year 2005 as compared to BD 683,764 for the previous year, representing a growth of 204%.

The general and administrative expenses were at BD 503,093 for 2005 as compared to BD 480,392 for 2004.

The net profit for 2005 was BD 2,320,243 as compared to BD 919,537 for the previous year, representing a growth of 152% over the previous year.

The overall performance has increased the Shareholders' equity from BD 6,679,091 as at 31 December 2004 to BD 11,182,003 as at 31 December 2005 representing a growth of 67%.

### Proposed appropriations

The amount available for appropriation is BD 2,889,136 as follows:

Net profit for the year 2005	BD 2,320,243
Net retained earnings from 2004	BD 568,893
<b>Total profit available for appropriations</b>	<b>BD 2,889,136</b>

In view of the Bahrain Monetary Agency's rulebook – capital adequacy requirement that tier 1 capital should be minimum of BD 5 Million by 31st December 2007, the Board has decided to retain the profits as much as possible so that any contingency during 2006 and 2007 will not jeopardise our compliance with this requirement. The Board of Directors therefore, seeks the approval of the distinguished General Assembly on the following appropriations:

Transfer to statutory reserves	BD 232,024
Cash dividend of 20 fils per share	BD 600,000
Bonus of 1 share for every 20 held	BD 150,000
Directors' remuneration	BD 193,822
Retained earnings	BD 1,713,290
<b>Total</b>	<b>BD 2,889,136</b>

### Corporate governance

In accordance with the Bahrain Monetary Agency rulebook pertaining to public disclosure the company is required to make additional disclosure in respect of the constitution, profile of the Board of Directors and management, various committees and organisation structure. The required disclosures are as follows:

Board of directors elected by the body of shareholders, consisting of seven members, governs the company. They hold office for three years and are eligible for re-election thereafter. They derive their powers from the Bahrain Commercial Companies Law 2001, the memorandum and the articles of Association and the powers granted by the Body of shareholders at their general assembly. Their shareholding in the company is given in note 15.

## Profile of Board of Directors

### Mr. Hussain Ali Sajwani Chairman

is a Bachelor of Arts in industrial engineering & economics from University of Washington.

Mr. Sajwani has 24 years of professional management and investment experience. He is a founder owner and Chairman of DAMAC Holding Company – Dubai, an international group of companies diversified into various fields such as hospitality industry, food services, investments, trading in stocks and securities, property development, manufacturing and education industries.

Mr. Sajwani holds Directorships in Damac Holding Company –Dubai as its Chairman, Al Jazeera Services SAOG – Oman as its Deputy Chairman and Managing Director, Al Anwar Ceramic Tile - Oman as its Chairman and Majan University College – Oman as its Chairman.

Mr. Sajwani was appointed by the Board in June 2004 as the director and there after elected to chair the Board.

### Mr. Adel Hassan Ali Alaali Deputy Chairman

is a Bachelor in Science from North Staffordshire University of UK and Bachelor in Science from Aston University of UK.

Mr. Alaali has extensive business experience as director and Board member in various industrial companies.

Mr. Alaali holds directorship in Al Aali House Limited, Al Aali Management Limited, Bahrain Bulk Handling, Bahrain Bulk Trade, Bahrain Precast Concrete, Haji Hassan Group W.L.L, Sky Properties Limited, United Cement Company, United Gulf Asphalt, United Precast Concrete – Dubai and United Precast Concrete – Qatar.

Mr. Alaali was first elected to the Board in March 2000 at the annual general meeting of the shareholders for a period of three years and thereafter he was re-elected in March 2003.

### Mr. Sofyan Adnan Khatib Director

Bachelor of Arts specialized in Business Administration & Hotel Administration.

Mr. Khatib has 24 years of professional management & investment experience.

Mr. Khatib holds directorships in DAMAC Group – Dubai, Al Jazeera Services Company SAOG – Oman, Al Anwar Ceramic Tile Company SAOG - Oman, Majan University College SAOG – Oman.

Mr. Khatib was appointed by the Board in June 2004 as the director.

### Mr. Abdulla Ebrahim Jamsheer Director

is a Bachelor of Science from Alexandria University - Egypt

Mr. Jamsheer has rich managerial and business experience being on the board of various companies.

Mr. Jamsheer holds directorships in Jamsheer Investments as Chairman, Al Oula Securities as Managing director, Esterad Investment Company BSC, Tabreed Bahrain and United Paper Industries.

Mr. Jamsheer was first elected to the Board in March 2000 at the annual general meeting of the shareholders for a period of three years and thereafter he was re-elected in March 2003.

### Mr. Sharif Mohamed Ahmadi Director

has a Degree in Electrical Engineering and Electronics from UK.

Mr. Ahmadi has rich managerial and business experience serving on the board of various companies.

Mr. Ahmadi is an Executive Member of the Board of Directors in the Bahrain Chamber of Commerce and Industry.

Mr. Ahmadi is the Managing Director of Bahrain Aluminium Extrusion Company (BALEXCO), Aluminium Services W.L.L., Dar Al Khaleej W.L.L., Paper Art Products Co: W.L.L. and Bahrain Waste Treatment Company W.L.L. He is also the Vice Chairman of Technal Middle East and a Director of Bahrain Family Leisure Company W.L.L.

Mr. Ahmadi was first elected to the Board in March 2000 at the Annual General Meeting of the shareholders for a period of three years and there after he was re-elected in March 2003.

### Dr. Osama Taqi Albaharna Director

holds a doctorate (Ph. D.) in Computer Engineering from the UK and Masters and Bachelor Degrees in Computer Engineering from Canada.

Dr. Albaharna has wide experience in management, operations, and marketing of service oriented organizations in Bahrain and Qatar. Dr. Albaharna has extensive experience as IT and eCommerce consultant and has worked as Project Manager on many strategic IT projects.

Dr. Albaharna was first elected to the Board in March 2003. He is the Executive Director of Continental Office Equipment & Systems W.L.L. and Taqi Mohammed Albaharna Trading Establishment.

### (The Late) M.r Sami Abdulla Amin Director

was first elected to the Board in March 2000 at the annual general meeting of the shareholders for a period of three years and thereafter he was reelected in March 2003. His directorship has remained vacant since his death in November 2005.

## Profile of the Management

### Mr. Yahya Nooruddin General Manager

holds a Master's Degree in Law – Lebanon. Besides he also holds a first class degree in marine engineering - Egypt

Mr. Nooruddin joined the company as a Deputy General Manager in May 1996 and was promoted to the post of General Manager in February 2002.

Before joining Al Ahlia Insurance, he acquired rich technical and marketing experience in a leading insurance company in Bahrain.

### Mr. S. Veerapandian Deputy General Manager-Operations

holds a Post Graduate Degree in Arts and is an Associate Member of the Insurance Institute of India

Mr. Veerapandian has vast experience in insurance industry in very senior positions in marketing as well as technical departments.

Mr. Veerapandian joined Al Ahlia Insurance in June 2002 at the present position.

### Mr. Ralph H. C. D'Souza Senior Manager-Finance and Administration

holds a Bachelor's Degree in Mathematics and Physics - India, Fellow Member of the Institute of Chartered Accountants of India and Fellow Member of the Global Association of Risk Professionals.

Mr. D'Souza has acquired wide experience in finance especially in the insurance industry.

Mr. D'Souza Joined Al Ahlia Insurance in November 1984 and was promoted to the present position in August 1998.

### Mr. M. V. Premsagar Senior Manager-Non-Motor

holds a Master's degree in commerce, Bachelor's degree in Law and is a Fellow of the Insurance Institute of India.

Mr. Premsagar has vast experience in insurance industry in managerial positions in technical departments.

Mr. Premsagar joined Al Ahlia Insurance in August 1996 as a Manager – Fire and General Accident and was promoted to the present position in March 2004.

### Mr. Adnan Al Aseeri Senior Manager-Motor

holds a Bachelor's degree in Statistics and Political Science from Kuwait.

Mr. Al Aseeri has rich experience in a senior managerial position in shipping industry covering risk management function.

Mr. Al Aseeri joined Al Ahlia in September 2003 as Senior Manager for Motor department

### Committees of the Board

The Board of Directors has delegated their powers to three committees to assist them in carrying out their directorial duties and to supervise more closely the management activities. These committees are Executive Committee, Audit Committee and the Technology Development Committee.

**The Executive Committee** consists of Mr. Sofyan A. Khathib – Chairman, Mr. Abdulla E. Jamsheer and Mr. Sharif M. Ahamdi.

The Executive Committee is empowered to act on behalf of the company in respect of investments decisions and to supervise the company's insurance operations.

**The Audit Committee** consists of Mr. Adel Hassan Ali Alaali – Chairman and Mr. Osama Taqi Al Baharna.

The Audit Committee is in charge of the audit function of the company. The committee oversees the statutory auditor function. The internal auditor directly reports to the Audit Committee.

**The Technology Development Committee** is chaired by Mr. Osama Taqi Albaharna. Members of the management team viz. Mr. Yahya Nooruddin – General Manager, Mr. Ralph H. C. D'Souza – Senior Manager for Finance & Administration, Mr. Hussain Ali Abdali Al Mansoor – Information Systems Manager and Ms Sajida Al Turk – HR and PR Manager are also members of this committee.

The Technology Development Committee guides the company and its management on the strategic path to follow with respect to development of the computer and information technology.

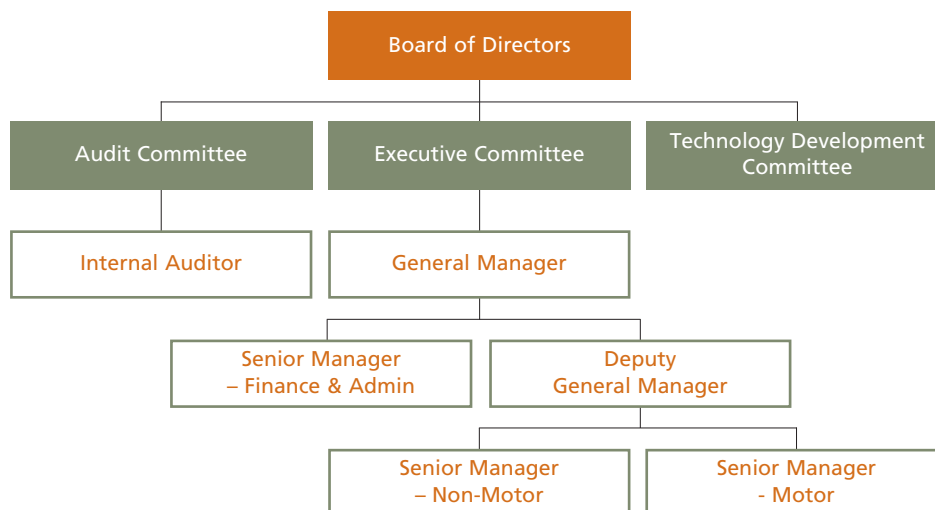
### Management Committee

The Management Committee consists of the members of the senior management team viz. Mr. Yahya Nooruddin – General Manager, Mr. S. Veerapandian – Deputy General Manager, Mr. Ralph. H. C. D'Souza – Senior Manager - Finance and Administration, Mr. M. V. Premsagar – Senior Manager - Non-motor and Mr. Adnan Al Aseeri - Senior Manager Motor.

The Management Committee sets departmental performance targets and guidelines, periodically reviews the performance of the operations departments against the targets and takes initiatives to implement action plan to obtain targeted performance that are approved by the Board of Directors in the business plan for the year.

## Organization Structure

The basic organization structure of Al Ahlia Insurance is as below:



### Capital Adequacy

The company regularly reviews the financial position of the company with respect to capital adequacy as required by the Bahrain Monetary Agency rulebook. The rulebook specifies the procedure in which available capital and required solvency margin is determined. Available capital and required solvency margin would depend on the financial position and the scale of operations of the company. The available capital determined in accordance with the Bahrain Monetary Agency rulebook for the company as on 31 December 2005 is BD 6,105,000. The solvency margin required is BD 900,000 for the period then ended. Accordingly, the financial position of the company is 6.8 times the required solvency margin.

### Thanks and appreciation

It is with great sadness that the Board reports the untimely death of Mr. Sami Abdulla Ameen during the year. The Board wishes to place on record the valuable contributions made by Mr. Ameen to the success of the company during his 6-year tenure. We will greatly miss his wisdom and guidance.

On behalf of our shareholders, the Board of Directors would like to extend their sincere thanks and appreciation to HM King Hamad Bin Isa Al Khalifa, The King of the Kingdom of Bahrain, HH Shaikh Khalifa Bin Salman Al Khalifa, the Prime Minister and HH Shaikh Salman Bin Hamad Al Khalifa, The Crown Prince and Commander-in-Chief of the Bahrain Defence Force.

The Board would also like to thank HE the Minister of Commerce and Industry and HE the Governor of Bahrain Monetary Agency for their continuous support to the insurance industry in Bahrain and all Ministers, the private sector establishments and individuals who dealt with our company and placed their trust.

We also extend our thanks to all the distinguished shareholders for their trust and continuous encouragement to the Board. Our appreciation and sincere thanks go to the management and the employees for their loyalty and dedication.

### Board of Directors

28 February 2006