

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 45th Annual Report of the Company together with the Audited Accounts and their Report thereon for the year ended 31st December 2005.

Business Review

During the year under review, the Company achieved some major milestones making way to its meteoric rise as a front leader in the General Insurance Industry. It is evident from the statement of premium that, gross premium of Rs 75,97,706 was underwritten against Rs. 18,376 in the previous year 2004. The bedrock of future premium income has firmly been laid.

It is now, expected that your Company will whole-heartedly resume business activities from the year 2006 with an EPI of Rs. 14 billion p.a.

Profit and Loss statement reflects, an overall loss amounting to Rs. 1.937 million during the year under review Rs. 11.429 million during the previous year 2004. Loss is decreased by 83%

Necessary steps have already been taken by the Management of the Company to re-organize the affairs to boost up business activities during the year 2006. Experienced, qualified staff and Marketing team are ready to meet the challenges of existing competition.

Compliance with the Code of Corporate Governance

The Board of Directors remained engaged in performing their duties as required under the Code of Corporate Governance. In addition, the Code of Corporate Governance for Insurance Companies has also been adopted and complied with, and such compliance is attached with this Report.

Change in the Board of Directors

There was no change in the Board of Directors of the Company during the year 2005.

Board of Audit Committee

There was no change in the Board of Audit Committee during the year 2005.

Appointment of Auditors

The Board of Directors and the Audit Committee of the Company have recommended appointment of Messrs. Muniff Ziauddin & Co., Chartered Accountants, as Auditors of the Company for the year 2006, at a remuneration to be mutually agreed by the Management and the Auditors. This appointment was ratified by the SECP.

Pattern of Shareholding

A Statement showing the Pattern of Shareholding is attached with this Report.

Corporate Financial Reporting

1. The financial statements together with the notes forming an integral part of these statements are drawn up in conformity with the Companies Ordinance 1984, and the Insurance Ordinance 2000, prepared by the management of your Company, these present fairly the state of affairs, the result of the operations, cash flows and changes in equity.
2. Proper Books of Accounts of the Company have been maintained.
3. Appropriate accounting policies have consistently been applied in preparation of these financial statements, and accounting estimates are based on reasonable and prudent judgement.
4. The International Accounting Standards, as applicable in Pakistan have been followed in preparation of these financial statements and any departure there-from, has been adequately disclosed.
5. The system of internal control is Satisfactorily design and has been continuously monitored by the internal audits. This is in course of process and any weaknesses will be removed soon after Company comes into operation.

6. There is no doubt upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last ten years is attached with this Report.
9. Outstanding amounts, taxes and duties are given in the financial statements.

Financial Statements

The financial Statements of the Company have been audited by M/s. Rao & Company, Chartered Accountants who have approved the Accounts.

There were no material changes and commitments affecting the financial position of the Company from the end of the financial year and up to the date of signing the Directors Report.

Insurance Ordinance 2000

- 1) In their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and the rules made thereunder.
- 2) The Company has, all times in the year, where practicable complied with the provision of the Ordinance and the rules made there under.
- 3) As at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed thereunder as mentioned above.

Internal Control

Since the Company remained in a preparatory phase prior to launching its business plans during the year under review, internal controls were test implemented and monitored. These shall on resuming of business operations of the Company be fully implemented.

Paid-up-Capital of the Company

During the year under review, the Paid-up Capital of the Company was Rs. 475.90 million, In 2002, it was increased from Rs. 50 million to Rs. 475.90 million and since then there has been no change.

Likewise, Authorized Capital of the Company was also increased during the year 2002, from Rs. 50 million to Rs. 500 million, and since then there was no change.

Corporate Governance

The Company was testing each facet of its operation during the year under review and there was almost no real business operation. With these limitations in mind, the Company tried to comply with the real Code of Corporate Governance, the best that could be managed. The Company will however fully implement the requirements of these codes in its organization when it runs into operation on a full year basis.

Future Outlook

The Directors and Management of the company are confident and very hopeful for a quick and swift growth of the company as a leader in the insurance industry. The Management has taken very strong measures and made certain policies to upgrade the company. It has been studied and projected that;

- a) with the private public partnership MOU signed between this company and Ministry of Interior on the 16th of May;

- b) the agreement signed for launching the 'gold-based' domestic reinsurance pool called DAULAT; and
- c) the agreement signed for the launching of 'securitized insurance'. this company is firmly set on route to lead the insurance industry in Pakistan.

The company has also established four subsidiaries to support the core business of insurance.

- These consists of
- a) a firemen training academy
 - b) a public relations supportive cafe / restaurant
 - c) an on-line news agency; and
 - d) a desk-top provider of flowers.

The future outlook for the short and medium term is dependent on improved political situation in the region, besides the continuation of economic and fiscal policies by the Government. All economic indicators are however, positive and should lead to higher growth in future years.

As indicated earlier that the paid-up-capital was enhanced to Rs. 475 million, in view thereof, the management is hopeful of a bright future and considerable business will be generated in the coming years.

General

We take the opportunity to express out appreciation to our valued clients, Securities and Exchange Commission of Pakistan, Pakistan Reinsurance Company Limited, other Re-insurers, Banks, DFIs and statutory bodies our Auditors, Messrs' Rao & Company (Chartered Accountants) for their extensive co-operation and support to the Company.

The Directors are also pleased to record their appreciation of the valuable services rendered by the staff of the Company.

Director

Director

Director

M. SHAHNAWAZ AGHA
Chairman & Chief Executive

Karachi : 6th April, 2006