



45th Annual Report 2005



Contents

<i>Financial Highlights</i>	01
<i>Company Information</i>	03
<i>Highlights</i>	05
<i>Statement of value added & its distribution</i>	06
<i>Quality Policy</i>	07
<i>Core Value</i>	08
<i>Vision</i>	09
<i>Mission</i>	10
<i>Board of Directors</i>	11
<i>Company Profile</i>	13
<i>Major Activities during 2005</i>	16
<i>Directors' Report to the Members</i>	17
<i>Ten Year Summary</i>	25
<i>Statement of Compliance with the Code of Corporate Governance</i>	27
<i>Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance</i>	29
<i>Notice of the Forty Fifth Annual General Meeting</i>	30
<i>Financial Statements for the year ended December 31, 2005</i>	31
<i>Pattern of Shareholding</i>	71
<i>Executives of the Company</i>	75
<i>Branch Information</i>	76
<i>Proxy Form</i>	80

Financial Highlights



Financial Highlights

PARTICULARS	2005	2004
Earnings (Rupees in Million)		
Gross Premium	6,682	5,266
Net Premium	3,997	3,678
Underwriting Result	275	74
Investment Income	1,147	494
Profit Before Tax	1,278	411
Profit After Tax	1,163	327
Balance Sheet		
Paid Up Capital	826	826
Equity	2,302	1,387
Investments (Book Value)	3,040	2,469
Investments (Market Value)	6,750	5,282
Cash & Bank	1,428	755
Total Assets	9,182	8,005
Total Liabilities	6,880	6,618
Returns		
Return on Capital Employed (%)	51.00	23.61
Share Information		
Earning Per Share (Rupees)	14.08	3.96
Break Up Value Per Share (Rupees)	29.37	16.79
No. of Shares (in Million)	82.61	82.61
Share Price (Rupees)	137.00	65.60
KSE Index	9,557	6,218
P/E Ratio	9.73	16.57
Market Price to Break Up Value	4.67	3.91
(*)Dividend Per Share (Rupees)	4.00	-
(*)Dividend Yield (%)	2.92	-
(*)Dividend Payout Ratio (%)	28.42	-
Operational Performance		
Underwriting Result to Net Premium (%)	6.88	2.02
Profit After Tax to Net Premium (%)	29.10	8.90
Investment Income to Net Premium (%)	28.70	13.42

(*) Including Bonus Dividend

Company Information

Board Of Directors

<i>Saqib Elahi</i>	<i>Director</i>
<i>Shahzad Saleem</i>	<i>Director</i>
<i>Mohammed Naeem Mukhtar</i>	<i>Director</i>
<i>Ibrahim Shamsi</i>	<i>Director</i>
<i>Abdul Hamid Adamjee</i>	<i>Director</i>
<i>Abdul Razak Adamjee</i>	<i>Director</i>
<i>Wasif M. Khan</i>	<i>Director</i>
<i>Asmaad Aman Aslam</i>	<i>Director</i>
<i>Syed Jawad Gillani</i>	<i>Managing Director</i> <i>& Chief Executive</i>

Advisor

Mian Mohammad Mansha

Audit Committee

<i>Saqib Elahi</i>	<i>Chairman</i>
<i>Shahzad Saleem</i>	<i>Member</i>
<i>Mohammed Naeem Mukhtar</i>	<i>Member</i>

Deputy Managing Director *Nasreen Rashid, M.A., A.C.I.I. (London)*

Chief Financial Officer *Muhammad Ali Zeb, F.C.A.*

Secretary *Tameez-ul-Haque, F.C.A*

Senior General Managers *Sultan A. Siddiqi, B.A.*
Capt. Mahmood Sultan, Master Mariner, F.I.C.S (London),
F.C.I.I (London), Chartered Ship Broker, Chartered Insurer

General Managers

*Khawaja Khalid Mustafa, M.A.
Abdul Razak Rahimtullahi Bramchhari
Syed Basit Hussain, B.Com.
Jameel Khan, M.A. L.L.B.
Iqbal Mohammad, B.A.
Mian Faisal Usman, M.B.A., A.C.I.I. (London)
Khalid Hamid, B.E. (Elec.) A.C.I.I. (London), Chartered Insurer
Zafar Mahmood Awan, M.B.A (G.Mgt.)
Shamsul Haque, A.C.I.I. (London)
M. Iqbal Vakil, B.Com
M. Jahangir Chuqitai, M.A.
Najib Nasir Syed, M.B.A. (U.S.A.)*

*General Managers
(Development)*

*Abdul Aziz Khaileli, B.Com.
Shamsul Arfeen Qureshi, B.Com.
Mazhar Saleem
Mahmood A. Wahab, B.A.*

Auditors

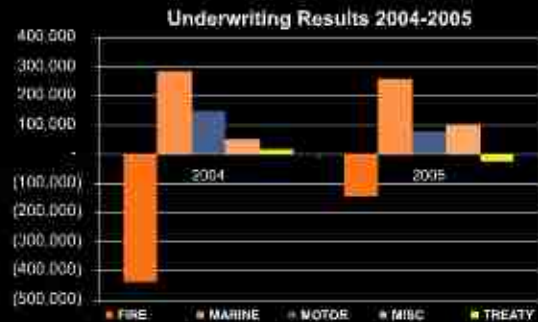
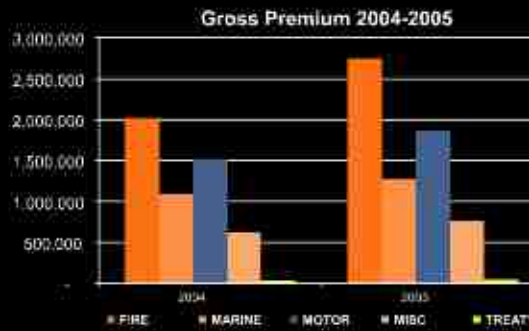
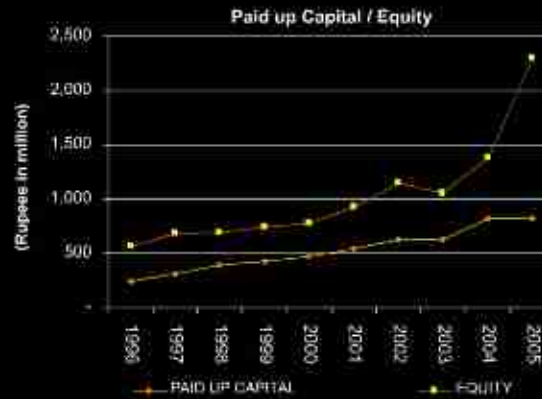
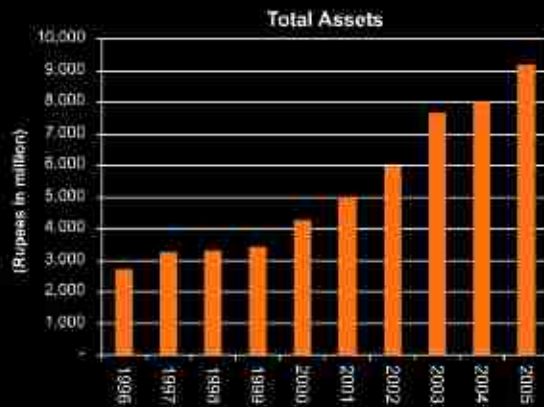
*A. F. Ferguson & Co.
Chartered Accountants, Karachi

M. Yousuf Adil Saleem & Co.
Chartered Accountants, Karachi.*

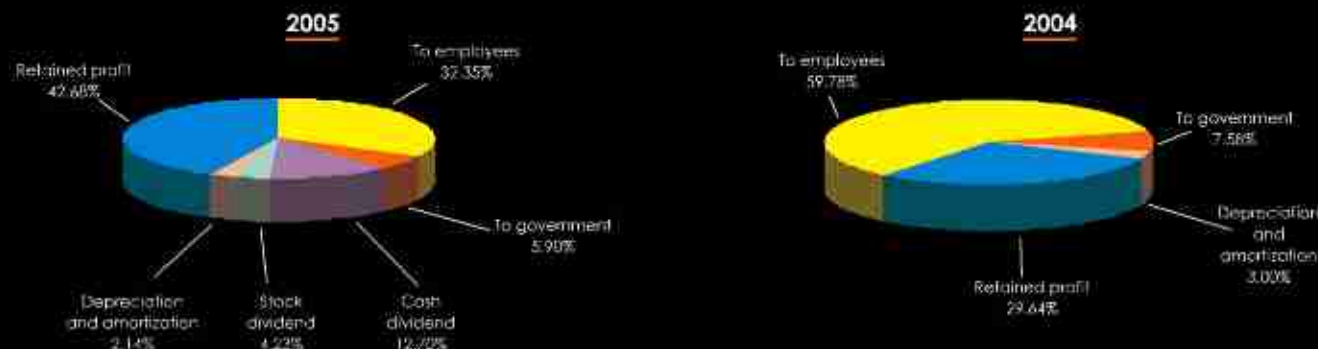
Registered Office

*Adamjee House
P. O. Box No. 4850
I. I. Chundrigar Road, Karachi
Phone : Pabx 2412623
Fax : (92-21) 2412627
Telex : 21594 & 29719 aic pk
Cable : ADAMJINSUR
E-mail : info@adamjeeinsurance.com
Website : www.adamjeeinsurance.com*

Highlights



Statement of value added and its distribution



WEALTH GENERATED

	2005	(Rupees in '000)	2004
Gross premium	5,965,732		6,001,371
Net Commission	(368,920)		(156,108)
Investment and other income	1,251,622		616,318
	6,848,434		6,461,581
Management and other expenses	(4,896,968)		(5,356,836)
	<u>1,951,466</u>	100.00%	<u>1,104,745</u>

WEALTH DISTRIBUTED

To employees	631,224	32.35%	660,479	59.78%
To government	115,130	5.90%	83,689	7.58%
To share holders				
Cash dividend	247,842	12.70%	-	0.00%
Stock dividend	82,614	4.23%	-	0.00%
	330,456	16.93%	-	0.00%
Retained in business				
Depreciation and amortization	41,866	2.14%	33,116	3.00%
Retained profit	832,790	42.68%	327,461	29.64%
	874,656	44.82%	360,577	32.64%
	<u>1,951,466</u>	100.00%	<u>1,104,745</u>	100.00%

A man in a dark suit and white shirt is sitting at a desk, looking down at a document. The desk is cluttered with papers, a calculator, a pen, and two white coffee cups. One of the coffee cups has a logo on it. The background is slightly blurred, showing other people in business attire.

Quality Policy

We sell non life insurance. Our overriding objective is to satisfy our customers by meeting their agreed requirements. Their satisfaction is our success.

We believe that we can achieve our objective only through faithful implementation of a well-designed quality management system, a system, which is continuously reviewed and improved with an objective to serve the interest of all concerned –the customers, the shareholders, the employees and the suppliers.

CORE VALUES

- *EXCELLENCE in all areas*
- *ETHICS, Integrity and Mutual Respect*
- *MERIT and Performance based rewards*
- *CONTINUOUS Professional Development*
- *TRUST and Cooperation*





VISION

To remain the leading insurance company of Pakistan excelling in every aspect of its business and in delivering its obligations as a good corporate citizen to its clients, employees, shareholders, public and to the country.



MISSION

Being the leading insurance company of Pakistan, our aim is to be a significant participant in developing Pakistan's image by providing maximum insurance protection at the most competitive price in a highly efficient manner for industrial and economic growth.

Board of Directors

Sagib Elahi

Graduate from Government College, Faisalabad. Holds Masters degree in Administrative Sciences from University of Punjab.

Started business in textile manufacturing and exports in 1971. Chief Executive of Be Be Jan Pakistan Ltd and Be Be Jan Fibers (Pvt) Ltd – one of the largest exporters of textiles from Pakistan.

Has served as Chairman of All Pakistan Cloth Exporters Association and is a trustee of Faisalabad Dry Port Trust.



Shahzad Saleem

Graduate from the University of Karachi. MBA from the Lahore University of Management Sciences.

Chief Executive of Nishat Chunian Limited, one of the best performing textile mills of Pakistan and Director of MCB Bank Ltd. Actively involved in academic and social services. Served as member Board of Governors of Jinnah Hospital and established a subsidized English Medium School at Chunian.



Mohammed Naeem Mukhtar

MBA from United Kingdom. Holds graduate diplomas in Textiles and Business Administration. Chief Executive of Ibrahim Fibres Ltd and Chairman of Allied Bank Ltd.



Ibrahim Shamsi

MBA from the Lahore University of Management Sciences.

Director of Siddiqsons Denim Mills Ltd, Siddiqsons Tin Plate Ltd, Managing Director Joyland (Pvt) Ltd, A.A. Joyland (Pvt) Ltd.

Actively involved in social services as trustee of Jamar-e-Taleem ul Quran. Served on editorial board of College & University publications. Enjoys Squash and Swimming.



Abdul Hamid Adamjee

Director of Adamjee Insurance Co. Ltd since 1993. Also director of National Investment Trust Ltd for more than 20 years. Director of Adamjee Diesel Engineering, Indus Engineering, Invetrade and Oceanic International (Pvt) Ltd.



Abdul Razak Adamjee

Director of Adamjee Insurance Co. Ltd since 1976. Also director of Pacific Multi Product (Pvt) Ltd.



Wasif M. Khan

Professor of Management at F.C. College, Lahore prior to which he was at the Graduate Business School of LUMS for over 18 years. He holds a Masters in Public and Private Management from Yale University, USA and a Masters in Mechanical Engineering from Oregon State University. He has been a management consultant to leading Pakistani organizations and specializes in professionalizing family firms. His research has been published in refereed international publications in the USA and Europe. He has also worked with Fortune 200 companies in the USA.



Ahmad Alman Aslam

Masters in Business Administration from Punjab University. Attended Program for Management Development at Harvard University, Cambridge MA.

Over 28 Years banking experience with Citibank in Pakistan, Europe, Africa, and USA at various positions including Emerging Markets Corporate Finance Product Head for Citibank and management team integrating Salomon Smith Barney with Citibank in CEEMEA. Served as Advisor to EMP Washington. At present managing Partner of Ahmad Alman Aslam & Associates. Holds board memberships of Oil & Gas Development Company Ltd, Central Board of Directors of State Bank of Pakistan & Private Power and Infrastructure Board.



Syed Jawad Gillani

Graduate from the University of Punjab.

Over 50 years experience in insurance industry. Trained at Northern Assurance Group, London, which later merged with Commercial Union. Sports lover and keenly interested in literature, specially Persian and English. Played soccer for the Punjab University. Represented Pakistan as Golf Captain against India, Sri Lanka.



Advisor



Mian Muhammad Mansha

Started business career as Chief Executive of Nishat Mills Ltd. having a capacity of 25,000 spindles. With his efforts and guidance, Nishat has grown to be the largest textile composite unit of the country. Nishat Group, as the group of firms under his leadership is commonly called today is considered to be one of the leaders among local and foreign businesses operating in Pakistan.

He successfully led the group of leading businessmen who participated in the privatization bid of MCB Bank Ltd, which under his guiding role as Chairman, Board of Directors has risen to become one of the top performing Pakistani banks today. Earlier he had been one of the pioneers in acquiring nationalised industries with a successful bid for D.G. Khan Cement Co. Ltd. Like the other units in the successful Nishat Group, the company is one of the best cement units in the country today.

Company Profile

Adamjee Insurance Company Limited (AICL) was incorporated as a Public Limited company on September 28, 1960 and is listed on Karachi and Lahore Stock exchanges of the country. The company is also registered with the Central Depository Company of Pakistan Limited (CDC). AICL is involved in general insurance business.

The company started with a paid up capital of Rs 2.5 million which has grown phenomenally to the current paid up capital of Rs. 826 million which is the highest amongst all the general insurance companies. AICL enjoys a competitive edge in the insurance industry due to its strong asset base, paid up capital, huge reserves, balanced portfolio mix, steady growth in gross premium and continuous increase in share price at the stock market.

DIVERSIFIED PORTFOLIO OF BUSINESS:

AICL broadly is involved in underwriting the following classes of business:

- Fire and Property
- Marine, Aviation and Hull
- Motor
- Miscellaneous business

Underlying these business a large variety of coverage are offered to the clients to fulfill their needs. AICL believes in customer satisfaction by providing quality in service and products and maximum benefits to its client. This is the reason why the company has a diversified portfolio of clients belonging to all categories. Most of the banks are insured by the company. AICL insures petrochemical and complex industrial risks of very high value. The company has a major share of market of engineering business in Pakistan. It provides Insurance protection to most of the private sector telecommunication industries. The company insures most of the textile mills, sugar mills and cement factories of the country. AICL pioneered the coverage of energy risks in Pakistan. Foreign concerns entering Pakistan to execute construction, erection or infrastructure development projects are insured by AICL. The company is the principal insurer in Pakistan for Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines.

S.No. HIGHLIGHTS OF THE YEAR

- 1 Highest ever Pre-tax profit of Rs. 1,278 billion
- 2 Highest Gross premium of Rs.6.7 billion
- 3 Business Process Reengineering
- 4 Cash fund Management
- 5 Establishment of Infrastructure Division
- 6 Establishment of Human Resource Division

COMPANY'S OBJECTIVE AND STRATEGY

To meet the challenges of 21st century due to change in global market and implementation of WTO, the company has set some defined objectives and strategy:

OBJECTIVES

- Strengthen customer relationship through customer satisfaction by providing excellent service and quality products.
- Maintain a healthy balance between Profitability and Volume and have a balanced portfolio mix.
- Increase investment returns from its growing funds and absolute return strategy.
- Consolidate market share through offering new products and to focus our approach in areas where our presence is small.
- Establish modern management system and adopting latest techniques conforming to International Standards needed for an efficient organization.

STRATEGY

- To pursue strong growth
 - by adopting industry best practices and increasing economies of scale.
 - through leveraging opportunities across the industry.
- Development in Human resource through training and exposure to modern technologies and management techniques.
- Expansion of business and improving customer relationship management through wide network of branches locally and internationally.
- Development in Information Technology to have an effective Management Information System.
- Pursue best Reinsurance arrangements.
- Establish effective Risk Management System

S.No. ACHIEVEMENTS OVER THE YEARS

- 1 Only insurance company in Pakistan to be declared the second best insurance company in the whole of Asia by Euro money.
- 2 Up gradation of IFS ratings of JCR-VIS from AA- to AA.
- 3 Best Export Performance trophy from FPCCI 18 times.
- 4 31% average dividend Payout over the last 20 years.
- 5 Corporate Excellence Award from Management Association of Pakistan for two consecutive years.
- 6 Principal Insurer in Pakistan for providing cover of Kidnap & Ransom, Professional Indemnity, Product Liability and certain other specialized lines.
- 7 Winner of Top Companies Award from The Karachi Stock Exchange 17 times.

S.No MAJOR DONATIONS

1. SPARC Charity
2. President Relief Fund for Earthquake Victims
3. Cardiovascular Foundation
4. Beacon House Public School
5. Rahnaj Centre for Awareness & Social Responsibility

CORPORATE RESPONSIBILITY

Our corporate responsibility focuses on compliance, ethics and corporate citizenship including overall sustainability and we have worked to advance these areas through enhanced communications, training and other initiatives.

Compliance and ethics

With regulation in most countries becoming most complex and extensive, there can be a business advantage for companies able to develop the capabilities and structures to meet these obligations more effectively and efficiently than their competitors. Our compliance strategy is based on this recognition, as well as on our commitment to do what is right.

An important tool is our compliance performance standards that apply to our business and help advance common foundations and processes. We also work to deepen the understanding of managers and employees regarding compliance and ethical obligations generally. These initiatives include multimedia awareness campaigns, specific training in detailed regulatory areas and learning initiatives related to areas such as conflicts of interest, business practices and ethical decision making.

ENVIRONMENT, HEALTH AND SAFETY

It is the company's policy to conduct business operations in a manner that protects the health and safety of all its employees and any third parties involved in its business. During the year under review the key focus was renovation of our branches and improvements to the lightning and air quality in all our offices. Major renovation has been carried out in our Punjab and Sahad Zone, Clifton branch, West Wharf branch, health department, New Unit branch, Business Center and work is in process for renovation of our Corporate Division.

The company does not have a major direct impact on the environment, as its business is office based. Nevertheless, the company is aware of the importance of environmental issues and is committed to measuring and reducing those impacts, which are within its ability to control.

COMMITTED TO EXCELLENCE

We live in times of intense competition, but our key differentiating factor is our unwavering commitment to operational and financial discipline in producing successful results, keeping our promises and meeting our customers' needs.

Major Activities During 2005

25th Adamjee Insurance Golf Tournament



The 25th Adamjee Golf Tournament was held on 29th-30th January 2005 at Karachi Golf Club, Karsaz. An annual event, Adamjee Insurance continues its tradition of sponsoring one of the largest amateur Golf Tournaments.

AIC Family Picnic Karachi



All officers, staff and development officers of the Business Centre Branch, Karachi went on a picnic in November 2005. This was their first-ever outing since the inception of the Branch.

Ideas 2005



The Karachi Zonal Office organized Ideas 2005 - the first brainstorming session of this magnitude, in the company's history. The need for this seminar arose from the need to come together to assess the strengths, weaknesses, threats and opportunities facing Adamjee Insurance.

AIC Sponsors HR Conference Karachi



AIC sponsored a luncheon at a conference on HR management, held in Karachi on 21-22 November 2005 under the aegis of the Pakistan Society of Human Resource Management (PSHRM), the conference brought together senior leadership and business managers of Pakistan.

Lahore Zone Visits Dubai



For their milestone achievement of writing a premium of Rs. 1 billion by September 2005, the management was pleased to sponsor all branch and department heads of Lahore Zone for an excursion trip to Dubai. A group of nineteen members visited Dubai.

AIC Participates in PIPEX Lahore



Adamjee Insurance Company put up a tastefully decorated stall at the 2nd Pakistan International Property and Construction Exhibition (PIPEX) held from 15 to 18 December 2005 at Fortress Expo Complex, Lahore.

Directors' Report to the Members

We are pleased to place before you the 45th annual report for the year ended December 31, 2005.

Our economy has made significant progress over the last five years. Wide-ranging structural reforms, prudent economic policies, financial discipline and continuity in policies have transformed Pakistan into a resurgent economy. The stage is now set for economic growth to accelerate with the private sector playing the pivotal role.

The strong economic indicators and investment friendly policies have resulted in a buoyant performance of the financial sector. For the Insurance Industry, the year 2005 manifested an impressive growth of almost 20% resulting from positive changes in the industry, increasing competition and emergence of new entrants in the market supported by banks.

As a market leader Adamjee also showed an impressive growth of 37% despite the fact that its UAE branches had temporarily stopped underwriting from 1st January 2005. The Company is well positioned to participate in the accelerated growth in the insurance industry.

For the current year under review your company declared an impressive net profit of Rs. 1,163 million as against Rs. 327 million for the year ended December 31, 2004 showing a growth of 256% over last year. AICL recorded a gross premium of Rs. 6,682 million (December 31, 2004: Rs. 5,265 million). As a corporate strategy and due to continued motor losses the management had decided to shut down its foreign operations and all of the 6 foreign branches were on a run off during the year under review. In the business emanating from inside Pakistan your company showed a tremendous growth of 37% in the gross premium underwritten bringing it from Rs. 4,875 million in 2004 to Rs. 6,659 in 2005.

The highlights for the year are as under:

	2005	2004	Increase
	Rupees in '000		%
Gross Premium	6,682	5,265	26.91
Underwriting Results	275	74	271.62
Investment Income	1,147	493	132.66
Profit Before Tax	1,278	411	210.95
Profit After Tax	1,163	327	255.66
EPS - (Rupees)	14.08	3.96	255.56

It may be noted from the above that 2005 was a year of remarkable achievement for Adamjee Insurance Company Limited in terms of profit and business development. The overall profit of the company grew by 255.6% to Rs. 1,163 million. This extraordinary growth was a result of prudent management of operations, revised organizational procedures, resilient and unwavering dedication of our employees and a significant strategic shift in the management's vision for the future.

UNDERWRITING RESULTS

Market forces have caused in a reduction of premium rates in all classes of business. Despite that, our underwriting team has maintained a disciplined and prudent approach and as a result your company managed to achieve a growth of 271.62% in the underwriting profit bringing it upto Rs. 275 million as against 74 million in 2004. We showed a steady growth in all classes of business. Although the company sustained heavy losses in the last quarter in the textile and ginning sector, we managed to reduce the claims ratio from 73% for the year ended December 31, 2004 to 63% in 2005 on an overall basis.

FIRE & PROPERTY

Fire and Property includes business underwritten under the Fire and Engineering classes of business. During the year under review, the company grossed a premium of Rs. 2,736 million (2004: Rs. 2,008 million) which constitutes almost 41% of our total portfolio. The portfolio grew by 39% in business emanating from inside Pakistan, but due to heavy losses there was a deficit of Rs. 142 million. The Fire portfolio is currently being reviewed and special attention is being given to risk management and diversification in order to bring the claims ratio down to an acceptable level.

MARINE, AVIATION & TRANSPORT

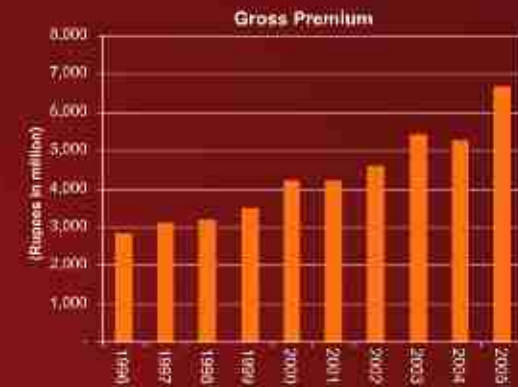
Marine, aviation and transport remains our most profitable segment. For the year ended December 31, 2005, it contributes a major portion of the total underwriting profitability. The portfolio showed a growth of 16% on an overall basis and 27% in business underwritten inside Pakistan. The net claims ratio and underwriting profitability ratio was 35% and 25% respectively.

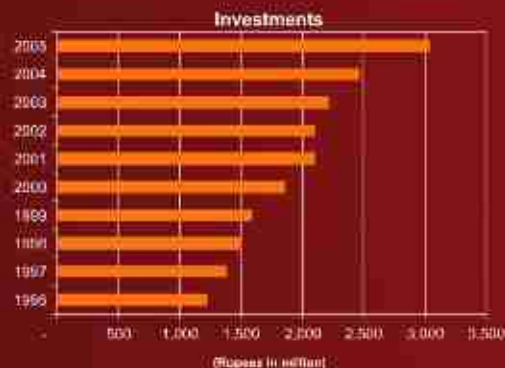
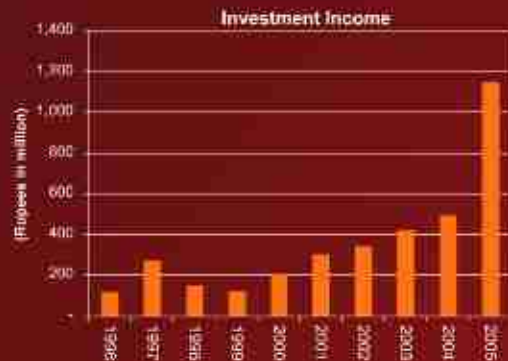
MOTOR

The company generated a premium of Rs. 1,870 million under this class of business against Rs. 1,508 in the year 2004 showing a growth of 24%. For the business generated inside Pakistan, we showed a growth of 47% bringing it up from Rs. 1,291 million to Rs. 1,892 million in 2005. The Motor portfolio currently constitutes almost 28% of the total business from inside Pakistan. The company generated an underwriting profit of Rs. 77 million during the year under review whereas the underwriting profit for business inside Pakistan is Rs. 120 million. The management has taken strict measures to improve the quality of business, increase profitability and to curtail the claims ratio by improving controls in the motor claims settlement procedure.

MISCELLANEOUS

The miscellaneous class of business contributes almost 38% of the overall underwriting profit of the company. This segment has performed very well during the year under review and the profitability has risen from 15% to 25% in the year 2005. The gross premium underwritten during the year has increased from Rs. 621 million to Rs. 759 million showing a growth of 22%.





INVESTMENT INCOME

The stock exchanges of the country have had an outstanding year. The KSE 100 Index stood at 9,556 points on December 31, 2005 against 6,218 points on December 31, 2004. As a matter of investment policy of the Company, capital gains of Rs. 761 million on sale of stocks/shares had been booked during the year under review compared to Rs. 173 million booked last year.

The Company's overall investment income, comprising dividend, interest & capital gains, depicted a significant improvement at Rs. 1,147 million during the year as against Rs. 493 million or 132% growth over last year, the break up of which is given below:-

	2005	2004
Rupees in '000		
Dividend income	256,371	188,990
Return on fixed income securities	135,261	132,884
Return on TFCs	4,526	1,633
Gain on sale of available for sale investment	761,429	173,438
	<u>1,157,587</u>	<u>496,945</u>
Provision for impairment	(10,575)	(3,351)
Net Investment Income	<u>1,147,012</u>	<u>493,594</u>

CAPITAL GAINS

We are, indeed, very grateful to the Government of Pakistan for granting an income tax exemption on capital gains to the insurance industry, through its Federal Budget for the year 2005-06 following sustained efforts of your Company, the Insurance Association of Pakistan, Stock Exchanges and Federation of Pakistan Chamber of Commerce and Industry. It was imperative that this exemption should also be allowed to the insurance industry. It not only encourages the insurance companies, but also provides them with the opportunities to invest their surplus funds in the shares listed on Stock Exchanges from time to time in order to increase their profits and reserves. Additionally, it would prove to be a catalyst for them to play an effective role in the Capital Markets in order to boost it and maintain its stability and growth.

CASH FUND MANAGEMENT

On December 31, 2005 the cash and bank deposits aggregated to Rs. 1,428 million as against Rs. 755 million as at December 31, 2004. Early this year the company entered into fund management scheme whereby all collections are automated. Currently we are in the process of automating our payment side. This structure has allowed the company to have the funds consolidated at one place and to make use of better investment opportunities. During the year the company made an aggregate investment expenditure of Rs. 898 million (2004: Rs. 211 million) and the balance funds are all placed at reasonable market rates with various financial institutions.

THE WAY FORWARD

Operational excellence in all departments and at all levels, is our key objective. The Company is well positioned and fully focused to remain the leading insurance company of Pakistan not only in terms of premium volume, but more importantly, in terms of financial strength, professionalism, profitability and ethical conduct.

We are totally committed to providing comprehensive, cost effective and innovative insurance solutions to all our customers by providing them with round-the-clock dedicated services and to deliver healthy profits to all our stakeholders including our important partners, the reinsurers, whose support provides us with the capacity to underwrite business.

DECISION TO RESTART UNDERWRITING IN UAE

The possible shutdown/runoff of AIC UAE operations has been seriously reconsidered, and given the booming regional market, a preview visit to Dubai by the Head of the Overseas Department was arranged with the following mandate.

- Study and report on the UAE insurance market and its existing and future market potential for the company.
- Highlight the best possible alternatives for the future i.e. whether to continue or to cease operations.
- In case continuing operations is recommended, what should be the future under-writing approach and pre-requisites for successful business results.

Based on the findings of the preview visit, it was decided by the Board of Directors to commence underwriting in Dubai in the year 2006, especially considering the fact that comprehensive database of UAE operations is available with us which would help in decision making.

We plan to start operations with a very cautious approach with the intention to maintain a low profile and have a small but profitable book of business. Instead of motor being the main class of business, we want a balanced mix of business.

We have shortlisted professionals of the highest caliber and integrity level, having an in-depth experience of the UAE market so that the branch operations proceed successfully. Enhanced acceptance limits for fire insurance business in respect of UAE operations are necessary, and improved general accident reinsurance treaty terms are essential, which should not have very restrictive exclusions. Having inadequate underwriting capacity, was one of the reasons why in the previous years the branch started relying heavily on motor business only.

The Overseas Department setup in the Head Office will be exercising a tight control on the branch operations and will be monitoring the UAE business on a daily basis to ensure compliance with the underwriting and claims guidelines.

JCR ASSIGNS AA RATINGS

During the year under review JCR-VIS Credit Rating Company (Pvt.) Limited has upgraded the insurer financial strength Ratings of the company from AA- (Double A minus) to AA (Double A).

The ratings recognize the company's nationwide outreach and its financial strength, as reflected in the reserves and diverse earning potential of Investment Portfolio. The upgrade in rating takes into consideration the company's renewed focus on enhancing its technological capabilities and human resource development. A strategic alliance with one of the largest financial institutions in the country is also likely to result in a competitive advantage.

BUSINESS PROCESS RE-ENGINEERING

With the expansion of business and increase in volume, the management of the company realizes the necessity to establish a sound internal control environment, which is not possible without an effective Management Information System. To implement that the company has appointed a reputable firm of consultants to carry out the Business Process Reengineering assignment. This process will review the current systems of the company, identify the weaknesses and suggest recommendations to improve the controls, ensure high standards of quality management and implementation of standardized business processes across the organization.

DEVELOPMENT IN INFORMATION TECHNOLOGY

Increasing clientele and growing diversity of insurance products has placed greater demands and challenges on the management. To meet these challenges, the company has entered into a full fledged Information Technology Environment. The company has a developed Oracle Program that has been designed, implemented and programmed in-house. This has resulted in an IT system that is tailored to the needs of the company and its customers.

The company is working towards having all the branches and departments online and interconnected. Electronic payments of claims has been initiated at some branches and it is expected that through connectivity all the manual payments will be converted to E-Payments. For that, assistance of one of the largest and reputed financial institutions has been taken.

EARNING PER SHARE

During the year under review pre tax and after tax basic earning per share was Rs. 15.47(2004: Rs. 4.98) and Rs. 14.08 (2004: Rs. 3.96) respectively. Detailed working has been reported in Note 28 of the financial statements.

DIVIDEND

The directors have pleasure in recommending a final dividend of 15% and a bonus issue of 10%. An interim dividend of 15% has already been paid during the year 2005, which brings appropriation for the year to a total of 40% (2004 : nil).

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws and rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
- Financial statements have been prepared by the Company in accordance with the International Accounting Standards as applicable in Pakistan. The departure therefrom, if any, is disclosed adequately.
- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.
- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.



- The Company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure therefrom.
- Key operating and financial data for the last ten years in summarized form is annexed to this annual report.
- The value of investments including accrued income of provident fund and gratuity on the basis of un-audited accounts is as follows:

	Rs. in '000'	
Provident Fund	Rs. 346,918	(as at June 30, 2005)
Gratuity Fund	Rs. 190,189	(as at December 31, 2005)

- During the year under review, 6 meetings of the Board of Directors were held and position of attendance of each Director is explained below:-

	No. of meetings held during the tenure of the director	No. of meetings attended
Mr. Saqib Elahi	6	2
Mr. Shahzad Saleem	6	4
Mr. Mohammad Naeem Mukhtar	6	4
Mr. Ibrahim Shamsi	6	5
Mr. Mohammed Choudhury (resigned on 9.6.05)	2	2
Mr. Abdul Hamid Alamjee	6	-
Mr. Abdul Razzak Alamjee	6	1
Mr. Wasif M. Khan	6	6
Mr. Ahmad Alman Aslam (appointed on 6.7.05)	4	4
Syed Jawad Gillani	6	6

Leave of absence was granted to the directors who could not attend the Board Meeting(s).

PATTERN OF SHARE-HOLDING

A statement of pattern of share-holding is separately shown in the report.

TRADING IN COMPANY'S SHARES

Except as stated below, no trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:-

Name	No. of Shares	
	Sold	Purchased
Mr. A. Hamid Adamjee (gift to wife)	50,000	-
Mrs. Hawa w/o Mr. A. Hamid Adamjee	58,500	50,000 (gift from husband)
Mr. A. Razzak Adamjee	90,000	-

AUDITORS

The auditors M/s A.F. Ferguson & Company Chartered Accountants and M. Yousuf Adil Saleem & Company Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors on the suggestion of Audit Committee recommended the appointment of A.F. Ferguson and Company as statutory auditors till the conclusion of next AGM.

ACKNOWLEDGEMENTS

The operational results for the year depict a steady growth in the Company's revenue. These good results would not have been possible, but for the excellent performance of our executives, officers and marketing officers. We hope that they would continue to put in their best efforts to achieve better results in the future. No insurance company can conduct insurance business without the adequate support of the reinsurers and brokers. We are, indeed, grateful to our reinsurers, in particular, Swiss Reinsurance Company, Munich Re, Hannover Ruck, besides the leading brokers, particularly, Benfield Ltd, AON Ltd, Willis Limited and Marsh Ltd for their valuable professional services and continued support in all reinsurance matters. While concluding, we would like to record our appreciation for the continued guidance and support being extended to us by the Regulators, Securities and Exchange Commission of Pakistan. We are much obliged to the State Bank of Pakistan for providing full support, particularly, in the matter of remittances of foreign exchange in respect of reinsurance business and also for meeting our contractual obligations with regard to claims emanating from our UAE business operations.

For the Board of Directors



Syed Jawad Gillani
Managing Director &
Chief Executive

Karachi, 27 February, 2006

Ten Years Summary



PARTICULARS

EARNINGS

	2005	2004	2003
Gross Premium	6,682	5,266	5,414
Net Premium	3,997	3,678	3,066
Underwriting Result	275	74	48
Investment Income	1,147	494	422
Profit Before Tax	1,278	411	285
Profit After Tax	1,163	327	310

BALANCE SHEET

	2005	2004	2003
Paid Up Capital	826	826	625
Equity	2,302	1,387	1,059
Investments (Book Value)	3,040	2,469	2,218
Investments (Market Value)	6,750	5,282	3,957
Cash & Bank	1,428	755	850
Total Assets	9,182	8,005	7,664
Total Liabilities	6,880	6,618	6,604

RETURN

	2005	2004	2003
Return on Capital Employed (%)	51	24	29

SHARE INFORMATION

	2005	2004	2003
Earning Per Share (Rupees)	14.08	3.96	3.76
Break Up Value Per Share (Rupees)	27.86	16.79	16.95
No. of Shares (in Million)	82.61	82.61	62.47
Share Price (Rupees)	137.00	65.60	66.70
KSE Index	9,557	6,218	4,472
P/E Ratio	9.73	16.57	17.74
(*)Dividend Per Share-(Rupees)	4.00	-	1.73
(*)Dividend Yield (%)	2.92	-	2.59
(*)Dividend Payout Ratio (%)	28.42	-	45.88
Market Price to Break Up Value	4.92	3.91	3.93
(*)Total Dividend Declared-Amount (in Million)	330.60	-	107.76
(*)Total Dividend Declared-%	40.00	-	15.00

OPERATING PERFORMANCE

	2005	2004	2003
Underwriting Result to Net Premium (%)	7	2	2
Profit After Tax / Net Premium (%)	29	9	10
Investment Income to Net Premium (%)	29	13	14

(*) Including Bonus Dividend.

(Rupees in million)

2002	2001	2000	1999	1998	1997	1996
4,612	4,233	4,224	3,511	3,220	3,123	2,856
2,884	2,932	3,042	2,418	2,142	2,209	1,894
(62)	(886)	115	251	91	88	297
341	302	211	125	153	272	116
268	(501)	227	263	106	231	303
219	(517)	156	184	196	291	222
625	543	472	429	390	312	250
1,149	930	783	741	693	692	573
2,109	2,109	1,859	1,586	1,505	1,383	1,228
1,873	1,120	2,052	1,840	1,293	1,907	1,700
667	581	592	467	504	729	643
5,964	4,992	4,256	3,400	3,295	3,270	2,708
4,815	4,062	3,001	2,230	2,212	2,266	1,885
19	(56)	20	25	28	42	39
3.50	(9.19)	3.30	4.27	5.03	9.30	8.88
18.39	17.12	16.58	17.25	17.75	22.15	22.94
62.47	54.32	47.24	42.94	39.04	31.23	24.98
61.30	29.25	76.00	52.50	33.75	86.75	87.75
2,701	1,273	1,508	1,409	945	1,754	1,340
17.51	(3.18)	23.02	12.29	6.71	9.33	9.88
2.80	-	3.00	3.25	4.00	6.00	6.00
4.57	-	3.95	6.19	11.85	6.92	6.84
80.12	-	90.87	76.05	79.51	64.50	67.56
3.33	1.71	4.58	3.04	1.90	3.92	3.83
175.18	-	141.70	139.56	156.15	187.37	149.89
30.00	-	30.00	32.50	40.00	60.00	60.00
(2)	(30)	4	10	4	4	16
8	(18)	5	8	9	13	12
12	10	7	5	7	12	6



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No.37 and Chapter XIII, of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited, respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors including those representing minority interests. At present the Board includes eight non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Finance Company and none of them is the member of any stock exchange.
4. One casual vacancy occurred during the year, one was filled in within one month.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and is in the process of being signed by the employees of the Company.
6. The Board has developed and approved a vision/mission statement. However, overall corporate strategy and significant policies of the Company in vogue are in the process of being developed/approved.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and the executive director, have been taken by the Board.
8. All meetings of the Board were presided over by the Chairman of the respective meeting elected by the directors amongst their body. The Board met at least once in every quarter. Written notices of the Board meetings, agenda and working papers were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Most of the directors have attended orientation courses. Further, the directors of the company at the time of filing their consent to act as such, have given a declaration that they are aware of their duties and powers under the Companies Ordinance, 1984, the listing regulations of the stock exchange and relevant laws.
10. The appointments of CFO, Company Secretary and the Head of Internal Audit have been approved by the Board.

11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members who are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter for approval of results of the company except that the meeting could not be held to approve the final accounts for the year ended December 31, 2005 due to lack of quorum. However, the members of the audit committee did communicate among themselves and with the management and external auditors on the issues relating to the financial statements for the year ended December 31, 2005 and approved the same. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an internal audit department and is manned by experienced and qualified personnel. The audit team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For the Board of Directors



Syed Jawad Gillani
Managing Director &
Chief Executive

Karachi: February 27, 2006

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Adamjee Insurance Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.


The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2005.



A. F. FERGUSON & CO.
Chartered Accountants



M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

Karachi; February 27, 2006

NOTICE OF THE FORTY FIFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Forty fifth Annual General Meeting (AGM) of the Company will be held at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8, Kehkashan, Clifton, Karachi on Thursday the March 30, 2006 at 3:00 p.m. to transact the following business:

Ordinary Business

1. To elect a Chairman of the Meeting.
2. To receive, consider and adopt the audited Accounts for the year ended December 31, 2005 and the Directors' and Auditors' reports thereon.
3. To approve the 15% Final Dividend and 10% Bonus Share as declared by the Directors.
4. To appoint auditors and authorize Managing Director and Chief Executive Officer to fix their remuneration.

The Audit Committee has proposed to appoint M/s. A.F. Ferguson & Co. as auditors for the year 2006 instead of present joint auditors: M/s A.F. Ferguson & Co. and M/s M. Yousuf Adil Saleem & Co.

5. To transact any other business with the permission of the Chair.

Special Business

6. To consider and if thought fit to pass the following ordinary resolution

"RESOLVED that pursuant to the Securities & Exchange Commission of Pakistan (SECP) Circular No.19 of 2004 dated April 14, 2004 (the circular) the directors of the Company be and are hereby authorized to place the quarterly accounts of the Company on the website instead of sending the same by post to members, subject to the fulfillment of the conditions contained in the circular including prior permission of SECP."

Karachi: February 27, 2006


By order of the Board
Tameez-ul-Haque
Secretary

Notes:

- (a) The Share Transfer Books of the Company as notified earlier to remain closed from March 21, 2006 to March 30, 2006 (both days inclusive).
- (b) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
- (c) The Instrument appointing a proxy must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
- (d) CDC shareholders are requested to bring with them their original National Identity Card or Original Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

Statements of Material Facts under Section 160 of the Companies Ordinance 1984

Regarding item 6 of the Notice of the meeting.

SECP has allowed to place quarterly accounts on website the resolution is in compliance of SECP directives.

The directors have no direct or indirect interest in the approval of Resolution.



Financial Statements

For the year ended December 31, 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of changes in equity;
- (iv) cash flow statement;
- (v) statement of premiums;
- (vi) statement of claims;
- (vii) statement of expenses; and
- (viii) statement of investment income

of Adamjee Insurance Company Limited as at December 31, 2005 together with the notes forming part thereof, for the year then ended. It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;
- c) the financial statements, together with the notes thereon, present fairly in all material respects, the state of the company's affairs as at December 31, 2005 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 12 to the financial statements which explain certain contingencies, the ultimate outcome of which cannot be presently determined. Accordingly, pending final resolution of the related matters, no provision has been made for any liability that may arise as a consequence thereof.



A.F. FERGUSON & CO.
Chartered Accountants

Karachi - February 27, 2006



M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

BALANCE SHEET AS AT DECEMBER 31, 2005

	Note	2005 (Rupees in '000)	2004
Share capital and reserves			
Authorised share capital	5.1	1,500,000	1,500,000
Paid-up share capital	5.2	826,142	826,142
Retained earnings		430,369	347,579
Reserves	6	1,045,737	213,123
		1,476,106	560,702
TOTAL EQUITY		2,302,248	1,386,844
Underwriting provisions			
Provision for outstanding claims (including IBNR)		3,070,778	3,683,380
Provision for unearned premium		2,427,491	1,711,276
Additional provision for unexpired risks / Premium deficiency reserve	7	-	40,000
Commission income unearned		108,894	126,222
Total underwriting provisions		5,607,163	5,560,878
Deferred liability			
Staff retirement benefits	8	2,615	5,319
Creditors and Accruals			
Premiums received in advance		258,821	193,382
Amounts due to other insurers / reinsurers		241,565	359,009
Accrued expenses		56,916	149,607
Other creditors and accruals	9	488,892	342,561
		1,046,194	1,044,559
Borrowings			
Short-term running finance and bank borrowing - secured	10	74,831	-
Liabilities against assets subject to finance lease	11	16,176	-
		91,007	-
Other liabilities			
Unclaimed dividends		9,232	7,020
Proposed dividend		123,921	-
		133,153	7,020
TOTAL LIABILITIES		6,880,132	6,617,776
TOTAL EQUITY AND LIABILITIES		9,182,380	8,004,620
CONTINGENCIES	12		

The annexed notes 1 to 39 form an integral part of these financial statements.

	Note	2005 (Rupees in '000)	2004 (Rupees in '000)
Cash and bank deposits	13		
Cash and other equivalents		15,105	75,097
Current and other accounts		1,313,330	559,760
Deposits maturing within 12 months		99,745	120,212
		1,428,180	755,069
Loans	14		
To employees		32,206	29,904
Others		-	1,507
		32,206	31,411
Investments	15	3,039,826	2,469,181
Deferred taxation	16	40,913	130,871
Other Assets			
Premiums due but unpaid	17	1,458,221	914,302
Amounts due from other insurers / reinsurers	18	137,324	379,717
Salvage recoveries accrued		46,316	30,777
Premium and claim reserves retained by cedants		26,777	26,179
Accrued investment income	19	22,560	18,186
Reinsurance recoveries against outstanding claims	20	1,100,347	1,661,291
Taxation - payments less provision		345,373	355,372
Deferred commission expense		286,641	206,554
Prepayments	21	732,437	684,916
Sundry receivables	22	154,649	139,203
		4,310,645	4,416,497
Fixed Assets - Tangible & Intangible	23		
Owned			
Buildings		36,732	40,807
Furniture and fixtures		18,957	21,353
Motor vehicles		176,128	70,305
Machinery and equipment		43,512	40,073
Computers and related accessories		31,167	27,159
Intangible asset - computer software		1,040	1,894
		307,536	201,591
Leased			
Motor vehicles		23,074	-
TOTAL ASSETS		<u>9,182,380</u>	<u>8,004,620</u>


 Syed Jawad Gillani
 Managing Director & Chief Executive


 Ibrahim Shamsi
 Director


 Abdul Razak Adamjee
 Director


 Abdul Hamid Adamjee
 Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2005

		Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	2005	2004
	Note	(Rupees in '000)						
Revenue account								
Net premium revenue		1,014,050	1,061,763	1,465,584	409,234	46,696	3,997,327	3,678,368
Net claims		(870,529)	(371,134)	(975,736)	(248,870)	(45,263)	(2,511,532)	(2,682,752)
Premium deficiency reversal		-	-	40,000	-	-	40,000	45,000
Expenses	24	(220,486)	(238,125)	(326,320)	(88,195)	(8,819)	(881,945)	(810,315)
Net commission		(65,670)	(191,381)	(126,490)	31,564	(16,943)	(368,920)	(156,108)
Underwriting result		<u>(142,635)</u>	<u>261,123</u>	<u>77,038</u>	<u>103,733</u>	<u>(24,329)</u>	<u>274,930</u>	<u>74,193</u>
Investment income							1,147,012	493,594
Rental income							494	494
Other income	25						64,116	77,230
							<u>1,486,552</u>	<u>645,511</u>
General and administration expenses	26						(198,353)	(227,507)
Exchange loss - net							(8,029)	(6,854)
Finance charge on lease rentals							(1,794)	-
Profit before tax							<u>1,278,376</u>	<u>411,150</u>
Provision for taxation	27							
- Current							(25,172)	20,922
- Deferred							(89,958)	(104,611)
Profit after tax							<u>1,163,246</u>	<u>327,461</u>
Profit and loss appropriation account								
Balance at the commencement of the year							347,579	(399,882)
Profit after tax for the year							1,163,246	327,461
Interim dividend Rs 1.5/- per share (2004: Nil)							(123,921)	-
Proposed dividend Rs 1.5/- per share (2004: Nil)							(123,921)	-
Reserve for issue of bonus shares							(82,614)	-
Transfer (to) / from general reserve							(750,000)	420,000
Balance unappropriated profit at the end of the year							<u>430,369</u>	<u>347,579</u>
							----- (Rupees) -----	
Earnings per share - basic	28						<u>14.08</u>	<u>3.96</u>

The annexed notes 1 to 39 form an integral part of these financial statements.


Syed Jawad Gillani
Managing Director & Chief Executive


Ibrahim Shamsi
Director


Abdul Razak Adamjee
Director


Abdul Hamid Adamjee
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Share Capital	Capital Reserves			Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	General reserve	Retained earnings	
(Rupees in '000)							
Balance at December 31, 2003	624,682	201,460	22,859	3,764	606,500	(399,882)	1,059,383
Issue of bonus shares	201,460	(201,460)	-	-	-	-	-
Profit after tax for the year	-	-	-	-	-	327,461	327,461
Transfer from general reserves	-	-	-	-	(420,000)	420,000	-
Balance at December 31, 2004	826,142	-	22,859	3,764	186,500	347,579	1,386,844
Profit after tax for the year	-	-	-	-	-	1,163,246	1,163,246
Interim dividend @ 1.5% (Rs 1.5/- per share)	-	-	-	-	-	(123,921)	(123,921)
Proposed dividend @ 1.5% (Rs 1.5/- per share)	-	-	-	-	-	(123,921)	(123,921)
Transfer to reserve for issue of bonus shares	-	82,614	-	-	-	(82,614)	-
Transfer to general reserve	-	-	-	-	750,000	(750,000)	-
Balance at December 31, 2005	826,142	82,614	22,859	3,764	936,500	430,369	2,302,248

The annexed notes 1 to 39 form an integral part of these financial statements.


Syed Jawad Gillani
 Managing Director & Chief Executive


Ibrahim Shamsi
 Director


Abdul Razak Adamjee
 Director


Abdul Hamid Adamjee
 Chairman

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	6,434,311	5,629,761
Reinsurance premiums paid	(1,924,079)	(1,816,834)
Claims paid	(3,271,647)	(3,245,277)
Surrenders paid	(87,280)	(63,451)
Reinsurance and other recoveries received	1,051,339	836,551
Commissions paid	(699,535)	(540,541)
Commissions received	28,823	39,667
Other underwriting payments	(172,647)	(110,245)
Net cash flow from underwriting activities	1,359,285	729,631
b) Other operating activities		
Income tax paid	(15,173)	(107,394)
General and other expenses paid	(1,083,192)	(930,225)
Loans disbursed	(26,929)	(25,335)
Loan repayments received	27,724	17,218
Deposits received / (paid)	801	(107)
Net cash flow from other operating activities	(1,096,769)	(1,045,843)
Total cash flow from all operating activities	262,516	(316,212)
Investment activities		
Profit / return received	17,068	7,610
Dividends received	261,782	189,333
Investments purchased	(898,356)	(211,309)
Proceeds from disposal of investments	1,213,826	263,297
Fixed capital expenditure	(165,696)	(55,887)
Proceeds from disposal of fixed assets	36,270	27,413
Capital expenditure on intangible assets	(108)	-
Rental received	-	494
Income received on TFC	3,338	1,905
Total cash flow from investing activities	468,124	222,856
Financing activities		
Dividends paid	(121,709)	(1,310)
Lease rentals paid	(9,850)	-
Total cash flow from financing activities	(131,559)	(1,310)
Net cash outflow from all activities	599,081	(94,666)
Cash at the beginning of the year	746,177	840,843
Cash at the end of the year	1,345,258	746,177

The annexed notes 1 to 39 form an integral part of these financial statements.



Syed Jawad Gillani
Managing Director & Chief Executive



Ibrahim Shamsi
Director



Abdul Rozak Adamjee
Director



Abdul Hamid Adamjee
Chairman

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	262,516	(316,212)
Depreciation expense	(40,904)	(32,168)
Additional provision for unexpired risk (Provision) / reversal for gratuity	40,000	45,000
Other income-bank deposits	(1,074)	2,206
Profit on disposal of fixed assets	25,171	48,633
Lease rentals	15,325	11,870
Rental income	(1,794)	-
(Decrease) / increase in assets other than cash	494	494
Decrease / (increase) in liabilities other than running finance	(100,227)	133,407
	628,295	(813,203)
	827,802	(919,973)
Others		
Profit on sale of investments	761,429	173,438
Amortization expense	(962)	(948)
(Increase) / decrease in unearned premium	(716,215)	735,652
Amortisation of income on Government Securities - net	135,261	132,884
Increase / (decrease) in loans	795	(6,117)
Income tax paid	15,173	107,394
Gratuity paid	3,778	3,441
Financial charges paid	1,794	-
Provision for diminution in value of investments	(10,575)	(3,351)
Dividend, investment and other income	256,371	188,990
Deposits (paid) / received	(801)	107
Other income-TFC	4,526	1,633
	450,574	1,331,123
Profit before taxation	1,278,376	411,150

Definition of cash

Cash comprises of cash in hand, bank balances excluding Rs 8.091 million (2004: Rs 8.892 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and other equivalent

Cash in hand

15,105

75,097

Current and other accounts

Current accounts

233,539

381,257

Savings accounts

1,079,791

178,503

Deposits maturing within 12 months

Fixed and term deposits accounts

91,654

111,320

Short-term bank borrowing

74,831

-

Total cash and cash equivalents

1,345,258

746,177

The annexed notes 1 to 39 form an integral part of these financial statements.



Syed Jawad Gillani
Managing Director & Chief Executive



Ibrahim Shamsi
Director



Abdul Razak Adamjee
Director



Abdul Hamid Adamjee
Chairman

STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2005

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2005	2004
(Rupees in '000)										
Direct and facultative										
Fire and property damage	2,736,722	834,567	1,198,330	2,372,957	1,499,704	496,396	637,191	1,358,909	1,014,050	863,006
Marine, aviation and transport	1,269,363	89,026	55,287	1,303,102	204,842	53,338	16,841	241,339	1,061,763	789,520
Motor	1,870,408	617,986	952,005	1,536,389	21,181	50,462	838	70,805	1,465,584	1,637,817
Miscellaneous	758,758	169,697	221,869	706,586	291,448	79,416	73,511	297,357	409,234	350,671
Total	6,635,251	1,711,276	2,427,491	5,919,034	2,017,175	679,611	728,381	1,968,405	3,950,631	3,641,014
Treaty										
Proportional	46,696	-	-	46,696	-	-	-	-	46,696	37,354
Total	46,696	-	-	46,696	-	-	-	-	46,696	37,354
Grand Total	6,681,947	1,711,276	2,427,491	5,965,732	2,017,175	679,611	728,381	1,968,405	3,997,327	3,678,368

The annexed notes 1 to 39 form an integral part of these financial statements.


Syed Jawad Gillani
 Managing Director & Chief Executive


Ibrahim Shamsi
 Director


Abdul Razak Adamjee
 Director


Abdul Hamid Adamjee
 Chairman

STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2005

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2005	2004
(Rupees in '000)										
Direct and Facultative										
Fire and property damage	1,317,647	1,655,925	1,313,294	975,016	557,994	783,134	329,627	104,467	870,529	1,135,629
Marine, aviation and transport	393,828	258,580	290,485	425,733	72,441	127,747	109,905	54,599	371,134	246,869
Motor	1,252,649	1,401,745	1,097,965	948,869	62,055	580,539	491,617	(26,867)	975,736	1,046,518
Miscellaneous	433,119	336,036	323,340	420,473	156,687	200,648	215,514	171,553	248,870	259,077
Total	3,397,243	3,652,286	3,025,084	2,770,041	849,177	1,692,068	1,146,663	303,772	2,466,269	2,688,093
Treaty										
Proportional	30,663	31,094	45,694	45,263	-	-	-	-	45,263	(5,341)
Total	30,663	31,094	45,694	45,263	-	-	-	-	45,263	(5,341)
Grand Total	3,427,906	3,683,380	3,070,778	2,815,304	849,177	1,692,068	1,146,663	303,772	2,511,532	2,682,752

The annexed notes 1 to 39 form an integral part of these financial statements.


Syed Jawad Gillani
 Managing Director & Chief Executive


Ibrahim Shamsi
 Director


Abdul Razak Adamjee
 Director


Abdul Hamid Adamjee
 Chairman

STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2005

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2005	2004
----- (Rupees in '000) -----									
Direct and Facultative									
Fire and property damage	303,891	100,582	150,076	254,397	220,486	474,883	188,727	286,156	162,146
Marine, aviation and transport	195,116	12,744	5,079	202,781	238,125	440,906	11,400	429,506	255,390
Motor	171,773	71,533	99,410	143,896	326,320	470,216	17,406	452,810	486,850
Miscellaneous	89,038	21,695	32,076	78,657	88,195	166,852	110,221	56,631	37,829
Total	759,818	206,554	286,641	679,731	873,126	1,552,857	327,754	1,225,103	942,215
Treaty									
Proportional	16,943	-	-	16,943	8,819	25,762	-	25,762	24,208
Total	16,943	-	-	16,943	8,819	25,762	-	25,762	24,208
Grand Total	776,761	206,554	286,641	696,674	881,945	1,578,619	327,754	1,250,865	966,423

The annexed notes 1 to 39 form an integral part of these financial statements.


 Syed Jawad Gillani
 Managing Director & Chief Executive


 Ibrahim Shamsi
 Director


 Abdul Razak Adamjee
 Director



 Abdul Hamid Adamjee
 Chairman

STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005 (Rupees in '000)	2004
Income from non-trading investments			
Available-for-sale			
Return on fixed income securities		132,382	132,382
Return on Term Finance Certificates		4,526	1,633
Dividend income		256,371	188,990
		393,279	323,005
Gain on sale of 'available-for-sale' investments		761,429	173,438
		<u>1,154,708</u>	<u>496,443</u>
Held-to-maturity			
Return on fixed income securities		2,879	502
Provision for impairment in value of 'available-for-sale' investments	15.2	<u>1,157,587</u> (10,575)	<u>496,945</u> (3,351)
Net Investment Income		<u>1,147,012</u>	<u>493,594</u>

The annexed notes 1 to 39 form an integral part of these financial statements.


 Syed Jawad Gillani
 Managing Director & Chief Executive


 Ibrahim Shamsi
 Director


 Abdul Razak Adamjee
 Director


 Abdul Hamid Adamjee
 Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. THE COMPANY AND ITS OPERATIONS

Adamjee Insurance Company Limited (the company) is a public limited company incorporated in Pakistan on September 28, 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The company is listed on the Karachi and Lahore stock exchanges and is engaged in the non-life insurance business.

The registered office of the company is situated at Adamjee House, I.I. Chundrigar Road, Karachi.

- 1.1 The company also operates branches in the United Kingdom (UK), the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branches in the UK and KSA have closed down their operations and are in "run-off" status with effect from January 1, 1998 and October 1, 2003 respectively. With respect to the UAE business, the management decided to close down operations and discharge the liabilities under run-off status with effect from January 1, 2005 considering the adverse results of the UAE operations in the past, particularly in the motor business. However, during the year, the management has decided to continue business in the UAE based on a reassessment of the market and considering the opportunities available in the non-motor business.

Accordingly, an application was submitted to the relevant authorities during the year for renewal of licence for the year 2006 so as to commence underwriting of business in the future. The company has been granted permission in this respect subsequent to the year end.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the requirements of the said directives take precedence.

The Securities and Exchange Commission of Pakistan has allowed the insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "investments available-for-sale" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

- 2.2 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods beginning on or after the following dates:

- | | | |
|-----|---|-----------------|
| i) | IAS 19 - (Amendments) - Employee benefits | January 1, 2006 |
| ii) | IAS 1 - Presentation of financial statements - capital disclosure | January 1, 2007 |

Application of the above amendments would result in an impact on the nature and extent of disclosures made in the future financial statements of the company which can not be worked out currently.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that obligations under certain employee benefits are measured at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements or judgement was exercised in application of accounting policies are disclosed in note 33 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Provision for outstanding claims including incurred but not reported (IBNR)

The company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Claims incurred but not reported (IBNR) are accounted for based on the management's best estimate which takes into account the expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the company. This liability is calculated as follows:

- for marine cargo business and for motor business in the UAE, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and
- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

4.3 Additional provision for unexpired risks (Premium deficiency reserve)

The company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

4.4 **Commission income unearned**

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognised as a liability.

4.5 **Staff retirement benefits**

4.5.1 **Defined contribution plan**

The company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the company and the employees at the rate of 8.33% of basic salary.

4.5.2 **Defined benefit plans**

The company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for the employees in Pakistan. Contributions are made to this scheme on the basis of actuarial recommendations. Actuarial gains and losses are amortised over the expected future service of the current members;

(b) unfunded gratuity schemes covering the employees in the UAE and KSA as per the requirements of the regulations applicable in those countries. Provision is made in the financial statements based on the management's best estimate of the liability in respect of these schemes.

4.6 **Employees' compensated absences**

The company accounts for these benefits in the period in which the absences are earned.

4.7 **Amount due to / from other insurers / reinsurers**

Amounts due to / from other insurers / reinsurers are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be received / paid in the future for services rendered / received.

4.8 **Creditors, accruals and provisions**

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the company.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.9 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cashflow statement, cash and cash equivalents comprise of cash and bank deposits and short-term bank borrowing.

4.10 **Investments**

All investments are initially recognised at cost being the fair value of the consideration given and include transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investment:

The above investments are classified into the following categories:

- Held-to-maturity
- Available-for-sale

4.10.1 **Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

4.10.2 **Available-for-sale**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted/ unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortised uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

4.11 **Taxation**

4.11.1 **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or one half of one percent of turnover, whichever is higher. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed/ finalised during the year or required by any other reason.

4.11.2 **Deferred**

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The company records deferred tax assets / liabilities using the tax rates enacted or substantially enacted at the balance sheet date expected to be applicable at the time of its reversal.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.12 **Premiums due but unpaid**

These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any.

4.13 **Transactions and balances with Pakistan Reinsurance Company Limited relating to retrocession**

Retrocession transactions and balances with Pakistan Reinsurance Company Limited are accounted for on accrual basis.

4.14 **Claims recoveries**

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

4.15 **Deferred commission expense / acquisition cost**

Commission and other acquisition costs incurred in obtaining and recording insurance and reinsurance policies and / or treaties are deferred and recognised as an asset on the attachment of the related risks. These costs are charged to the profit and loss account based on the pattern of recognition of premium revenue.

4.16 **Prepaid reinsurance expense**

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on

attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognised in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance premium not recognised as an expense is shown as a prepayment.

4.17 **Fixed assets**

4.17.1 **Tangible**

These are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment loss. Depreciation is charged to income applying the reducing balance method at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation is charged on additions from the month the asset is put to use and on disposals upto the month of disposal.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is possible that future benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account currently.

4.17.2 **Intangible**

These are stated at cost less accumulated amortisation and any provision for impairment.

Amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

4.18 **Accounting for leases**

The company recognises finance lease as assets and liability in the balance sheet at amounts equal to lower of the present values of minimum lease payment and fair value of the assets. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the cost of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

4.19 **Revenue recognition**

4.19.1 **Premium income earned**

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance from inception to expiry as follows:

- (a) For direct business, evenly over the period of the policy;
- (b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
- (c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge is recognised as premium at the time the policies are written.

4.20 **Expenses of management**

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of net premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.21 **Commission income**

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the company may be entitled to under the terms of reinsurance, is recognised on accrual basis.

4.22 Investment Income

4.22.1 Income from available-for-sale investments

- **Return on fixed income investments**
Return on fixed income securities classified as available-for-sale is recognised on a time proportion basis.
- **Dividend**
Dividend income is recognised when the company's right to receive the dividend is established.
- **Gain / loss on sale of available-for-sale investments**
Gain / loss on sale of available-for-sale investments is included in income currently.
- **Return on Term Finance Certificates**
The difference between the redemption value and the purchase price of the Term Finance Certificates is amortised and taken to the profit and loss account over the term of the investment.

4.22.2 Income from held-to-maturity investments

Income from held-to-maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments.

4.23 Other income

4.23.1 Income from car repairs

Income from car repairs is recognised on accrual basis.

4.24 Foreign currencies

Transactions in foreign currencies are accounted for in Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account currently.

4.25 Financial instruments

Financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term borrowings, liabilities against assets subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.26 **Off setting**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the company has a legally enforceable right to set-off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.27 **Impairment**

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognised in the profit and loss account currently.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income / expense currently.

4.28 **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the company's practice of reporting to the management on the same basis.

As the operations of the company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5. SHARE CAPITAL

5.1 Authorised share capital

2005 (Number of shares)	2004 (Number of shares)		2005 (Rupees in '000)	2004 (Rupees in '000)
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs 10 each	<u>1,500,000</u>	<u>1,500,000</u>

5.2 Paid-up share capital

Issued, subscribed and fully paid:

2005 (Number of shares)	2004 (Number of shares)		2005	2004
250,000	250,000	Ordinary shares of Rs 10 each fully paid in cash	2,500	2,500
82,364,270	82,364,270	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<u>823,642</u>	<u>823,642</u>
<u>82,614,270</u>	<u>82,614,270</u>		<u>826,142</u>	<u>826,142</u>

As at December 31, 2005, MCB Bank Limited (formerly Muslim Commercial Bank Limited) and Adamjee Foundation, associated undertakings, held 24,267,868 (2004: 24,267,868) and 7,117,344 (2004: 7,267,344) ordinary shares of Rs. 10 each, respectively.

6. RESERVES

Capital reserves

	Note	2005 (Rupees in '000)	2004 (Rupees in '000)
Reserve for exceptional losses	6.1	22,859	22,859
Investment fluctuation reserve	6.2	3,764	3,764
Reserve for issue of bonus shares			
Balance at the beginning of the year		-	201,460
Transfer from profit and loss appropriation account		82,614	-
Bonus shares issued		-	(201,460)
		<u>82,614</u>	-
		<u>109,237</u>	<u>26,623</u>

Revenue reserve

General reserve			
Balance at the beginning of the year		186,500	606,500
Transfer (to) / from profit and loss appropriation account		750,000	(420,000)
		<u>936,500</u>	<u>186,500</u>
		<u>1,045,737</u>	<u>213,123</u>

6.1 The reserve for exceptional losses represents the amount set aside in prior years upto December 31, 1978 in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the company discontinued the setting aside of amounts as reserve for exceptional losses.

6.2 This amount has been set aside in prior years for utilisation against possible diminution in the value of investments.

	2005	2004
	(Rupees in '000)	
7. ADDITIONAL PROVISION FOR UNEXPIRED RISKS / PREMIUM DEFICIENCY RESERVE		
Opening provision	40,000	85,000
Reversal for the year	<u>(40,000)</u>	<u>(45,000)</u>
Closing provision	<u>-</u>	<u>40,000</u>

8. STAFF RETIREMENT BENEFITS - unfunded staff gratuity

Opening balance	5,319	10,966
Charge / (reversal) for the year	<u>1,074</u>	<u>(2,206)</u>
	6,393	8,760
Payment made during the year	<u>(3,778)</u>	<u>(3,441)</u>
	<u>2,615</u>	<u>5,319</u>

8.1 The above provision relates to the company's operations in the KSA and the UAE. Actuarial valuation has not been obtained as the liability is not material.

	2005	2004
	(Rupees in '000)	
9. OTHER CREDITORS AND ACCRUALS		
Cash margin against performance bonds	163,177	88,494
Sundry creditors	94,296	97,368
Commission payable	176,576	106,729
Federal insurance fee	11,941	8,568
Central excise duty	42,902	26,295
Payable to Employees' Provident Fund	-	111
Others	-	14,996
	<u>488,892</u>	<u>342,561</u>

	Note	2005 (Rupees in '000)	2004
10. SHORT-TERM RUNNING FINANCE AND BANK BORROWING - Secured			
Bank borrowing	10.1	74,831	-
10.1	This represents a clean overdraft facility of Rs 162.6 million (AED 10.0 million) availed by the company during the year to meet the working capital requirement of the UAE operations. The facility is secured against the bank's lien on time deposits of Rs 46,227 million (AED 2,843 million) and carries interest at the rate of 7% per annum.		
10.2	During the year the company has also arranged a current finance facility of Rs 200 million at a mark-up rate of 6 months KIBOR plus 0.75% per annum. The facility is secured against the pledge of Defence Saving Certificates having face value of Rs 130 million and realizable value of Rs 252,300 million. The company has not availed this facility as at December 31, 2005.		

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2005			2004		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
	(Rupees in '000)					
Minimum lease payments	9,349	8,315	17,664	-	-	-
Future finance charge	(1,094)	(394)	(1,488)	-	-	-
Present value of minimum lease payments	8,255	7,921	16,176	-	-	-

12. CONTINGENCIES

The income tax assessments of the company have been finalised upto and including the tax year 2003. However, the company has filed appeals in respect of certain assessment years which mainly relate to the following:

- (i) The Inspecting Additional Commissioner of Income Tax (IAC) had set aside the original assessments in respect of the assessment years 1994-95 to 1996-97 on the grounds that the company was not entitled to avail tax exemption on capital gains. An appeal was filed before the Income Tax Appellate Tribunal (ITAT) which was decided against the company resulting in an additional tax liability of Rs 41,774 million. The company has filed an appeal before the Honourable High Court of Sindh against the decision of the ITAT which is currently pending for adjudication; and
- (ii) The Deputy Commissioner of Income Tax (DCIT) has finalised assessments for the assessment year 1999-2000 by taxing (a) excess expenses of management (b) dividend income and capital gains at the full rate of 33% and (c) commission expense. The aggregate tax liability assessed by the DCIT amounted to Rs 48,205 million against which company has made a total provision of Rs 36,195 million resulting in a shortfall of Rs 12,010 million. The company has filed appeals with the Commissioner of Income Tax (Appeals) and ITAT which were decided against the company. Consequently the company has filed appeal before the Honourable High Court of Sindh which has reserved the judgement in this respect.

Pending resolution of the above-mentioned appeals filed by the company, no provision has been made in these financial statements for the aggregate amount of Rs 53,784 million as the management is confident that the eventual outcome of the above matters will be in favour of the company.

	Note	2005	(Rupees in '000)	2004
13. CASH AND BANK DEPOSITS				
Cash and other equivalents				
Cash in hand		10,110		6,831
Cheques in hand		4,995		68,266
		15,105		75,097
Current and other accounts				
Current accounts		233,539		381,257
Savings accounts		1,079,791		178,503
		1,313,330		559,760
Deposits maturing within 12 months				
Fixed and term deposits	13.1	99,745		120,212
		<u>1,428,180</u>		<u>755,069</u>

13.1 These include fixed deposits amounting to Rs 78,965 million (AED 4.856 million) [2004: Rs 77,090 million (AED 4.761 million)] kept in accordance with the requirements of Insurance Regulations applicable in UAE for the purpose of carrying on business in the country. These also include liens against cash deposits of Rs 4.776 million (AED 0.294 million) [2004: Rs 7.077 million (AED 0.437 million)] with banks outside Pakistan and Rs 3.315 million (2004: Rs 1.815 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed with the company.

14. LOANS - considered good

Secured

Executives	1,346	1,098
Employees	49,836	50,582
	51,182	51,680

Unsecured

Others	-	1,907
	51,182	53,587

Less: Recoverable within one year shown under sundry receivables

Executives	1,029	536
Employees	17,947	21,240
	18,976	21,776
Others	-	400
	(18,976)	(22,176)
	<u>32,206</u>	<u>31,411</u>

Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly instalments over various periods and are secured by registration of vehicles, deposit of title documents of property with the company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2004: 5%) per annum.

14.1 Reconciliation of carrying amount of loans	2005			2004		
	Executives	Others	Total	Executives	Others	Total
	(Rupees in '000)					
Opening balance	1,098	52,489	53,587	934	60,625	61,559
Disbursements	2,837	38,765	41,602	2,386	33,793	36,179
Repayments	(2,589)	(41,418)	(44,007)	(2,222)	(41,929)	(44,151)
Closing balance	1,346	49,836	51,182	1,098	52,489	53,587

	Note	2005	2004
		(Rupees in '000)	
15. INVESTMENTS			
In related parties			
Available-for-sale			
Marketable securities		186,793	102,002
Others			
Available-for-sale			
Marketable securities		1,584,379	1,223,210
Less: Provision for impairment in value of investments	15.2	(56,761)	(46,186)
		1,527,618	1,177,024
Fixed income investments		1,306,574	1,174,193
		2,834,192	2,351,217
Held-to-maturity			
Defence Saving Certificates - deposited with the State Bank of Pakistan in accordance with Section 29 of the Insurance Ordinance, 2000		18,841	15,962
		2,853,033	2,367,179
		<u>3,039,826</u>	<u>2,469,181</u>

15.1 At December 31, 2005, the fair value of available-for-sale securities was Rs 6,580,047 million (2004: Rs 5,267,878 million). As mentioned in note 4.10.2 to these financial statements, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard 39 dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2005 would have been higher by Rs 3,559,062 million.

	2005	2004
		(Rupees in '000)
15.2 Reconciliation of provision for impairment in value of investments		
Opening provision	46,186	42,835
Charge for the year	10,575	3,351
	<u>56,761</u>	<u>46,186</u>

16. DEFERRED TAXATION

This comprises of a deferred tax asset amounting to Rs 40,913 million (2004: Rs 130,871 million) recognised in respect of carried forward tax losses.

	Note	2005	2004
		(Rupees in '000)	
16.1 Reconciliation of deferred tax asset			
Opening balance		130,871	235,482
Reversal for the year		(89,958)	(104,611)
		<u>40,913</u>	<u>130,871</u>
17. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		1,458,221	914,302
Considered doubtful		(120,730)	(102,322)
		1,337,491	811,980
Less: Provision for doubtful balances	17.1	(120,730)	(102,322)
		<u>1,458,221</u>	<u>914,302</u>

	Note	2005	2004
		(Rupees in '000)	
17.1 Reconciliation of provision for doubtful balances			
Opening provision		102,322	-
Charge for the year		18,408	102,322
Closing provision		<u>120,730</u>	<u>102,322</u>
18. AMOUNTS DUE FROM OTHER INSURERS/REINSURERS - Unsecured			
Considered good		137,324	379,717
Considered doubtful		10,157	-
		<u>147,481</u>	<u>379,717</u>
Less: Provision for doubtful balances	18.1	<u>(10,157)</u>	<u>379,717</u>
		<u>137,324</u>	<u>379,717</u>
18.1 Reconciliation of provision for doubtful balance			
Opening provision		-	-
Charge for the year		10,157	-
Closing provision		<u>10,157</u>	<u>-</u>
19. ACCRUED INVESTMENT INCOME			
Return accrued on Term Finance Certificates		1,495	307
Dividend income		10,934	16,345
Return on deposit accounts		9,540	1,433
Others		591	101
		<u>22,560</u>	<u>18,186</u>
20. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS			
These are unsecured and considered to be good.			
21. PREPAYMENTS			
Prepaid reinsurance premium ceded		728,381	679,611
Others		4,056	5,305
		<u>732,437</u>	<u>684,916</u>
22. SUNDRY RECEIVABLES			
Considered good			
Current portion of long-term loans			
Executives		1,029	536
Employees		17,947	21,240
Others		-	400
Loan to Chief Executive		240	290
Other advances		25,696	13,612
Staff Gratuity Fund	22.1	69,856	73,933
Receivable from Employees' Provident Fund	22.3	3,339	-
Security deposits		17,238	17,314
Stationery in hand		2,976	2,414
Sundry debtors		13,664	9,366
		151,983	139,105
Miscellaneous			
Considered good		2,664	98
Considered doubtful	22.2	<u>19,755</u>	<u>19,755</u>
		22,419	19,853
Less: Provision for doubtful balances	22.2	<u>(174,404)</u>	<u>(158,958)</u>
		<u>154,649</u>	<u>139,203</u>

22.1 **Staff Gratuity Fund**

The company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2005. The following significant assumptions have been used for valuation of this scheme:

	Rate per annum
- Valuation discount rate	10.78%
- Expected rate of increase in salary level	8.66%
- Rate of return on plan assets	10.78%

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

	Note	2005	2004
		(Rupees in '000)	
Fair value of plan assets		270,037	279,748
Present value of defined benefit obligations		(200,379)	(202,824)
Net unrecognised actuarial losses / (gains)		198	(2,991)
Defined benefit asset		<u>69,856</u>	<u>73,933</u>
22.1.1 Movement in defined benefit balance			
Balance at the beginning of the year		73,933	76,962
Expense for the year	22.1.2	(4,077)	(3,029)
Balance at the end of the year		<u>69,856</u>	<u>73,933</u>
22.1.2 Expense for defined benefit plan			
Current service cost		11,571	9,485
Interest cost		18,143	13,456
Expected return on plan assets		(25,420)	(19,772)
Actuarial gains recognized during the year		(217)	(140)
		<u>-4,077</u>	<u>-3,029</u>
22.1.3 Actual return on plan assets			
Expected return on plan assets		25,420	19,772
Actuarial (loss)/ gain on plan assets		(12,538)	25,389
Actual return on plan assets		<u>12,882</u>	<u>45,161</u>
22.2 Reconciliation of provision for doubtful balance			
Opening provision		19,755	
Charge for the year		-	19,755
Closing provision		<u>19,755</u>	<u>19,755</u>
22.3 Employees' Provident Fund			
During the year the amount of Rs 15.782 million (2004: Rs 14.558 million) has been charged to profit and loss account in respect of the Company's contributions to the Employees' Provident Fund.			
	Note	2005	2004
		(Rupees in '000)	
23. FIXED ASSETS			
Owned assets	23.1	307,536	201,591
Leased assets	23.1	23,074	-
		<u>330,610</u>	<u>201,591</u>

23.1 The following is a statement of operating fixed assets :

	Owned assets						Leased assets			
	Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Intangible computer software	Total	Motor vehicles	Total	Total Assets
(Rupees in '000)										
At January 1, 2005										
Cost	52,398	47,365	150,728	101,260	91,426	4,738	447,915	-	-	447,915
Accumulated depreciation	11,591	26,012	80,423	61,187	64,267	2,844	246,324	-	-	246,324
Net book value	40,807	21,353	70,305	40,073	27,159	1,894	201,591	-	-	201,591
Year ended December 31, 2005										
Opening net book value	40,807	21,353	70,305	40,073	27,159	1,894	201,591	-	-	201,591
Additions	12	2,198	135,779	13,015	14,692	108	165,804	26,686	26,686	192,490
Disposals										
Cost	-	3,240	43,964	7,394	4,767	-	59,365	660	660	60,025
Depreciation	-	1,830	27,713	4,465	4,412	-	38,420	-	-	38,420
	-	1,410	16,251	2,929	355	-	20,945	660	660	21,605
Depreciation charge for the year	4,087	3,184	13,705	6,647	10,329	962	38,914	2,952	2,952	41,866
Closing net book value	36,732	18,957	176,128	43,512	31,167	1,040	307,536	23,074	23,074	330,610
At December 31, 2005										
Cost	52,410	46,323	242,543	106,881	101,351	4,846	554,354	26,026	26,026	580,380
Accumulated depreciation	15,678	27,366	66,415	63,369	70,184	3,806	246,818	2,952	2,952	249,770
Net book value	36,732	18,957	176,128	43,512	31,167	1,040	307,536	23,074	23,074	330,610
(Rupees in '000)										
At January 1, 2004										
Cost	52,351	47,574	144,107	104,379	82,743	4,738	435,892	-	-	435,892
Accumulated depreciation	9,444	25,350	86,264	62,407	56,168	1,896	241,529	-	-	241,529
Net book value	42,907	22,224	57,843	41,972	26,575	2,842	194,363	-	-	194,363
Year ended December 31, 2004										
Opening net book value	42,907	22,224	57,843	41,972	26,575	2,842	194,363	-	-	194,363
Additions	47	2,519	37,367	5,762	10,192	-	55,887	-	-	55,887
Disposals										
Cost	-	2,728	30,746	8,881	1,509	-	43,864	-	-	43,864
Depreciation	-	1,564	20,306	5,330	1,121	-	28,321	-	-	28,321
	-	1,164	10,440	3,551	388	-	15,543	-	-	15,543
Depreciation charge for the year	2,147	2,226	14,465	4,110	9,220	948	33,116	-	-	33,116
Closing net book value	40,807	21,353	70,305	40,073	27,159	1,894	201,591	-	-	201,591

	Owned assets						Leased assets			
	Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Intangible computer software	Total	Motor vehicles	Total	Total Assets
(Rupees in '000)										
At December 31, 2004										
Cost	52,398	47,365	150,728	101,260	91,426	4,738	447,915	-	-	447,915
Accumulated depreciation	11,591	26,012	80,423	61,187	64,267	2,844	246,324	-	-	246,324
Net book value	40,807	21,353	70,305	40,073	27,159	1,894	201,591	-	-	201,591

International Accounting Standard (IAS) 16, "Property, Plant and Equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised the rates of depreciation as follows:

	From	To
	Percent	
Buildings	5	10
Furniture and fixtures	10	15
Motor vehicles	20	15
Machinery and equipment	10	15

In addition to the above, depreciation on additions is now charged from the month the assets are available for use while on disposals, depreciation is charged upto the month in which the assets are disposed off. Previously, depreciation on addition was charged from the date of acquisition while no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and the effect of these changes in accounting estimates has been recognised prospectively in the profit and loss account of the current year. The net effect of the above-mentioned changes in accounting estimates has not been disclosed as it was not considered material.

23.1.1 Details of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----						
Furniture and fixtures	1,294	938	356	-	Employee Service Rules	Muhammed Qasim Kazmi, - (Ex - employee), UK
	405	139	266	266	-do-	Tahir Ahmed - (Ex - employee), UAE
	145	20	125	97	-do-	Tanzeem Hussain - (Ex - employee), UAE
	90	15	75	75	-do-	Mohammad Arif Khan - (Ex - employee), Karachi
	119	62	57	57	-do-	Akhter K. Alavi - (Ex - executive), Karachi
	280	134	146	37	Negotiation	Mohammad Khawaja, Saudi Arabia
Items having book value below Rs-50,000	907	522	384	393		
	3,240	1,830	1,409	925		
Motor vehicles	1,294	333	961	-	Employee Service Rules	Muhammed Qasim Kazmi, - (Ex - employee), UK
	389	109	280	296	-do-	Tanzeem Hussain - (Ex - employee), UAE
	750	504	246	400	-do-	M. Amin Ghani - (Ex - employee), Karachi
	307	120	187	437	-do-	Abdul Hameed - (Ex - executive), Karachi
	789	624	165	433	-do-	S. Ziauddin Ahmed - (Ex - executive), Karachi
	225	91	134	200	-do-	Muhammad Hussain - (Ex - employee), Karachi
	200	72	128	177	-do-	Abdul Hameed - (Ex - executive), Karachi
	328	221	107	154	-do-	Muhammad Arif Ayub - (Ex - employee), Karachi
	300	221	79	330	-do-	Mian Pervez Ahmed - (Ex - employee), Rawalpindi
	293	216	77	151	-do-	Inayat Hussain, - (Ex - employee), Karachi
	1,169	175	994	991	Negotiation	Darakshan Seher, Karachi
	1,117	902	215	159	-do-	Mohammad Ali Al-rak, Saudi Arabia
	486	287	199	123	-do-	Rauf Karim, Dubai
	486	287	199	195	-do-	Ahmed Mohammad Hussain, Karachi
	580	482	98	98	-do-	Jawaid Siddique, Dubai
	698	604	94	297	-do-	Azra Khatoon, Karachi
	294	230	64	131	-do-	Manzoor Ahmed Khan
	450	-	450	605	Tender	Mohammad Iqbal, Karachi
	350	-	350	453	-do-	Muhammad Akram, Karachi
	500	180	320	450	-do-	Abrar Hussain, Karachi
	1,104	801	303	562	-do-	Shaukat Hussain, Karachi
	715	422	293	610	-do-	Zair Ameen, Faisalabad
	300	16	284	526	-do-	M. Sahail Hamid, Karachi
	500	223	277	590	-do-	M. Ashfaq, Karachi
	400	125	275	600	-do-	Nafees Ahmed, Karachi
	325	65	260	427	-do-	Saleem Akhter Hashmi, Karachi

400	144	256	527
250	-	250	223
600	354	246	552
350	105	245	530
809	595	214	630
647	435	212	475
307	111	196	625
600	403	197	400
200	3	197	240
250	71	179	257
500	336	164	446
400	236	164	517
500	336	164	432
190	29	161	317
250	90	160	435
200	40	160	333
462	306	156	555
299	146	153	201
450	303	147	415
550	406	144	557
150	8	142	247
657	519	138	525

--do-- M. Saleem, Karachi
--do-- Abdul Khaliq, Karachi
--do-- Rais Ahmed, Karachi
--do-- Fazal ur Rehman, Karachi
--do-- Syed Suleman Shah, Karachi
--do-- M. Arif Khan, Karachi
--do-- Adnan Ahmed Bhatti, Karachi
--do-- Sohail Faridi, Karachi
--do-- Ameeruddin, Karachi
--do-- Iqbal Memon, Karachi
--do-- Adnan Ahmed, Karachi
--do-- Hasan Zada, Karachi
--do-- Humayun Raza, Karachi
--do-- Fazal Khalid, Lahore
--do-- M. Jameel, Karachi
--do-- Saleem Akhter Hashmi, Karachi
--do-- Mohammad Jameel, Karachi
--do-- Muhammad Hussain, Karachi
--do-- Imran, Karachi
--do-- Sohail Zaheer, Karachi
--do-- Mujeeb ur Rehman, Karachi
--do-- Rana M. Iqbal, Karachi

Balance carried forward 23,370 12,286 11,084 18,834

Description	Cost	Accumulated depreciation (Rupees in '000)	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Balance brought forward	23,370	12,286	11,084	18,834		

649	513	136	430
472	336	136	545
500	369	131	545
500	369	131	410
319	188	131	218
475	350	125	312
300	177	123	300
350	235	115	376
175	63	112	197
500	395	105	448
250	148	102	286
302	201	101	405
293	197	96	208
450	355	95	381
272	178	94	275
350	256	94	300
350	258	92	370
676	585	91	466
652	564	88	475
651	564	87	250

Tender Javed M. Khan, Karachi
--do-- Zafar Iqbal, Karachi
--do-- Adnan Ahmed Bhatti, Karachi
--do-- Khawaja Salman Yousuf, Karachi
--do-- M. Saleem Aziz, Karachi
--do-- M. Nazeer, Lahore
--do-- Zafar Iqbal, Karachi
--do-- Noman Ahmed Siddiqi, Karachi
--do-- Salman Shah, Karachi
--do-- Muhammad Farooq, Karachi
--do-- Athar Shafiq, Karachi
--do-- Khurshid Afridi, Karachi
--do-- M. Saleem Aziz, Karachi
--do-- Ahmed Waqas, Karachi
--do-- Khalid Mehmood, Lahore
--do-- Khurshid Afridi, Karachi
--do-- Khurshid Afridi, Karachi
--do-- Mohsin Nadeem, Lahore
--do-- Ashraf Maskoor, Karachi
--do-- Jawaid Ali Mohammad, Karachi

Description	Cost	Accumul- ated depreci- ation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	----- (Rupees in '000) -----					
	639	553	86	380	-do-	Osama Ghazi, Karachi
	500	416	84	338	-do-	Abdul Rauf, Karachi
	250	168	82	231	-do-	Imtiaz Ahmed Khan, Karachi
	293	216	77	216	-do-	M. Saleem Aziz, Karachi
	293	216	77	192	-do-	Zohair Naseem Shah, Karachi
	293	216	77	180	-do-	Mahammad Jameel, Karachi
	1,365	1,290	75	435	-do-	M M Alamgir, Karachi
	275	203	72	261	-do-	Shaukat Hussain, Karachi
	400	333	67	350	-do-	A.Hameed Khan, Karachi
	202	135	67	417	-do-	Abdul Hameed, Karachi
	358	298	60	271	-do-	Shaukat Hussain, Karachi
	276	218	58	155	-do-	Mufl M. Nadeem Iqbal, Karachi
	610	558	52	431	-do-	Shaukat Hussain, Karachi
	293	241	52	195	-do-	M Saleem Aziz, Karachi
	454	320	134	285	-do-	Ali Usman, Lahore
	400	269	131	366	-do-	Rashid Ayub Khan, Karachi
	550	37	513	-	Written off (stolen)	N/A
	450	-	450	-	-do-	N/A
	500	140	360	-	-do-	N/A
Items having book value below Rs 50,000	3,707	3,299	409	2,884		
	43,964	27,713	16,252	33,618		
Machinery and equipment	484	337	147	73	Employee Service Rules	Akhter K. Alvi - (Ex - executive), Karachi
	157	19	138	139	-do-	Mohammad Hussain - (Ex - employee), Karachi
	225	89	136	136	-do-	Naseer-ud-din Humayun, Karachi
	242	126	116	-	-do-	Abdul Hameed - (Ex - executive), Karachi
	148	56	92	92	-do-	Naveed Zafar Mirza - (Ex - employee), Karachi
	225	137	88	88	-do-	Shaheen Hafeez Sumar - (Ex - executive), Karachi
	211	127	84	84	-do-	Ahsan Mohammad Alvi - (Ex - executive), Karachi
	331	250	81	81	-do-	S. Ziauddin Ahmed - (Ex - executive), Karachi
	137	57	80	80	-do-	Haseeb Khan - (Ex - executive), UAE
	214	136	78	78	-do-	Austin B. Frites - (Ex - employee), Karachi
	80	4	76	76	-do-	Percy R. Barocha - (Ex - employee), Karachi
	275	210	65	65	-do-	Eusoph Jamal - (Ex - executive), Karachi
	208	148	60	30	-do-	Ghulam Abbas - (Ex - employee), Karachi
	200	145	55	55	-do-	Amin Gani - (Ex - employee), Karachi
	100	22	78	20	Negotiation	Mohammed Asif, Karachi
	226	82	144	4	-do-	Usman Ghani, Karachi
	144	80	64	20	-do-	Gimco, Karachi
	67	0	67	-	Written off (stolen)	N/A
Items having book value below Rs 50,000	3,720	2,440	1,280	520		
	7,394	4,465	2,929	1,641		
Computers	905	724	181	7	Negotiation	Muhammad Ali, Saudi Arabia
	794	737	57	33	-do-	Mohammad Khalid, Karachi
Items having book value below Rs 50,000	3,068	2,951	117	46		
	4,767	4,412	355	86		
	59,365	38,420	20,945	36,270		

	Note	2005	2004 (Rupees in '000)
24. EXPENSES			
Salaries and wages		529,477	513,557
Rent, rates and taxes		42,514	35,526
Utilities		33,329	33,554
Communication		37,656	35,985
Printing and stationery		16,391	16,081
Travelling and entertainment		49,359	37,469
Repairs and maintenance		115,959	101,191
Advertisement and sales promotion		40,973	25,046
Amortisation of intangible asset	23.1	962	948
Others		15,325	10,958
		<u>881,945</u>	<u>810,315</u>
25. OTHER INCOME			
Gain on sale of fixed assets		15,325	11,870
Income from car repairs		14,806	14,259
Interest on loans to employees		1,028	1,035
Interest on reserve kept with the State Bank of Pakistan		798	541
Return on bank deposits		15,372	7,966
Reversal of tax deducted at source on dividend income		-	28,527
Liability in respect of central excise duty no longer required written back		-	12,140
Return on saving accounts		9,799	-
Miscellaneous		6,988	892
		<u>64,116</u>	<u>77,230</u>
26. GENERAL AND ADMINISTRATION EXPENSES			
Salaries and wages	26.1	101,747	146,922
Depreciation		40,904	32,168
Directors' fee		13	13
Legal and professional expenses		31,200	35,755
Auditors' remuneration	26.2	6,916	6,556
Donations	26.3	5,003	858
Others		12,570	5,235
		<u>198,353</u>	<u>227,507</u>

26.1 These include Rs 20.933 million (2004: Rs 15.381 million) in respect of staff retirement benefits.

26.2 Auditors' remuneration

	2005			2004		
	A. F. Ferguson & Co.	M. Yousuf Adil Saleem & Co.	Total	A. F. Ferguson & Co.	M. Yousuf Adil Saleem & Co.	Total
	(Rupees in '000)					
Audit fees	975	975	1,950	298	298	596
Other certifications and tax advisory services	3,225	125	3,350	3,778	1,263	5,041
Out of pocket expenses	1,449	167	1,616	847	72	919
	<u>5,649</u>	<u>1,267</u>	<u>6,916</u>	<u>4,923</u>	<u>1,633</u>	<u>6,556</u>

26.3 None of the directors or their spouses had any interest in the donee.

		2005	2004
		(Rupees in '000)	
27	PROVISION FOR TAXATION		
	Current		
	for the year	12,819	9,450
	for prior years	12,353	(30,372)
		25,172	(20,922)
	Deferred		
	for the year	99,951	104,611
	for prior years	(9,993)	-
		89,958	104,611
		115,130	83,689
27.1	Relationship between tax expense and accounting profit		
	Profit before taxation	1,278,376	411,150
	Tax at the applicable rate of 35%	447,432	143,903
	Tax effect of income taxed at lower rate	(343,412)	(56,697)
	Tax effect of expenses that are not deductible for tax purposes	8,750	-
	Effect of change in brought forward losses	-	26,855
		112,770	114,061
	Effect of change in prior years' tax	12,353	(30,372)
	Effect of change in prior years' deferred tax	(9,993)	-
		115,130	83,689
28.	EARNINGS PER SHARE		
	There is no dilutive effect on basic earnings per share which is based on:		
	Net profit after tax for the year	1,163,246	327,461
		(Number of shares)	
	Weighted average number of shares	82,614,270	82,614,270
		(Rupees)	
	Basic earnings per share	14.08	3.96

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2005				2004			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Fee	-	13	-	13	-	13	-	13
Managerial remuneration	3,400	-	48,307	51,707	1,327	2,062	29,413	32,802
Allowances and perquisites	1,080	-	25,250	26,330	824	453	23,799	25,076
	4,480	13	73,557	78,050	2,151	2,528	53,212	57,891
Number	1	7	48	56	1	9	39	49

In addition, the Chief Executive and executives are also provided with free use of the company's cars, certain household items, furniture and fixtures and equipment in accordance with the practice of the company.

30. LIQUIDITY AND INTEREST RATE RISK

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its funding requirements. To guard against this risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily available marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.

Interest rate risk

The company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated.

The company's interest sensitivity and liquidity positions based on maturities is as follows:

	Effective Yield / Mark-up rate	2005						Total
		Interest / Mark-up bearing			Non-Interest / Markup bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
Financial assets	%	----- (Rupees in '000) -----						
Cash and bank balances	0.4- 9	1,179,536	-	1,179,536	248,644	-	248,644	1,428,180
Loans	5	18,736	32,206	50,942	-	-	-	50,942
Investments	8- 18	10,023	1,406,904	1,416,927	1,622,899	-	1,622,899	3,039,826
Premiums due but unpaid		-	-	-	1,458,221	-	1,458,221	1,458,221
Amounts due from other insurers / reinsurers		-	-	-	137,324	-	137,324	137,324
Premium and claim reserves retained by cedants		-	-	-	26,777	-	26,777	26,777
Accrued investment income		-	-	-	22,560	-	22,560	22,560
Reinsurance recoveries against outstanding claims		-	-	-	1,100,347	-	1,100,347	1,100,347
Sundry receivables		-	-	-	42,506	17,236	59,742	59,742
		<u>1,208,295</u>	<u>1,439,110</u>	<u>2,647,405</u>	<u>4,659,278</u>	<u>17,236</u>	<u>4,676,514</u>	<u>7,323,919</u>
Financial liabilities								
Provision for outstanding claims		-	-	-	3,070,778	-	3,070,778	3,070,778
Amounts due to other insurers / reinsurers		-	-	-	241,565	-	241,565	241,565
Accrued expenses		-	-	-	56,916	-	56,916	56,916
Other creditors and accruals		-	-	-	434,049	-	434,049	434,049
Short term bank borrowing	7	74,831	-	74,831	-	-	-	74,831
Liabilities against assets subject to finance lease	8.50 - 8.58	8,255	7,921	16,176	-	-	-	16,176
Unclaimed dividends		-	-	-	9,232	-	9,232	9,232
Proposed dividend		-	-	-	123,921	-	123,921	123,921
		<u>83,086</u>	<u>7,921</u>	<u>91,007</u>	<u>3,936,461</u>	<u>-</u>	<u>3,936,461</u>	<u>4,027,468</u>

-----2004-----

	Effective Yield/Mark-up rate	Interest / Mark-up bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
----- (Rupees in '000) -----								
Financial assets								
Cash and bank balances 1 - 6		298,715	-	298,715	456,354	-	456,354	755,069
Loans 5		21,776	29,904	51,680	400	1,507	1,907	53,587
Investments 13 - 18		6,318	1,191,702	1,198,020	1,271,161	-	1,271,161	2,469,181
Premiums due but unpaid		-	-	-	914,302	-	914,302	914,302
Amounts due from other insurers / reinsurers		-	-	-	379,717	-	379,717	379,717
Premium and claim reserves retained by cedants		-	-	-	26,179	-	26,179	26,179
Accrued investment income		-	-	-	18,186	-	18,186	18,186
Reinsurance recoveries against outstanding claims		-	-	-	1,661,291	-	1,661,291	1,661,291
Sundry receivables		-	-	-	23,366	17,314	40,680	40,680
		<u>326,809</u>	<u>1,221,606</u>	<u>1,548,415</u>	<u>4,750,956</u>	<u>18,821</u>	<u>4,769,777</u>	<u>6,318,192</u>
Financial liabilities:								
Provision for outstanding claims		-	-	-	3,683,380	-	3,683,380	3,683,380
Amounts due to other insurers / reinsurers		-	-	-	359,009	-	359,009	359,009
Accrued expenses		-	-	-	149,607	-	149,607	149,607
Other creditors and accruals		-	-	-	307,587	-	307,587	307,587
Unclaimed dividends		-	-	-	7,020	-	7,020	7,020
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,506,603</u>	<u>-</u>	<u>4,506,603</u>	<u>4,506,603</u>

31. FINANCIAL RISK MANAGEMENT

31.1 Financial risk factors

The company's activities are exposed to a variety of financial risks most notably credit risk, foreign exchange risk, market risk and reinsurance risk. The company has established adequate procedures to manage each of these risks as explained below:

31.2 **Credit risk and concentration of credit risk exposure**

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties. Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

31.3 **Foreign exchange risk**

Foreign currency risk arises mainly where receivables/payables exist due to transactions with foreign undertakings. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs 934.960 million (2004: Rs 1,256.733 million) and Rs 1,530.384 million (2004: Rs 2,092.291 million) respectively, at the end of the year.

31.4 **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and Term Finance Certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stock and TFC market movements.

31.5 **Reinsurance risk**

Reinsurance ceded do not relieve the company from its obligation to policy holders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

In order to minimise the financial exposure arising from large claims, the company, in the normal course of business, enters into agreements with local and foreign entities for reinsurance purposes.

32. **FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 15 to the financial statements.

33. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements or judgement was exercised in application of accounting policies are as follows:

- a) Provision for outstanding claims including incurred but not reported (IBNR) (note 4.1)
- b) Provision for unexpired risk / premium deficiency reserve (note 4.3 and note 7)
- c) Defined benefit plans (note 4.5.2 and note 22.1)
- d) Classification of investments and provision for impairment thereagainst (note 4.10 and note 15)
- e) Provision for taxation including the amount relating to tax contingency (note 4.11, note 12, note 16 and note 27)
- f) Provision for doubtful receivables (note 4.7, note 17 and note 18)

34. SEGMENT REPORTING

	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
----- (Rupees in '000) -----														
OTHER INFORMATION														
Segment assets	1,781,348	1,883,559	440,016	467,563	1,045,985	1,080,523	505,321	457,420	11,337	9,365	-	-	3,784,007	3,896,431
Unallocated assets	-	-	-	-	-	-	-	-	-	-	5,398,373	4,106,189	5,398,373	4,106,189
Total assets	1,781,348	1,883,559	440,016	467,563	1,045,985	1,080,523	505,321	457,420	11,337	9,365	5,398,373	4,106,189	9,182,380	8,004,620
Segment liabilities	2,761,167	2,749,276	461,516	528,312	2,220,519	2,214,026	614,395	585,747	49,952	35,908	-	-	6,107,549	6,113,269
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	648,662	504,507	648,662	504,507
Total liabilities	2,761,167	2,749,276	461,516	528,312	2,220,519	2,214,026	614,395	585,747	49,952	35,908	648,662	504,507	6,756,211	6,617,776
Capital expenditure	-	-	-	-	-	-	-	-	-	-	165,804	55,887	165,696	55,887

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

35. TRANSACTIONS WITH RELATED PARTIES

"The company has related party relationships with its employee benefit plans; key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them."

"Investment in and balances outstanding with related parties have been disclosed in the relevant balance sheet notes. There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 14, 23 and 29 to the financial statements. Particulars of transactions with the company's staff retirement benefit schemes are disclosed in note 22 to the financial statements."

	2005	2004
	(Rupees in '000)	
Premium underwritten	296,288	166,978
Premium received	261,992	107,768
Claims paid	106,913	62,457
Rent paid	7,007	5,508
Dividend received	13,097	9,136
Dividend paid	35,151	-
	2005	2004
	Number of shares	
Bonus shares received	-	367,472
Bonus shares issued	-	7,690,058
	2005	2004
36. NUMBER OF EMPLOYEES AT DECEMBER 31	<u>1,476</u>	<u>1,426</u>

37. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

38. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on February 27, 2006 by the Board of Directors of the company.


Syed Jawad Gillani
 Managing Director & Chief Executive


Ibrahim Shamsi
 Director


Abdul Rozak Adamjee
 Director


Abdul Hamid Adamjee
 Chairman

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT DECEMBER 31, 2005

No. of shareholders	Shareholdings	Total shares held
1,464	Shareholding from 1 to 100	shares 58,751
1,085	-do- 101 "	" 298,779
497	-do- 501 "	" 395,947
879	-do- 1,001 "	" 2,161,160
231	-do- 5,001 "	" 1,720,159
90	-do- 10,001 "	" 1,134,053
57	-do- 15,001 "	" 1,001,866
43	-do- 20,001 "	" 956,029
24	-do- 25,001 "	" 667,750
21	-do- 30,001 "	" 680,239
7	-do- 35,001 "	" 267,774
8	-do- 40,001 "	" 344,003
10	-do- 45,001 "	" 494,260
11	-do- 50,001 "	" 581,900
8	-do- 55,001 "	" 467,051
5	-do- 60,001 "	" 312,866
5	-do- 65,001 "	" 334,444
5	-do- 70,001 "	" 364,441
3	-do- 75,001 "	" 232,151
6	-do- 80,001 "	" 489,294
3	-do- 85,001 "	" 264,330
2	-do- 90,001 "	" 186,999
6	-do- 95,001 "	" 594,454
1	-do- 100,001 "	" 100,130
4	-do- 105,001 "	" 433,142
2	-do- 110,001 "	" 225,500
5	-do- 130,001 "	" 657,525
2	-do- 135,001 "	" 275,636
3	-do- 140,001 "	" 428,264
3	-do- 145,001 "	" 446,108
2	-do- 160,001 "	" 327,216
2	-do- 165,001 "	" 336,240
1	-do- 175,001 "	" 178,800
3	-do- 180,001 "	" 548,230
1	-do- 195,001 "	" 200,000
1	-do- 200,001 "	" 205,000
2	-do- 220,001 "	" 445,693

No. of shareholders		Shareholdings		Total shares held
1	-do-	230,001	"	234,939
3	-do-	245,001	"	748,630
2	-do-	255,001	"	513,907
3	-do-	260,001	"	792,071
1	-do-	265,001	"	269,930
1	-do-	270,001	"	272,691
1	-do-	285,001	"	287,100
2	-do-	295,001	"	592,100
1	-do-	300,001	"	300,679
1	-do-	305,001	"	305,500
1	-do-	315,001	"	320,000
1	-do-	330,001	"	330,113
1	-do-	385,001	"	390,000
1	-do-	395,001	"	399,400
1	-do-	405,001	"	408,100
1	-do-	410,001	"	410,107
1	-do-	480,001	"	480,834
2	-do-	495,001	"	997,518
1	-do-	660,001	"	660,558
1	-do-	725,001	"	726,000
1	-do-	745,001	"	750,000
1	-do-	805,001	"	806,301
1	-do-	940,001	"	942,713
1	-do-	985,001	"	987,925
1	-do-	1,000,001	"	1,003,967
1	-do-	1,120,001	"	1,122,877
1	-do-	1,135,001	"	1,139,300
1	-do-	1,400,001	"	1,400,001
1	-do-	2,070,001	"	2,075,000
1	-do-	2,605,001	"	2,609,304
1	-do-	2,760,001	"	2,761,354
1	-do-	3,425,001	"	3,425,104
1	-do-	3,945,001	"	3,948,851
1	-do-	7,115,001	"	7,117,344
1	-do-	24,265,001	"	24,267,868
4,544			Total:	82,614,270

Categories of shareholders	share held	percentage
Directors		
Mr. Saqib Elahi	5,323	0.006
Mr. Shahzad Saleem	3,802	0.005
Mr. Mohammed Naeem Mukhtar	6,612	0.008
Mr. Ibrahim Shamsi	3,967	0.005
Mr. Abdul Hamid Adamjee	1,138,113	1.378
Mr. Abdul Razak Adamjee	256,697	0.311
Mr. Wasif M. Khan	2,500	0.003
Mr. Ahmed Aman Aslam	2,500	0.003
Chief Executive Officer		
Syed Jawad Gillani	3,967	0.005
Directors'/CEO's spouse		
Mrs. Hawa W/o Mr.A. Hamid Adamjee	497,518	0.602
Mrs. Naseem W/o A. Razak Adamjee	134,691	0.163
Executives/Executives' spouse	20,494	0.025
Associated companies, undertakings & related parties		
Muslim Commercial Bank Ltd.	24,267,868*	29.375
Adamjee Foundation	7,117,344	8.615
Allied Bank Ltd.	320,000	0.387
NIT and ICP		
National Bank of Pakistan, Trustee Deptt.	12,091	0.015
Investment Corporation of Pakistan	733	0.001
Banks, DFIs and NBFIs	7,553,292	9.143
Public sector companies and corporations	-	-
Insurance Companies	3,106,990	3.761
Modarabas and Mutual Funds	2,855,516	3.456

Categories of shareholders	share held	percentage
General Public	24,737,172	29.943
a) Local (Individuals)	577,709	0.699
b) Foreign companies/organizations/individuals (on repatriable basis)		
	9,989,371 **	12.091
Others - See below	82,614,270	100.000
Shareholders holding 10% or more voting interest	24,267,868*	
Others:		
01 The Administrator, Abandoned Properties Organisation	987,925	
02 MCB Employees Pension Fund	3,425,104	
03 MCB Provident Fund Pak Staff	2,761,354	
04 Mobarak Begum Charitable Trust	13,969	
05 Pakistan Memon Educational & Welfare Society	132,325	
06 Ismailia Youth Services	2,645	
07 Trustee DGKC Emp.P.F.Trust	67	
08 Trustee-Shafnoor Educational Trust	40,000	
09 Sind Club	85,000	
10 Joint Stock Companies	2,540,982**	
	9,989,371	

Karachi: February 27, 2006



SYED JAWAD GILLANI
Managing Director &
Chief Executive

EXECUTIVES OF THE COMPANY

<i>Senior Joint General Managers</i>	T.A. Abbasi, B.Com. Edris H.M. Ganiela B.Com., A.C.I.I (London), Chartered Insurer
<i>Joint General Managers</i>	Saeed Jan Awan, M.Com. Syed Agha Haider, M.A. A. Sattar Mohammadi, B.A. Salim Razak Branchlari, B.Com., A.C.I.I (London) Chartered Insurer Nadeem Ahmed Abdul Rehman Mohammadi, B.Com. Naeem Ud Din, M.B.A. Sariwat Mahmood Butt, M.B.A. (U.S.A) Imtiaz Ahmed Piracha, B.Sc. Saleem Tariq Ahmed Ateeq Ahmed Khan, M. Sc (Agri. Eco.) Naim Anwar, B.Com. Ghulam Ali Malik, M.A.
<i>Joint General Managers (Development)</i>	Zeris Rustam Birnie Jawed Usmani Abdul Wahid
<i>Deputy General Managers</i>	Ramesh Munraj Bherwani, B.A. Mohd. Ibrahim Kapadia, M.B.A (USA) A.C.I.I (London) Chartered Insurer Shahid A. Zaidi Khalid M. Mirza, B.Com. Emmanuel Mebr, B.Com. Moinuddin Khan, M. Sc., A.C.I.I. (London), Chartered Insurer Farooq Usman Kotlwala, B.Com. Syed Noman Kadri, M. Sc. (Maths.) Asif Jabbar, B.Com., A.C.I.I (London) M. Saqib Kidwai, B.E (Mech.), M.S. (Mech. Eng.) U.S.A. Akhtar Ali Baig, B.Com. A.C.I.I. (London) Abdul Hayee Mughal, M.B.F. Kh. Ghulam Wajid, M.Sc. (U.K), A.C.I.I. (London) Capt. Mohammad Akram, Master Mariner, M.A., I.L.B., M. J. C. S (London) Atier Rahat Siddiqui, B.Com. A. C. I. I. (London) Chartered Insurer Salman Moin, M.Sc., M.C.S Rabea Hussain Sheikh, A.C.A M. Najeeb Anwar, B.A. Ahmed Hussain Zubori, B.Com. Imran Mughal, B.Com. Faisal Iqbal, M.Sc (U.K) Malik Nazir Ahmed
<i>(Development)</i> <i>Deputy General Managers</i>	Asghar Jafri Syed Ali Jaffery Anjum Saleem, B.Com. Mohd. Saleem Khan Najma Naeem (Mrs.) Mohammad Ali Wahab, B.Com. Mohammad Kamil Khan, B.A.

<i>Assistant General Managers</i>	Akber Ali Rajan M. A. Basit, A.C.I.I. (London) Muhammad Yasein, B.Sc. Rakhsanda Qureshi, (Mrs.) M.Sc. (Zoology) A.C.I.I. (London), Chartered Insurer Syed Mohd. Iqbal, B.Com. A.C.I.I. (London), Chartered Insurer Shakil Ahmed, A.M.I.M.I. (U.K) Riffat Raza, M.A., A.C.I.I. (London) Mohammad Idrees, B.Com. I.L.B. Gul Munawar Khan, B.Com. Syed Farman Kazmi, B.Com. Mohammad Javed Anwar, B.Com. Rubina Qureshi, M.A., A.C.I.I. (London) Mohammed Shaab, M.A. Azif Mehmood Mallik, B.B.A. (U.S.A.) Nadeem Shaikh, B.E., M.B.A. (U.S.A.) Syed Sadiq Ali Jafri, B.A. Azhar Ali, B.Com. M. Iqbal A. K., B.Com. Musaddar Mohsin Ali, B.Com. Mohammad Arif Khan, B.A., I.L.B. Mohammed Saleem, B.Com. Syed Mazhar Hussain Shah, B.A., I.L.B. Mohammed Ismail, B.E (Chem.), M.B.A. Aamir Ahmed, B.A. Mohammed Ghuzali Farooqi Mohammed Yaqoob Memon, M.A. (Eco.)
-----------------------------------	--

<i>Assistant General Managers (Development)</i>	Arif Ali Hussain Ali Mohd. Shekha, B.A. Mohammad Ibrahim Mohd. Younes, B.Com. Mohammad Yousif Khamati Abdul Aziz Zari Mohd. Tariq Hussain, B.A. Zaher Anwar Pasha, B.Com. Syed Zahid Hussain Zaidi Qamar Ahmed, B.A. Ghulam Mohammad Mandviya Mohd. Sohail Dawera Mirza Farrukh Saeed, B.A., I.L.B. Raymezz B. Golewalla, M. B. A. Zaina Bankwalla, M. B. A. Sher Bano Munaf Syed Ali Zaher, B.Com. Musaddar Mohsin Ali, B.Com. Shakeel Ahmed, B.A. Jehanvir Ahmed Heer Zavoor Hussain, B.Com.
---	--

BRANCH INFORMATION

SINDH AND BALOCHISTAN

KARACHI (ZONAL OFFICE)

Mackinnons Building (5th Floor)
P.O. Box No. 5380, I.I.Chundrigar Road
Phone: 2410791, 2416762, 2412073, 2418932,
2423791, 2411630, 2427537, 2413668, 2427110
& 2427112 (9 Lines)

Fax: (92-21) 2414017

Cable: ADAMJINKAR

Gen. Managers: Najib Nasir Syed, M.B.A. (U.S.A.)
Dy. Gen. Manager: Moin Uddin Khan, M.Sc.
A.C.I.I. (London) Chartered Insurance
Asst. Gen. Manager: Azhar Ali, B.Com. C.A.
(Intermediate)

CAR CLINIC, KARACHI

Plot No. 8-A, West Wharf Road
Phone: 2312249, 2311716, 2312294, 2312190,
2312257

FAX: 2316094-6, 2310271-4

Fax: (92-21) 2312389

Asst. Gen. Manager: Nadeem Shiekh, B.E.
(Mech), M.B.A. (USA)

KARACHI (Main Branch)

Mackinnons Building (4th Floor)
Phone: 2410791, 2416762, 2412073, 2418932,
2423791, 2411630, 2427537, 2413668, 2427110 &
2427112 (9 Lines)

Fax: (92-21) 2414017

Cable: ADAMJINKAR

Sr. Jt. General Manager: Edris H. M. Goawala,
B.Com., A.C.I.I. (London), Chartered Insurer
Dy. General Manager: Ather Rahat Siddiqui,
B.Com. A.C.I.I. (London) Chartered Insurer

ADAM CHAMBER BRANCH, KARACHI

Haji Adam Chambers (2nd Floor)

Aitaf Husain Road, New Chali

Phone: 2415125 & 2415779

Fax: (92-21) 2411402

Senior Manager: M. Yacoub Haroon, B.A., B.S.
(Eco), U.S.A.

CORPORATE DIVISION, KARACHI

Business Centre (1st Floor)

Mumtaz Hasan Road, Off I.I.Chundrigar Road
Phone: 2428306, 2411280, 2422368, 2412135,
2421915, 2435723, 2414052 & 2413090 (4 Lines)

Fax: (92-21) 2423866

Sr. General Manager: Capt. Mahmood Sultan,
Master Mariner, F.I.C.S. (London), F.C.I. (London)
Dy. Gen. Manager: Asif Jabbar, B.Com.,
A.C.I.I. (London)

Asst. Gen. Managers: Rubina Qureshi (Miss.) B.A.
M.A. (Eco.), A.C.I.I. (London) Chartered Insurer
Mohammad Javed Arwer, B.Com. C.A.
(Intermediate)

ADAMJEE BUILDING BRANCH, KARACHI

Adamjee Insurance Building (1st Floor)

I.I. Chundrigar Road,

Phone: 2414018, 2424782, 2415335 (5 Lines)

& 2417936 (5 Lines)

Fax: (92-21) 2426596

Jt. General Manager: Saleem Tariq Ahmed

NEW UNIT BRANCH, KARACHI

Adamjee Insurance Bldg. (6th Floor)

I.I. Chundrigar Road

Phone: 2414919, 2419433, 2414948, 2416064,

2418563, 2422430, 2424784, 2415335 (5 Lines) &

2417936 (5 Lines)

Fax: (92-21) 2418579

Jt. Gen. Manager: Abdul Rehman Mohammad,
B.Com.

Dy. Gen. Manager: Syed Noman Kadri, M.Sc.
(Maths.)

Asst. Gen. Managers: Syed Mohd. Iqbal, B.Com.
A.C.I.I. (London) Chartered Insurer
M. Iqbal A. Karim, B.Com.

ADAMJEE HOUSE BRANCH, KARACHI

4th Floor, Adamjee House,

I.I. Chundrigar Road

Phone: 24174903, 2416931 (3 lines) 2414793,

2413707

Fax: (92-21) 2427690

Jt. Gen. Manager: Nadeem Ahmed

BURNS ROAD BRANCH, KARACHI

1st Floor, Capital Building, M.A. Jinnah Road

Phone: 2626108, 2629742 & 2621118

Fax: (92-21) 2628041

Senior Manager: Mohammad Hanif Rehman
Ahmed, B.A.

GUL TOWER BRANCH, KARACHI

Gul Tower (8th Floor), I.I. Chundrigar Road

Phone: 2418290, 2418107, 2418117, 2424102, &

2418119

Fax: (92-21) 2425305

Asst. General Manager: M.A. Basit, A.C.I.I.
(London).

BUSINESS CENTRE BRANCH, KARACHI

1101-1102, Business Centre, Mumtaz Hassan

Road,

Off I.I. Chundrigar Road

Phone: 5716294, 5752420, 5873986 & 5716295

Fax: (042) 5878607

General Manager: Shamsul Haque, A.C.I.I.
(London)

Asst. General Manager: Rakhshanda Qureshi
(Mrs.) M.Sc. (Zoology), A.C.I.I. (London),
Chartered Insurer

GULSHAN-E-IQBAL BRANCH, KARACHI

207, Al-Amin Towers,

NIPA Chowranghi Main University Road

Phone: 4978114 & 4978115

Fax: (92-21) 4978116

Manager: Shahid Ahmed Quraishi, B.Com.

BUSINESS PLAZA BRANCH, KARACHI

Office No. 502 (5th Floor) Business Plaza,

Mumtaz Hassan Road,

Off I.I. Chundrigar Road

Phone: 2400833 & 2400834

Fax: (92-21) 2400835

Asst. Gen Manager: Mohammad Idrees, B.Com.

HABIB SQUARE BRANCH, KARACHI

State Life Building No. 6-A, (3rd Floor),

M.A. Jinnah Road

Phone: 2424666, 2424777, 2422050

Fax: (92-21) 2428475

Sr. Jt. General Manager: T. A. Abbas, B.Com.

CAMPBELL STREET BRANCH, KARACHI

Az-Talab Court (2nd Floor), Campbell Street,

Phone: 2626527, 2626109, 2638584, 2636530 &

2218489

Fax: (92-21) 2626096

Joint General Manager: Ramesh Mulraj

Bherwari, B.A.

JAPAN PLAZA BRANCH, KARACHI

Room Nos. 604 & 605, Japan Plaza (6th Floor)

M.A. Jinnah Road,

Phone: 2724511, 2720425 & 2766839,

2744363, 2744364

Fax: (92-21) 2724511

Jt. Gen. Manager: A. Sattar Mohammad, B.A.

CLIFTON BRANCH, KARACHI

404, 405 & 406 Shaheen Centre (4th Floor)

Block 7, K.D.A. Scheme No.5, Clifton

Phone: 5866516, 5865714, 5831780 & 5834202

Fax: (92-21) 5830575

Asst. Gen. Manager: Amir Ahmed

JODIA BAZAR BRANCH, KARACHI

Suleman Centre, Rambhorli Street,

Jodia Bazar

Phone: 2437353 & 2439831 (5 lines)

Fax: (92-21) 2417235

General Manager: M. Iqbal Yaqub, B.Com.

I.I. CHUNDRIGAR ROAD BRANCH, KARACHI

Uni Centre (1st Floor), I.I. Chundrigar Road

Phone: 2424543, 2400250 & 2412577 (3 Lines)

Fax: (92-21) 2424543

Asst. Gen. Manager: Mohammed Ghazali Farooqi

KARIMABAD BRANCH, KARACHI

4th Floor, Adeel Shopping Centre, Block 1,
Federal 'B' Area
Phone: 6314855, 6324701 & 6330433
Fax: (92-21) 6330432
Dy. Gen. Manager: Shahid A. Zaidi

KUTCHERY ROAD BRANCH, KARACHI

Seedat Chambers (3rd Floor)
Dr. Ziauddin Ahmed Road
Phone: 5672560, 5672561 & 5674071 (5 Lines)
Fax: (92-21) 5672559
Dy. Gen. Manager: Farooq Usman Kolhawala,
B.Com.
Asst. General Manager: Syed Mazhar Hussain
Shah, B.A., L.L.B.
Mohammed Ismail, B.E.(Chem.), M.B.A.

KORANGI INDUSTRIAL AREA BRANCH, KARACHI

Korangi Association of Trade & Industry Building
Plot No. SI-4/2, Sector 23, Korangi Industrial Area
Phone: 5060651, 5060652 & 5060653
Fax: (92-21) 5060654
Jt. Senior Manager: M. Munir Khan.

MEREWEATHER TOWER BRANCH, KARACHI

State Life Building No.7 (1st Floor), G. Allana
Road
Phone: 2314382, 2204107, 2204108 & 2204095
Fax: (92-21) 2310046
Jt. Gen. Manager: Ateeq Ahmed Khan,
M.Sc.(Agril.Eco.)

K.P.T. BRANCH, KARACHI

K.D.L.B. Building, (4th Floor) 58, West Wharf Road
Phone: 2311021 (5 Lines)
Fax: (92-21) 2311026
General Manager: A. Razzak Rahimullah
Bramchari
Jt. Gen. Manager: Salim Razzak Bramchari,
B.Com.
A.C.I.I. (London), Chartered Insurer

MUHAMMADI HOUSE BRANCH, KARACHI

Muhammadi House (1st Floor), I. I. Chundrigar
Road,
Phone: 2416840 & 2426591 (3 Lines)
Fax: (92-21) 2411535
General Manager: Syed Basil Hussain, B.Com.
Asst. Gen. Manager: Muhammad Shaab,
B.Com., M.A.

SHAFI COURT BRANCH, KARACHI

Shafi Court (1st Floor), Mereweather Road
Phone: 5684982, 5684985, 5688643 & 5219619
Fax: (92-21) 4529218
Asst. Gen. Manager: Akber Ali Rajan.

NAZIMABAD BRANCH, KARACHI

7/2, 2nd Floor, Saeed Chambers
above Allied Bank Ltd.
Firdous Colony 1st Chowrangj, Nazimabad
Phone: 6684328, 6684546 & 6689708
Fax: (92-21) 6689705
Jt. Senior Manager: Syed Aboobaker, B.Com.

SHAHEED-E-MILLAT ROAD BRANCH, KARACHI

502-503 Amber Estate,
Corner Shaheed-e-Millat Road & Shareef Faisal
Phone: 4520196, 4520198, 4541925 & 4542903
Fax: (042) 6307365
Asst. General Manager: Khalid M. Mirza, B.Com.

NORTH NAZIMABAD BRANCH, KARACHI

Muhammadi Manzil (2nd Floor) Plot No. SB-1,
Block K, North Nazimabad
Phone: 6626208 & 6624590
Fax: (92-21) 6626209
Senior Manager: Saeed Muzaffar Zuberi, B.A.,
A.C.I.I. (London)

SHAREEF FAISAL BRANCH, KARACHI

Faiyaz Centre (1st Floor), Room Nos. 101 & 102,
3-A, S.M.C.H.S.,
Phone: 4553372, 4540466 & 4556103 (3 Lines)
Fax: (92-21) 4551822
General Manager: M. Jahangir Chughtai, M.A.,
Asst. General Manager: Riffat Raza (Mrs) B.A.,
M.A. (Sociology) A.C.I.I. (London) Chartered
Insurer

P.I.D.C. HOUSE BRANCH, KARACHI

P.I.D.C. House (6th Floor), Dr. Ziauddin Ahmed
Road
Phone: 5680909, 5689131, 5688658, 5683586 &
5684468
Fax: (92-21) 5683480
Dy. Gen. Manager: Mohd. Ibrahim Kapadia,
M.B.A.(U.S.A.), A.C.I.I. (London), Chartered Insurer

TARIQ ROAD BRANCH, KARACHI

Shahwar Trade Centre (1st Floor) 72/S, Block 2,
P.E.C.H.S., Allama Iqbal Road
Phone: 2416931, 2416932, 2416933, 2428211,
2417403, 2414793, 2413707
Fax: (92-21) 4543117
Dy. General Manager: Ahmed Hussain Zuberi,
B.Com.

PLAZA BRANCH, KARACHI

Rehman Centre (1st Floor), M. A. Jinnah Road
Phone: 7763853, 7763741, 7721486, 7725940 &
7730101
Fax: (92-21) 7760067
Senior Manager: Syed Mazhar Akbar, B.A.

WEST WHARF BRANCH, KARACHI

A & K Chamber (2nd Floor) 14,
West Wharf Road
Phone: 2311746, 2311738 &
2315646
Fax: (92-21) 2315645
Senior Manager: S.M. Faizan Ashraf Jelani, B.Com.

SADDAR BRANCH, KARACHI

Hajra Mansion (1st Floor),
Zabun-Nisa Street
Phone: 5670417, 5670418, 5675632, 5675633,
5670436, 5670423 & 5675600
Fax: (92-21) 5687628
Joint General Manager: Naim Anwar, B.Com.,

EXPORT PROCESSING ZONE BRANCH, KARACHI

Extension Landhi Industrial Area
Mehran Highway, Landhi,
P.O. Box No. 17016
Phone: 5082027-8
Asst. Gen. Manager: Syed Sadiq Ali Jafri, B.A.

HYDERABAD BRANCH

Tilak Incline,
Phone: 615518 & 618852
Fax: (92-0221) 610227
Asst. Gen. Manager: Mohd. Yacoub Memon,
M.A.

TANDO ADAM (SUB-OFFICE)

Khano Centre (1st floor), M.A. Jinnah Road
Phone: (02221) 75869
Fax: (02221) 75869
Executive Officer (Dev.): Ghulam Akber Memon.

NAWABSHAH (SUB-OFFICE)

Tayyaba Shopping Centre, 1st floor,
Kutchery Road
Phone: (0241) 72331
Fax: (0241) 64342
Jt. Sr. Manager (Dev.): Mohammad Saleem Rao,
B.A.

SUKKUR BRANCH

Shafi Chamber, Jama Masjid Road
Phone: (071) 24985
Fax: (071) 24958
Regional Senior Manager: Rafiq Dasari

MIRPURKHAS (SUB-OFFICE)

1st Floor, Building No. P-15 C.S. No. 646 to 650
Ward 'B'
M.A. Jinnah Road
Phone: (0231) 72490
Fax: (0231) 72490
Officer (Dev.): Vijay Kumar

QUETTA BRANCH

Agha Siraj Complex (2nd Floor),
Circular Road,
Phone: (081) 844966 & 820260
Fax: (081) 844955
Manager: Saleem Raza, B.Com.

PUNJAB AND NWFP**LAHORE (ZONAL OFFICE)**

Suite No. 217 (2nd Floor), Eden Centre
43, Ghaus Ul Azam (Jail Road)
P. O. Box 220,
Phone: 7571523, 7567597, 7552406 & 7560001-4
Fax: (042) 7566024
Cable: ADAMJINSUR
General Manager: Mian Faisal Usman, M.B.A.,
A.C.I.I. (London)

EMPRESS ROAD BRANCH, LAHORE

Empress House (2nd Floor)
28-Empress Road
Phone: 6364365, 6372602 & 6371611
Fax: (042) 6374684
Asst. Gen. Manager: Mohammad Atif Khan, B.A.
L.L.B.

MAIN BRANCH, LAHORE

M. C. B. Building, Bank Square
Phone: 7222478-3, 7238036, 7357070 & 7314155
Fax: (042) 7122615
Cable: ADAMJINSUR
Joint General Manager: Naeem Ud Din, M.B.A.

GARDEN TOWN BRANCH, LAHORE

Flat No. 10 (1st Floor) Shan Arcade, Civic Centre
Basket Market, New Garden Town
Phone: 5830243, 5880229, 5862281 & 5866670
Fax: (042) 5830243
Jt. General Manager: Imtiaz Ahmad Piracha,
B.Sc.

CANAL VIEW BRANCH, LAHORE

Suite No. 302, (3rd Floor),
Eden Centre
43, Ghaus Ul Azam (Jail Road)
Phone: 7569204, 7569203, 7530432 & 7565744
Fax: (042) 7595748
Joint General Manager: Satwat M. Butt, M.B.A.
(U.S.A.)

GHAUSIA BRANCH, LAHORE

23, Patiala Ground, Link McLeod Road
Phone: 7238751, 7230657, 7227956 & 7227903
Fax: (042) 7239030
Jt. Senior Manager: Nadeem Mushlaq, M.B.A.

CAR CLINIC, LAHORE

Al-Noor Building, 43, Bank Square,
Phone: 7244569
Fax: (042) 7238271
Asst. Service Manager: Shahab Rafiq, D.A.E.
(Auto)

KOT LAKHPAT BRANCH, LAHORE

Glamour Plaza, Flat No.5,
(1st Floor) Peco Road Township
Phone: 5111033, 5151587 & 5151588
Fax: (042) 5111087
Senior Manager: Muhammad Akram Cheema

CITY BRANCH, LAHORE

Al-Noor Building, 43, Bank Square,
Phone: 7244568, 7124779 & 7311216
Fax: (042) 7238271
Dy. General Manager: Abdul Hayee Mughal,
M.B.E

LATIF CENTRE BRANCH, LAHORE

100, Latif Centre, 99/101, Ferozepur Road
Phone: 7572655, 7576944 & 7569875
Fax: (042) 7572655
Dy. General Manager: M. Najib Anwar, B. A.

CORPORATE BRANCH, LAHORE

Apartment No.T-17, 3rd Floor
Al-Hafiz Centre, 74-75/E.1
Main Boulevard,
Gulberg III
Phone: 5716294, 5752420, 5873986 & 5716295
Fax: (042) 5878607
Jt. Sr. Manager: Syed Muhammad Kausar Ali

NAWA-E-WAQT HOUSE BRANCH, LAHORE

Nawa-e-Waqt Building,
Shahrah-e-Fatima Jinnah
Phone: 6363913, 6303913 & 6303914
Fax: (042) 6307365
Asst. General Manager: Asif M. Malik, B.B.A (USA)

EDEN CENTRE BRANCH, LAHORE

Suite # 318, 3rd Floor, Eden Centre
43, Ghaus-ul-Azam Road (Jail Road)
Phone: 7579005, 7579504 & 7582354
Fax: (042) 7579504
Jt. Senior Manager: Amjad Ali Shaida, B. A.

SERVICE CENTRE NEW UNIT, LAHORE

23 B, F.C.C. Syed Murat Ali Road,
Gulberg IV
Phone: 5750207, 5750218, 5750870
& 5750871
Fax: (042) 5750857
Dy. General Manager: Imran Mughal, B. Com.

EGERTON ROAD BRANCH, LAHORE

Associated House, Building No.2
(2nd Floor), 7-Kashmir/Egerton Road,
Phone: 6370462, 6278965 & 6302660
Fax: (042) 6303474
Joint General Manager: Syed Agha Haider, M.A.

VENUS PLAZA BRANCH, LAHORE

Venus Plaza (2nd Floor),
7/E, Egerton Road
Phone: 6375752, 6375754, 6374353 & 6374527
Fax: (042) 6375754
Senior Manager: Mian Allah Nawaz, B.L., M.A.

GUJRANWALA OFFICE

Al-Azhar Arcade (1st Floor)
Opp. Iqbal High School,
G.T. Road
Phone: 7106629, 857767 & 252573
Fax: (0431) 710629
Senior Manager: Ch. Ghulam Murtaza

CLOCK TOWER BRANCH, FAISALABAD

P-834, 1st Floor,
Bilal Plaza
Liaquat Road
Phone: 2628456
Fax: (041) 2628457
Senior Manager: Mohammad Ilyas Malik, B.A.

SIALKOT OFFICE

Flat No. 1 & 2, Javed Market
Karimpura Road, Ramtalai
Phone: 581236 & 596584
Fax: (0432) 581236
Senior Manager: M. Iqbal Butt, A.C.I.I. (London),
Chartered Insurer

JHANG OFFICE

Session Chowk,
Katchery Road
Near D. C House
Jhang Sadar
Phone: (0471) 622587
Manager (Development): Sh. Tahir Abbas

DIVISIONAL OFFICE - RAWALPINDI

43-C, 1st Floor
Kirpa Ram Compound
Bank Road, Post Box 92
Phone: 5519802, 5517332, 5517336,
5566920 & 5567849
Fax: (051) 5517336
General Manager: Kh. Khalid Mustafa, M. A.
Dy. General Manager: Faisal Iqbal, M.Sc. (U.K.)
Asst. General Manager: Muhammad Yaseen,
B. Sc.

SAHIWAL OFFICE

Room No. 11 & 12
1st Floor, Saffar Complex
Stadium Road,
P. O. Box No. 1
Phone: 67015
Fax: (0441) 60786
Jt. Senior Manager: S. Wilayat Ali, B.A.

ABBAS CENTRE BRANCH, ISLAMABAD

Office No. 4, Block 87-West
Abbas Centre, 1st Floor
Fazal-ul-Haq Road, Blue Area
Phone: 2273871 & 2270516-8
Fax: (051) 2270519
Asst. General Manager: Mussaddar Mohsin Ali, B.Com

MULTAN (Regional Office)

F-1, Hassan Arcade
Nusrat Road, P. O. Box No. 93
Phone: 589848, 543976 & 548614
Fax: (061) 545978
Dy. Gen. Manager: Malik Nazir Ahmed

**INFRASTRUCTURE DEVELOPMENT PROJECT DIVISION
(PUNJAB AND SARHAD ZONE)**

Office No. 4, Block 87-West
Abbas Centre, 1st Floor
Fazal-ul-Haq Road, Blue Area
Phone: 2273871 & 2270516-8
Fax: (051) 2270519
Jt. Senior Manager: Abdur Rauf, B. A.

RAHIM YAR KHAN OFFICE

18, Shahi Road, P. O. Box No. 61
Phone: (068) 5877196
Executive Officer (Dev.): Ch. Muhammad Rafique

PESHAWAR BRANCH

6th Floor, State Life Building
34, The Mall, Post Box 45
Phone: 273635, 276235 & 272310
Fax: (091) 274076
Joint General Manager: Saeed Jan Awan, M.Com.

BHAWALPUR OFFICE

T-A, Trust Colony
Near Quaid-e-Azam Medical College
Circular Road, P. O. Box 85
Phone: 877232
Fax: (0621) 877232
Asst. Manager (Dev.): Sajjad Haider

FAISALABAD (ZONAL OFFICE)

M. C. B. Building, 4th Floor
Circular Road, P. O. Box No. 32
Phone: 2643788, 2644810, 2614810 & 2612134
Fax: (041) 2648368
General Manager: Iqbal Mohammad Ch., B.A.
Dy. General Manager: Capt. Mohammad Akrom,
Master Mariner, M.A., LL.B. M. I. C. 5 (London)

DERA GHAZI KHAN OFFICE

Hajana Plaza Blakh Sarwer City
2nd Floor Opprt.
D. H. Q. Hospital, Jampur Road
Phone: 473434
Fax: (0621) 473434
Manager (Dev.): Malik Ghulam Shabbir

SARGODHA OFFICE

60-A, Railway Road, Sargodha
Phone: 740420
Fax: (0438) 740419
Branch Manager: Mian Abrar Shah

OVERSEAS OFFICES**DUBAI (Zonal Office for Middle East)**

Deira Tower, Suit No. D307
Post Box No. 4256, Deira Dubai
Phone: (971-4) 2224098 (6 lines), 2227389 & 2285295
Fax: (971-4) 2285600
Telex: 47357 AIC EM
Cable: ADAMJINSUR
Senior Manager, Syed Zulfikar Ali Zaidi, M.A., LL.B.

LONDON BRANCH

The City Business Centre
Suff No. 18, 2 London Wall Building
London Wall
London EC2M 5UU
United Kingdom
Phone: 75885506
Fax: (020) 75885509
Executive Officer: Shahadat H. Mir

PROXY FORM

I/We.....ofbeing a member of Adamjee Insurance Company Limited hereby appoint Mr. of or failing him Mr. of as my/our Proxy to vote for me/us and on my/our behalf at the fortyfifth Annual General Meeting of the Company to be held on March 30, 2006 at 03:00 p.m. at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8,Kehkashan, Clifton, Karachi and at any adjournment thereof.

Signed this..... day of.....2006

WITNESSES:

1- Signature

Name.....

Address

.....

NIC No

2- Signature

Name.....

Address

.....

NIC No



Signature

Holder ofOrdinary Shares

Share Register Folio No.

"CDC" Participant's I.D.No. A/c No.

(Please see Notes on reverse)

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
2. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting.
3. The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.
4. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting

- (i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- (i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (iii) Attested copies of NIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her original NIC or original passport at the time of the Meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



Adamjee Insurance Company Limited
Head Office
6th Floor, Adamjee House, I.I.Chundrigar Road
Karachi, Pakistan