

Board of Directors Report

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The Board of directors is pleased to present the 32nd Annual Report of the company to the distinguished shareholders with the balance sheet and income statement for the financial year ended 31 December 2008.

At the outset the Board would like to place on record its sincere appreciation to the outgoing General Manager Mr. Yayha Nooruddin for his leadership in developing the company to the level that it is today. Mr Nooruddin has left the company after 12 long years of dedicated service to pursue career in banking sector.

The Board appointed Mr. Tawfiq Shehab as new General Manager. Mr. Shehab brings with him 20 years of rich experience in insurance industry having served in a senior position with a leading insurance company and as an insurance industry regulator with Central Bank of Bahrain. The Board extends its warm welcome to Mr. Shehab and looks forward to greater development of the company under his leadership.

Insurance Market

Bahrain market remained competitive during 2008 with addition of new companies – traditional and takaful which results in increased competition and rate cutting. Re-insurance markets also remained soft. However, due to the financial crisis gripping the world economies, there might be hardening of re-insurance rates going forward. Bahrain insurance industry was free from major catastrophe during 2008.

Investment Market

During 2008 economies of the western countries went through and still are going through a period of severe crisis that was started in the sub-prime real estate market in US. This crisis now has impacted financial sector as well as other industries. Rest of the world economies that depend on exports to western countries, are also severely affected. In the middle-east, the stock markets were in good shape till second quarter of 2008. However, during third quarter of

2008 when the oil prices tumbled down from the peak of US\$ 147 per barrel to below US\$ 100 per barrel, the stock markets underwent a rapid decline.

At Al Ahlia insurance, we have taken proactive action to capture values attained during a period prior to the crisis and realised substantial gains. Some investments have been held for strategic reasons and this required recognition of impairment losses.

Company performance for the year 2008

Underwriting results of the Company for the year 2008 are very encouraging. Gross premium grew to BD 11,807,700 for the year 2008 compared to BD 9,860,283 for the previous year, representing a growth of 20%.

Net earned premium has increased to BD 4,985,377 for 2008 from BD 3,735,693 for 2007 showing a growth of 33%.

Net commission income earned has increased to BD 602,178 for 2008 from BD 527,067 for 2007 showing a growth of 14%.

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

	2008 BD	2007 BD
Fire general risks and engineering	403,039	351,907
Marine and aviation	188,584	118,805
Medical and life	252,309	280,841
Motor	964,190	688,439
Total	1,808,122	1,439,992





The overall investment crisis has impacted all the investment markets. Al Ahlia has taken adequate provisions for recognition of impairment losses to reflect this situation accordingly our investments and other expenses is showing a loss of BD 714,124 for the year 2008 compared to an income of BD 2,512,444 for the previous year.

The net profit for 2008 is BD 341,291 as compared to BD 3,301,970 for the previous year.

Proposed distributions:

The amount available for appropriation is BD 4,234,759 as follows:

	BD
Net profit for the year 2008	341,291
Net retained earnings from previous year	3,893,468
Total profit available for distribution	4,234,759

The Board of Directors seeks the approval of the distinguished General Assembly on the following appropriations:

	BD
Transfer to statutory reserves	34,129
Cash dividend of 50 fils per share	1,817,761
Bonus issue of 1 share for every 10 shares held	363,825
Directors' remuneration	12,000
Retained earnings	2,007,044
Total	4,234,759

Corporate governance

In accordance with the Central Bank of Bahrain 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:

A 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 17. During the year 2008 the Board of Directors met four times.

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 Operations Committee, Audit Committee and the Investment Committee.

The Operations Committee consists of Mr. Sharif M. Ahamdi – Chairman and Mr. Dr. Osama Taqi Albaharna.

The Operation Committee is empowered to act on behalf of the company to supervise the company's insurance operations.

During the year 2008, Operations Committee held seven meetings.

The Investment Committee consists of Mr. Sofyan Adnan Khatib – Chairman and Mr. Abdulla Ebrahim Jamsheer.

The Investments Committee is empowered to act on behalf of the company in respect of investment decisions.

During the year 2008 Investment Committee held four meetings. However, all investment decisions are taken in writing by circulation.

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The Audit Committee consists of Mr. Adel Hassan Ali Alaali – Chairman and Mr. A. V. Babu.

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.

During the year 2008, the Audit Committee met two times.

Capital Adequacy

The company regularly reviews the financial position of the company with respect to capital adequacy as required by the Central Bank of Bahrain rulebook. The rulebook specifies that the tier 1 capital should be at least BD 5 million and that the available capital of the company should be adequate to cover the minimum solvency margin. The rulebook sets the procedure in which tier 1 capital, 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 capital of the company determined in accordance with the Central Bank of Bahrain rulebook as on 31 December 2008 as follows:

Minimum tier 1 capital required	BD 5.0 million
Tier 1 capital of the Company	BD 9.3 million
Minimum solvency margin required	BD 1.1 million
Available capital of the Company	BD 5.4 million

Accordingly, the available capital of the company is 5 times the required solvency margin.

Thanks and appreciation

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 & Deputy Supreme Commander of the Bahrain Defence Force.

The Board would also like to thank HE the Minister of Industry and Commerce and HE the Governor of Central Bank of Bahrain 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 24th February 2009