

## Board of Directors

### 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. Also Chief Executive of Nishat Chunian Power Limited 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.



### 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 Jamat-e-Taleem ul Quran. Served on editorial board of College & University publications. Enjoys Squash and Swimming.



### Saqib 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.



### 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.



### 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.



### 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 and also as director on the board of State Bank of Pakistan. At present managing Partner of Ahmad Alman Aslam & Associates. Holds board memberships of Oil & Gas Development Company Ltd. and Private Power and Infrastructure Board.



### 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.



### Arif Ijaz

He holds a B.E. in Electrical Engineering from University of Engineering & Technology, Lahore and MBA from Iran Centre for Management Studies, Tehran. He served as CEO of KSB Pakistan for 9 years, a subsidiary of KSB Germany. Mr. Ijaz has a vast experience in areas of strategic management and marketing. He has been on the board of National Management Foundation (LUMS), Pakistan Steel Mills, National Refinery Limited, Lahore Stock Exchange and is currently serving on the board of Hub Power Company Limited.



### Mian Muhammad Mansha Advisor

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.



*Arif Ijaz*  
*Managing Director & CEO*

# MD's Message

## MD's Message

A foundation made in stone lasts through the toughest ordeals, showing strength and confidence in the structure. Rock formations last through centuries taking on the weather year after year. Our mission as a team is to stand tall and last through the changing times.

## 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. 1.022 billion 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.

#### HIGHLIGHTS OF THE YEAR

- Highest ever Pre-tax profit of Rs. 1.68 billion
- Highest Gross premium of Rs. 7.9 billion
  - Cash fund Management
  - Establishment of Bancassurance
- Establishment of marketing department
- Launching of Travel Insurance

### 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.

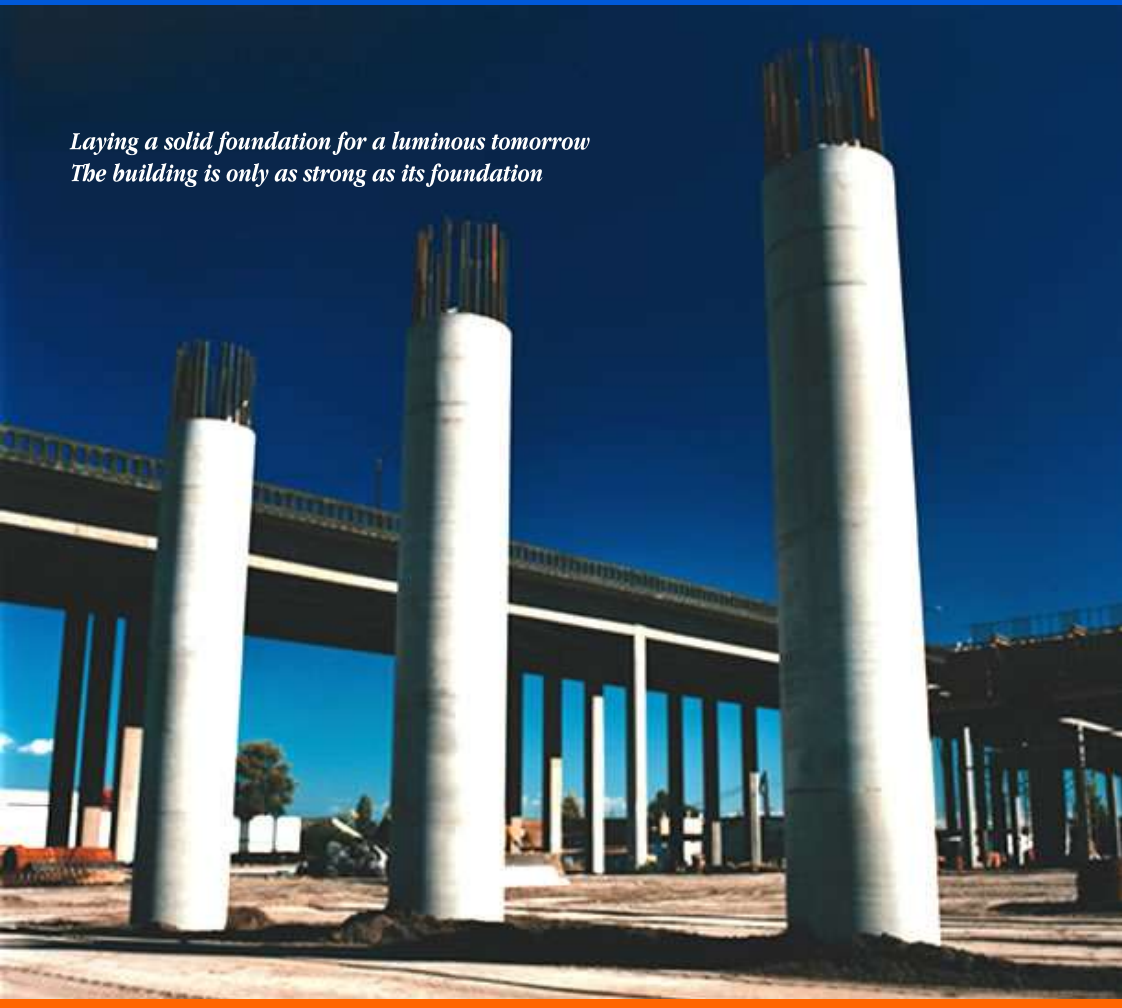
#### Strategy

- 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 widenetwork 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

#### ACHIEVEMENTS OVER THE YEARS

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

*Laying a solid foundation for a luminous tomorrow  
The building is only as strong as its foundation*



## 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.

### 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 branches and head office and the company is in the process of finalizing the deal for building its own premises both at Karachi and Lahore.

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.

#### MAJOR DONATIONS

- M/s Murshid Hospital
- Citizen's Education Development Foundation
- M/s Poor Patients Aid Society, Civil Hospital
- Raast Welfare Society
- Citizen Liason Police Committee (CPLC)
- Road Traffic Injury Research and Development Centre
- Agha Khan Hospital and Medical College

### Committed to Excellence

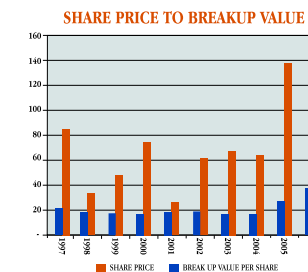
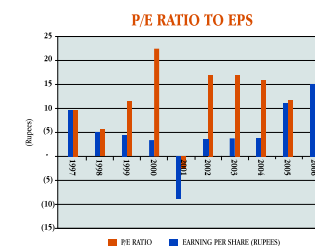
We live in times of intense competition, but our key differentiating factor is our unwavering commitment to operational and financial discipline in producing successful results, keeping our promises and meeting our customers' needs.

## Ten Years Summary

(Rupees in million)

PARTICULARS	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>EARNINGS</b>										
Gross Premium	7,912	6,682	5,266	5,414	4,612	4,233	4,224	3,511	3,220	3,123
Net Premium	5,280	3,997	3,678	3,066	2,884	2,932	3,042	2,418	2,142	2,209
Underwriting Result	482	306	74	48	(62)	(886)	115	251	91	88
Investment Income	1,515	1,147	494	422	341	302	211	125	153	272
Profit Before Tax	1,685	1,278	411	285	268	(501)	227	263	106	231
Profit After Tax	1,577	1,163	327	310	219	(517)	156	184	196	291
<b>BALANCE SHEET</b>										
Paid Up Capital	1,022	826	826	625	625	543	472	429	390	312
Equity	3,788	2,426	1,387	1,059	1,149	930	783	741	693	692
Investments (Book Value)	4,503	3,040	2,469	2,218	2,109	2,109	1,859	1,586	1,505	1,383
Investments (Market Value)	8,040	6,580	5,282	3,957	1,873	1,120	2,052	1,840	1,293	1,907
Cash & Bank	883	1,428	755	850	667	581	592	467	504	729
Total Assets	11,139	9,182	8,005	7,664	5,964	4,992	4,256	3,400	3,295	3,270
Total Liabilities	7,351	6,756	6,618	6,604	4,815	4,062	3,001	2,230	2,212	2,266
<b>RETURN</b>										
Return On Average Capital Employed (%)	50.74	61.00	26.78	28.08	21.04	(60.39)	20.46	25.59	28.36	45.93
<b>SHARE INFORMATION</b>										
Earning Per Share (Rs.)	15.42	11.38	3.96	3.76	3.50	(9.19)	3.30	4.27	5.03	9.30
Break Up Value Per Share (Rs.)	37.05	29.37	16.79	16.95	18.39	17.12	16.58	17.25	17.75	22.15
No. Of Shares	102.24	82.61	82.61	62.47	62.47	54.32	47.24	42.94	39.04	31.23
Share Price (Rs.)	150.50	137.00	65.60	66.70	61.30	29.25	76.00	52.50	33.75	86.75
KSE Index	10,041	9,557	6,218	4,472	2,701	1,273	1,508	1,409	945	1,754
P/E Ratio	9.76	12.04	16.57	17.74	17.51	(3.18)	23.02	12.29	6.71	9.33
(*)Dividend Per Share (Rs.)	4.75	1.50	-	1.73	2.80	-	3.00	3.25	4.00	6.00
(*)Dividend Yield (%)	3.16	1.09	-	2.59	4.57	-	3.95	6.19	11.85	6.92
(*)Dividend Payout Ratio (%)	30.80	13.18	-	45.88	80.11	-	90.87	76.05	79.51	64.50
Market Price To Break Up Value	4.06	4.67	3.91	3.93	3.33	1.71	4.58	3.04	1.90	3.92
(*)Total Dividend Declared-amount	411.00	124.00	-	107.76	175.18	-	141.70	139.56	156.15	187.37
(*)Total Dividend Declared-%	47.50	15.00	-	15.00	30.00	-	30.00	32.50	40.00	60.00
<b>OPERATING PERFORMANCE</b>										
Underwriting Result To Net Premium (%)	9.13	7.66	2.02	1.57	(2.15)	(30.22)	3.78	10.37	4.25	3.98
Profit After Tax / Net Premium (%)	29.86	29.10	8.90	10.11	7.58	(17.64)	5.13	7.59	9.17	13.15
Investment Income To Net Premium (%)	28.70	28.70	13.42	13.76	11.81	10.30	6.92	5.15	7.14	12.32

(\*)including bonus dividend



## Directors' Report to the Members

On behalf of the board of directors, I am pleased to present the 46th annual report for the year ended December 31, 2006.

### General economic review

The outgoing fiscal year (2005-06) has been an extraordinary year for the economy of Pakistan. Growth has remained buoyant with real GDP growing at 6.6 percent in 2005-06. The key drivers of this year's growth have been the service sectors and industry, with the service sector performing strongly at 8.8 percent. The country's economy continued to maintain a solid pace of expansion since the fiscal year 2002-2003. The constant economic growth of the last three to four years has turned Pakistan into one of the fastest growing economies in Asian region with real per capita GDP growing by 4.7 percent and per capita income by 14.2 percent. The recovery has been strong, rapid and sustained. During the year Pakistan's economic fundamentals have gained further strength. The most important achievements of this year include solid pace of economic expansion in an extraordinary environment, robust consumer spending ability supporting the ongoing growth momentum, sharp reduction in public and external debt and growing international interest in our markets.

### Insurance industry-economic review

As the financial sector continued to perform optimally, the year has been wonderful for the Non Life Insurance sector showing a growth in double digits. The high growth of the Non Life Insurance sector during the year was accompanied by an improvement in companies' financial health as well. The profits registered a sharp average growth rate well above the asset growth. As a result, ROA has increased sharply accompanied by growing underwriting gains and a strong rise in yield on investments. Encouragingly, the improvement in underwriting gains stemmed from both fall in claim ratio and increase in operating efficiency.

### Review of operating results:

During the year under review your company declared an impressive net profit of Rs. 1.68 billion which is one of the highest ever recorded profits in the history of the company and shows an extraordinary growth of 32% over last year. This 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.

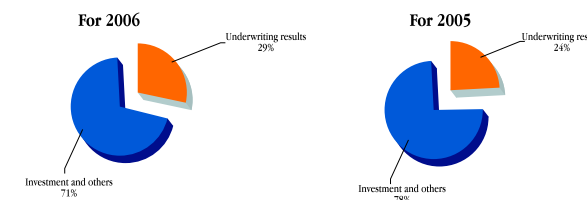
The underwriting profit for the year was Rs. 482 million. The results of business underwritten inside Pakistan showed a marvelous underwriting result of Rs. 547 million as compared to Rs. 346 million last year presenting a growth of 58%. The total gross premium recorded this year is 7.912 billion as compared to Rs. 6.682 billion showing a year over year growth of 18%. Our investment income was Rs. 1.515 billion as compared to Rs. 1.147 billion last year manifesting a growth of 32% over last year.

The highlights for the year are as under:

	2006	2005	Increase
	Rupees in million		%
Gross Premium	7,912	6,682	18
Underwriting Results	482	306	58
Investment Income	1,515	1,147	32
Profit Before Tax	1,685	1,278	32
Profit After Tax	1,577	1,163	36
EPS - (Rupees)	15	11	36

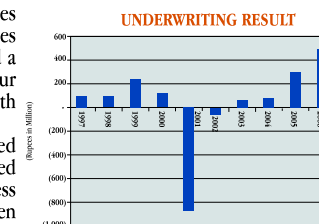
It may be noted from the above that 2006 was a year of remarkable achievement for Adamjee Insurance Company Limited in terms of profit and business development. The major contributors in such remarkable underwriting results were mainly the Marine and Fire Business that contributes approximately 81% of the overall underwriting profit. The business underwritten inside Pakistan posted Rs. 547 million underwriting profit which is also the highest ever recorded Underwriting profit in the history of company. In addition to that the Profit achieved before tax showed a tremendous increase of 32% because of the striking income generated from our Investments mainly from capital gains from sale of shares. Overall profit of the company grew by 36% to Rs. 1.577 billion.

### Analysis of Profit before tax



### Underwriting results

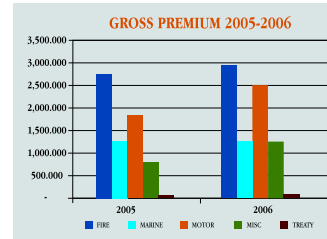
Our underwriting results showed an impressive growth of 58% over last year, despite the fact that market forces have caused in a reduction of premium rates in all classes of business. Our underwriting team has maintained a disciplined and prudent approach and as a result your company managed to achieve an extraordinary growth in the underwriting profit bringing it up to Rs. 482 million as against Rs 306 million in 2005. We showed a steady growth in all classes of business and maintained a balanced portfolio. This year all the classes of business posted underwriting profit as compared to last year when our Fire and Treaty business posted an underwriting loss. The overall claim ratio was almost the same as of last year despite 18% increase in our volume of business and 32% increase in our Net Premium. The overall combined ratio showed a significant improvement as compared to last year and was reduced by 2% maintaining it at 91% as compared to last year which was 93%.



## Portfolio analysis

The company aims at maintaining a balanced portfolio and strives hard to focus at all classes instead of increasing its volume of business in any particular class. The portfolio analysis (volume wise) is as under:

	2006	2005
Fire	37%	41%
Marine	15%	19%
Motor	31%	28%
Misc	16%	11%



## Class wise analysis

### Fire & Property

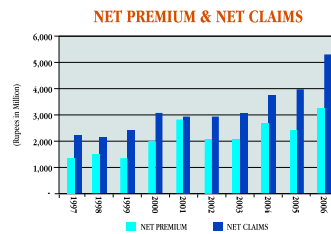
Fire and Property includes business underwritten under the Fire and Engineering classes of business. During the year under review, the company grossed a premium of Rs. 2,903 million (2005: Rs. 2,737 million) which constitutes almost 37% of our total portfolio. The claim ratio was reduced to 64% as compared to last year which is approximately 86% of the net premium. Strong controls have been established by implementing risk management and claim settlement policies. The underwriting profit from this class contributes 25% towards the total underwriting profit. AICL managed to bring the underwriting ratio to net premium at almost 10% which compared to last year shows a significant increase of 171%.

### Marine, aviation & transport

Marine, aviation and transport remains our most profitable segment even this year. For the year ended December 31, 2006, it contributes a major portion of the total underwriting profitability. The portfolio showed a growth of 4.3% on an overall basis. The net claims ratio and underwriting profitability ratio were 39% and 25% respectively.

### Motor

During the year the company focused on increasing quality of Motor business and capturing profitable business from the market. Steps have been taken for reduction of claims and strong controls have been taken to reduce claim ratio. Consequently significant increase has been observed in this class and volume has been increased by 33%. However the company is strongly focusing towards establishing a balanced portfolio. As a result the motor business constitutes 31% of the total Gross premium and has increased by only 3% over last year (December 31, 2005:28%)



The company generated an underwriting profit of Rs. 11 million during the year under review whereas the underwriting profit for business inside Pakistan is Rs. 64 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

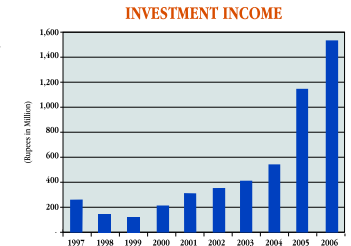
The miscellaneous class of business contributes almost 16% of the overall underwriting profit of the company. Significant growth has been observed during the year and

volume has been increased by 64%. The gross premium underwritten during the year has increased from Rs. 759 million to Rs. 1,241 million, while underwriting profit is Rs 81 million.

## Investment Income

The stock exchanges of the country have had an outstanding year. The KSE 100 index stood at 10,041 points on December 31, 2006 against 9,556 points on December 31, 2005. During the year under review the company recorded capital gains of Rs. 1.044 billion on sale of stocks/shares as compared to Rs. 761 million booked last year. The overall increase in the Investment Income accounts for 32% over last year.

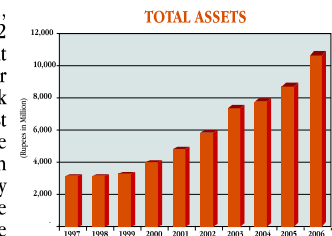
The Company's overall investment income comprising of dividend, interest & capital gains depicted a significant improvement at Rs. 1,515 million during the year as against Rs. 1,147 million or 32% growth over last year. The break up is as under:-

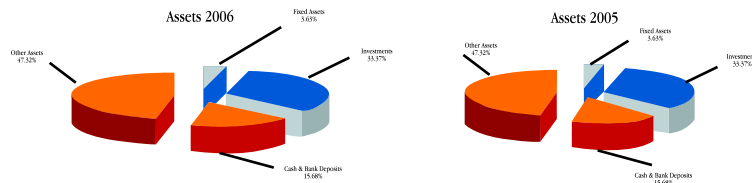


	2006	2005
	Rupees in '000	
Dividend income	308,454	256,371
Return on fixed income securities	135,780	135,261
Return on TFCs	16,909	4,526
Gain on sale of available for sale investment	1,044,670	761,429
	1,505,813	1,157,587
Reversal/(provision) for impairment	9,446	(10,575)
<b>Net investment income</b>	<b>1,515,259</b>	<b>1,147,012</b>

## Company's Assets

The total assets of the company as on December 31, 2006 stood at Rs. 11.139 billion as against Rs. 9.182 billion last year depicting an increase of 21%. Significant increase of 48% in Investments has been the major contributor in such huge rise. The total cash and bank balance at the end of year was Rs. 0.883 billion as against Rs. 1.428 billion. The decrease in such balance is due to the steps the management for optimum utilization of funds. Through the Cash Fund management policy 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. 2.454 billion (2005: Rs. 0.898 billion)





and the balance funds are all placed at reasonable market rates with various financial institutions. Investments during the year were Rs. 4.503 billion as compared to Rs. 3.039 billion in last year.

### Risk Mitigation

The company is not exposed to any major concentration of credit risk. 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.

Liquidity risk is associated with adequate funding requirement. 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.

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investment. The company limits the risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and Term Finance Certificates markets. In addition, the company actively monitors the key factors that affect stock and TFC market movements.

### Human Resources

Adamjee Insurance Company Limited, being the leading insurance company has a number of people-intensive functions such as claims, underwriting, operations and customer services. To provide quality service and products to our customers, we have the high class professionals working in each department. Human capital is the key resource that the company creates, develops and nurtures and this is the reason why we have the best resources in the form of human capital in our company. Alignment with the corporate vision, ethics and values, the continuous sharpening of the skills and abilities of people is a prerequisite while building a world class organization. Keeping in view all this the company's human resource department has been established in order to achieve and pursue the key objectives of Human Resource Functions and ensure employee satisfaction and retention by creating a performance enabling work culture within the organization .

We believe that well-trained employees will give the organization a competitive advantage in the market place. We have conducted various training programs in product, process and soft skills to equip our employees with the desired functional and behavioral skills.

### Future Outlook

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. Our future strategy includes:

- Exploration/research of new channels of distribution.
- Utilization of Information Technology for product innovation, speed and risk management.
- Establishment of new benchmarks for the Insurance Industry.

### Major Initiatives Taken During The Year

During the year 2006 the management of the company has geared itself towards a major shift in the corporate vision for the long term sustainability of the company as market leader. Following steps were taken:

- A new state of the art ERP solution has been purchased, which will be fully operational by end of the year.
- To explore new avenues of the business, a Bancassurance department has been launched to tap the retail client.
- A Quality Assurance Department has been made operational to ensure best possible quality in our product and services.
- The operational structure of the company has been totally revamped. The new divisional setup ensures operational efficiency through decentralization, optimal utilization of resources and better service.
- To establish better control over motor claim management, the company has started installation of trackers in its insured vehicles.
- To achieve maximum operational efficiency the company went through a rightsizing process during the year that has resulted into a substantial increase in per Employee Productivity.
- A new marketing department has been established
- We are in the process of launching a life insurance company.

### Revival Of Underwriting In UAE

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, a balanced mix of business shall be the policy. We have short listed professionals of the highest caliber and integrity level, having an in-depth experience of the UAE market so that the branch operations proceed successfully. Efforts are being made for enhanced acceptance limits for fire insurance business in respect of UAE operations, and improved general accident reinsurance treaty terms, 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 an effective control on the branch operations and will be monitoring the UAE business on a regular basis to ensure compliance with the underwriting and claims guidelines.



### JCR Maintains AA Rating

During the year under review JCR-VIS Credit Rating Company has maintained the Insurer Financial Strength rating of the company as AA (Double A).

### Dividend Declared:

The board is pleased to declare highest ever dividends by recommending final cash dividend of Rs.1.8 per share, in addition to Rs.1 per share in cash and 12.5% bonus issue declared earlier on interim results from the available distributable profits of the company.

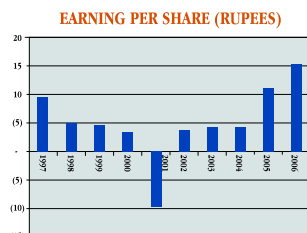
### Earning Per Share

During the year under review, pre tax and after tax basic earning per share was Rs. 16.48 (2005: Rs. 15.47) and Rs. 15.42 (2005: Rs. 11.38) respectively. Detailed working has been reported in Note 29 of the financial statements.

### 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 from 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	510,660	(as at June 30, 2006)
Gratuity Fund	218,399	(as at December 31, 2006)

- During the year under review, 5 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	5	2
Mr. Shahzad Saleem	5	2
Mr. Mohammad Naeem Mukhtar	5	1
Mr. Ibrahim Shamsi	5	4
Mr. Abdul Hamid Adamjee	5	1
Mr. Abdul Razzak Adamjee	5	1
Mr. Wasif M. Khan	5	5
Mr. Ahmad Alman Aslam	5	4
Syed Jawad Gillani (resigned 22/04/2006)	3	3
Mr. Arif Ijaz (appointed 22/04/2006)	2	2

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
Mrs. Hawa w/o Mr. A. Hamid Adamjee	nil	4,000

### Status Of Approvals For Investments In Associated Companies

As required under SRO No ( 1)/2000 dated December 6, 2000 , the position of various investment in associated Companies against approval in EOGM dated December 4, 2006 is as under:

### MCB Bank Limited:

Out of 5 million shares , 835,000 shares for a total cost of Rs. 214.360 million have been purchased till December 31, 2006 . The remaining shares of MCB bank Ltd.

shall be purchased whenever surplus funds will be available with the company.

#### Oil & Gas Development Company

Till December 31, 2006, no share of OGDC was purchased out of 2,000,000 shares for which approval was obtained. The company delayed the investment in such company till the market price is attractive to buy.

#### Allied Bank Limited

The TFCs were not purchased till December 31, 2006 as Pre-IPO offer was completed before EOGM approval. However, TFCs of the face value amounting Rs. 20 million were purchased from the secondary market on February 16<sup>th</sup> 2007 at par value.

#### Auditors

The auditors M/s A.F. Ferguson & 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.

#### Acknowledgement

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.

We look forward to presenting our achievements to the shareholders in the forth coming annual general meeting. We are extremely thankful for the trust and faith reposed by them in the board as well as the Management of the company. Their support gives us the confidence and courage to achieve the targets and strategies set by the board and gives meaning to our efforts.

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. Clear credit must also be given to our Chief Operating Officer for formulating a Cotton Ginning Policy that has brought down the claim ratio drastically. 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.

On behalf of the Board



Arif Ijaz

Managing Director & Chief Executive

March 08, 2007

## 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, 2006.



A. F. Ferguson & Co.  
Chartered Accountants  
Karachi

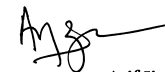
March 09, 2007

## 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, which was filled 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), 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 at least 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 prior to approval of interim and final results of the Company and as required by the Code. 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.



Arif Ijaz

Managing Director & Chief Executive

Karachi: March 08, 2007

# Financial Statements

For the year ended December 31, 2006

## Auditor's 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, 2006 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 the 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 except for the changes as stated in note 4.9 with which we concur;
- 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, 2006 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 13 to the financial statements which explains 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.

The financial statements of the company for the year ended December 31, 2005 were audited jointly by A.F.Ferguson & Co., Chartered Accountants and M. Yousuf Adil Saleem & Co. Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated February 27, 2006. They had, however, included an emphasis of matter paragraph in the audit report to draw attention of the members to contingencies disclosed in the notes to the financial statements for the year ended December 31, 2005.

*A.F. Ferguson & Co.*

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

March 09, 2007

## Balance Sheet as at December 31, 2006

	Note	2006 (Rupees in '000)	2005 (Restated) (Rupees in '000)
<b>Share capital and reserves</b>			
Authorised share capital	5.1	1,500,000	1,500,000
Paid-up share capital	5.2	1,022,351	826,142
Retained earnings		1,802,399	1,386,904
Reserves	6	963,123	213,123
		2,765,522	1,600,027
<b>TOTAL EQUITY</b>		<b>3,787,873</b>	<b>2,426,169</b>
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)	7	3,208,084	3,070,778
Provision for unearned premium		2,974,462	2,427,491
Commission income unearned		113,575	108,894
<b>Total underwriting provisions</b>		<b>6,296,121</b>	<b>5,607,163</b>
<b>Deferred liability</b>			
Staff retirement benefits	9	3,085	2,615
<b>Creditors and Accruals</b>			
Premiums received in advance		86,901	258,821
Amounts due to other insurers/ reinsurers		248,565	241,565
Accrued expenses		85,758	56,916
Other creditors and accruals	10	607,512	488,892
		1,028,736	1,046,194
<b>Borrowings</b>			
Short-term running finance and bank borrowing - secured	11	-	74,831
Liabilities against assets subject to finance lease	12	10,019	16,176
		10,019	91,007
<b>Other liabilities</b>			
Unclaimed dividends		13,265	9,232
<b>TOTAL LIABILITIES</b>		<b>7,351,226</b>	<b>6,756,211</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,139,099</b>	<b>9,182,380</b>
<b>CONTINGENCIES</b>	13		

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2006 (Rupees in '000)	2005 (Restated) (Rupees in '000)
<b>Cash and bank deposits</b>			
Cash and other equivalents	14	79,051	15,105
Current and other accounts		580,638	1,313,330
Deposits maturing within 12 months		223,539	99,745
		883,228	1,428,180
<b>Loans</b>			
To employees	15	26,259	32,206
<b>Investments</b>			
	16	4,502,776	3,039,826
<b>Deferred taxation</b>			
	17	-	40,913
<b>Other Assets</b>			
Premiums due but unpaid	18	2,053,498	1,458,221
Amounts due from other insurers/ reinsurers	19	220,386	137,324
Salvage recoveries accrued		90,809	46,316
Premium and claim reserves retained by cedants		36,506	26,777
Accrued investment income	20	28,973	22,560
Reinsurance recoveries against outstanding claims	21	1,262,976	1,100,347
Taxation - payments less provision		297,545	345,373
Deferred commission expense		311,942	286,641
Prepayments	22	813,618	732,437
Sundry receivables	23	251,456	154,649
		5,367,709	4,310,645
<b>Fixed Assets - Tangible &amp; Intangible</b>			
<b>Owned</b>			
Buildings		33,059	36,732
Furniture and fixtures		23,312	18,957
Motor vehicles		198,628	176,128
Machinery and equipment		44,059	43,512
Computers and related accessories		38,472	31,167
Intangible asset - computer software		2,243	1,040
		339,773	307,536
<b>Leased</b>			
Motor vehicles		19,354	23,074
<b>TOTAL ASSETS</b>		<b>11,139,099</b>	<b>9,182,380</b>



Arif Ijaz  
Managing Director & Chief Executive



Ahmed Alman Aslam  
Director



Ibrahim Shamsi  
Director



Abdul Razak Adamjee  
Chairman

## Profit and Loss Account for the year ended December 31, 2006

Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Misc.	Treaty	2006	2005
(Rupees in '000)							(Restated)
<b>Revenue account</b>							
	1,238,945	1,075,343	2,192,711	702,372	70,757	5,280,128	3,997,327
	(789,375)	(428,065)	(1,597,988)	(499,393)	(40,030)	(3,354,851)	(2,511,532)
8	-	-	-	-	-	-	40,000
25	(221,549)	(193,855)	(378,479)	(120,006)	(9,231)	(923,120)	(850,855)
	(109,703)	(181,731)	(205,339)	(2,469)	(20,976)	(520,218)	(368,920)
	<u>118,318</u>	<u>271,692</u>	<u>10,905</u>	<u>80,504</u>	<u>520</u>	<u>481,939</u>	<u>306,020</u>
						1,515,259	1,147,012
						494	494
26						119,704	64,116
						<u>2,117,396</u>	<u>1,517,642</u>
27						(440,926)	(229,443)
						9,159	(8,029)
						(882)	(1,794)
						<u>1,684,747</u>	<u>1,278,376</u>
28						(67,333)	(25,172)
						(40,913)	(89,958)
						<u>1,576,501</u>	<u>1,163,246</u>
<b>Profit after tax</b>							
<b>Profit and loss appropriation account</b>							
<b>Balance at the commencement of the year</b>							
						1,386,904	347,579
<b>Effect of change in accounting policy (note 4.9)</b>							
						(123,921)	-
						(82,614)	-
						(750,000)	-
						(956,535)	-
						<u>1,576,501</u>	<u>1,163,246</u>
						(90,876)	(123,921)
						(113,595)	-
						<u>1,802,399</u>	<u>1,386,904</u>
(Rupees)							
						<u>15.42</u>	<u>11.38</u>
29	<b>Earnings per share - basic</b>						

The annexed notes 1 to 41 form an integral part of these financial statements.



Arif Ijaz  
Managing Director & Chief Executive



Ahmed Alman Aslam  
Director



Ibrahim Shamsi  
Director



Abdul Razak Adamjee  
Chairman

## Statement of changes in Equity for the year ended December 31, 2006

	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)							
<b>Balance as at December 31, 2004</b>	826,142	-	22,859	3,764	186,500	347,579	1,386,844
Profit after tax for the year ended December 31, 2005	-	-	-	-	-	1,163,246	1,163,246
Interim dividend @ 15% (Rs 1.5/- per share)	-	-	-	-	-	(123,921)	(123,921)
Final dividend @ 15% (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)	-
<b>Balance as at December 31, 2005</b>	826,142	82,614	22,859	3,764	936,500	430,369	2,302,248
- as reported earlier	826,142	82,614	22,859	3,764	936,500	430,369	2,302,248
<b>Effect of change in accounting policy relating to dividends declared and transfer between reserves made subsequent to the year end (note 4.9)</b>							
Final dividend for the year ended December 31, 2005 declared subsequent to the year end	-	-	-	-	-	123,921	123,921
Transfer to reserve for issue of bonus shares subsequent to the year end	-	(82,614)	-	-	-	82,614	-
Transfer to general reserve subsequent to the year end	-	-	-	-	(750,000)	750,000	-
<b>Balance as at December 31, 2005 - restated</b>	826,142	-	22,859	3,764	186,500	1,386,904	2,426,169
Profit after tax for the year ended December 31, 2006	-	-	-	-	-	1,576,501	1,576,501
Final dividend for the year ended December 31, 2005	-	-	-	-	-	(123,921)	(123,921)
Interim dividend @ 10% (Re 1.0/- per share)	-	-	-	-	-	(90,876)	(90,876)
Transfer to reserve for issue of bonus shares subsequent to the year end	-	82,614	-	-	-	(82,614)	-
Transfer to reserve for issue of bonus shares during the year	-	113,595	-	-	-	(113,595)	-
Issue of bonus shares	196,209	(196,209)	-	-	-	-	-
Transfer to general reserve	-	-	-	-	750,000	(750,000)	-
<b>Balance as at December 31, 2006</b>	1,022,351	-	22,859	3,764	936,500	1,802,399	3,787,873

The annexed notes 1 to 41 form an integral part of these financial statements.



Arif Ijaz  
Managing Director & Chief Executive



Ahmed Alman Aslam  
Director



Ibrahim Shamsi  
Director



Abdul Razak Adamjee  
Chairman

## Statement of Cash Flows for the year ended December 31, 2006

	2006	2005
	(Rupees in '000)	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	7,221,608	6,434,311
Reinsurance premiums paid	(2,146,159)	(1,924,079)
Claims paid	(4,301,969)	(3,271,647)
Surrenders paid	(77,197)	(87,280)
Reinsurance and other recoveries received	784,511	1,051,339
Commissions paid	(803,117)	(699,535)
Commissions received	327,621	28,823
Other underwriting payments	(913,981)	(878,642)
<b>Net cash flow from underwriting activities</b>	<b>91,317</b>	<b>653,290</b>
<b>b) Other operating activities</b>		
Income tax paid	(19,505)	(15,173)
General and other expenses paid	(409,081)	(391,990)
Loans disbursed	(52,663)	(26,929)
Loan repayments received	52,636	27,724
Deposits (paid)/ received	(1,254)	801
Other receipts	55,283	14,793
<b>Net cash flow from other operating activities</b>	<b>(374,584)</b>	<b>(390,774)</b>
<b>Total cash flow from all operating activities</b>	<b>(283,267)</b>	<b>262,516</b>
<b>Investment activities</b>		
Profit/ return received	62,883	17,068
Dividends received	308,953	261,782
Investments purchased	(2,453,400)	(898,356)
Proceeds from disposal of investments	2,180,346	1,213,826
Fixed capital expenditure - Tangible assets	(117,244)	(165,696)
Fixed capital expenditure - Intangible assets	(2,516)	(108)
Proceeds from disposal of fixed assets	36,331	36,270
Income received on TFCs	14,342	3,338
<b>Total cash flow from investing activities</b>	<b>29,695</b>	<b>468,124</b>
<b>Financing activities</b>		
Dividends paid	(210,764)	(121,709)
Lease rentals paid	(7,039)	(9,850)
<b>Total cash flow from financing activities</b>	<b>(217,803)</b>	<b>(131,559)</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(471,375)</b>	<b>599,081</b>
Cash at the beginning of the year	1,345,258	746,177
<b>Cash at the end of the year</b>	<b>873,883</b>	<b>1,345,258</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



Arif Ijaz  
Managing Director & Chief Executive



Ahmed Alman Aslam  
Director



Ibrahim Shamsi  
Director



Abdul Razak Adamjee  
Chairman

## Statement of Cash Flows for the year ended December 31, 2006

	2006	2005
	(Rupees in '000)	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(283,267)	262,516
Depreciation expense	(60,445)	(40,904)
Additional provision for unexpired risk	-	40,000
Provision for gratuity	(602)	(1,074)
Other income - bank deposits	66,734	25,171
Profit on disposal of fixed assets	6,846	15,325
Finance charge on lease obligations	(882)	(1,794)
Rental income	494	494
Increase/ (decrease) in assets other than cash	1,092,505	(100,227)
(Increase)/ Decrease in liabilities other than running finance	(124,529)	628,295
	<b>696,854</b>	<b>827,802</b>
<b>Others</b>		
Profit on sale of investments	1,044,670	761,429
Amortization expense	(1,313)	(962)
Increase in unearned premium	(546,971)	(716,215)
Amortization of income on Government Securities - net	135,780	135,261
Increase in loans	27	795
Income tax paid	19,505	15,173
Gratuity paid	132	3,778
Financial charges paid	-	1,794
Reversal/ (provision) for diminution in value of investments	9,446	(10,575)
Dividend, investment and other income	308,454	256,371
Deposits paid/ (received)	1,254	(801)
Income on TFCs	16,909	4,526
	<b>987,893</b>	<b>450,574</b>
	<b>1,684,747</b>	<b>1,278,376</b>
<b>Profit before taxation</b>		
<b>Definition of cash</b>		
Cash comprises of cash in hand, bank balances excluding Rs 9.345 million (2005: Rs 8.091 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		
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
<b>Cash and other equivalent</b>		
Cash in hand	79,051	15,105
<b>Current and other accounts</b>		
Current accounts	53,656	233,539
Savings accounts	526,982	1,079,791
<b>Deposits maturing within 12 months</b>		
Fixed and term deposits accounts	214,194	91,654
<b>Short-term bank borrowing</b>		
	-	(74,831)
<b>Total cash and cash equivalents</b>	<b>873,883</b>	<b>1,345,258</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



Arif Ijaz  
Managing Director & Chief Executive



Ahmed Alman Aslam  
Director



Ibrahim Shamsi  
Director



Abdul Razak Adamjee  
Chairman

## Statement of Premiums for the year ended December 31, 2006

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2006	2005
(Rupees in '000)										
<b>Direct and facultative</b>										
Fire and property damage	2,902,929	1,198,330	1,280,410	2,820,849	1,652,768	637,191	708,055	1,581,904	1,238,945	1,014,050
Marine, aviation and transport	1,216,385	55,287	53,950	1,217,722	134,462	16,841	8,924	142,379	1,075,343	1,061,763
Motor	2,480,656	952,005	1,218,973	2,213,688	21,720	838	1,581	20,977	2,192,711	1,465,584
Miscellaneous	1,240,881	221,869	421,129	1,041,621	344,209	73,511	78,471	339,249	702,372	409,234
<b>Total</b>	<b>7,840,851</b>	<b>2,427,491</b>	<b>2,974,462</b>	<b>7,293,880</b>	<b>2,153,159</b>	<b>728,381</b>	<b>797,031</b>	<b>2,084,509</b>	<b>5,209,371</b>	<b>3,950,631</b>
<b>Treaty</b>										
Proportional	70,757	-	-	70,757	-	-	-	-	70,757	46,696
<b>Total</b>	<b>70,757</b>	<b>-</b>	<b>-</b>	<b>70,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,757</b>	<b>46,696</b>
<b>Grand Total</b>	<b>7,911,608</b>	<b>2,427,491</b>	<b>2,974,462</b>	<b>7,364,637</b>	<b>2,153,159</b>	<b>728,381</b>	<b>797,031</b>	<b>2,084,509</b>	<b>5,280,128</b>	<b>3,997,327</b>


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## Statement of Claims for the year ended December 31, 2006

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		2006	2005
(Rupees in '000)										
<b>Direct and facultative</b>										
Fire and property damage	1,584,562	1,313,294	1,046,711	1,317,979	470,602	329,627	387,629	528,604	789,375	870,529
Marine, aviation and transport	551,580	290,485	292,760	553,855	86,229	109,905	149,466	125,790	428,065	371,134
Motor	1,554,059	1,097,965	1,224,540	1,680,634	198,280	491,617	375,983	82,646	1,597,988	975,736
Miscellaneous	556,288	323,340	604,100	837,048	112,462	215,514	440,707	337,655	499,393	248,870
<b>Total</b>	<b>4,246,489</b>	<b>3,025,084</b>	<b>3,168,111</b>	<b>4,389,516</b>	<b>867,573</b>	<b>1,146,663</b>	<b>1,353,785</b>	<b>1,074,695</b>	<b>3,314,821</b>	<b>2,466,269</b>
<b>Treaty</b>										
Proportional	45,751	45,694	39,973	40,030	-	-	-	-	40,030	45,263
<b>Total</b>	<b>45,751</b>	<b>45,694</b>	<b>39,973</b>	<b>40,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,030</b>	<b>45,263</b>
<b>Grand Total</b>	<b>4,292,240</b>	<b>3,070,778</b>	<b>3,208,084</b>	<b>4,429,546</b>	<b>867,573</b>	<b>1,146,663</b>	<b>1,353,785</b>	<b>1,074,695</b>	<b>3,354,851</b>	<b>2,511,532</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



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## Statement of Expenses for the year ended December 31, 2006

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2006	2005
(Rupees in '000)									
<b>Direct and facultative</b>									
Fire and property damage	296,369	150,076	133,832	312,613	221,549	534,162	202,910	331,252	286,156
Marine, aviation and transport	194,543	5,079	13,406	186,216	193,855	380,071	4,485	375,586	429,506
Motor	219,401	99,410	112,898	205,913	378,479	584,392	574	583,818	452,810
Miscellaneous	137,170	32,076	51,806	117,440	120,006	237,446	114,971	122,475	56,631
<b>Total</b>	<b>847,483</b>	<b>286,641</b>	<b>311,942</b>	<b>822,182</b>	<b>913,889</b>	<b>1,736,071</b>	<b>322,940</b>	<b>1,413,131</b>	<b>1,225,103</b>
<b>Treaty</b>									
Proportional	20,976	-	-	20,976	9,231	30,207	-	30,207	25,762
<b>Total</b>	<b>20,976</b>	<b>-</b>	<b>-</b>	<b>20,976</b>	<b>9,231</b>	<b>30,207</b>	<b>-</b>	<b>30,207</b>	<b>25,762</b>
<b>Grand Total</b>	<b>868,459</b>	<b>286,641</b>	<b>311,942</b>	<b>843,158</b>	<b>923,120</b>	<b>1,766,278</b>	<b>322,940</b>	<b>1,443,338</b>	<b>1,250,865</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

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Chairman

## Statement of Investment Income for the year ended December 31, 2006

Note	2006	2005
(Rupees in '000)		
<b>Income from non-trading investments</b>		
<b>Available-for-sale</b>		
Return on fixed income securities	132,382	132,382
Return on Term Finance Certificates	16,909	4,526
Dividend income		
- associated undertakings	86,569	13,138
- others	221,885	243,233
	308,454	256,371
	457,745	393,279
Gain on sale of 'available-for-sale' investments		
- associated undertakings	-	61,006
- others	1,044,670	700,423
	1,044,670	761,429
	1,502,415	1,154,708
<b>Held-to-maturity</b>		
Return on fixed income securities	3,398	2,879
	1,505,813	1,157,587
Reversal/ (charge) for impairment in value of 'available-for-sale' investments	9,446	(10,575)
	1,515,259	1,147,012

The annexed notes 1 to 41 form an integral part of these financial statements.

Arif Ijaz  
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## Notes to the Financial Statements for the year ended December 31, 2006

### 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 operations, the company's license has been renewed by the relevant authorities during the current year so as to allow the company to continue underwriting operations in the emirate of Dubai. The management has commenced underwriting operations in UAE based on a reassessment of the market and considering the opportunities available in the non-motor business. Liabilities pertaining to policies underwritten in previous years are being discharged in due course.

### 2 Statement of compliance

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

Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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 (SECP) 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 SECP has allowed 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 1 - Presentation of financial statements - capital disclosure January 1, 2007

Adoption of the above amendment would result in an impact on the nature and extent of disclosures made in the future financial statements of the company which cannot 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 the 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 where judgement was exercised in application of accounting policies are disclosed in note 37 to these 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 the 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 Proposed dividend and transfer between reserves

During the current year the company has changed its accounting policy pertaining to recognition of dividends declared and transfer between reserves made subsequent to the balance sheet date. As per the new policy, dividends declared and transfer between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are not recorded in the financial statements. Previously, such dividend declarations and transfer between reserves were being treated as adjusting events in the financial statements of the company. The new policy is in accordance with the requirements of International Accounting Standard 10 (IAS-10): "Events after the Balance Sheet Date". The change in accounting policy has been applied retrospectively and the comparative information has been restated in accordance with the treatment specified in International Accounting Standard 8 (IAS-8): "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in accounting policy, the balance of retained earnings as at December 31, 2005 would have been lower by Rs 956.535 million and the reserve for issue of bonus shares, general reserve and the liability in respect of proposed dividend would have been higher by Rs 82.614 million, Rs 750 million and Rs 123.921 million respectively. There was no impact of this change in policy on the balance of retained earnings as at December 31, 2004 and on the profit for the current or prior periods. The effect of change in policy has been reflected in the statement of changes in equity.

#### 4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank deposits and short-term bank borrowing and excludes bank balances held under lien.

#### 4.11 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

##### 4.11.1 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.

##### 4.11.2 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.

#### 4.12 Taxation

##### 4.12.1 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. 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.

##### 4.12.2 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. In addition, the company also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

#### 4.13 Premiums due but unpaid

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

#### 4.14 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.

#### 4.15 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.

#### 4.16 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.

#### 4.17 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.

#### 4.18 Fixed assets

##### 4.18.1 Tangible

These are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Depreciation is charged to income applying varying methods depending upon the nature of the asset, 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 on additions is 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.

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 indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Subsequent costs are included in the asset's carrying amount 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.

##### 4.18.2 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 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 methods are 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 indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

#### 4.19 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.

#### 4.20 Revenue recognition

##### 4.20.1 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.

#### 4.21 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.

#### 4.22 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.

## 4.23 Investment income

### 4.23.1 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.

### 4.23.2 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.

## 4.24 Other income

### 4.24.1 Income from car repairs

Income from car repairs is recognised on accrual basis.

## 4.25 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 to those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account currently.

## 4.26 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.

## 4.27 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.

## 4.28 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.

## 4.29 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 cannot 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

2006	2005		2006	2005	
(Number of shares)			(Rupees in '000)		
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs 10 each	<u>1,50,000</u>	<u>1,50,000</u>	1,50,000

### 5.2 Paid-up share capital

Issued, subscribed and fully paid:

250,000	250,000	Ordinary shares of Rs 10 each fully paid in cash	2,500	2,500
<u>101,985,159</u>	<u>82,364,270</u>	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<u>1,019,851</u>	<u>823,642</u>
<u>102,235,159</u>	<u>82,614,270</u>		<u>1,022,351</u>	<u>826,142</u>

As at December 31, 2006, MCB Bank Limited, Adamjee Foundation and Allied bank Limited, associated undertakings, held 30,031,483 (2005: 24,267,868), 8,695,836 (2005: 7,117,344) and 1,102,350 (2005: 320,000) ordinary shares of Rs 10 each, respectively.

	Note	2006 (Rupees in '000)	2005
<b>6 Reserves</b>			
<b>Capital Reserves</b>			
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		-	-
Transfer from profit and loss appropriation account		196,209	-
Bonus shares issued		(196,209)	-
		<u>26,623</u>	<u>26,623</u>
<b>Revenue Reserve</b>			
<b>General reserve</b>			
Balance at the beginning of the year		186,500	186,500
Transfer from profit and loss appropriation account		750,000	-
		<u>936,500</u>	<u>186,500</u>
		<u>963,123</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.

	2006 (Rupees in '000)	2005
<b>7 Provision for outstanding claims (including IBNR)</b>		
Related parties	232,085	82,072
Others	2,975,999	2,988,706
	<u>3,208,084</u>	<u>3,070,778</u>

**8 Additional provision for unexpired risks/  
Premium deficiency reserve**

Opening provision	-	40,000
Reversal for the year	-	(40,000)
Closing provision	<u>-</u>	<u>-</u>

**9 Staff retirement benefits - Unfunded staff gratuity**

Opening balance	2,615	5,319
Charge for the year	602	1,074
	<u>3,217</u>	<u>6,393</u>
Payment made during the year	(132)	(3,778)
	<u>3,085</u>	<u>2,615</u>

9.1 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.

	Note	2006 (Rupees in '000)	2005
<b>10 Other creditors and accruals</b>			
Cash margin against performance bonds		229,421	163,177
Sundry creditors		75,673	94,296
Commission payable		241,918	176,576
Federal insurance fee		14,267	11,941
Central excise duty		46,233	42,902
		<u>607,512</u>	<u>488,892</u>

**11 Short-Term running finance and bank borrowing - Secured**

Bank borrowing	11.1	-	74,831
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11.1 The company has an overdraft facility of Rs 165.5 million (AED 10.0 million) [2005: (Rs 162.6 million), (AED 10.0 million)] available to the company to meet the working capital requirement of the UAE operations. The facility is secured against the bank's lien on time deposits of Rs 47.267 million (AED 2.856 million) [2005: (Rs 46.227 million), (AED 2.843 million)] and carries interest at the rate of 3.5% over three months EIBOR with a minimum of 7% per annum (2005: 7% per annum).

11.2 The company has a current finance facility of Rs 200 million (2005: Rs 200 million) at a mark-up rate of 6 months KIBOR plus 0.75% per annum (2005: 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 (2005: Rs 130 million) and realizable value of Rs 401.798 million (2005: Rs 364.917 million).

**12 Liabilities against assets subject to finance lease**

	2006			2005		
	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	10,787	-	10,787	9,349	8,315	17,664
Future finance charge	(768)	-	(768)	(1,094)	(394)	(1,488)
Present value of minimum lease payments	<u>10,019</u>	<u>-</u>	<u>10,019</u>	<u>8,255</u>	<u>7,921</u>	<u>16,176</u>

**13 Contingencies**

The income tax assessments of the company have been finalised upto and including the tax year 2004. However, the company has filed appeals in respect of certain assessment years which mainly relate to the following:

- 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;

- (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 the company has made a total provision of Rs 36.195 million resulting in a shortfall of Rs 12.010 million. The company filed appeals with the Commissioner of Income Tax (Appeals) and ITAT which were decided against the company. Consequently the company has filed an appeal before the Honourable High Court of Sindh which has reserved the judgement in this respect;
- (iii) The Additional Commissioner/ Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the company during the above mentioned periods resulting in an additional tax liability of Rs 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Company but the Tax department has filed an appeal before the ITAT against the order of the Additional Commissioner. The company has also filed an appeal before the ITAT which is currently pending for adjudication; and
- iv) While finalising the assessment for the year 2002-03, the Deputy Commissioner of Income Tax (DCIT) has reduced the business loss for the year by Rs 88.18 million by adjusting the dividend income against this loss. The company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the company in this respect have been rejected by the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal. The company has now filed a reference application before the Sindh High Court. The management is confident that the matter will be eventually decided in favour of the company and has consequently not made any provision against the additional tax liability of Rs 26.45 million which may arise 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 95.141 million (2005: 53.784 million) as the management is confident that the eventual outcome of the above matters will be in favour of the company.

Note	2006	2005
	(Rupees in '000)	

## 14 Cash and Bank deposits

### Cash and other equivalents

Cash in hand	5,719	10,110
Cheques in hand	73,332	4,995
	79,051	15,105

### Current and other accounts

Current accounts	53,656	233,539
Savings accounts	526,982	1,079,791
	580,638	1,313,330

### Deposits maturing within 12 months

Fixed and term deposits	14.1	223,539	99,745
		883,228	1,428,180

- 14.1 These include fixed deposits amounting to Rs 81.675 million (AED 4.935 million) [2005: (Rs 78.965 million), (AED 4.856 million)] kept in accordance with the requirements of Insurance Regulations applicable in the UAE for the purpose of carrying on business in the country. These also include liens against cash deposits of Rs 6.03 million (AED 0.364 million) [2005: (Rs 4.776 million), (AED 0.294 million)] with banks outside Pakistan and Rs 3.315 million (2005: Rs 3.315 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed against the company.

- 14.2 Cash and bank deposits include an amount of Rs 462.844 million (2005: Rs 838.248 million) held with related parties.
- |      |                  |      |
|------|------------------|------|
| Note | 2006             | 2005 |
|      | (Rupees in '000) |      |

## 15 Loans - considered good

### Secured

Executives	15.1	4,359	1,346
Employees	15.1	46,850	49,836
		51,209	51,182

Less: Recoverable within one year shown under sundry receivables

Executives	23	4,051	1,029
Employees	23	20,899	17,947
		24,950	18,976
		26,259	32,206

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 installments 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% (2005: 5%) per annum.

### 15.1 Reconciliation of carrying amount of loans

	2006			2005		
	Executives	Others	Total	Executives	Others	Total
	(Rupees in '000)					
Opening balance	1,346	49,836	51,182	1,098	52,489	53,587
Disbursements	6,830	45,833	52,663	2,837	38,765	41,602
Repayments	(3,817)	(48,819)	(52,636)	(2,589)	(41,418)	(44,007)
Closing balance	4,359	46,850	51,209	1,346	49,836	51,182

## 16 Investments

In related parties	Note	2006	2005
Available-for-sale		(Rupees in '000)	
Marketable securities	16.3	1,616,916	186,954

Others	Note	2006	2005 (Rupees in '000)
<b>Available-for-sale</b>			
Marketable securities	16.3	1,469,619	1,584,218
Less: Provision for impairment in value of investments	16.2	(36,028)	(56,761)
		1,433,591	1,527,457
Fixed income investments	16.4	1,430,030	1,306,574
		2,863,621	2,834,031
<b>Held-to-maturity</b>			
Defence Saving Certificates - deposited with the State Bank of Pakistan in accordance with Section 29 of the Insurance Ordinance, 2000		22,239	18,841
		2,885,860	2,852,872
		4,502,776	3,039,826

**16.1** At December 31, 2006, the fair value of available-for-sale securities was Rs 8,039.516 million (2005: Rs 6,580.047 million). As per the company's accounting policy, 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 (IAS) 39, "Financial Instruments: Recognition and Measurements" 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, 2006 would have been higher by Rs 3,522.950 million (2005: Rs 3,502.301 million)

<b>16.2 Reconciliation of provision for impairment in value of investments</b>	2006	2005 (Rupees in '000)
Opening provision	56,761	46,186
(Reversal) / charge for the year	(9,446)	10,575
Write-off during the year	(11,287)	-
Closing provision	36,028	56,761

<b>16.3 Marketable securities - Available for sale</b>	Note	2006		2005
		Cost	Carrying Value	Carrying Value
			Provision there against	
		(Rupees in '000)		
<b>In related parties:</b>				
- Listed shares		1,616,755	-	1,616,755
- NIT Units		161	-	161
	16.3.1	1,616,916	-	1,616,916
<b>Others:</b>				
- Listed shares	16.3.2	1,044,113	36,028	1,008,085
- Modaraba certificates	16.3.3	24,925	-	24,925
- Term Finance Certificates	16.3.4	164,683	-	164,683
- Unlisted/ delisted shares and debentures	16.3.5	120	-	120
- Mutual Fund Certificates	16.3.6	235,778	-	235,778
		1,469,619	36,028	1,433,591
		3,086,535	36,028	3,050,507

No. of Shares/ Certificates	Face value Rupees	Company's name	2006	2005
2006	2005		(Rupees in '000)	
<b>16.3.1 Quoted - related parties</b>				
14,412	14,412	10	Nishat (Chunian) Ltd [Equity held 0.019% (2005:0.019%)]	168
88,750	88,750	10	Ibrahim Fibres Ltd [Equity held 0.029% (2005:0.029%)]	1,227
6,204,000	- *	10	Hub Power Company Ltd (Equity held 0.536%)	173,156
12,540	12,540	10	National Investment Trust	161
260,369	230,369	10	Oil and Gas Development Company Ltd [Equity held 0.060% (2005:0.053%)]	18,642
11,044,360	4,168,700	10	MCB Bank Limited [Equity held 2.158% (2005: 0.977%)]	1,423,562
				170,354
				1,616,916
				186,954

\* Hub Power Company became an associated undertaking due to common directorship in 2006. The shareholding in this company in prior years is shown under quoted - others.

No. of Shares/ Certificates	Face value Rupees	Company's name	2006	2005
2006	2005		(Rupees in '000)	
<b>16.3.2 Quoted - others</b>				
<b>Leasing Companies</b>				
459,032	459,032	10	Saudi Pak Leasing Company Limited	8,979
<b>Investment Bank/ Investment Companies / Security Companies</b>				
-	37,420	10	Atlas Investment Bank	-
66	220,959	10	Crescent Standard Investment Bank Ltd	1
340,615	340,615	10	Orix Investment Bank Limited	3,065
685,374	4,562,104	10	Pakistan Industrial Credit & Investment Corporation	18,210
<b>Commercial Banks</b>				
543,744	768,605	10	Askari Commercial Bank Ltd	18,517
117,498	-	10	Atlas Bank Ltd	418
3,536,644	2,928,870	10	Bank Al-Habib Ltd	33,888
				9,739
				-
				32,432



No. of Shares/ Certificates		Face value	Company's name	2006	2005
2006	2005	Rupees		(Rupees in '000)	
50,000	76,500	10	Bank Alfalah Ltd.	2,553	2,781
23,500	-	10	Bank of Punjab Ltd.	2,231	-
-	258,899	10	Crescent Commercial Bank Ltd	-	1,658
434,027	1,056,654	10	Faysal Bank Ltd.	10,646	29,806
-	116,873	10	KASB Bank Ltd	-	1,361
1,567,417	1,135,888	10	Habib Metropolitan Bank Ltd.	18,918	15,061
-	45,174	10	PICIC Commercial Bank	-	1,579
-	411,097	10	Prime Commercial Bank	-	7,601
100,000	-	10	National Bank of Pakistan	24,854	-
3,137,569	1,617,186	10	Soneri Bank Ltd	32,849	24,685
727,125	-	10	United Bank Ltd.	95,418	-
-	85,946	10	Union Bank Ltd	-	2,827
<b>Insurance</b>					
101,559	92,327	10	Central Insurance Co. Ltd	659	659
70,900	-	10	EFU General Insurance Co. Ltd.	10,688	-
147,698	177,153	10	Habib Insurance Co. Ltd	570	889
48,856	34,682	10	International Gen. Ins Co. of Pakistan Ltd	1,404	494
288,360	254,860	10	Pakistan Reinsurance Co. Ltd	4,728	336
9,984	-	10	PICIC Insurance Co. Ltd.	100	-
<b>Textile Spinning</b>					
58,278	67,980	10	Dewan Khalid Textile Mills Ltd	1,152	1,479
165	1,150	10	Dewan Mushtaq Textile Mills Ltd	2	13
30,318	596,525	10	Fazal Cloth Mills Ltd	242	5,475
5,000	-	10	Gadoon Textile Mills Ltd.	366	-
34,787	31,625	10	Gulshan Spinning Mills Ltd	747	747
78,000	78,000	10	Service Industries (Textile) Ltd	1,388	1,388
71,200	71,200	10	Shahzad Textile Mills Ltd	882	882
<b>Textile Weaving</b>					
20,100	20,100	10	ICC Textile Mills Limited	258	258
<b>Textile Composite</b>					
69,833	234,985	10	Crescent Textile Mills Ltd	1,072	3,967
64,908	326,208	10	Dawood Lawrencepur Ltd	1,067	5,896
89,014	106,014	10	Hussain Industries Ltd	1,569	1,868
-	80	10	Jubilee Spinning and Weaving Mills Ltd	-	1
15,460	96,460	10	Mohammed Farooq Textile Mills Ltd	262	1,637
868,035	769,123	10	Nishat Mills Ltd	18,586	16,383
58,818	53,471	10	Paramount Spinning Mills Ltd	1,711	1,711
14,437	14,437	10	Zahur Textile Mills Ltd	210	210

No. of Shares/ Certificates		Face value	Company's name	2006	2005
2006	2005	Rupees		(Rupees in '000)	
<b>Synthetic And Rayon</b>					
208,745	208,745	10	Dewan Salman Fibres Ltd	6,537	6,537
-	72,710	10	Gatron Industries Ltd	-	3,090
182,400	258,400	10	Pakistan Synthetics Ltd	1,824	2,584
44,500	44,500	10	Rupali Polyester Ltd	2,322	2,322
<b>Jute</b>					
112,866	112,866	10	Crescent Jute Products Limited	2,183	2,183
109,807	109,807	10	Mehran Jute Mills Limited	1,150	1,150
<b>Sugar And Allied</b>					
6,020	57,520	10	Al-Noor Sugar Mills Ltd	122	1,162
89,000	89,000	10	Ansari Sugar Mills Ltd	887	887
304,035	270,254	10	Crescent Sugar Mills & Distillery Ltd	3,970	3,970
129,635	129,635	10	Dewan Sugar Mills Ltd	4,189	4,189
26,996	26,996	10	Faran Sugar Mills Ltd	504	504
71,327	71,327	10	Mehran Sugar Mills Ltd	2,216	2,216
11,142	133,942	10	Mirpurkhas Sugar Mills Ltd	239	2,854
-	215	10	Sanghar Sugar Mills Ltd	-	4
<b>Cement</b>					
-	187,671	10	Al-Abbas Cement Ltd	-	2,795
1,322	1,102,150	10	Cherat Cement Company Limited	32	10,017
-	1,250	10	Dadabhoj Cement Industries Ltd	-	26
1,173,287	853,300	10	D.G. Khan Cement Company Limited	34,185	26,719
-	86,967	10	Lucky Cement Ltd	-	1,632
<b>Refinery</b>					
50,000	50,000	10	National Refinery Limited	549	549
104,761	132,501	10	Pakistan Refinery Limited	3,057	4,640
<b>Power Generation &amp; Distribution</b>					
-	2,207,500	10	Hub Power Company Ltd	-	73,533
231,450	231,450	10	Karachi Electric Supply Corporation Limited	3,272	3,272
98,500	98,500	10	Sitara Energy Limited	2,095	2,095
<b>Oil And Gas Marketing Companies</b>					
820,339	538,639	10	Pakistan State Oil Co. Ltd	119,870	27,383
29,700	24,750	10	Shell Gas LPG Pakistan Ltd	533	533
283,276	209,821	10	Shell Pakistan Ltd	22,417	14,132
-	6,980,537	10	Sui Northern Gas Pipelines Ltd	-	367,043
1,786,779	1,786,779	10	Sui Southern Gas Co. Ltd	22,342	22,342

No. of Shares/ Certificates		Face value	Company's name	2006	2005
2006	2005	Rupees		(Rupees in '000)	
<b>Oil And Gas Exploration Companies</b>					
328,276	282,184	10	Pakistan Oilfields Limited	13,940	8,001
136,500	136,500	10	Pakistan Petroleum Limited	16,548	16,548
<b>Engineering</b>					
671,501	504,888	10	International Industries Limited	3,485	3,485
-	45,220	10	KASB Pumps Ltd	-	469
3,000	83,502	10	Metropolitan Steel Corporation Limited	46	1,274
<b>Automobile Assembler</b>					
303,078	303,078	5	Al-Ghazi Tractors Limited	2,922	2,922
77,000	77,000	10	Indus Motor Company Limited	2,028	2,028
207,907	113,256	10	Millat Tractors Limited	23,954	2,552
<b>Cables And Electrical Goods</b>					
223,485	108,152	10	Pakistan Cables Limited	3,768	1,308
172,430	190,830	10	Siemens (Pakistan) Engineering Company Limited	22,019	24,369
<b>Transport</b>					
47,400	47,400	10	Pan Islamic Steamship Company Limited	456	456
<b>Technology And Communication</b>					
665,000	-	10	Pakistan Telecommunication Company Limited	28,131	-
<b>Fertilizer</b>					
1,336,094	1,214,631	10	Engro Chemical Pakistan Limited	56,170	46,453
431,078	316,578	10	Fauji Fertilizer Bin Qasim	8,518	5,429
2,385,285	1,274,585	10	Fauji Fertilizer Company Limited	179,108	48,801
<b>Pharmaceutical</b>					
1,312,396	853,204	10	Abbot Laboratories Pakistan Limited	36,348	24,371
7,570	6,309	10	Ferozsons Laboratories Limited	141	141
575,581	619,265	10	GlaxoSmithKline Pakistan Limited	5,299	5,954

No. of Shares/ Certificates		Face value	Company's name	2006	2005
2006	2005	Rupees		(Rupees in '000)	
<b>Chemical</b>					
78,905	198,205	10	BOC Pakistan Limited	1,082	2,718
80,133	569,333	10	ICI Pakistan Limited	6,224	44,222
208,729	352,729	10	Pakistan PTA Limited	1,851	3,128
70,757	50,541	10	Clariant Pakistan Limited	1,150	1,150
<b>Paper And Board</b>					
89,148	207,648	10	Cherat Papersack Limited	2,617	6,095
384,304	562,504	10	Packages Limited	36,693	53,708
-	101,792	10	Pakistan Papersack Corporation Ltd	-	974
451,616	406,997	10	Security Papers Limited	6,359	7,450
<b>Vanaspati And Allied Industries</b>					
11,200	11,200	10	Kakakhel Pakistan Limited	310	310
-	30,250	10	Wazir Ali Industries Ltd	-	608
<b>Food And Personal Care Products</b>					
147,630	203,130	10	Ismail Industries Limited	2,204	3,031
411,416	374,015	10	Murree Brewery Company Limited	5,607	5,607
32,583	32,583	10	Nestle Milk Pak Limited	831	831
54,870	54,870	10	Rafhan Maize Products Limited	2,898	2,898
5,722	19,622	10	Treet Corporation Limited	86	297
26,256	25,696	50	Unilever Pakistan Limited	17,959	16,929
<b>Glass And Ceramics</b>					
26,831	26,831	10	Medi Glass Limited	417	417
<b>Miscellaneous</b>					
86,266	91,766	10	United Distributors Pakistan Limited	2,239	2,382
				<u>1,044,113</u>	<u>1,258,573</u>
<b>16.3.3 Modaraba Certificates</b>					
668,101	821,101	10	B.R.R. International Modaraba	8,288	10,186
40,322	158,322	10	First Fidelity Leasing Modaraba	541	2,125
22,926	45,926	10	Habib Bank Modaraba	274	549
821,855	747,141	10	Standard Chartered Modaraba	15,822	15,822
				<u>24,925</u>	<u>28,682</u>
<b>16.3.4 Term Finance Certificates</b>					
9,996	10,000	5,000	Bank Alfalah Ltd.	49,981	50,000
3,000	-	5,000	First International investment Bank Ltd.	15,000	-
-	50	5,000	Gulistan Textile Mills Ltd	-	1,665
2,000	-	5,000	Jahangir Siddiqui & Company Ltd.	10,000	-
1,000	-	5,000	Orix Leasing Pakistan Ltd.	5,000	-
5,999	-	5,000	Pakistan Mobile Communication Ltd.	29,994	-
3,945	3,947	5,000	Prime Commercial Bank Ltd.	19,723	19,731
2,999	-	5,000	Searle Pakistan Ltd.	14,997	-
3,998	4,000	5,000	Soneri Bank Ltd.	19,988	19,996
				<u>164,683</u>	<u>91,392</u>

No. of Shares/ Certificates	Face value		Company's name	2006	2005
	2006	2005			
<b>16.3.5 Unlisted/delisted shares and debentures</b>					
(i) Ordinary Shares					
-	37,000	10	Mehran Bank Ltd	-	1,251
-	33,000	10	Naveed Textile Mills Ltd	-	491
-	436,100	10	Danneman Fabrics Ltd	-	4,361
-	38,500	10	Madina Textile Mills	-	193
-	100,000	5	Punjab Building Products Ltd	-	931
-	31,676	5	Prince Glass Works Ltd	-	815
-	211,315	10	Bankers Equity Ltd.	-	2,429
-	10,800	10	Indus Bank Ltd.	-	185
-	41,720	10	Central Cotton Mills Ltd	-	587
-	3,601	10	Adamjee Paper & Board Mills Ltd	-	45
(ii) Debentures					
12	12	10,000	Tariq Cotton Mills Ltd (Karikot Textile)	120	120
				<u>120</u>	<u>11,408</u>

#### 16.3.6 Mutual Fund Certificate

(Open Ended) Mutual Funds

203,557	-	50	AKD Opportunity Fund	10,000	-
38,809	-	500	Atlas Income Fund	20,000	-
	9,991,40	100	Dawood Money Market Fund	1,000	1,000
194,231	-	100	KASB Liquid Fund	20,000	-
19,825	-	500	UTP-Income Fund	10,000	-

#### 16.3.3 Modaraba Certificates

(Close Ended) Mutual Funds

-	263,500	10	Abamco Composite Fund	-	2,635
400,000	400,000	10	Pakistan Strategic Allocation Fund	4,000	4,000
4,698,205	6,204,705	10	PICIC Investment Fund	57,340	75,725
13,126,437	12,943,049	10	UTP Growth Fund (Formerly Known as Abamco Growth Fund and Abamco Capital Fund)	110,803	110,803
263,500	-	10	UTP Large Capital Fund	2,635	-
				<u>235,778</u>	<u>194,163</u>

#### 16.4 Fixed Income Investments

Defence Savings Certificates

1,430,030 1,306,574

#### 17 Deferred taxation

This comprises of deferred tax asset of Rs nil (2005: Rs 40.913 million) recognised in respect of carried forward tax losses

#### 17.1 Reconciliation of deferred tax asset

	Note	2006	2005
(Rupees in '000)			
Opening balance		40,913	130,871
Reversal for the year		(40,913)	(89,958)
Closing balance		<u>-</u>	<u>40,913</u>

#### 18 Premiums due but unpaid - Unsecured

Considered good		2,053,498	1,458,221
Considered doubtful		145,709	120,730
		<u>2,199,207</u>	<u>1,578,951</u>
Less: Provision for doubtful balances	18.1	(145,709)	(120,730)
		<u>2,053,498</u>	<u>1,458,221</u>

Note 2006 2005  
(Rupees in '000)

#### 18.1 Reconciliation of provision for doubtful balances

Opening provision	120,730	102,322
Charge for the year	24,979	18,408
Closing provision	<u>145,709</u>	<u>120,730</u>

#### 19 Amounts due from other insurers/ reinsurers - Unsecured

Considered good	220,386	137,324
Considered doubtful	31,396	10,157
	<u>251,782</u>	<u>147,481</u>
Less: Provision for doubtful balances	(31,396)	(10,157)
	<u>220,386</u>	<u>137,324</u>

#### 19.1 Reconciliation of provision for doubtful balance

Opening provision	10,157	-
Charge for the year	21,239	10,157
Closing provision	<u>31,396</u>	<u>10,157</u>

#### 20 Accrued investment income

Return accrued on Term Finance Certificates	4,062	1,495
Dividend income		
- associated undertakings	456	288
- others	9,979	10,646
	<u>10,435</u>	<u>10,934</u>
Return on deposit accounts		
- associated undertakings	10,074	7,015
- others	3,317	2,525
	<u>13,391</u>	<u>9,540</u>
Others	1,085	591
	<u>28,973</u>	<u>22,560</u>

#### 21 Reinsurance recoveries against outstanding claims

These are unsecured and considered to be good.

#### 22 Prepayments

Prepaid reinsurance premium ceded	797,031	728,381
Others	16,587	4,056
	<u>813,618</u>	<u>732,437</u>

#### 23 Sundry receivables

Considered good		
Current portion of long-term loans		
Executives	15	4,051
Employees	15	20,899
Advance to Chief Executive		-
Other advances		240
Staff Gratuity Fund		26,129
Receivable from Staff Gratuity Fund	23.1	57,539
Receivable from Employees' Provident Fund	23.2	37,000
Security deposits		59,451
Stationery in hand		3,339
Sundry debtors		20,386
		3,241
		19,101
		<u>247,797</u>
Miscellaneous		
Considered good		3,659
Considered doubtful		19,755
		<u>23,414</u>
		271,211
		<u>(19,755)</u>
Less: Provision for doubtful balances	23.3	251,456
		<u>154,649</u>

### 23.1 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, 2006.

International Accounting Standard (IAS) 19 (Amendments): 'Employee Benefits', is applicable to the financial statements covering annual periods beginning on or after January 1, 2006. It allows an alternative recognition approach for actuarial gains and losses and requires additional disclosures. As the company has not changed its accounting policy for recognition of actuarial gains and losses, this amendment only effects the format and the extent of disclosures, in respect of the approved funded gratuity scheme, presented in these financial statements.

The following significant assumptions have been used for valuation of this scheme:

	Rate per annum
- Valuation discount rate	11.00%
- Expected rate of increase in salary level	8.89%
- Rate of return on plan assets	11.00%

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

	2006	2005
	(Rupees in '000)	
Present value of defined benefit obligation at the end of the year	176,626	200,379
Fair value of plan assets at the end of the year	256,086	270,037
	(79,460)	(69,658)
Net unrecognised actuarial gains/ (losses)	21,921	(198)
Net assets	(57,539)	(69,856)

#### 23.1.1 Amounts in the balance sheet

Liabilities	-	-
Assets	57,539	69,856
Net assets	57,539	69,856

#### 23.1.2 The amounts recognised in profit and loss are as follows:

Current service cost	13,034	11,571
Interest on obligation	18,130	18,143
Expected return on plan assets	(25,639)	(25,420)
Actuarial (gains)/ losses recognised during the year	42	(217)
Loss on curtailment and settlement	6,750	-
Total gratuity expense for the year for funded obligation	12,317	4,077

#### 23.1.3 Actual return on plan assets

	52,139	12,882
--	--------	--------

#### 23.1.4 Changes in present value of the defined benefit obligation

Present value of defined benefit obligation at the beginning of the year	200,379	202,824
Current service cost	13,034	11,571
Interest cost	18,130	18,143
Actuarial loss/ (gain)	4,423	(9,566)
Loss on curtailment and settlement	6,750	-
Benefits paid	(66,090)	(22,593)
Present value of defined benefit obligation at the end of the year	176,626	200,379

### 23.1.5 Changes in the fair value of plan assets

	2006	2005
	(Rupees in '000)	
Fair value of plan assets at the beginning of the year	270,037	279,748
Expected return	25,639	25,420
Actuarial gain/ (loss)	26,500	(12,538)
Contributions made	-	-
Benefits paid	(66,090)	(22,593)
Fair value of plan assets at the end of the year	256,086	270,037

The Company is not expected to contribute to the gratuity fund in 2007.

### 23.1.6 Fund investment

	2006		2005	
	(Rupees in '000)	%	(Rupees in '000)	%
Government Bonds	176,651	69%	198,610	74%
Other Bonds	42,067	16%	-	0%
Unit Trusts	67,469	26%	77,107	28%
Cash	4,899	2%	4,879	2%
Creditors	(35,000)	(13%)	(10,559)	(4%)
	256,086	100%	270,037	100%

### 23.1.7 Amounts/ percentages for the current and previous four periods

The company amortises gains and losses over the expected remaining service of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion resulting from experience gain during the year.

	2006	2005	2004	2003	2002
Defined benefit obligation	(176,626)	(200,739)	(202,824)	(158,746)	(143,732)
Plan assets	256,086	270,037	279,748	235,708	223,283
Surplus/ (deficit)	79,460	69,298	76,924	76,962	79,551
Experience adjustments on plan liabilities	3%	-5%	12%	12%	-
Experience adjustments on plan assets	10%	-5%	9%	9%	-

### 23.2 Employees' provident fund

During the year an amount of Rs 18.939 million (2005: Rs 15.782 million) has been charged to the profit and loss account in respect of the company's contributions to the Employees' Provident Fund.

### 23.3 Reconciliation of provision for doubtful balance

	2006	2005
	(Rupees in '000)	
Provision for doubtful balances	19,755	19,755

### 24 Fixed assets

Owned assets - tangible	24.1	337,530	306,496
Owned assets - intangible	24.1	2,243	1,040
Leased assets	24.1	19,354	23,074
		359,127	330,610

24.1 The following is a statement of operating fixed assets :

	2006											
	Owned assets							Leased assets				Total Assets
	Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Intangible computer software	Total	Motor vehicles	Total	Total	
(Rupees in '000)												
<b>At January 1, 2006</b>												
Cost	52,410	46,323	242,543	106,881	101,351	549,508	4,846	554,354	26,026	26,026	580,380	
Accumulated depreciation/ amortisation	15,678	27,366	66,415	63,369	70,184	243,012	3,806	246,818	2,952	2,952	249,770	
Net book value	36,732	18,957	176,128	43,512	31,167	306,496	1,040	307,536	23,074	23,074	330,610	
<b>Year ended December 31, 2006</b>												
Opening net book value	36,732	18,957	176,128	43,512	31,167	306,496	1,040	307,536	23,074	23,074	330,610	
Additions	-	11,229	74,606	11,063	20,346	117,244	2,516	119,760	-	-	119,760	
<b>Disposals</b>												
Cost	-	6,818	46,892	8,743	4,666	67,119	-	67,119	330	330	67,449	
Depreciation/ amortisation	-	3,727	24,298	5,640	4,274	37,939	-	37,939	25	25	37,964	
	-	3,091	22,594	3,103	392	29,180	-	29,180	305	305	29,485	
Depreciation/ amortisation charge for the year	3,673	3,783	29,512	7,413	12,649	57,030	1,313	58,343	3,415	3,415	61,758	
Closing net book value	33,059	23,312	198,628	44,059	38,472	337,530	2,243	339,773	19,354	19,354	359,127	
<b>At December 31, 2006</b>												
Cost	52,410	50,734	270,257	109,201	117,031	599,633	7,362	606,995	25,696	25,696	632,691	
Accumulated depreciation/ amortisation	19,351	27,422	71,629	65,142	78,559	262,103	5,119	267,222	6,342	6,342	273,564	
Net book value	33,059	23,312	198,628	44,059	38,472	337,530	2,243	339,773	19,354	19,354	359,127	
Depreciation rate per annum	10%	15%	15%&16.67%	15%	30%	20%		15%				

	2005											
	Owned assets							Leased assets				Total Assets
	Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Intangible computer software	Total	Motor vehicles	Total	Total	
(Rupees in '000)												
<b>At January 1, 2005</b>												
Cost	52,398	47,365	150,728	101,260	91,426	443,177	4,738	447,915	-	-	447,915	
Accumulated depreciation/ amortisation	11,591	26,012	80,423	61,187	64,267	243,480	2,844	246,324	-	-	246,324	
Net book value	40,807	21,353	70,305	40,073	27,159	199,697	1,894	201,591	-	-	201,591	
<b>Year ended December 31, 2005</b>												
Opening net book value	40,807	21,353	70,305	40,073	27,159	199,697	1,894	201,591	-	-	201,591	
Additions	12	2,198	135,779	13,015	14,692	165,696	108	165,804	26,686	26,686	192,490	
<b>Disposals</b>												
Cost	-	3,240	43,964	7,394	4,767	59,365	-	59,365	660	660	60,025	
Depreciation/ amortisation	-	1,830	27,713	4,465	4,412	38,420	-	38,420	-	-	38,420	
	-	1,410	16,251	2,929	355	20,945	-	20,945	660	660	21,605	
Depreciation/ amortisation charge for the year	4,087	3,184	13,705	6,647	10,329	37,952	962	38,914	2,952	2,952	41,866	
Closing net book value	36,732	18,957	176,128	43,512	31,167	306,496	1,040	307,536	23,074	23,074	330,610	
<b>At December 31, 2005</b>												
Cost	52,410	46,323	242,543	106,881	101,351	549,508	4,846	554,354	26,026	26,026	580,380	
Accumulated depreciation/ amortisation	15,678	27,366	66,415	63,369	70,184	243,012	3,806	246,818	2,952	2,952	249,770	
Net book value	36,732	18,957	176,128	43,512	31,167	306,496	1,040	307,536	23,074	23,074	330,610	
Depreciation rate per annum	10%	15%	15%	15%	30%	20%		15%				

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal purchaser	Particulars of						
							(Rupees in '000)					
<b>Furniture and fixtures</b>	192	99	93	94	Negotiation	Aziz Chashmawala - (Ex - Executive), Karachi	255	37	218	226	--do--	Rashid Ayub Khan - Karachi
	398	315	83	23	--do--	Malik Nazeer Ahmed - (Ex - Executive), Multan	885	77	808	540	--do--	Rehmatullah - Karachi
	248	110	138	44	--do--	Shakil Ahmed - (Ex - Employee), UAE	375	104	271	423	--do--	Nadeem Ur Rehman - Karachi
	374	88	286	286	--do--	Syed Jawad Gillani - (Ex - Chief Executive) Karachi	500	248	252	225	--do--	Syed Abdul Rehman Shah - Karachi
	128	75	53	53	--do--	Noman Qadri- ( Ex - Employee), Karachi	250	168	82	211	Tender	M. Ebrahim Baig Chughtai - Karachi
	115	-	115	115	--do--	Aziz Surani - ( Ex - Employee), Karachi	450	193	257	445	--do--	Shaukat Hussain - Karachi
	357	262	95	23	--do--	Himmat Khan - Karachi	600	470	130	519	--do--	Zulifquar Ahmed - Karachi
	1,064	389	675	-	Written Off	N/A	175	72	103	223	--do--	Mohammad Saleem Aziz - Karachi
	3,553	2,135	1,418	-	--do--	N/A	997	863	134	450	--do--	Jahangir Awan - Karachi
Items having book value below Rs 50,000	389	254	135	100			896	701	195	466	--do--	Rashid Ayub Khan - Karachi
	6,818	3,727	3,091	738			500	213	287	475	--do--	Shaukat Hussain - Karachi
<b>Motor vehicles (Owned)</b>	674	146	528	500	Negotiation	Jabbar Akhter - (Ex - Employee), Karachi"	1,285	762	523	680	--do--	Khalid Saleem - Karachi
	300	201	99	227	--do--	Shaikh Abdul Rasheed - ( Ex - Employee), Karachi"	550	119	431	416	--do--	Rashid Ayub Khan - Karachi
	300	82	218	323	--do--	Arif A K - (Ex - Employee), Karachi	550	233	317	410	--do--	Yasmeen Asghar Ali - Karachi
	293	229	64	133	--do--	Saleem Ullah Khan - (Ex - Employee), Karachi	850	162	688	513	--do--	Nadeem Ur Rehman - Karachi
	750	278	472	550	--do--	Syed Jawad Gillani - (Ex - Chief Executive), Karachi	689	579	110	223	--do--	Mohammad Saleem Aziz - Karachi
	450	370	80	210	--do--	Mohammad Hanif Dhedhy - (Ex - Employee), Karachi	180	53	127	232	--do--	Mohammad Qasim - Karachi
	574	224	350	248	--do--	Shakil Ahmed - (Ex - Employee), Karachi	450	340	110	461	--do--	Inayat Ali Abbasi - Karachi
	293	233	60	187	--do--	Mohammad Saleem Aziz - Karachi	225	78	147	200	--do--	Mohammad Abdullah - Karachi
	293	232	61	203	--do--	Mohammad Saleem Aziz - Karachi	350	121	229	590	--do--	Mohammad Aslam - Karachi
	700	447	253	565	--do--	Rehan - Karachi	282	186	96	500	--do--	Naeem Akhter - Karachi
	889	798	91	440	--do--	Syed Rashid Ali - Karachi	525	51	474	460	--do--	Mohammad Arif Siddiqui - Karachi
	200	98	102	160	--do--	Aziz Chashmawala - (Ex-Executive), Karachi	850	93	757	652	--do--	Nasir Ahmed - Karachi
	1,169	335	834	600	--do--	Syed Jawad Gillani - (Ex - Chief Executive), Karachi	300	145	155	373	--do--	Aamir Mehmood - Karachi
	250	175	75	151	--do--	Iqbal Noor Mohammad - Karachi	500	275	225	450	--do--	Mushtaq Ahmed Niazi - Karachi
	750	208	542	780	--do--	Mohammad Iqbal - Karachi	550	431	119	530	--do--	Shaukat Hussain - Karachi
	600	186	414	550	--do--	Mohammad Ashraf - Karachi	360	286	74	410	--do--	Mohammad Fayyaz - Karachi
	350	96	254	340	--do--	Syed Rashid Ali - Karachi	500	339	161	534	--do--	Zulfiqar Ahmed - Karachi
	491	423	68	344	--do--	Mohammad Adnan Ejaz - Karachi	550	139	411	471	Tender	Maqsood Zafar - Karachi
	500	403	97	425	--do--	Ajab Khan - Karachi	800	528	272	640	--do--	Mohammad Aslam - Karachi
	450	49	401	300	--do--	Abdul Rauf - Karachi	650	94	556	450	--do--	Akber Ali Agaria - Karachi
	600	26	574	400	--do--	Fauzia Shahbaz - Karachi	250	187	63	267	--do--	Amyr Abdul Malik - Karachi
	1,125	835	290	450	--do--	Azizullah - Karachi	634	491	143	325	--do--	M. Arshad - Karachi
	639	577	62	370	--do--	Syed Zahid Hussain - Karachi	550	359	191	450	--do--	M. Usman - Karachi
	542	460	82	350	--do--	Mujeeb Ahmed Usmani - Karachi	609	397	212	455	--do--	Shiraz - Karachi
	275	194	81	205	--do--	Mohammad Ayub - Karachi	400	60	340	580	--do--	Rehman - Karachi
	600	433	167	500	--do--	Abdul Rehman - Karachi	375	56	319	295	--do--	M. Khalid - Karachi
	175	51	124	215	--do--	Rasool Bukhsh - Karachi	525	22	503	386	--do--	Hyumayun Raza - Karachi
							147	73	74	403	--do--	Rana Asim Siddique - Karachi
							636	485	151	342	--do--	Abdur Rehman - Karachi
							250	176	74	116	--do--	Abdul Rasheed Khan - Karachi
							652	580	72	332	--do--	Abdul Rauf - Karachi
							458	378	80	410	--do--	Mian Azhar - Karachi
							240	84	156	300	--do--	Mian Abdul Rauf - Karachi
							379	91	288	520	--do--	Mohammad Aslam - Karachi
							504	432	72	350	--do--	Mohammad Yousuf - Karachi
							179	57	122	332	--do--	Shaukat Hussain - Karachi
							350	76	274	452	--do--	Abdul Rehman - Karachi
							489	286	203	290	--do--	Ch. Mohammad Ahmed - Karachi
							250	196	54	259	--do--	Amir Ali Shah - Karachi
							500	25	475	440	--do--	Rehmatullah - Karachi
							849	360	489	-	Written off (stolen)	N/A
							730	29	701	-	--do--	N/A
							345	2	343	-	--do--	N/A
							345	15	330	-	--do--	N/A
							345	57	288	-	--do--	N/A
							800	106	694	-	--do--	N/A
							558	169	389	-	--do--	N/A
							3,432	3,100	332	2,791		
							46,892	24,298	22,594	33,219		

<b>Motor Vehicles (Leased)</b>	330	25	305	-	Written off (stolen)	N/A
<b>Machinery and equipment</b>	349	214	135	135	Negotiation	Aziz Chashmawala (Ex- Executive), Karachi
	351	210	141	141	--do--	Khalid Hamid - (Ex -Executive), Karachi
	140	84	56	56	--do--	Syed Sadiq Ali Jaffery -(Ex - Employee), Karachi
	86	17	69	68	--do--	Arif Sharif - (Ex -Employee), Karachi
	330	77	253	253	--do--	Syed Jawad Gillani -(Ex - Chief Executive), Karachi
	115	6	109	112	--do--	Shahkar Hassan- (Ex -Employee), Karachi
	98	5	93	93	--do--	Najib Nasir Syed - (Ex -Executive), Karachi
	102	10	92	92	--do--	Najib Nasir Syed - (Ex -Executive), Karachi
	175	87	88	88	--do--	Azhar Ali - (Ex -Executive), Karachi
	154	79	75	76	--do--	Abdul Haye - (Ex -Executive), Lahore
	463	346	117	63	--do--	Malik Nazeer Ahmed - (Ex - Executive), Multan
	118	60	58	58	--do--	Noman Qadri - (Ex -Employee), Karachi
	306	165	141	142	--do--	Rehman Muhammadi -(Ex - Executive), Karachi
	579	404	175	175	--do--	Syed Basit Hussain -(Ex - Executive), Karachi
	130	31	99	100	--do--	Mohammad Iqbal -Karachi
	1,106	526	580	-	Written off	N/A
	1,961	1,691	270	-	--do--	N/A
Items having book value below Rs 50,000	2,180	1,628	552	632		
	8,743	5,640	3,103	2,284		
<b>Computers</b>						
Items having book value below Rs 50,000	4,666	4,274	392	90		
	67,449	37,964	29,485	36,331		

## 25 Expenses

	Note	2006	2005
(Rupees in '000)			
Salaries and wages		583,756	529,477
Rent, rates and taxes		45,552	42,514
Utilities		31,867	33,329
Communication		35,717	37,656
Printing and stationery		17,542	16,391
Travelling and entertainment		54,429	49,359
Repairs and maintenance		109,829	95,026
Advertisement and sales promotion		38,183	40,973
Amortisation of intangible asset	24.1	1,313	962
Others		4,932	5,168
		<u>923,120</u>	<u>850,855</u>

## 26 Other income

Gain on sale of fixed assets		6,846	15,325
Income from car repairs		24,052	14,806
Interest on loans to employees		978	1,028
Interest on reserve kept with the State Bank of Pakistan		936	798
Return on bank deposits		61,150	15,372
Return on saving accounts		4,648	9,799
Miscellaneous		21,094	6,988
		<u>119,704</u>	<u>64,116</u>

## 27 General and administration expenses

Salaries and wages	27.1	231,613	101,747
Depreciation	24.1	60,445	40,904
Directors' fee		10	13

	2006	2005
(Rupees in '000)		
Legal and professional expenses		35,207
Auditors' remuneration	27.2	2,814
Donations	27.3	882
Provision for doubtful receivables		46,218
Others		63,737
		<u>440,926</u>
		<u>229,443</u>

27.1 These include Rs 31.858 million (2005: Rs 20.933 million) in respect of staff retirement benefits.

## 27.2 Auditors' remuneration

	2006			2005		
	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	1,700	-	1,700	975	975	1,950
Other certifications and tax advisory services	605	-	605	3,225	125	3,350
Out of pocket expenses	509	-	509	1,449	167	1,616
	<u>2,814</u>	<u>-</u>	<u>2,814</u>	<u>5,649</u>	<u>1,267</u>	<u>6,916</u>

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

## 28 Provision for taxation

	2006	2005
(Rupees in '000)		
Current		
for the year	95,707	12,819
for prior years	(28,374)	12,353
	<u>67,333</u>	<u>25,172</u>
Deferred		
for the year	35,784	99,951
for prior years	5,129	(9,993)
	<u>40,913</u>	<u>89,958</u>
	<u>108,246</u>	<u>115,130</u>
<b>28.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	1,684,747	1,278,376
Tax at the applicable rate of 35%	589,661	447,432
Tax effect of income taxed at lower rate	(458,170)	(343,412)
Tax effect of expenses that are not deductible for tax purposes	-	8,750
	<u>131,491</u>	<u>112,770</u>
Prior year's tax - current	(28,374)	12,353
- deferred	5,129	(9,993)
	<u>108,246</u>	<u>115,130</u>

## 29 Earnings per share

There is no dilutive effect on basic earnings per share which is based on:

Net profit after tax for the year	1,576,501	1,163,246
	(Number of shares)	
Weighted average number of shares	102,235,159	102,235,159
	(Rupees)	
Basic earnings per share	<u>15.42</u>	<u>11.38</u>

### 30 Remuneration of Chief Executive, Directors and Executives

	2006				2005			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Fee	-	10	-	10	-	13	-	13
Managerial remuneration	4,193	-	71,371	75,564	3,400	-	48,307	51,707
Allowances and perquisites	2,204	-	57,748	59,952	1,080	-	25,250	26,330
	6,397	10	129,119	135,526	4,480	13	73,557	78,050
Number	2	8	66	76	1	8	48	57

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 policy of the company.

### 31 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.

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 15, 24 and 30 to the financial statements. Particulars of transactions with the company's staff retirement benefit schemes are disclosed in note 23 to the financial statements. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant balance sheet notes. Other transactions with related parties (associated undertakings) are summarised as follows:

	2006	2005
	(Rupees in '000)	
Premium underwritten	341,805	296,288
Premium received	365,286	261,992
Claims paid	212,739	106,913
Rent paid	6,951	7,007
Dividend received	86,113	13,097
Dividend paid	81,908	35,151
Income on deposit accounts	6,149	42,540
	Number of shares	
Bonus shares received	1,701,560	-
Bonus shares issued	7,473,857	-

### 32 Segment reporting

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	2006						
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/ Liabilities	Total
	(Rupees in '000)						
OTHER INFORMATION							
Segment assets	2,077,245	527,011	1,214,876	933,353	20,663	-	4,773,148
Unallocated assets	-	-	-	-	-	6,365,951	6,365,951
Total assets	2,077,245	527,011	1,214,876	933,353	20,663	6,365,951	11,139,099
Segment liabilities	2,545,650	399,433	2,549,250	1,094,281	42,973	-	6,631,587
Unallocated liabilities	-	-	-	-	-	719,639	719,639
Total liabilities	2,545,650	399,433	2,549,250	1,094,281	42,973	719,639	7,351,266
Capital expenditure	-	-	-	-	-	117,244	117,244

	2005						
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/ Liabilities	Total
	(Rupees in '000)						
OTHER INFORMATION							
Segment assets	1,781,348	440,016	1,045,985	505,321	11,337	-	3,784,007
Unallocated assets	-	-	-	-	-	5,398,373	5,398,373
Total assets	1,781,348	440,016	1,045,985	505,321	11,337	5,398,373	9,182,380
Segment liabilities	2,801,988	443,141	2,190,134	623,096	49,191	-	6,107,549
Unallocated liabilities	-	-	-	-	-	648,662	648,662
Total liabilities	2,801,988	443,141	2,190,134	623,096	49,191	648,662	6,756,211
Capital expenditure	-	-	-	-	-	165,804	165,804

### 33 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	2006							
	Interest/ Mark-up bearing			Non-Interest/ Mark-up 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	3 - 12.5	750,521	-	750,521	132,707	-	132,707	883,228
Loans	5	24,950	26,259	51,209	-	-	-	51,209
Investments	10 - 18	352,022	1,265,050	1,617,072	2,885,704	-	2,885,704	4,502,776
Premiums due but unpaid		-	-	-	2,053,498	-	2,053,498	2,053,498
Amounts due from other insurers/ reinsurers		-	-	-	220,386	-	220,386	220,386
Premium and claim reserves retained by cedants		-	-	-	36,506	-	36,506	36,506
Accrued investment income		-	-	-	28,973	-	28,973	28,973
Reinsurance recoveries against outstanding claims		-	-	-	1,262,976	-	1,262,976	1,262,976
Sundry receivables		-	-	-	47,539	20,386	67,925	67,925
		1,127,493	1,291,309	2,418,802	6,668,289	20,386	6,688,675	9,107,477



<b>Financial liabilities</b>							
Provision for outstanding claims	-	-	-	3,208,084	-	3,208,084	3,208,084
Amounts due to other insurers/ reinsurers	-	-	-	248,565	-	248,565	248,565
Accrued expenses	-	-	-	85,758	-	85,758	85,758
Other creditors and accruals	-	-	-	547,012	-	547,012	547,012
Short term bank borrowing	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	8.50 - 8.58	10,019	-	10,019	-	-	10,019
Unclaimed dividends	-	-	-	13,265	-	13,265	13,265
		<u>10,019</u>	<u>-</u>	<u>10,019</u>	<u>4,102,684</u>	<u>-</u>	<u>4,102,684</u>
							<u>4,112,703</u>

Effective Yield/ Mark-up rate	2005							Total
	Interest/ Mark-up bearing			Non- Interest/ Mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
%	(Rupees in '000)							
<b>Financial assets</b>								
Cash and bank balances	0.49	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>
<b>Financial liabilities</b>								
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
		<u>83,086</u>	<u>7,921</u>	<u>91,007</u>	<u>3,812,540</u>	<u>-</u>	<u>3,812,540</u>	<u>3,903,547</u>

## 34 Financial Risk Management

### 34.1 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:

### 34.2 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 effect 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.

### 34.3 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 1,403.285 million (2005: Rs 934.960 million) and Rs 1,722.830 million (2005: Rs 1,530.384 million) respectively, at the end of the year.

### 34.4 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.

### 34.5 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.

## 35 Non-adjusting events after the balance sheet date

The Board of Directors of the company in their meeting held on March 8, 2007 proposed a final cash dividend for the year ended December 31, 2006 @ 18% Rs 1.8/- share (2005: @ 15% Rs 1.5/- share). This is in addition to the interim dividend @10% Re 1.0/ share (2005: @ 15% Rs 1.5/- share) resulting in a total dividend for the year ended December 31, 2006 of Rs 2.80/- per share (2005: Rs 3/- per share). The approval of the members for the dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2006 do not include the effect of these appropriations and transfers which will be accounted for in the financial statements for the year ending December 31, 2007.

## 36 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.

## 37 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) Defined benefit plans (note 4.5.2 and note 23.1)
- c) Classification of investments and provision for impairment thereagainst (note 4.11 and note 16)
- d) Provision for taxation including the amount relating to tax contingency (note 4.12, note 13 and note 28)
- e) Provision for doubtful receivables (note 4.7, note 4.13, note 18 and note 19)

### 38 Number of employees at December 31

2006	2005
Number	
1,298	1,476

### 39 Corresponding figures

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

### 40 General

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

### 41 Date of authorisation for issue

These financial statements have been authorised for issue on March 8, 2007 by the Board of Directors of the company.



**Arif Ijaz**  
Managing Director & Chief Executive



**Ahmed Alman Aslam**  
Director



**Ibrahim Shamsi**  
Director



**Abdul Razak Adamjee**  
Chairman

## Pattern of Holding of the Shares held by the Shareholders as at December 31, 2006

No. of Shareholders	Shareholdings	Total shares held
1,628	Shareholding from 1 to 100 shares	64,662
1,331	-do- 101 to 500 shares	346,573
622	-do- 501 to 1,000 shares	472,304
1,045	-do- 1,001 to 5,000 shares	2,470,885
231	-do- 5,001 to 10,000 shares	1,658,186
118	-do- 10,001 to 15,000 shares	1,426,082
76	-do- 15,001 to 20,000 shares	1,323,302
36	-do- 20,001 to 25,000 shares	815,763
33	-do- 25,001 to 30,000 shares	893,219
25	-do- 30,001 to 35,000 shares	803,097
14	-do- 35,001 to 40,000 shares	529,566
11	-do- 40,001 to 45,000 shares	461,882
14	-do- 45,001 to 50,000 shares	678,964
9	-do- 50,001 to 55,000 shares	469,064
7	-do- 55,001 to 60,000 shares	395,068
8	-do- 60,001 to 65,000 shares	502,723
4	-do- 65,001 to 70,000 shares	271,394
3	-do- 70,001 to 75,000 shares	218,838
5	-do- 75,001 to 80,000 shares	387,801
5	-do- 80,001 to 85,000 shares	410,739
3	-do- 85,001 to 90,000 shares	266,430
4	-do- 90,001 to 95,000 shares	372,236
3	-do- 95,001 to 100,000 shares	289,749
2	-do- 100,001 to 105,000 shares	202,769
3	-do- 105,001 to 110,000 shares	325,607
3	-do- 110,001 to 115,000 shares	337,000
2	-do- 115,001 to 120,000 shares	237,060
6	-do- 120,001 to 125,000 shares	734,696
2	-do- 125,001 to 130,000 shares	252,562
2	-do- 130,001 to 135,000 shares	269,129
1	-do- 135,001 to 140,000 shares	135,636
2	-do- 140,001 to 145,000 shares	283,057
3	-do- 145,001 to 150,000 shares	443,977
1	-do- 150,001 to 155,000 shares	154,687
4	-do- 160,001 to 165,000 shares	649,336
3	-do- 165,001 to 170,000 shares	499,305
1	-do- 180,001 to 185,000 shares	182,273
1	-do- 190,001 to 195,000 shares	193,600
2	-do- 200,001 to 205,000 shares	407,721
1	-do- 205,001 to 210,000 shares	206,340
1	-do- 210,001 to 215,000 shares	214,800
1	-do- 215,001 to 220,000 shares	215,600
1	-do- 220,001 to 225,000 shares	222,158

## Pattern of Holding of the Shares held by the Shareholders as at December 31, 2006

No. of Shareholders	Shareholdings	Total shares held
1	-do-	225,001
1	-do-	230,001
1	-do-	240,001
1	-do-	255,001
1	-do-	260,001
1	-do-	265,001
1	-do-	275,001
1	-do-	295,001
2	-do-	305,001
3	-do-	315,001
1	-do-	330,001
1	-do-	335,001
1	-do-	370,001
1	-do-	395,001
1	-do-	405,001
1	-do-	440,001
1	-do-	455,001
1	-do-	460,001
1	-do-	505,001
2	-do-	520,001
1	-do-	560,001
1	-do-	595,001
1	-do-	620,001
1	-do-	760,001
1	-do-	815,001
1	-do-	1,085,001
1	-do-	1,100,001
1	-do-	1,110,001
1	-do-	1,165,001
1	-do-	1,225,001
1	-do-	1,370,001
1	-do-	1,405,001
1	-do-	1,415,001
1	-do-	2,565,001
1	-do-	3,415,001
1	-do-	4,235,001
1	-do-	4,885,001
1	-do-	5,050,001
1	-do-	8,695,001
1	-do-	30,030,001
<u>5,321</u>		<u>Total:</u>

## Categories of Shareholder

Categories of Shareholder	Share held	percentage
Directors		
Mr Saqib Elahi	6,585	0.006
Mr Shahzad Saleem	4,704	0.005
Mr Mohammed Naeem Mukhtar	8,182	0.008
Mr Ibrahim Shamsi	4,908	0.005
Mr Abdul Hamid Adamjee	1,408,412	1.378
Mr Abdul Razak Adamjee	317,661	0.311
Mr Wasif M Khan	3,093	0.003
Mr Ahmed Alman Aslam	3,093	0.003
Chief Executive Officer		
Mr Arif Ijaz	2,812	0.003
Directors / CEO's spouse		
Mrs Hawa W/o Mr A Hamid Adamjee	620,176	0.607
Mrs Naseem W/o Mr A Razak Adamjee	166,679	0.163
Executives / Executives' spouse	17,570	0.017
Associated Companies, undertakings & related parties		
MCB Bank Ltd.,	30,031,483*	29.375
Adamjee Foundation	8,695,836	8.506
Allied Bank Ltd.,	1,102,350	1.078
NIT and ICP		
National Bank of Pakistan, Trustee Deptt.	15,074	0.015
Investment Corporation of Pakistan	774	0.001
Banks, DFIs and NBFIs	5,867,337	5.739
Public sector companies and corporations	-	-
Insurance Companies	7,019,896	6.866
Modaraba and Mutual Funds	4,553,092	4.454

## Executives of the Company

### Categories of Shareholder

#### General Public

- a) Local ( Individuals )  
b) Foreign Companies/ organizations/ Individuals  
(on repatriable basis )

#### Others - See below

#### Shareholders holding 10% or more voting interest

#### Others:

- 01 The Administrator, Abandoned Properties Organisation  
02 MCB Employees Pension Fund  
03 MCB Provident Fund Pak Staff  
04 Mobarak Begum Charitable Trust  
05 Pakistan Memon Educational & Welfare Society  
06 Ismailia Youth Services  
07 DGKC Emp. P.F. Trust  
08 Haji Mohammed welfare Trust  
09 ICI Pakistan MNGT Staff Pen. Fund  
10 Nestle Empl. Prov. Fund  
11 Nishat Mills Ltd. Emp.Prov.Fund  
12 Joint Stock Companies

### Share held percentage

28,783,367	28.153
131,336	0.128
13,470,740**	13.176
<u>102,235,160</u>	<u>100.000</u>
<u>30,031,483*</u>	
1,086,689	
4,238,565	
3,417,175	
14,810	
148,114	
3,272	
82	
23,750	
82,124	
50,000	
147,375	
4,258,784	
<u>13,470,740**</u>	

### Deputy General Managers

Mr. Ramesh Mulraj (C)	B.A
Mr. Emmanuel Mehr.	B.Com
Mr. Moinuddin Khan	M.Sc., A.C.I.I. (London), Chartered Insurer
Mr. Asif Jabbar	B.Com, A.C.I.I. (London)
Mr. Akhter Ali Baig (C)	B.Com, A.C.I.I. (London)
Capt. Muhammad Akram	Master Mariner, M.A., L.L. B., M.I.C.S. (London)
Mr. Ather Rahat Siddiqui	B.Com, A.C.I.I. (London), Chartered Insurer
Mr. Khawaja G. Wajahat	M.Sc.(U.K), A.C.I.I. (London)
Mr. Salman Moin	M.Sc., M.C.S
Mrs. Rabea Asif	A.C.A
Mr. Mohd. Najeeb Anwar	B.A.
Mr. Ahmed Hussain Zuberi	B.Com
Mr. Imran Mughal	B.Com
Mr. Muhammad Saqib Kidwai	B.E. (Mech.), M.S. (Mech. Eng.) U.S.A
Mr. Muhammad Salim Iqbal	B.E., F.C.I.I (London)
Mr. Faisal Iqbal	M.Sc (U.K)
Mr. Yahya Hamid	A.C.A
Mr. Murtaza Ali Shah	B.B.A.
Mr. Malik Nazir Ahmed	
Mr. M. A. Basit	A.C.I.I (London)
Mr. Asif Mahmood Malik	B.B.A. (U.S.A)
Mr. Irfan Ul Haq	B.E.(Metallurgy)
Mr. Mansoor Ali Khan	M.B.A

### Deputy General Managers (Development)

Mr. Mohammad Kamil Khan
Mr. Arshad Hussain
Mr. Mohammad Yousuf Khanani
Mr. Asghar Jalil
Mr. Anjum Saleem
Mrs. Najma Bano Naeem
Mr. M.Saleem Khan

### Assistant General Managers

Mr. M. Yakoob Haroon	B.Sc.
Mr. Muhammad Yaseen	B.Sc
Mrs. Rakshanda Qureshi	M.Sc. (Zoology), A.C.I.I. (London), Chartered Insurer
Syed Mohammad Iqbal	B.Com, A.C.I.I (London), Chartered Insurer
Mrs. Riffat Raza	M.A., A.C.I.I. (London)
Mr. Gul Munawar Khan	B.Com., L.L.B.
Syed Farman Kazmi	B.Com
Mr. Mohd. Javed Anwer	B.Com
Miss. Rubina Qureshi	M.A., A.C.I.I. (London)
Mr. Mohammed Shoaib	M.A.,
Mr. Musaddar Mohsin Ali	B.Com.
Mr. Mohd. Arif Khan	B.A., L.L.B
Mr. Mohammed Saleem	B.Com
Syed Mazhar Hussain Shah	B.A., L.L.B
Mr. Mohammed Ismail	B.E. (Chem.), M.B.A.
Mr. Aamir Ahmed	B.A
Mr. Mohammed Yaqoob Memon	M.A. (Eco)
Mr. Danish Qazi	M.B.A
Syed Ali Haider	B.Com.
Mr. Faisal Khalid	M.Sc. (London)

### Assistant General Managers (Development)

Mrs. Zaina Bankwala
Mr. Qamar Ahmed
Mr. Ghulam Mohammad Mandvia
Mr. Ali Mohammad Sheikh
Mr. Aziz Zara
Mr. Zaheer Anwar Pasha
Mr. Zahid Hussain Zaidi
Mr. Mirza Farrukh Sayeed
Mr. Kayomerz B.Golwalla
Mr. Mohammad Sohail Dawra
Mr. Zawar Hussain
Mr. Jahangir Ahmed Hira
Mrs. Sher Bano Munaf
Mr. Mahmood Bharmal
Mr. Mohd. Yunus Khadeli
Mr. M.Tariq Hussain
Mr. Umer Farooq Muhammedi
Mrs. Seemi Ahmed
Mr. Azhar Amir

Karachi: February 08, 2007



Arif Ijaz  
Managing Director & Chief Executive

## Branch information

### SINDH AND BALOCHISTAN

#### KARACHI (ZONAL OFFICE)

Mackinons Building (5<sup>th</sup> Floor)  
P.O.Box No. 5380, I.I.Chundrigar Road  
Phone : 2410791, 2416762, 2412073, 2418932, 2423791,  
2411630, 2427537, 2413668 2427110 & 2427112 (9Lines)  
Fax : (92-21) 2414017  
Cable : ADAMJINKAR  
Sr. Gen. Managers : Shamsul Haque, ACII (London)  
Dy.Gen. Manager: Moin Uddin Khan, M.Sc.  
A.C.I.I. (London) Chartered Insurance

#### CAR CLINIC, KARACHI

Plot No. 8-A,  
West Wharf Road  
Phone : Phone : 2312249, 2311716, 2312294, 2312190, 2312257,  
PABX : 2316094-6, 2310271-4  
Fax : (92-21) 2312389

#### KARACHI (Main Branch)

Mackinnons Building (4th Floor)  
Phone : 2410791, 2416762, 2412073, 2418932, 2423791,  
2411630, 2427537, 2413668 2427110 & 2427112 (9Lines)  
Fax : (92-21) 2414017  
Cable : ADAMJINKAR  
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)  
Altat Husain Road  
New Challi  
Phone : 2415125 & 2415779  
Fax : (92-21) 2411402  
Senior Manager :, M. Yacoob 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.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 Anwer, B.Com  
C.A. (Intermediate)

#### ADAMJEE HOUSE BRANCH, KARACHI

4th Floor, Adamjee House  
I.I.Chundrigar Road  
Phone : 24174903, 2416931 (3 lines)  
2414793, 2413707  
Fax : (92-21) 2427690  
Gen. Manager :, Nadeem 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  
Gen. Manager :, Naim Anwari, B.Com.  
Asst. Gen. Managers : Syed Mohd. Iqbal, B.Com, A.C.I.I. (London)  
Chartered Insurer

#### BURNS ROAD BRANCH, KARACHI

1st Floor, Capital Building  
M.A.Jinnah Road  
Phone : 2626108, 2629742 & 2621118  
Fax : (92-21) 2628041  
Senior Manager : Mohammad Hanif

#### GUL TOWER BRANCH, KARACHI

Gul Tower ( 8th Floor)  
I.I. Chundrigar Road  
Phone : 2418290, 2418107, 2418117, 2424102,  
& 2418119  
Fax : (92-21) 2425305  
Deputy.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  
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 Chowrangi Main University Road  
Phone : 4978114 & 4978115  
Fax : (92-21) 4978116  
Senior 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  
Senior Manager :: Faizan Ashraf Jillani, 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  
General Manager :, T. A. Abbasi, B.Com.

#### CAMPBELL STREET BRANCH, KARACHI

Az-Zainab Court (2nd Floor)  
Campbell Street,  
Phone : 2626527, 2626109, 2638584, 2636530 & 2218489  
Fax : (92-21) 2626096  
Joint General Manager, Ramesh Mulraj Bherwani, 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 Mohammadi, 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, Aamir Ahmed

#### JODIA BAZAR BRANCH, KARACHI

Suleman Centre, Rambharti Street, Jodia Bazar  
Phone : 2437353 & 2439831 (5 lines)  
Fax : (92-21) 2417235  
General Manager :, M. Iqbal Vakil, 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  
Shaila Hussain , Senior.Manager

#### KARIMABAD BRANCH, KARACHI

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

#### KUTCHERY ROAD BRANCH, KARACHI

Seedat Chambers (3rd Floor)  
Dr.Ziauddin Ahmed Road  
Phone : 5672560, 5672561 & 5674071 (5 Lines)  
Fax : (92-21) 5672559  
Gen. Manager:, Farooq Usman Kothawala, 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. St-4/2, Sector 23, Korangi Industrial Area  
Phone : 5060651, 5060652 & 5060653  
Fax : (92-21) 5060654  
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.(Agri. 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 Rahimtullah 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 ( 5 Lines )  
Fax : (92-21) 2411535  
General Manager:, Syed Basit Hussain, B.Com  
Asst.Gen.Manager, Muhammad Shoaib, B.Com. M.A.

#### NAZIMABAD BRANCH, KARACHI

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

#### NEW CHALLI BRANCH, KARACHI

5TH Floor, Haji Adam Chambers  
Altat Hussain Road.  
Phone : 2414160, 2414169  
Fax : (92-21) 2424133  
Asst Gen Manager : Faisal Khalid

#### SHAREA 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  
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 Mazhir Akbar, B.A.

#### SADDAR BRANCH, KARACHI

Hajra Mansion (1st Floor), Zaibun-Nisa Street  
Phone : 5670417,5670418, 5675632, 5675633, 5670436, 5670423  
& 5675600  
Fax : (92-21) 5687628  
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

#### HYDERABAD BRANCH

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

#### TANDO ADAM (SUB-OFFICE)

Khoso 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. Senior. Manager (Dev.), Mohammad Saleem Rao, B.A

#### SUKKUR BRANCH

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

#### 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 (2<sup>nd</sup> Floor), Eden Centre  
43, Ghaus Ul Azam (Jail Road)  
P. O. Box 220,  
Phone : 7571523, 7567597, 7552406 & 7560001-4  
Fax : (042) 7566024  
Cable : ADAMJINSUR  
Senior General Manager, Mian Faisal Usman, M.B.A., A.C.I.I. (London)

#### EMPRESS ROAD BRANCH, LAHORE

Empress House (2<sup>nd</sup> Floor)  
28-Empress Road  
Phone : 6364365, 6372602 & 6371611  
Fax : (042) 6374684  
Asst. Gen. Manager, Mohammad Arif 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  
General Manager, Naeem Ud Din , M.B.A

#### GARDEN TOWN BRANCH, LAHORE

Flat No. 10 (1<sup>st</sup> Floor) Shan Arcade, Civic Centre  
Barket 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, (3<sup>rd</sup> Floor), Eden Centre  
43, Ghaus Ul Azam (Jail Road)  
Phone : 7569204, 7569205, 7530432 & 7565744  
Fax : (042) 7595748  
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 Mushtaq, M.B.A.

#### CAR CLINIC, LAHORE

Al-Noor Building, 43, Bank Square,  
Phone : 7244569  
Fax : (042) 7238271

#### KOT LAKHPAT BRANCH, LAHORE

Glamour Plaza, Flot No.5, (1<sup>st</sup> 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  
Manager, Rana Abdul Quddos, MBA

#### 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, 3<sup>rd</sup> Floor  
Al-Hafiz Centre, 74-75/E.1  
Main Boulevard, Gulberg III  
Phone : 5716294, 5752420, 5873986 & 5716295  
Fax : (042) 5878607  
Joint Senior 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  
Deputy General Manager, Asif M. Malik, B.B.A (USA)

#### EDEN CENTRE BRANCH, LAHORE

Suite # 318, 3<sup>rd</sup> 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.

#### SERIVCE CENTRE NEW UNIT, LAHORE

23-B, F.C.C, Syed Muratab 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  
(2<sup>nd</sup> 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 (2<sup>nd</sup> 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 (1<sup>st</sup> Floor)  
Opp. Iqbal High School, G.T. Road  
Phone : 7106629, 857767 & 252573  
Fax : (0431) 710629  
Senior Manager, Ch. Ghulam Murtaza

#### JHANG OFFICE

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

#### DIVISIONAL OFFICE - ISLAMABAD

2<sup>nd</sup> Floor, MCB Building, Jinnah Avenuc  
Blue Area  
Phone : 2801029, 2801030, 2801078,  
Fax : (051) 2801031  
Dy General Manager, Irfan ul Haq, B.E.  
Dy. General Manager, Faisal Iqbal, M.Sc. (U.K)  
Asst. General Manager, Muhammad Yasein, B. Sc.

#### SAHIWAL OFFICE

Room No. 11 & 12  
1<sup>st</sup> Floor, Sattar 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, 1<sup>st</sup> 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

#### RAHIM YAR KHAN OFFICE

18, Shahi Road  
P. O. Box No. 61  
Phone : (068) 5877198  
Asst Manager (Dev), Ch. Muhammad Rafique

#### PESHAWAR BRANCH

6<sup>th</sup> 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.

## Proxy Form

### BHAWALPUR OFFICE

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

### FAISALABAD (ZONAL OFFICE)

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

### DERA GHAZI KHAN OFFICE

Hajana Plaza Blakh Sarwer City  
2nd Floor Oppt.  
D.H. Q. Hospital, Jampur Road  
Phone : 473434  
Fax : (0621) 473434  
Senior Officer (Dev.), Mushtaq Ahmed

### SARGODHA OFFICE

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

### GOJRA OFFICE

Post Office Road Gojra  
Phone : 3511917  
Branch Manager, Tufail Saleem

### DUBAI (Zonal Office for Middle East)

Deira Tower, Suit No. 0307  
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 Zulfiqar Ali Zaidi, M.A., LL.B.

I/We.....of..... being 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 fortysixth Annual General Meeting of the  
Company to be held on April 20, 2007 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 .....2007

#### WITNESSES:

##### 1-Signature

Name.....

Address.....

NIC No.....

##### 2-Signature

Name.....

Address.....

NIC No.....

Signature.....

Holder of..... Ordinary Shares

Share Register Folio No.....

“CDC” Participant's I.D.No..... A/c No.....

Rupees  
Five  
Revenue  
Stamp

(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

**Leadership from strength**

46th Annual Report 2006

46th Annual Report

**2006**



**Leadership from strength**

**Adamjee House**

11, Chundrigar Road, Karachi-74000 Pakistan

Office: 021-241-2623. Fax: 021-2412627

[www.adamjeeinsurance.com](http://www.adamjeeinsurance.com)

**Adamjee Insurance Company Limited**



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**Leadership from strength**

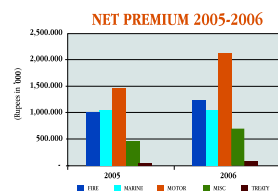
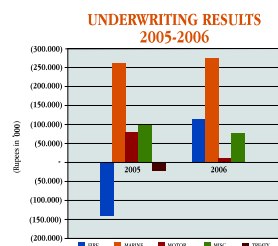
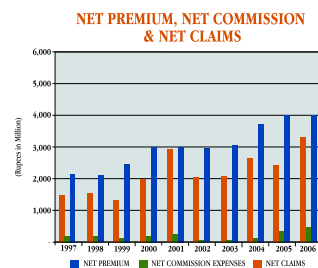
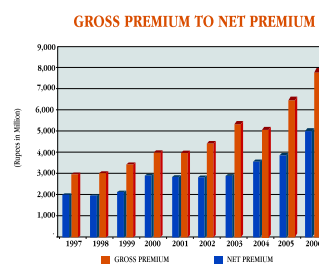
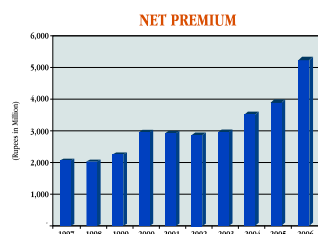
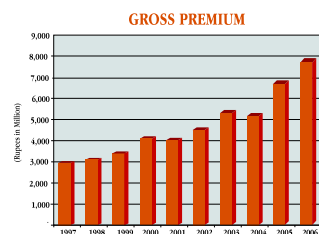


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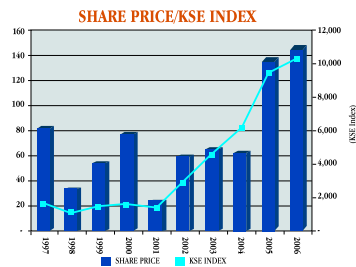
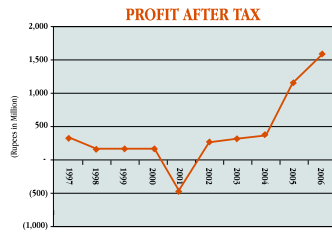
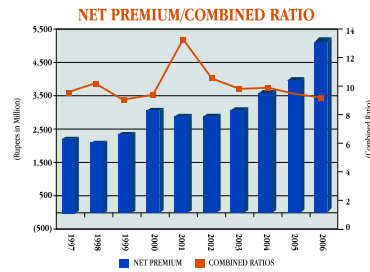
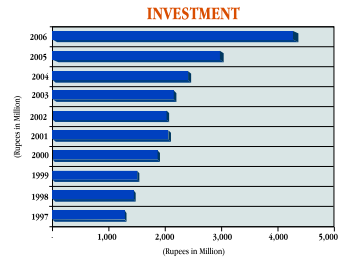
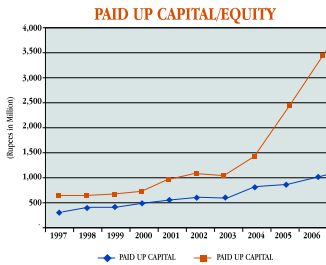
## Financial Highlights



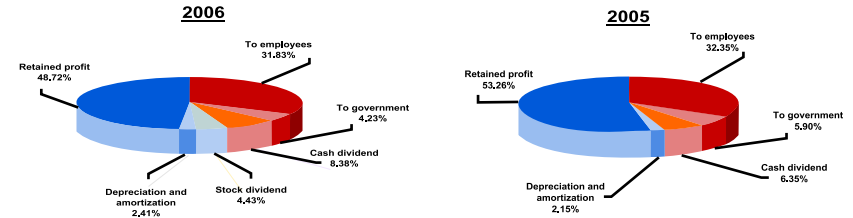
## Financial Highlights

Particulars	2006	2005
<b>Earnings</b> (Rupees in Million)		
Gross Premium	7,912	6,682
Net Premium	5,280	3,997
Underwriting Result	482	306
Investment Income	1,515	1,147
Profit Before Tax	1,685	1,278
Profit After Tax	1,577	1,163
<b>Balance Sheet</b>		
Paid Up Capital	1,022	826
Equity	3,788	2,426
Investments (Book Value)	4,503	3,040
Investments (Market Value)	8,062	6,599
Cash & Bank	883	1,428
Total Assets	11,139	9,182
Total Liabilities	7,351	6,756
<b>Returns</b>		
Return On Average Capital Employed (%)	51	61
<b>Share Information</b>		
Earning per Share (Rupees)	15	11
Break up Value per Share (Rupees)	37	29
No. of Shares (in Million)	102	83
Share Price	151	137
KSE Index	10,041	9,557
P/E Ratio	9.76	12.04
Market Price to Break up Value	4.06	4.7
Dividend Yield (%)	2.70	0.90
Dividend Payout Ratio (%)	26.13	10.7
Dividend per Share	4.03	1.50
<b>Operating Performance</b>		
Underwriting Result to Net Premium (%)	9.13	7.66
Profit after Tax to Net Premium (%)	29.87	29.10
Investment Income to Net Premium (%)	28.69	28.70

## Financial Highlights



## Statement of Value Added and its Distribution



### WEALTH GENERATED

Gross Premium  
Commission Income  
Investment And Other Income  
  
Management And Other Expenses

	2006 (Rupees in '000')		2005 (Rupees in '000')	
		%		%
Gross Premium	7,364,637		5,965,732	
Commission Income	(520,218)		(368,920)	
Investment And Other Income	1,635,457		1,251,622	
	8,479,876		6,848,434	
Management And Other Expenses	(5,918,002)		(4,896,968)	
	2,561,874	100.00%	1,951,466	100.00%

### WEALTH DISTRIBUTED

	2006	%	2005	%
To employees	815,369	31.83%	631,224	32.35%
To government	108,246	4.23%	115,130	5.90%
To share holders				
Cash dividend	214,797	8.38%	123,921	6.35%
Stock dividend	113,595	4.43%	-	-
	328,392	12.81%	123,921	6.35%
Retained in business				
Depreciation and amortization	61,758	2.41%	41,866	2.14%
Retained profit	1,248,109	48.72%	1,039,325	53.26%
	1,309,867	51.13%	1,081,191	55.40%
	2,561,874	100.00%	1,951,466	100.00%

## Company Information

### Board of Directors

Saqib Elahi	Director
Shahzad Saleem	Director
Mohammad Naeem Mukhtar	Director
Ibrahim Shamsi	Director
Abdul Hamid Adamjee	Director
Abdul Razak Adamjee	Director
Wasif M. Khan	Director
Ahmad Alman Aslam	Director
Arif Ijaz	Managing Director & CEO

### Advisor

Mian Mohammad Mansha

### Audit Committee

Saqib Elahi	Chairman
Shahzad Saleem	Member
Mohammad Naeem Mukhtar	Member

**Chief Executive Officer** Arif Ijaz, B.E., M.B.A.

**Chief Operating Officer** Nasreen Rashid, M.A., A.C.I.I. (London)

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

**Executive Directors** Tinku I Johnson, B.E, M.B.A.  
Manzar Mushtaq, B.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  
Shamsul Haque, A.C.I.I. (London)  
Mian Faisal Usman, M.B.A., A.C.I.I. (London)  
Iqbal Mohammad, B.A.

### General Managers

Abdul Razak Rahimtullah Bramchari  
Syed Basit Hussain, B.Com.  
Jameel Khan, M.A. L.L.B.  
Zafar Mahmood Awan, M.B.A.  
M. Iqbal Vakil, B.Com  
M. Jahangir Chughtai, M.A.  
Farooq Usman Kothawala, B.Com.  
Nadeem Ahmed  
T.A. Abbasi, B.Com  
Naim Anwar, B.Com  
M. Ibrahim Kapadia, M.B.A.  
Edris H.M. Goawla B.Com., A.C.I.I (London), Chartered Insurer  
Naeem ud Din, M.B.A.  
Satwat Mehmood Butt, M.B.A.  
Syed Mohammed Mushir, B.E.

### General Managers (Development)

Abdul Aziz Khadeli, B.Com.  
Mazhar Saleem  
Mahmood A. Wahab, B.A.  
Abdul Rehman Mohammadi, B.Com.  
Zersis Rustom Birdie  
Mohammed Ali Wahab, B.Com.

### Auditors

A. F. Ferguson & 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  
E-mail : info@adamjeeinsurance.com  
Website : www.adamjeeinsurance.com

## Notice of the Forty Sixth Annual General Meeting

NOTICE is hereby given that the Forty sixth 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, Khekhshan, Clifton, Karachi on Friday the April 20, 2007 at 10.30 a.m. to transact the following business:-

### Ordinary Business

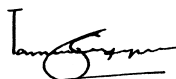
1. To elect a Chairman of the Meeting.
2. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2006, the Directors' and Auditors' reports thereon.
3. To declare 18% Final Cash Dividend i.e. Rs.1.80 per ordinary share of Rs.10 each as recommended by the directors.
4. To appoint auditors and fix their remuneration.
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 special resolution:

RESOLVED that first line of clause 72(a) of the Articles of Association be and is hereby amended and shall be read as follows:

“The number of Directors shall not be less than seven or more than eleven.”



By Order of the Board  
Tameez-ul-Haque  
Secretary

Karachi: March 08, 2007

### Notes:

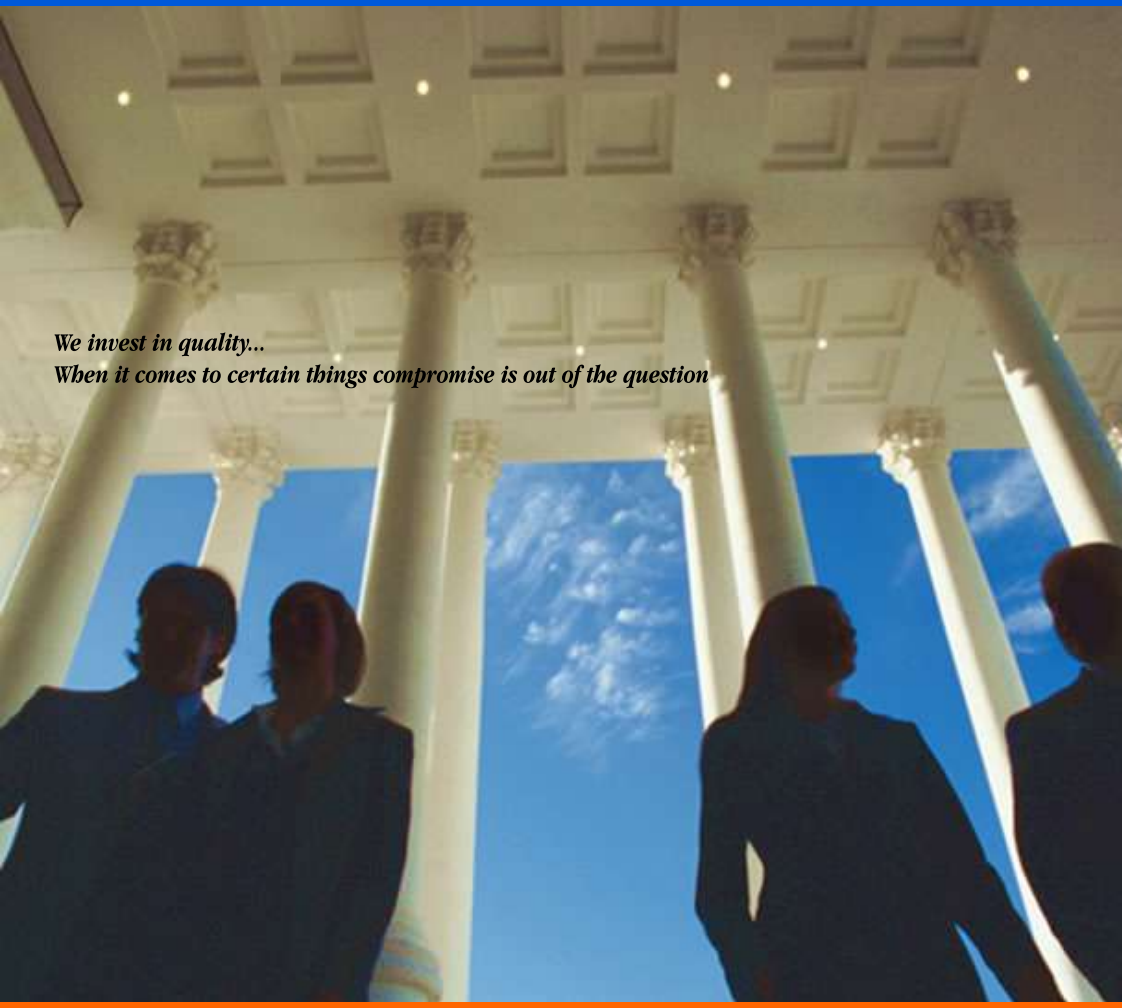
- (a) The Share Transfer Books of the Company will remain closed from April 11, 2007 to April 20, 2007 (both days inclusive).
- (b) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her.
- (c) The instrument 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.

### Statement of Material Facts under Section 160(1)(b) of the Companies Ordinance, 1984

Regarding item 6 of the Notice of the meeting.

Pursuant to expansion in the volume of business and capital, maximum number of the directors which at present is nine (9) is proposed to be increased to eleven (11).

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



*We invest in quality...  
When it comes to certain things compromise is out of the question*

# Quality Policy

## 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

## Core Values

- Integrity
- Humility
- Fun at Work Place
- Corporate Social Responsibility



# Vision

## Vision

Our will is to Explore, Innovate and Differentiate.

Our passion is to provide leadership to the Insurance Industry.