

PREMIER  
INSURANCE



**56<sup>th</sup> Annual Report  
2007**



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## **Vision Statement**

Our vision is to provide the highest level of service in general insurance and strive to become a market leader with a prestigious profile.

## **Mission Statement**

### *Our Business*

We are a company underwriting general insurance business including underwriting fire, property, marine, motor and other risks of our clients.

We are committed to become the leading organization in the insurance sector building an excellent reputation among our clients with the objective of maximizing returns for all the stakeholders.

### *Our Strengths*

Financial viability and security we provide our clients and reinsurers in order to safeguard their interests.

### *Our Strategy*

To enhance our corporate image by providing high quality products and services to our policy holders.

To provide an excellent working environment to our employees affording them every opportunity to growth and career developments.

### *Our Values*

We take pride in adhering to ethical business practices and in being a good corporate citizen.

We respect our people and endeavor to provide them opportunities to realize their full potential.

We recognize our responsibility to our stakeholders and to society.



### Because we care.....

Our commitment to serve extends beyond our stakeholders to the society where our collective present and future is at stake. Being a socially responsible corporate citizen is one of our core values and we continue to assist various causes that alleviate human misery and uplift the quality of life, healthcare and education for our less privileged compatriots.

Among those that received assistance from the company during 2007 were:

#### **The Citizens Foundation (TCF)**

Towards earthquake relief and provision of quality education to children in almost 500 schools in the economically deprived urban and rural neighborhoods across Pakistan.

#### **Layton Rahmatulla Benevolent Trust (LRBT)**

For free, state of the art eye care accounting for 30% of all eye OPD and 26% of all eye surgery across the country.

#### **Sind Institute of Urology & Transplantation (SIUT)**

Towards earthquake relief and free, modern urology, nephrology, transplantation and liver diseases treatment and care.

#### **Marie Adelaide Leprosy Centre (MALC)**

For rehabilitation and care for leprosy sufferers.

#### **The Kidney Centre**

For free, comprehensive treatment of kidney related ailments.

#### **Patient's Aid Foundation (PAF)**

Towards construction, modernization and provision of various facilities, including a Blood Bank, at and around the Jinnah Hospital where 75% of Karachi's medical emergencies are handled.

#### **Poor Patient Aid Society - Civil Hospital**

For treatment of more than one million non-affording patients every year.

#### **Shalimar Hospital**

A not for profit 350 bedded hospital in Lahore for providing the best medical care especially to the poor and non-affording patients.

#### **Dewan Farooqui Trust**

To provide life saving help to families devastated by rain / flood in Sindh and Balochistan.

#### **Dowites '78' Operation Theatre Centre**

Towards construction of state-of-the-art operation facilities and quality surgical environment.

#### **Special Olympics Pakistan**

Provide year-round sports training and athletic competition to over 2.25 million children and adults with disabilities.

We are grateful to our business associates for making these humble contributions possible and allowing us to be a company with a heart.



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

## Notice of Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of the company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP) at Chartered Accountants Avenue, Clifton, Karachi, on Saturday, March 29, 2008 at 04:00 p.m. to transact the following business:

### A. ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on September 27, 2007;
2. To receive, consider and adopt the audited financial statements of the company for the year ended December 31, 2007, the report of the Auditors thereon and the report of the Directors;
3. To approve the payment of cash dividend @ 20% i.e. Re 1 per ordinary share of Rs 5 each, out of the profit for the year ended December 31, 2007, as recommended by the Directors;
4. To appoint Auditors of the company and fix their remuneration. The present Auditors, M/s. Anjum Asim Shahid Rahman, Chartered Accountants, being eligible, have offered themselves for re-appointment;

### B. SPECIAL BUSINESS

5. To approve the issuance of bonus shares @ 20% i.e. 1 ordinary share for every 5 ordinary shares held, out

of the profit for the year ended December 31, 2007, as recommended by the Directors by passing the following Ordinary Resolution:

**"RESOLVED THAT** a sum of Rs 39,897,410 out of the free reserves of the company be capitalized and applied to the issue of 7,979,482 Ordinary Shares of Rs 5/- each and allotted as fully paid up Bonus Shares to the Members, who are registered in the Books of the company at the close of business on March 21, 2008 in the proportion of one new share for every five existing Ordinary Shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the company.

That for the purpose of giving effect to the foregoing, the Chief Executive, Chief Financial Officer and Company Secretary be and are hereby singly authorized to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares."

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

By Order of the Board

Afroz Quraishi  
Company Secretary  
Karachi, February 29, 2008

### NOTES

- i) The Share Transfer Books of the company shall remain closed from March 22, 2008 to March 29, 2008 (both days inclusive). Transfers received in order at our Registrar, Ferguson Associates (Pvt) Limited, State Life Building No. 2-A, 4th Floor, Wallace Road, Karachi, Pakistan by the close of business on March 21, 2008 will be treated in time for this purpose.
- ii) As per the Articles of Association of the company, any fractional entitlements to bonus shares shall be consolidated and disposal proceeds distributed to the shareholders according to their fractional entitlements.
- iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.
- iv) Shareholders whose shares are deposited with the Central Depository Company (CDC) are requested to bring their original National Identity Card and account number in CDC for verification.
- v) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- vi) Shareholders are requested to notify our Registrar immediately of any change in their addresses.

### Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business:

1. This statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the company to be held on March 29, 2008.
2. Item 5 regarding Bonus issue:

Your Directors have recommended the issue of Bonus Shares in the proportion of one new share for every five existing Ordinary Shares held at the close of business on March 21, 2008. The Directors are interested in this business to the extent of their entitlement to Bonus Shares as Members.



## Company Information

### Board of Directors

Syed Arshad Ali  
Khalid Bashir  
Zahid Bashir (Chairman)  
Imran Maqbool  
Nadeem Maqbool  
Khurram Mazhar  
Shaukat Shafi  
Fakhir Rahman (Chief Executive)

### Company Secretary

Afroz Quraishi

### Audit Committee

Khalid Bashir (Chairman)  
Nadeem Maqbool  
Shaukat Shafi

### Auditors

Anjum Asim Shahid Rahman  
Chartered Accountants

### Legal Advisors

Arfin & Co.  
Advocates

### Registered & Head Office

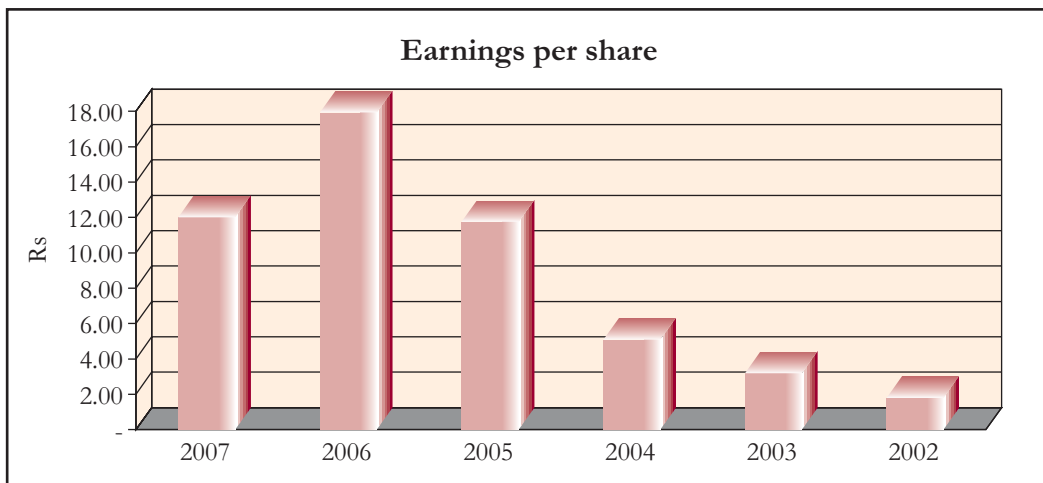
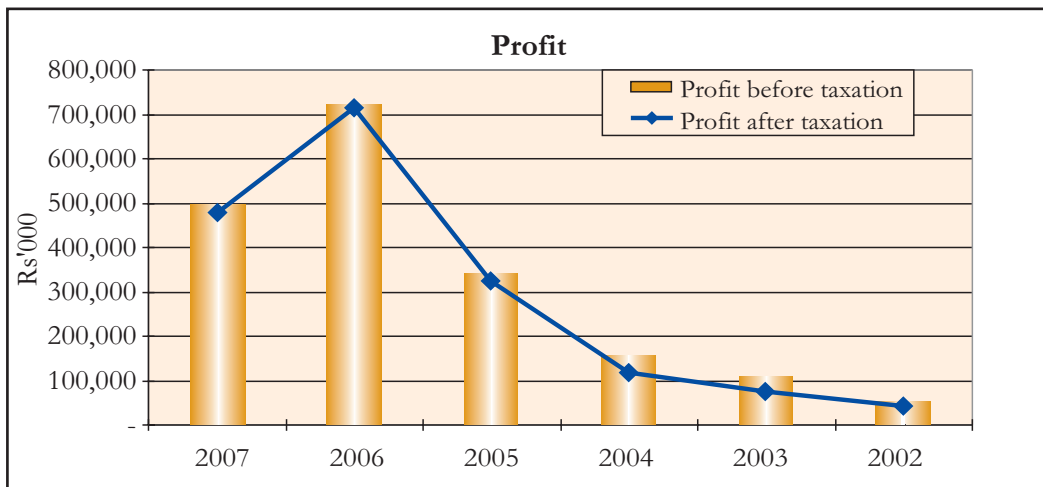
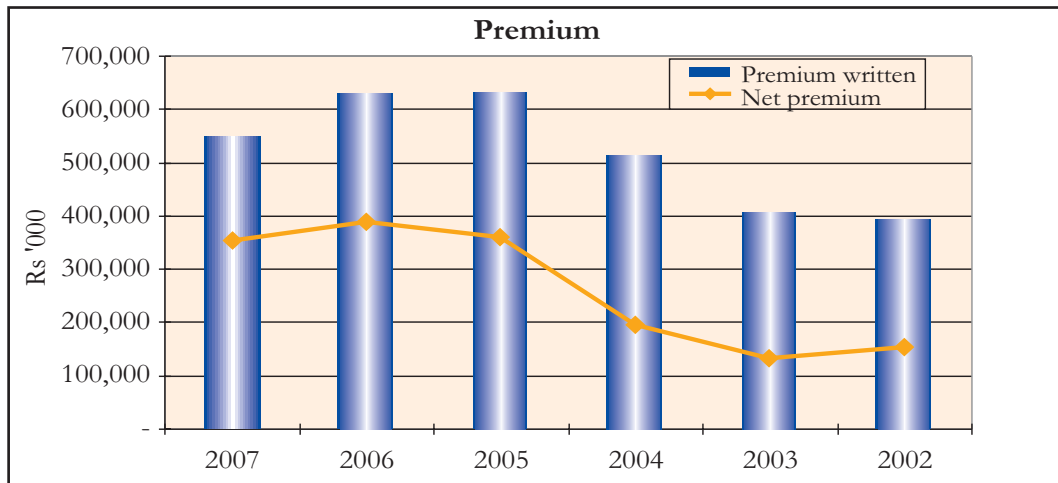
5th Floor, State Life Building No. 2A  
Wallace Road, Karachi-74000, Pakistan  
Phones : (21) 2416331-4  
Fax : (21) 2416572  
Email : info@pil.com.pk

### Registrar

Ferguson Associates (Pvt) Limited  
4th Floor, State Life Building No. 2A  
Wallace Road, Karachi-74000, Pakistan

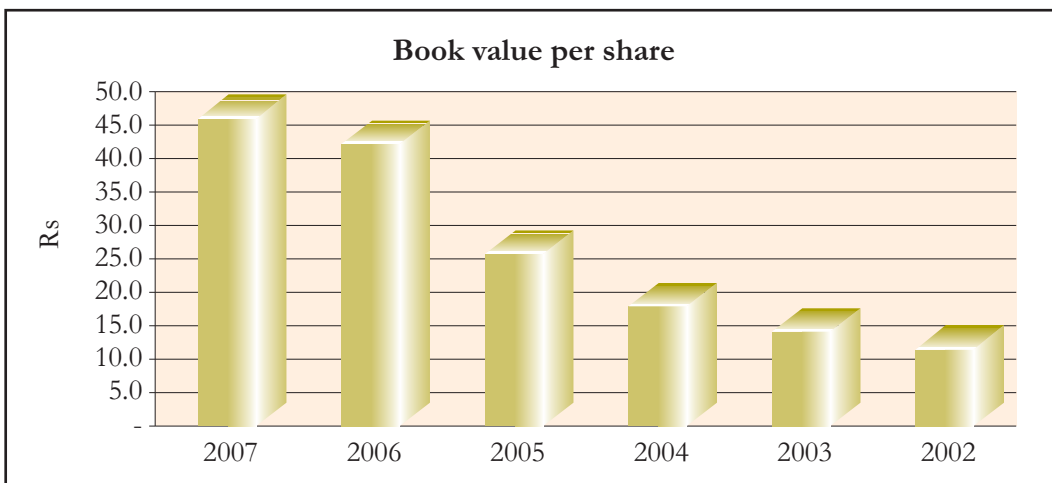
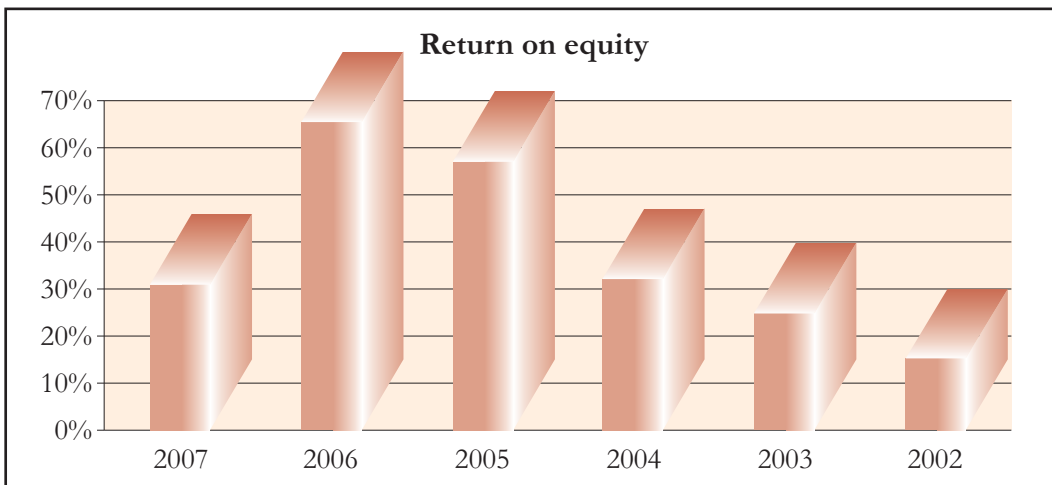
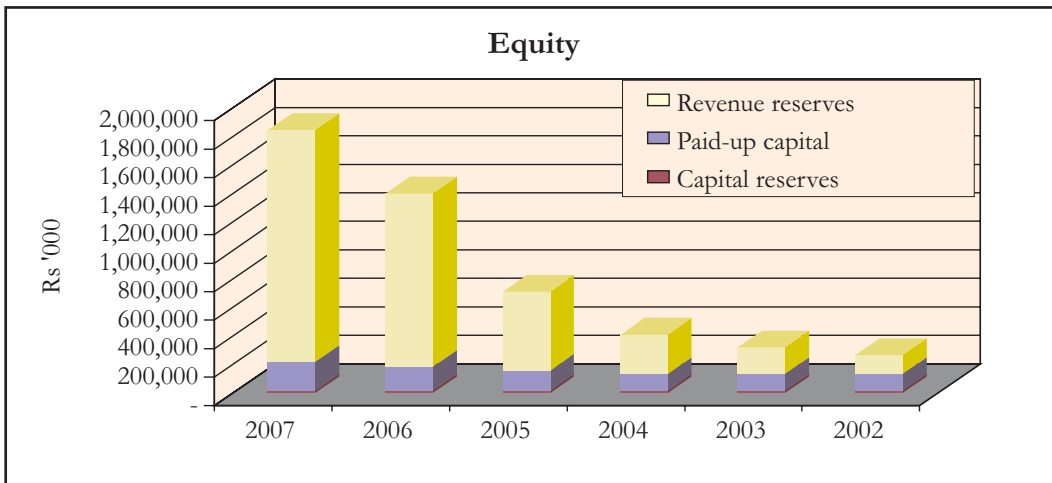


## Performance at a Glance





Performance at a Glance







## Key Operating and Financial Data

(Amounts in Rupees '000)

	2007	2006	2005	2004	2003	2002
Paid-up capital	199,488	166,240	138,533	115,444	115,444	115,444
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,627,043	1,214,600	554,587	275,327	186,751	132,987
Total reserves	1,646,718	1,234,275	574,262	295,002	206,426	152,662
Total equity	1,846,206	1,400,515	712,795	410,446	321,870	268,106
Total assets	2,943,197	2,393,943	1,738,274	1,486,848	1,098,495	916,429
Premium written	551,699	630,395	631,393	515,851	406,908	395,517
Net premium	346,832	389,232	360,164	194,601	132,095	153,605
Investment income	542,582	798,115	341,996	165,462	118,753	36,408
Profit before taxation	495,685	719,721	339,438	158,437	106,967	52,235
Profit after taxation	478,939	715,427	325,438	117,437	73,967	41,448
Return on equity* (%)	29.50%	67.71%	57.95%	32.07%	25.07%	16.06%
Book value per share** (Rs)	46.27	42.12	25.73	17.78	13.94	11.61
Earnings per share** (Rs)	12.00	21.52	11.75	5.09	3.20	1.80
Cash dividend (%)	20%	20%	20%	20%	25%	17.5%
Stock dividend (Bonus - %)	20%	20%	20%	20%	-	-

\*Return based on average equity for the year

\*\*Book value / earnings based on shares in issue at year end



## Report of the Directors to the Members

The directors are pleased to present the 56th Annual Report of the company together with the audited financial statements for the year ended December 31, 2007.

### Review

(Amounts in Rupees '000)

	2007	2006
Premium written	<b>551,699</b>	630,395
Net premium	<b>346,832</b>	389,232
Underwriting result	<b>22,732</b>	49,251
Investment income	<b>542,582</b>	798,115
Profit before taxation	<b>495,685</b>	719,721
Profit after taxation	<b>478,939</b>	715,427

During 2007 we remained focused on improving quality and results, rather than top-line growth, as a measure of performance and value addition. Though contrary to the general "premium written" based measures, the success of our approach was evident in our third quarter results; premium written was 7% lower and underwriting profit 60% higher than the corresponding 2006 period. However, the underwriting profit for the full year at Rs 22.7 million is the same as for the nine months, due mainly to the unfortunate events towards the year end. While disappointed at the results, we are happy to report that these losses placed absolutely no financial, or liquidity, strain on the company. Indeed, such events prove our mettle and the strength of protection that we commit to our clients.

Overall, premium written and retained are lower by Rs 78 million (12%) and Rs 42 million (11%) mainly from reduction in motor business, and price competition in other business classes. Despite inflationary and competitive pressures, the net increase in acquisition and other expenses has been contained at 5%.

Investment and treasury management continue to provide vital income diversification and financial strength. Consistent with the economic trends anticipated in our last Annual Report, we had already realized very substantial capital gains in 2006 and reduced our exposure to equities during 2007. Consequently, realized capital gains, and dividends, in

2007 were lower at Rs 483.8 million (2006: Rs 697.6 million) and Rs 23.9 million (2006: Rs 85.9 million). Compared with the benchmark KSE 100 index average return of 17% for 2007, our return on equities, on average cost and market value at risk, were a handsome 54% and 55% respectively (excluding Rs 25.9 million gains yielded by income funds). Return on deposits etc. rose 135% to Rs 35.2 million (2006: Rs 15 million).

Total investments at the year end were 45% higher than 2006 at Rs 1.6 billion with 46% in equities and 54% in income funds. In addition cash and bank balances aggregated Rs 235 million.

As part of our ongoing upgrading programme, our Zonal office in Lahore has been relocated to larger premises. Its working and IT environment has also been uplifted for better service delivery.

After all expenses, including certain discretionary HR and other costs, and allowing Rs 40 million to conservatively cover any doubtful receivables, profit before taxation amounted to Rs 495.7 million. Profit after taxation of Rs 478.9 million translates to earnings of Rs 12 per ordinary share of Rs 5 each.

### Appropriation of Profit

(Amounts in Rupees '000)

Profit after taxation for the year	478,939
Unappropriated profit brought forward	749,250
	<u>1,228,189</u>
Appropriations:	
- payment of cash dividend @ 20% (2006)	(33,248)
- issue of bonus shares @ 20% (2006)	(33,248)
	<u>1,161,693</u>
- transfer to general reserve (2007)	(535,000)
Unappropriated profit carried forward	<u><u>626,693</u></u>

### Appropriated as follows:

(Amounts in Rupees '000)

- Proposed cash dividend @ 20% (2007)	39,897
- Proposed bonus issue @ 20% (2007)	39,897
- Transfer to general reserve	400,000



### **Outlook for the Current Year**

Our last Annual Report had pointed towards many of the developments that have since come to pass, including the current account and fiscal deficits leading to weakening exchange and reserves position. This, when all appeared well on the economic front, like our business view, was also a contrarian perspective. Nevertheless, the economic and social fallout was inevitable, and aggravated by various political events. Aligning our business and investments with reality, as we saw it, helped safeguard our various stakeholders' interests.

Once again, we draw attention towards developing fault lines that are weakening our industry. We see collective adherence to sound insurance and financial practices being the way forward to protect our future, and that of our clients.

We foresee the current year to bring yet new challenges. Among these will be another inflationary spiral as oil price subsidies are removed, perhaps further monetary and fiscal tightening, greater energy shortages, economic slowdown and even shrinkage. Political instability could exacerbate the situation. All these will impact the clients that our industry serves, and therefore the industry itself. International re-insurers' perspective on Pakistan, and its insurance industry, is a more direct concern.

To some this may sound alarmist. To us it means that we have to work harder, smarter and for the longer term. Therefore, we intend to reposition some of our locations, add and upgrade others; explore and develop more products, innovate and improve others.

In short, we intend to deliver on our commitment to manage and grow our business prudently and ethically; to keep building our financial strength and claims settlement ability; to safeguard, indeed enhance the interest of our stakeholders.

The company carries a conservative Insurer Financial Strength (IFS) Rating of A (Single A) with Stable Outlook. The rating, assigned by JCR-VIS, denotes a "high capacity to meet policyholder and contract obligations".

### **Corporate Financial Reporting**

The Board has taken all necessary steps to comply with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- ▶ The financial statements prepared by the management of 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 account.
- ▶ Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- ▶ Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- ▶ The system of internal controls is sound in design and has been effectively implemented and monitored.
- ▶ There is no doubt about the company's ability to continue as a going concern.
- ▶ There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- ▶ Key operating and financial data for the last six years is annexed with the report.
- ▶ The value of investments based on the audited accounts of the Provident Fund as at December 31, 2006 was Rs 23 million.
- ▶ During 2007 four meetings of the Board were held, with at least one in each quarter, and were attended as follows:



<b>Name of director</b>	<b>Meetings attended</b>
Syed Arshad Ali	4
Mr Khalid Bashir	4
Mr Zahid Bashir (Chairman)	4
Mr Imran Maqbool	4
Mr Nadeem Maqbool	4
Mr Khurram Mazhar	1
Mr Shaukat Shafi	2

Leave of absence was granted to directors unable to attend a meeting.

- ▶ The directors, CEO, CFO, Company Secretary, executives and their spouses and minor children, had no transactions in the shares of the company except:
  - a) Mr Zahid Bashir, director, disposed of 620,000 shares;
  - b) Mr Shaukat Shafi, director, disposed of 17,500 shares;
  - c) Mr Khurram Mazhar, director, disposed of 113,400 shares;
  - d) Mrs Zahida Shaukat W/o. Mr Shaukat Shafi, disposed of 12,500 shares.

### **Compliance with the Code of Corporate Governance**

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2007, have been duly complied with. A statement to this effect is annexed with the report.

### **Statement of Ethics and Business Practices**

The Board has adopted a Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

### **Board Committees**

The audit committee, comprising non-executive members of the Board, held four meetings during the year. The committee's terms of reference were determined by the Board in accordance with the guidelines provided in the listing regulations.

The Board constituted underwriting, claims settlement, and reinsurance and co-insurance committees met as required during the year.

### **Appointment of Auditors**

As recommended by the audit committee, the directors propose that Anjum Asim Shahid Rahman, Chartered Accountants, be re-appointed as auditors of the company for the year ending December 31, 2008.

### **Categories of Members / Pattern of Shareholding**

A statement of categories of members and a pattern of shareholding of the company is annexed.

The directors, CEO, CFO, Company Secretary and their spouses and minor children have no holding other than reported.

### **Acknowledgement**

The directors acknowledge the dedication of the company's employees, thank all our business associates and shareholders for their confidence in the company, and our regulators for their guidance and support.

On behalf of the Board

Zahid Bashir  
Chairman

Karachi: February 29, 2008



## 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 the listing regulations of Karachi, Lahore and Islamabad stock exchanges 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 and directors representing minority interests on its Board. Except the Chief Executive, the Board comprises 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 are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred during the year which was duly filled by the Board.
5. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policy guidelines, which are in the process of formal documentation. Such guidelines, amendments and approvals are recorded.
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 CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were duly circulated. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the company are experienced in various businesses, including insurance and are well aware of their duties and responsibilities. However, all directors continue to be encouraged to attend specialized orientation course at company expense.
10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by the CEO and the CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the categories of members.



13. The company has complied with all the financial reporting requirements of the Code.
14. The Board has formed an audit committee which comprised at least three members during the year, all of whom are non-executive directors including the Chairman of the committee.
15. 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.
16. The Board has also formed underwriting, claims, reinsurance and co-insurance and investment committees.
17. 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. 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 the IFAC guidelines in this regards.
19. We confirm that all other material principles contained in the Code have been complied with.

Zahid Bashir  
Chairman

Karachi, February 29, 2008



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

## **Review Report to the Members on Statements of Compliance with the Code of Corporate Governace**

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 **Premier Insurance Limited** (Formally Premier Insurance Company of Pakistan Limited) to comply with the Listing Regulation No. 37, Chapter No. XIII and section No. 36 of the Karachi, Lahore and Islamabad Stock Exchange respectively 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 personal and review of various documents prepared by the company to comply with the code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control system 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 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 compaliance, in all material respects, with the best practices contained in the code of Corporate Governace as applicable to the company for the year ended December 31, 2007.

Anjum Asim Shahid Rahman  
Chartered Accountants

Karachi: February 29, 2008





## Auditors' Report to the Members

We have audited the annexed financial statements comprising:

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

of **Premier Insurance Limited** (formerly Premier Insurance Company of Pakistan Limited) as at **December 31, 2007** 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 statement 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;
- (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, 2007 and of the profit, its cash flows and changes in equity for the year then ended in accordance with International 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 Central Zakat Fund established under Section 7 of that Ordinance.

Anjum Asim Shahid Rahman  
Chartered accountants

Karachi  
Date: February 29, 2008





**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Balance Sheet**

As at December 31, 2007

(Amounts in Rupees '000)

**SHAREHOLDERS' EQUITY AND LIABILITIES**

**Share capital and reserves**

Authorised share capital

100,000,000 (2006: 40,000,000) ordinary shares of Rs 5 each

**500,000**

**200,000**

**Issued subscribed and paid-up capital**

39,897,411 (2006: 33,247,843) ordinary shares of Rs.5 each

6 **199,488**

166,240

Retained earnings

**626,693**

749,250

Reserves

7 **1,020,025**

485,025

**Shareholders' equity**

**1,846,206**

1,400,515

**Underwriting provisions**

Provision for outstanding claims (including IBNR)

**436,465**

288,555

Provision for unearned premium

**277,928**

328,109

Commission income unearned

**32,367**

34,229

**Total underwriting provisions**

**746,760**

650,893

**Deferred liability**

Staff retirement benefits

8 **11,409**

9,336

**Liabilities against assets subject to finance lease**

9 **734**

2,067

**Creditors and accruals**

Current maturity of lease finance

9 **1,075**

1,568

Amounts due to other insurers / reinsurers

**99,472**

100,854

Accrued expenses

**10,345**

8,000

Taxation - provision less payments

**104,153**

96,802

Other creditors and accruals

10 **117,919**

119,924

**332,964**

327,148

**Other liabilities**

Unclaimed and dividend payable

**5,124**

3,984

**TOTAL EQUITY AND LIABILITIES**

**2,943,197**

**2,393,943**

**CONTINGENCIES AND COMMITMENTS**

11

The annexed notes from 1 to 31 form an integral part of these financial statements.



(Amounts in Rupees '000)

	Note	2007	2006
<b>ASSETS</b>			
<b>Cash and bank deposits</b>	12		
Cash and other equivalents		379	1,435
Current and other accounts		220,807	90,802
Deposits maturing within 12 months		5,000	170,243
Deposits maturing after 12 months		8,743	-
		<b>234,929</b>	<b>262,480</b>
<b>Loans to employees - Secured, considered good</b>	13	3,826	48
<b>Investments</b>	14	1,560,824	1,080,517
<b>Other assets</b>			
Premium due but unpaid	15	128,949	177,366
Amounts due from other insurers / reinsurers - unsecured, considered good		291,099	304,085
Accrued investment income	16	2,862	6,557
Reinsurance recoveries against outstanding claims		286,498	149,274
Deferred commission expense		38,661	47,440
Prepayments	17	157,094	140,828
Sundry receivables	18	7,423	12,838
		<b>912,586</b>	<b>838,388</b>
<b>Fixed assets</b>	19		
<b>Tangible</b>			
Land and buildings		169,264	169,456
Furniture, fixtures and office equipment		18,672	15,473
Motor vehicles		32,941	25,178
<b>Intangible</b>			
Computer software		1,682	2,403
		<b>222,559</b>	<b>212,510</b>
<b>Capital work in progress</b>		8,473	-
<b>TOTAL ASSETS</b>		<b>2,943,197</b>	<b>2,393,943</b>

Zahid Bashir  
ChairmanNadeem Mabool  
DirectorImran Maqbool  
DirectorFakhir Rahman  
Chief Executive

Karachi: February 29, 2008



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Profit and Loss Account**

For the year ended December 31, 2007

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2007 Aggregate	2006 Aggregate
<b>Revenue accounts</b>								
Net premium revenue		87,377	30,383	220,101	8,966	5	<b>346,832</b>	389,232
Net claims		(32,046)	(14,617)	(141,203)	(4,967)	(1,534)	<b>(194,367)</b>	(216,291)
Expenses	20	(26,080)	(9,068)	(65,694)	(2,676)	(1)	<b>(103,519)</b>	(97,389)
Net commission		(6,957)	(1,409)	(21,736)	4,007	(119)	<b>(26,214)</b>	(26,301)
<b>Underwriting result</b>		<u>22,294</u>	<u>5,289</u>	<u>(8,532)</u>	<u>5,330</u>	<u>(1,649)</u>	<u><b>22,732</b></u>	49,251
<b>Investment income</b>							<b>542,582</b>	798,115
Gain on disposal of fixed assets							<b>848</b>	525
General and administration expenses	20						<b>(70,477)</b>	(128,170)
<b>Profit before tax</b>							<b>495,685</b>	719,721
Provision for taxation	21						<b>(16,746)</b>	(4,294)
<b>Profit after tax</b>							<u><b>478,939</b></u>	<u>715,427</u>
<b>Profit and loss appropriation account</b>								
Balance at commencement of year							<b>749,250</b>	189,237
Profit after tax for the year							<b>478,939</b>	715,427
Cash dividend for 2006 at 20% (2005: 20%)							<b>(33,248)</b>	(27,707)
Bonus shares for 2006 at 20% (2005: 20%)							<b>(33,248)</b>	(27,707)
Transfer to general reserve							<b>(535,000)</b>	(100,000)
<b>Balance unappropriated profit at the end of the year</b>							<u><b>626,693</b></u>	<u>749,250</u>
<b>Earnings per share - basic and diluted (in Rupees)</b>								
	22						<b>12.00</b>	17.93

The annexed notes from 1 to 31 form an integral part of these financial statements.

Zahid Bashir  
Chairman

Nadeem Mabool  
Director

Imran Maqbool  
Director

Fakhir Rahman  
Chief Executive

Karachi: February 29, 2008



## Statement of Changes in Equity

For the year ended December 31, 2007

(Amounts in Rupees '000)

	Share capital Issued, subscribed and paid-up	Reserves					Unappropriated profit	Total reserves	Total equity
		Capital reserves			Revenue reserves				
		Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts			
Balance as at January 1, 2006	138,533	19,490	185	-	365,000	350	189,237	574,262	712,795
Profit after tax for 2006	-	-	-	-	-	-	715,427	715,427	715,427
Cash dividend for the year ended December 31, 2005 declared subsequent to the year end	-	-	-	-	-	-	(27,707)	(27,707)	(27,707)
Bonus shares for the year ended December 31, 2005 declared subsequent to the year end	-	-	-	27,707	-	-	(27,707)	-	-
Bonus shares issued	27,707	-	-	(27,707)	-	-	-	(27,707)	-
Transferred to general reserve	-	-	-	-	100,000	-	(100,000)	-	-
Balance as at December 31, 2006	166,240	19,490	185	-	465,000	350	749,250	1,234,275	1,400,515
Profit after tax for 2007	-	-	-	-	-	-	478,939	478,939	478,939
Cash dividend for the year ended December 31, 2006 declared subsequent to the year end	-	-	-	-	-	-	(33,248)	(33,248)	(33,248)
Bonus shares for the year ended December 31, 2006 declared subsequent to the year end	-	-	-	33,248	-	-	(33,248)	-	-
Bonus shares issued	33,248	-	-	(33,248)	-	-	-	(33,248)	-
Transferred to general reserve	-	-	-	-	535,000	-	(535,000)	-	-
<b>Balance as at December 31, 2007</b>	<b>199,488</b>	<b>19,490</b>	<b>185</b>	<b>-</b>	<b>1,000,000</b>	<b>350</b>	<b>626,693</b>	<b>1,646,718</b>	<b>1,846,206</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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Karachi: February 29, 2008



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

## Statement of Cash Flows

For the year ended December 31, 2007

(Amounts in Rupees '000)

	2007	2006
<b>Operating cash flows</b>		
a) Underwriting activities		
Premium received	613,102	591,759
Reinsurance premium paid	(272,173)	(249,354)
Claims paid	(298,811)	(460,484)
Reinsurance and other recoveries received	115,130	236,751
Commissions paid	(60,068)	(54,665)
Commissions received	56,466	58,979
Net cash flow from underwriting activities	153,646	122,986
b) Other operating activities		
Income tax	(9,395)	21,751
General management expenses paid	(103,519)	(97,389)
Other operating payments	(55,095)	(114,489)
Advances, deposits and sundry receivables	1,224	(3,983)
Other liabilities and accruals	(10,939)	10,852
Net cash used in other operating activities	(177,724)	(183,258)
<b>Total cash used in operating activities</b>	<b>(24,078)</b>	<b>(60,272)</b>
<b>Investment activities</b>		
Investment income	62,450	98,535
Payments for investments	(6,005,245)	(3,961,786)
Proceeds from disposal of investments	6,001,894	4,062,446
Fixed capital expenditure	(31,467)	(156,452)
Proceeds from disposal of fixed assets	2,829	2,485
Deposits maturing after 12 months	(8,743)	-
<b>Total cash flow from investing activities</b>	<b>21,718</b>	<b>45,228</b>
<b>Financing activities</b>		
Dividends paid	(32,108)	(26,485)
Payments on finance leases	(1,826)	(1,670)
<b>Total cash used in financing activities</b>	<b>(33,934)</b>	<b>(28,155)</b>
<b>Total cash used in all activities</b>	<b>(36,294)</b>	<b>(43,199)</b>
Cash at the beginning of the year	262,480	305,679
Cash at the end of the year	226,186	262,480



	2007	2006
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(24,078)	(60,272)
Depreciation expense	(10,964)	(9,767)
Investment income	542,582	798,115
Profit on disposal of fixed assets	848	525
Increase in assets other than cash	81,561	33,873
Increase in liabilities other than running finance	(111,010)	(47,047)
<b>Profit after taxation</b>	<u>478,939</u>	<u>715,427</u>

#### Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits. Cash for the purpose of the statement of cash flows consists of:

#### Cash and cash equivalents

Cash	71	1,054
Stamps in hand	308	381
	<u>379</u>	<u>1,435</u>

#### Current and other accounts

Current accounts	11,176	17,047
Savings accounts	209,261	73,385
Statutory deposit with State Bank of Pakistan	370	370
	<u>220,807</u>	<u>90,802</u>

Deposits maturing within 12 months	5,000	170,243
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<b>Total cash and cash equivalents</b>	<u>226,186</u>	<u>262,480</u>
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The annexed notes from 1 to 31 form an integral part of these financial statements.

Zahid Bashir  
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Director

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Fakhir Rahman  
Chief Executive

Karachi: February 29, 2008



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Statement of Premium**  
For the year ended December 31, 2007

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2007	2006
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative										
1 Fire and property damage	231,847	133,763	119,312	246,298	169,196	85,804	96,079	158,921	<b>87,377</b>	89,819
2 Marine, aviation and transport	67,410	39,012	37,757	68,665	37,432	24,312	23,462	38,282	<b>30,383</b>	37,597
3 Motor	185,298	124,659	87,728	222,229	4,903	(68)	2,707	2,128	<b>220,101</b>	251,825
4 Miscellaneous	67,125	30,677	33,119	64,683	59,260	28,680	32,223	55,717	<b>8,966</b>	10,003
Total	<u>551,680</u>	<u>328,111</u>	<u>277,916</u>	<u>601,875</u>	<u>270,791</u>	<u>138,728</u>	<u>154,471</u>	<u>255,048</u>	<b><u>346,827</u></b>	<u>389,244</u>
Treaty										
5 Proportional	19	(2)	12	5	-	-	-	-	<b>5</b>	(12)
Grand Total	<u>551,699</u>	<u>328,109</u>	<u>277,928</u>	<u>601,880</u>	<u>270,791</u>	<u>138,728</u>	<u>154,471</u>	<u>255,048</u>	<b><u>346,832</u></b>	<u>389,232</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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Karachi: February 29, 2008



## Statement of Claims

For the year ended December 31, 2007

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2007	2006
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative										
1 Fire and property damage	92,486	120,809	257,609	229,286	75,074	82,768	204,934	197,240	<b>32,046</b>	36,512
2 Marine, aviation and transport	32,707	44,438	62,762	51,031	23,761	32,804	45,457	36,414	<b>14,617</b>	6,080
3 Motor	152,205	73,611	63,180	141,774	1,099	1,193	665	571	<b>141,203</b>	172,564
4 Miscellaneous	19,879	44,640	47,857	23,096	15,196	32,509	35,442	18,129	<b>4,967</b>	1,014
Total	<u>297,277</u>	<u>283,498</u>	<u>431,408</u>	<u>445,187</u>	<u>115,130</u>	<u>149,274</u>	<u>286,498</u>	<u>252,354</u>	<b><u>192,833</u></b>	<u>216,170</u>
Treaty										
5 Proportional	1,534	5,057	5,057	1,534	-	-	-	-	<b>1,534</b>	121
Grand Total	<u><u>298,811</u></u>	<u><u>288,555</u></u>	<u><u>436,465</u></u>	<u><u>446,721</u></u>	<u><u>115,130</u></u>	<u><u>149,274</u></u>	<u><u>286,498</u></u>	<u><u>252,354</u></u>	<b><u><u>194,367</u></u></b>	<u><u>216,291</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

Zahid Bashir  
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Karachi: February 29, 2008





**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Statement of Expenses**

For the year ended December 31, 2007

(Amounts in Rupees '000)

Business underwritten inside Pakistan

							2007	2006		
Class		Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and Facultative	1									
	1	40,511	24,247	20,847	43,911	26,080	69,991	36,954	<b>33,037</b>	23,837
	2	11,030	7,297	6,178	12,149	9,068	21,217	10,740	<b>10,477</b>	12,463
	3	17,669	12,522	8,365	21,826	65,694	87,520	90	<b>87,430</b>	87,998
	4	6,263	3,364	3,090	6,537	2,676	9,213	10,544	<b>(1,331)</b>	(626)
	Total	<u>75,473</u>	<u>47,430</u>	<u>38,480</u>	<u>84,423</u>	<u>103,518</u>	<u>187,941</u>	<u>58,328</u>	<b><u>129,613</u></b>	<u>123,672</u>
Treaty	5	290	10	181	119	1	120	-	<b>120</b>	18
	Grand Total	<u>75,763</u>	<u>47,440</u>	<u>38,661</u>	<u>84,542</u>	<u>103,519</u>	<u>188,061</u>	<u>58,328</u>	<b><u>129,733</u></b>	<u>123,690</u>

Note: Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes from 1 to 31 form an integral part of these financial statements.

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Director

Imran Maqbool  
Director

Fakhir Rahman  
Chief Executive

Karachi: February 29, 2008



## Statement of Investment Income

For the year ended December 31, 2007

(Amounts in Rupees '000)

	2007	2006
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on bank deposits	35,039	14,799
Return on term finance certificates	112	163
	<u>35,151</u>	<u>14,962</u>
<b>Available for sale</b>		
Dividend income	23,866	85,886
Gain on sale of investments	483,827	697,607
	<u>507,693</u>	<u>783,493</u>
Investment management expenses	(262)	(340)
<b>Investment income</b>	<u><u>542,582</u></u>	<u><u>798,115</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

Zahid Bashir  
Chairman

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Director

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Director

Fakhir Rahman  
Chief Executive

Karachi: February 29, 2008



## Notes to the Financial Statements

for the Year ended December 31, 2007

### 1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (Formerly Premier Insurance Company of Pakistan Ltd.) (the company) was incorporated as a public limited company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the company are listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the company is situated at 5th Floor, State Life Building No.2A, Wallace Road, Karachi.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 vide S.R.O. 938 dated December 12, 2002.

### 3. STATEMENT OF COMPLIANCE

3.1 These accounts have been prepared in accordance with the approved Accounting Standards. These standards comprise International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, The Securities and Exchange Commission (Insurance) Rules, 2002 (the Rules), along with the directives of the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Rules or the directives issued by the SECP differ with the requirements of these IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Rules, or the requirements of the said directives take precedence.

3.2 The SECP allowed the insurance companies to differ from the application of International Accounting Standard - 39 (IAS 39) Financial Instruments: Recognition and Measurement in respect of valuation subsequent to initial recognition of investments available for sale. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, as aforesaid, have not been considered for the preparation of these financial statements.

The financial statements are prepared in Pak Rupees, which is the company's functional and presentation currency.

#### 3.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective

Revised IAS - 1 "Presentation of financial statements" (effective for annual periods beginning on or after January 1, 2009).

Revised IAS - 23 "Borrowing Cost" (effective for annual periods beginning on or after January 1, 2009).

IFRIC 11 IFRS-2 "Group and Treasury Share Transactions" (effective for annual periods beginning on or after March 1, 2007).

IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after January 1, 2008).



## Notes to the Financial Statements

for the Year ended December 31, 2007

IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after July 1, 2008).

IFRIC 14 IAS - 19 "The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after January 1, 2008).

### 4. BASIS OF MEASUREMENT

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

#### 4.2 Use of critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Useful life of depreciable / amortizable assets
- b. Impairment of assets
- c. Provision for outstanding claims including claims incurred but not reported (IBNR)
- d. Provision for premium deficiency reserves
- e. Reinsurance recoveries against outstanding claims
- f. Provision against premium due but unpaid
- g. Staff retirement benefits
- h. Provision for income taxes

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 Premium

Premium revenue is recognized after taking into account the unearned portion of premium written during the year. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account that portion of premium ceded during the year which has been deferred and is recognized as a prepayment.

The company has adopted 1/24th method to account for the liability for unearned premium and the prepaid reinsurance premium ceded.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is consistently booked on the basis of their statements for the first two quarters of the current year and the last two quarters of the previous year.



## **Notes to the Financial Statements**

for the Year ended December 31, 2007

### **5.2 Claims**

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments.

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR), and expected claims settlement costs.

Provision for IBNR is the management's estimate of the cost of settling claims incurred but not reported at the balance sheet date.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

### **5.3 Commissions**

Commission expense incurred in obtaining and recording policies is deferred and recognized as an asset in correlation with unearned premium revenue that will be recognized in the subsequent reporting periods.

Commission and other forms of revenue (apart from recoveries) from reinsurers are recognized as unearned income and brought to profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium to which they relate.

### **5.4 Premium deficiency reserve**

The Securities and Exchange Commission (Insurance) Rules, 2002 require a premium deficiency reserve to be maintained, if required.

The management considers that no additional reserve is required to be maintained to meet expected future liability, after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies, in all classes of business, in force at the balance sheet date. In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

### **5.5 Staff retirement benefits**

#### **Defined benefits plan**

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2007 in accordance with IAS-19, Employee Benefits.

#### **Compensated absences**

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.



## Notes to the Financial Statements

for the Year ended December 31, 2007

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

### Defined contribution plan

The company contributes to a recognized provident fund scheme which covers all eligible employees. Equal contributions are made to the fund by the company and the eligible employees under the scheme.

## 5.6 Taxation

### Current

Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

### Deferred

Provision for deferred tax is made using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## 5.7 Investments

All investments are initially recognized 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. Subsequently, these are recognized and classified as follows:

### 5.7.1 At fair value through profit or loss

- a. These are classified as 'held for trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.



## Notes to the Financial Statements

for the Year ended December 31, 2007

### 5.7.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

### 5.7.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

All quoted investments except 'at fair value through profit or loss' and 'held for trading' are initially recognized at cost inclusive of transaction costs. Investments at fair value through profit or loss and 'held for trading' are initially recognized at cost.

Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938. This treatment, however, in contravention to requirements of IAS 39 'Financial Instruments: Recognition and Measurement', has been made in line with the Rules.

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the company would have been lower by Rs 37.5 million (2006: higher Rs 13 million) and the corresponding amount would have either been reflected in the profits or a revaluation reserve by the same amount subject to the accounting policy adopted by the company.

Investments in unquoted investments are carried at cost less impairment in value, if any, Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Impairment of investments is recognized in profit and loss account when there is a permanent diminution in their value. Impairment loss related to investments carried at cost is not reversed.

### Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

### 5.8 Fixed assets

These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation / amortization is charged to income applying the reducing balance method.

Normal repairs and maintenance are charged to income as and when incurred whereas major renewals and replacements are capitalized.



## Notes to the Financial Statements

for the Year ended December 31, 2007

Gain or loss on disposal of fixed assets is taken to profit and loss account.

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

### Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

### Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to income.

## 5.9 Revenue recognition

### Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

### Dividend income

Dividend income is recognized when the right to receive such dividend is established.

### Gain / loss on disposal of investments

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

### Return on bank accounts and term finances

Return on bank accounts, Term Finance Certificates and government securities is accounted for on accrual basis.

## 5.10 Proposed dividend

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

## 5.11 Expenses of management

Expenses of management are allocated to classes of business as appear equitable to management.

## 5.12 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.





## **Notes to the Financial Statements**

for the Year ended December 31, 2007

### **5.13 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### **5.14 Transactions with related parties and transfer pricing**

The majority of the transactions with associated undertakings / related parties represent insurance transactions. These transactions are on arm's length basis using "comparable uncontrolled price method".

### **5.15 Foreign currency translation**

Transactions in foreign currencies are recorded at the rate on the transaction date.

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences are included in the income currently.

### **5.16 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand, current and saving accounts and short term deposits.

### **5.17 Segment reporting**

The company's business segments are reported according to the nature of cover provided.

The perils covered under fire and property insurance includes losses caused by fire, riot and strike, explosion, earthquake, atmospheric disturbance, aircraft damage, flood, electric fluctuation and impact.

Marine insurance covers cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Miscellaneous insurance includes cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverage.

### **5.18 Financial instruments**

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the profit and loss account.

### **5.19 Offsetting of financial assets and financial liabilities**

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



## Notes to the Financial Statements

for the Year ended December 31, 2007

### (Amounts in Rupees '000)

#### 5.20 Zakat

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

#### 5.21 Capital management

The company's objective is to maintain a strong capital base to support sustained development of its businesses so as to provide reasonable rewards and protection to all its stakeholders, without compromising its ability to continue as a going concern.

The company is financed by internal sources and exceeds the minimum capital regulatory requirements.

### 6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007	2006	Note	2007	2006
<b>Number of shares</b>				
400,000	400,000	Ordinary shares of Rs. 5 each fully paid in cash	2,000	2,000
39,497,411	32,847,843	Ordinary shares of Rs. 5 each issued as fully paid bonus shares	197,488	164,240
<u>39,897,411</u>	<u>33,247,843</u>		<u>199,488</u>	<u>166,240</u>

Shares of the company held by associates 4,272,992 (2006: 3,368,083)

### 7. RESERVES

#### Capital reserves

Reserve for exceptional losses	7.1	19,490	19,490
Devaluation reserve	7.2	185	185
		<u>19,675</u>	<u>19,675</u>

#### Revenue reserves

General reserve	7.3	1,000,000	465,000
Reserves for bad and doubtful debts		350	350
		<u>1,000,350</u>	<u>465,350</u>
		<u>1,020,025</u>	<u>485,025</u>

#### 7.1 Reserve for exceptional losses

This was created at 10% of premium income net of reinsurance till 1978 in terms of the repealed Income Tax Act, 1922.

#### 7.2 Devaluation reserve

Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks had been converted at the new rates of exchange. This had resulted in an increase in value which was transferred to capital reserve in 1973.



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

	Note	2007	2006
<b>7.3 General reserve</b>			
Balance at the beginning of the year		465,000	365,000
Transfer from profit and loss account		535,000	100,000
Balance at the end of the year		<u>1,000,000</u>	<u>465,000</u>
<b>8. STAFF RETIREMENTS BENEFITS</b>			
Gratuity	8.1	5,481	5,136
Employees compensated absences	8.3	5,928	4,200
		<u>11,409</u>	<u>9,336</u>
<b>8.1 Movement in the net liability recognized in the balance sheet</b>			
Opening net liability		5,136	3,862
Expense for the year	8.2	933	1,850
		6,069	5,712
Payments during the year		(588)	(576)
Closing net liability		<u>5,481</u>	<u>5,136</u>
<b>8.2 Expense recognized in the profit and loss account</b>			
Current service cost		702	1,659
Interest cost		280	256
Net actuarial gain recognized in the year		(49)	(65)
		<u>933</u>	<u>1,850</u>
<b>8.3 Movement in the net liability recognized in the balance sheet</b>			
Opening net liability		4,200	3,571
Expense for the year	8.4	2,638	1,729
		6,838	5,300
Payment during the year		(910)	(1,100)
Closing net liability		<u>5,928</u>	<u>4,200</u>
<b>8.4 Expense recognized in the profit and loss account</b>			
Current service cost		1,358	821
Interest cost		420	322
Net actuarial loss recognized in the year		860	586
		<u>2,638</u>	<u>1,729</u>
<b>Principal actuarial assumptions</b>			
Following are a few important actuarial assumptions used in the benefits' valuation			
Discount rate		<u>10%</u>	<u>10%</u>
Expected rate of increase in salary		<u>9%</u>	<u>9%</u>
Average expected remaining working life of employees		<u>10 years</u>	<u>10 years</u>



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	2007	2006
Minimum lease payments		
Up to one year	1,310	2,108
More than one year but less than five years	602	1,856
	<u>1,912</u>	<u>3,964</u>
Less: Financial charges not yet due		
Up to one year	96	226
More than one year but less than five years	7	103
	<u>103</u>	<u>329</u>
Present value of minimum lease payments	<u>1,809</u>	<u>3,635</u>
Payable within one year	<u>(1,075)</u>	<u>(1,568)</u>
Payable after one year but less than five years	<u>734</u>	<u>2,067</u>

This represents finances obtained under lease arrangement for vehicles. The total minimum lease payments are payable in monthly installments over a period of 60 months. The internal rate of return of 7.42% to 8.55% (2006: 7.42% to 8.55%) per annum is used as discounting factor. Taxes, repairs and insurance costs are to be borne by lessee. The lessee can exercise purchase option at the end of the lease term by adjusting the deposit amount. These are secured against promissory notes.

### 10. OTHER CREDITORS AND ACCRUALS

Creditors for investments	-	6,760
Commissions payable	98,034	82,340
Central excise duty	1,912	3,648
Federal insurance fee	295	617
Tax deducted at source	132	933
Advance recoveries	530	820
Others	17,016	24,806
	<u>117,919</u>	<u>119,924</u>

### 11. CONTINGENCIES AND COMMITMENTS

There are no material contingencies at the balance sheet date.

Commitments for capital expenditure.	<u>32,000</u>	<u>-</u>
--------------------------------------	---------------	----------

### 12. CASH AND BANK DEPOSITS

Cash and other equivalents		
Cash	71	1,054
Stamps in hand	308	381
	<u>379</u>	<u>1,435</u>
Current and other accounts		
Current accounts	11,176	17,047
Savings accounts	209,261	73,385
Statutory deposit with State Bank of Pakistan	370	370
	<u>220,807</u>	<u>90,802</u>
Deposits maturing within 12 months	5,000	170,243
Deposits maturing after 12 months	8,743	-
	<u>234,929</u>	<u>262,480</u>



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

	Note	2007	2006
<b>13. LOANS TO EMPLOYEES</b>			
<b>Secured - considered good</b>			
Employees - temporary advances		2	48
- housing loan		3,824	-
		3,826	48
<b>14. INVESTMENTS</b>			
<b>Available for sale</b>			
Quoted shares (market value: Rs 677,100 [2006: Rs 1,082,891])	14.1	716,169	1,074,507
Unquoted shares	14.2	4,645	4,645
Mutual funds - quoted (market value: Rs 841,614 [2006: Rs 10])	14.3	840,010	10
		1,560,824	1,079,162
<b>Held to maturity</b>			
Term Finance Certificates - quoted (market value: 2006: Rs 1,355)	14.4	-	1,355
		-	1,355
		1,560,824	1,080,517

All investments have a face value of Rs 10 per share / certificate unless stated otherwise.

Available for sale

	Number of		Name of entity		
	shares / certificates / units				
	2007	2006			
<b>14.1 Quoted</b>					
<b>Associated Undertakings</b>					
	333	333	Crescent Jute Products Limited	1	1
	17,400	-	Crescent Steel & Allied Products Limited	1,655	-
	200,000	-	Crescent Sugar Mills & Distellary Limited	2,560	-
	264,000	-	Crescent Textile Mills Limited	16,347	-
	972,000	-	First Equity Modaraba	4,326	-
	292	292	Jubilee Spinning & Weaving Mills Limited	1	1
	53,125	53,125	Shakarganj Limited (8.5% commulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	531	531
	400,000	-	Shams Textile Mills Limited	14,933	-
	605,000	280,000	Suraj Cotton Mills Limited	27,828	8,064



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity	2007	2006
2007	2006		2007	2006
<b>Others</b>				
-	5,000	Adamjee Insurance Company Limited	-	848
759,500	-	Al-Meezan Mutual Fund	10,254	-
26,000	-	Al-Ghazi Tractors Limited	7,325	-
5,000	-	Arif Habib Securities Limited	840	-
-	13,230	Askari Commercial Bank Limited	-	1,321
21,400	20,000	Attock Petroleum Limited	12,932	7,024
70,000	12,925	Attock Refinery Limited	19,128	1,122
-	10,050	Azgard Nine Limited	-	315
50,000	50,000	Bahawalpur Textile Mills Limited	500	500
-	40,782	Bank Alfalah Limited	-	2,001
25,000	-	BankIslami Pakistan Limited	436	-
45,907	117,227	The Bank of Punjab	4,720	12,224
100	100	Bawany Sugar Mills Limited	1	1
10,000	-	BOC Pakistan Limited	2,584	-
73,539	93,539	Central Insurance Company Limited	15,294	10,880
100,000	-	Crescent Commercial Bank Limited	2,007	-
25,000	-	D.G.Khan Cement Company Limited	2,595	-
50	300	Dadabhoy Cement Industries Limited	1	2
100,023	110,023	Dawood Hercules Chemicals Limited	41,856	27,251
100,797	116,480	Engro Chemical Pakistan Limited	27,784	21,295
50,000	-	Fauji Cement Company Limited	1,103	-
43,500	-	Fauji Cement Company Limited (Rights)	-	-
215,500	22,703	Fauji Fertilizer Bin Qasim Limited	9,753	783
54,764	154,964	Fauji Fertilizer Company Limited	6,451	17,509
-	48,253	Faysal Bank Limited	-	3,199
206,157	160,926	Glaxo Smithkline Pakistan Limited	42,125	22,105
14,500	-	Hinopak Motors Limited	8,686	-
207,500	21,999	Hub Power Company Limited	6,635	591
84,100	50,600	ICI Pakistan Limited	17,134	6,337
13,400	-	Indus Motor Company Limited	4,974	-
372	372	Investec Modaraba	1	1
-	11,849	Kot Addu Power Company Limited	-	513
4,400	5,000	KSB Pumps Company Limited	18	21
35,000	-	Lucky Cement Limited	4,475	-
35,000	-	Maple Leaf Cement Factory Limited	823	-
12,000	12,000	Maple Leaf Cement Factory Limited (Preference Shares)	120	120
-	96,517	MCB Bank Limited	-	24,937
-	10,000	Meezan Bank Limited	-	232
241	241	Mirza Sugar Mills Limited	1	1
141,902	91,161	National Bank of Pakistan	35,534	23,842
122,100	37,000	NIB Bank Limited	2,737	906



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Notes to the Financial Statements**

for the Year ended December 31, 2007

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity	2007	2006
75,000	-	Pakistan Cement Company Limited	1,134	-
33,450	33,450	Nishat (Chunian) Limited	2,410	2,410
103,400	31,600	National Refinery Limited	39,274	8,106
4,000	4,000	New Jubilee Life Insurance Company Limited	83	83
45,000	-	Netsol Technologies Limited	6,976	-
65,000	-	Nishat Mills Limited	8,475	-
57,952	37,952	Oil & Gas Development Company Limited	7,273	5,255
109,387	36,750	Packages Limited	42,371	7,157
25,000	175,159	Pak Telecommunication Company Limited	1,480	8,392
473	55,973	Pakistan Oil Fields Limited	168	19,874
149,005	145,632	Pakistan Petroleum Limited	38,282	35,775
77	10,077	Pakistan Refinery Limited	20	2,450
266,120	317,600	Pakistan Reinsurance Company Limited	116,260	27,762
75,900	71,438	Pakistan State Oil Company Limited	31,873	21,127
-	11,337,223	PICIC Limited	-	699,550
-	135,000	PICIC Commercial Bank Limited	-	5,076
226,340	226,340	PICIC Energy Fund	2,263	2,263
433,779	233,779	PICIC Growth Fund	16,711	9,612
425	281,429	PICIC Insurance Limited	7	4,573
88,717	88,717	PICIC Investment Fund	1,655	1,655
-	16,459	Prime Commercial Bank	-	957
500,000	-	Pak Oman Advantage Fund	5,000	-
2	2	P.N.S.C.	-	-
-	323	Sahrish Textile Mills Limited	-	1
100	100	Sakrand Sugar Mills Limited	1	1
25,000	-	Saudi Pak Commercial Bank	654	-
8,843	40,703	Security Papers Limited	636	3,511
9,500	9,500	Service Textile Limited	32	32
54,630	45,525	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	2,138	1,415
9,210	9,210	Shaheen Cotton Mills Limited	91	91
21	1,221	Shell Pakistan Limited	8	600
30,000	-	Sitara Paroxide Limited	1,764	-
11,000	-	Sitara Chemical Industries Limited	3,679	-
-	10,500	Sui Northern Gas Pipelines Limited	-	921
250,000	120,000	Sui Southern Gas Company Limited	7,856	4,211
300	300	Taj Textile Mills Limited	1	1
200,000	-	TRG Pakistan Limited	3,081	-
94,906	48,525	United Bank Limited	17,503	7,167
168	168	Yousuf Weaving Mills Limited	1	1
			716,169	1,074,507



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity		
2007	2006		2007	2006
<b>14.2 Unquoted</b>				
<b>Associated Undertakings</b>				
400,000	400,000	Crescent Powertec Limited Break-up value 2007: Rs 194.86 (2006: Rs 119.65 as restated) per audited accounts for the year ended June 30, 2007 Equity held : 8% Chief Executive : Mr Ahsan Bashir	4,000	4,000
			4,000	4,000
<b>Others</b>				
9,966	9,966	Akber Textile Mills Limited	-	-
500	-	Arif Habib Bank Limited	-	-
517	517	Burma Soap & Oil Industries Limited	5	5
101,572	101,572	Central Cotton Mills Limited	214	214
1,000	1,000	Chemphor Pakistan Limited	-	-
353,040	353,040	Crescent Bahuman Limited	-	-
10,000	10,000	Electric Lamps Manufacturing Pakistan Limited	-	-
250,000	250,000	Fazal Sugar Mills Limited	-	-
113	113	H.M. Silk Mills Limited	1	1
100	100	Hyderabad Tanning & Shoe Manufacturing Company Limited	-	-
6,745	6,745	Investment Corporation of Pakistan	425	425
75,000	75,000	Sibaac Cotton Mills Limited	-	-
			4,645	4,645
<b>14.3 Mutual funds (unit trusts)</b>				
1,123	892	Pakistan Capital Market Fund	10	10
956,761	-	United Money Market Fund	100,000	-
956,173	-	United Growth & Income Fund	100,000	-
13,358,524	-	NAFA Cash Fund	140,000	-
476,628	-	Dawood Money Market Fund	50,000	-
191,498	-	IGI Income Fund	20,000	-
956,676	-	MCB Dynamic Cash Fund	100,000	-
957,854	-	HBL Income Fund	100,000	-
239,693	-	First Habib Income Fund	25,000	-
237,147	-	UTP-Income Fund	25,000	-
573,614	-	Pakistan Income Fund	30,000	-
1,423,690	-	Askari Income Fund	150,000	-
			840,010	10





## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

<b>Held to maturity</b>	<b>2007</b>	<b>2006</b>														
<b>14.4 Term Finance Certificates</b>																
<table border="0"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">No.of certificates</th> <th style="text-align: center;">Profit rate per annum</th> <th style="text-align: center;">Profit payment</th> <th style="text-align: center;">Maturity date</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Crescent Leasing Corporation Limited (Face value of Rs 100 per certificate)</td> <td style="text-align: center;">15</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">Semi-annually</td> <td style="text-align: center;">Sept. 2007</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1,355</td> </tr> </tbody> </table>		No.of certificates	Profit rate per annum	Profit payment	Maturity date			Crescent Leasing Corporation Limited (Face value of Rs 100 per certificate)	15	12%	Semi-annually	Sept. 2007	-	1,355		
	No.of certificates	Profit rate per annum	Profit payment	Maturity date												
Crescent Leasing Corporation Limited (Face value of Rs 100 per certificate)	15	12%	Semi-annually	Sept. 2007	-	1,355										
<b>15. PREMIUM DUE BUT UNPAID - unsecured</b>																
Considered good	<b>128,949</b>	177,366														
Considered doubtful	<b>200,000</b>	160,000														
	<b>328,949</b>	337,366														
Provision for doubtful balances	<b>200,000</b>	160,000														
	<b>128,949</b>	177,366														
<b>Reconciliation of provision for doubtful balances</b>																
Opening balance	<b>160,000</b>	60,000														
Provision during the year	<b>40,000</b>	100,000														
Closing balance	<b>200,000</b>	160,000														
<b>16. ACCRUED INVESTMENTS INCOME</b>																
Return on bank deposits and term finances	<b>1,728</b>	6,081														
Dividends receivable	<b>1,134</b>	476														
	<b>2,862</b>	6,557														
<b>17. PREPAYMENTS</b>																
Prepaid premium to insurers / reinsurers	<b>154,471</b>	138,728														
Others	<b>2,623</b>	2,100														
	<b>157,094</b>	140,828														
<b>18. SUNDRY RECEIVABLES</b>																
Lease deposits	<b>554</b>	764														
Other deposits	<b>2,593</b>	7,204														
Other receivables	<b>4,276</b>	4,870														
	<b>7,423</b>	12,838														



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

### 19. FIXED ASSETS

	2007							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2007	Additions/ (disposals)/ adjustments	As at Dec 31, 2007	Accumulated as at Jan 1, 2007	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2007	Written down value as at Dec 31, 2007	Depreciation/ Amortization rate on written down value % per annum
<b>Tangible</b>								
<b>Owned</b>								
Land and buildings (Office premises)	179,301	1,325	180,626	9,845	1,517	11,362	169,264	5
Computer equipment	7,798	598	8,396	4,581	1,020	5,601	2,795	30
Office equipment	5,537	1,363	6,900	3,114	262	3,376	3,524	10
Furniture and fixtures	11,070	3,541	14,611	1,237	1,020	2,257	12,354	10
Motor Vehicles	42,026	16,112	56,391	21,219	5,696	26,361	30,030	20
		2,159			1,371			
		(3,906)			(1,925)			
	245,732	25,098	266,924	39,996	10,886	48,957	217,967	
		(3,906)			(1,925)			
<b>Leased</b>								
Motor Vehicles	7,644	55	5,540	3,273	728	2,630	2,910	20
		(2,159)			(1,371)			
	7,644	55	5,540	3,273	728	2,630	2,910	
		(2,159)			(1,371)			
<b>Intangible</b>								
Computer software	2,600	-	2,600	197	721	918	1,682	30
<b>2007</b>	<b>255,976</b>	<b>22,994</b>	<b>275,064</b>	<b>43,466</b>	<b>10,964</b>	<b>52,505</b>	<b>222,559</b>	
		<b>(3,906)</b>			<b>(1,925)</b>			

	2006							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2006	Additions/ (disposals)/ adjustments	As at Dec 31, 2006	Accumulated as at Jan 1, 2006	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2006	Written down value as at Dec 31, 2006	Depreciation/ Amortization rate on written down value % per annum
<b>Tangible</b>								
<b>Owned</b>								
Land and buildings (Office premises)	40,176	139,125	179,301	8,249	1,596	9,845	169,456	5
Computer equipment	6,141	1,657	7,798	3,544	1,037	4,581	3,217	30
Office equipment	5,579	1,377	5,538	3,858	226	3,114	2,424	10
		(1,418)			(970)			
Furniture and fixtures	4,071	9,928	11,069	3,308	310	1,237	9,832	10
		(2,930)			(2,381)			
Motor Vehicles	37,236	7,825	42,026	17,983	5,308	21,219	20,807	20
		(3,035)			(2,072)			
	93,203	159,912	245,732	36,942	8,477	39,996	205,736	
		(7,383)			(5,423)			
<b>Leased</b>								
Motor Vehicles	7,644	-	7,644	2,180	1,093	3,273	4,371	20
	7,644	-	7,644	2,180	1,093	3,273	4,371	
<b>Intangible</b>								
Computer software	-	2,600	2,600	-	197	197	2,403	30
<b>2006</b>	<b>100,847</b>	<b>162,512</b>	<b>255,976</b>	<b>39,122</b>	<b>9,767</b>	<b>43,466</b>	<b>212,510</b>	
		<b>(7,383)</b>			<b>(5,423)</b>			



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

### 19.1 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Address
Suzuki Mehran	328	275	53	280	227	Negotiation	Lahore
Suzuki Swift	421	366	55	200	145	Negotiation	Karachi
Suzuki Khyber	463	389	74	200	126	Negotiation	Karachi
Honda Civic	1,478	-	1,478	1,586	108	Negotiation	Karachi
Suzuki Cultus	555	382	173	225	52	Negotiation	Karachi
Suzuki Mehran	328	280	48	100	52	Negotiation	Karachi
Honda Motorcycle	69	38	31	68	37	Negotiation	Karachi
Honda Motorcycle	33	32	1	15	14	Negotiation	Karachi
Kawasaki Motorcycle	39	37	2	25	23	Negotiation	Karachi
Honda Motorcycle	69	59	10	8	(2)	Negotiation	Karachi
Honda Motorcycle	54	14	40	54	14	Negotiation	Lahore
Honda Motorcycle	69	53	16	68	52	Negotiation	Lahore
	<u>3,906</u>	<u>1,925</u>	<u>1,981</u>	<u>2,829</u>	<u>848</u>		

### 20. MANAGEMENT EXPENSES

#### Underwriting expenses

	Note	2007	2006
Salaries, wages and benefits		65,219	62,591
Rent, taxes etc.		3,596	2,388
Communications		4,559	3,766
Printing and stationery		2,758	2,608
Travelling and entertainment		4,940	4,878
Repairs and maintenance		2,791	3,083
Legal and professional		2,965	1,561
Advertisement		1,393	606
Lease finance charges		228	370
Others		15,070	15,538
		<u>103,519</u>	<u>97,389</u>

#### General and administration expenses

	Note	2007	2006
Depreciation and amortization	19	10,964	9,767
Bonus, retirement & other benefits		12,568	11,685
Provision for doubtful receivables		40,000	100,000
Others		6,945	6,718
		<u>70,477</u>	<u>128,170</u>
Total		<u>173,996</u>	<u>225,559</u>

### 20.1 DONATIONS

Charitable donations paid during the year amounted to Rs 4.9 million (2006: Rs 2.4 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.5 million to the Patient Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

	2007	2006
<b>21. TAXATION</b>		
<b>Current</b>		
For the year	<u>16,746</u>	<u>4,294</u>
<b>Deferred</b>		
There are no significant timing differences at the balance sheet date.		
<b>21.1 Tax charge reconciliation</b>	%	%
Applicable tax rate	35.00	35.00
Effect of expenses that may not be allowable, net of exemptions / rebates	<u>(30.42)</u>	<u>(30.82)</u>
Effect of dividend income taxed at a lower rate	<u>(1.20)</u>	<u>(3.58)</u>
	<u>(31.62)</u>	<u>(34.40)</u>
Average effective tax rate charged to profit and loss account	<u>3.38</u>	<u>0.60</u>
<b>22. EARNINGS PER SHARE</b>		
Profit after tax for the year	<u>478,939</u>	<u>715,427</u>
Weighted average number of shares	<u>39,897,411</u>	<u>39,897,411</u>
Basic earnings per share of Rs 5 each Rupees	<u>12.00</u>	<u>17.93</u>

The company has not issued any instrument which would dilute its basic earnings per share when exercised.

Earnings per share for the corresponding period have been adjusted for the effect of subsequent issue of bonus shares during 2007.

### 23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Managerial remuneration	5,599	5,539	4,920	4,920	7,343	4,089	17,862	14,548
Retirement benefits	536	1,508	-	-	549	235	1,085	1,743
Housing and utilities	1,562	1,513	738	738	3,055	1,867	5,355	4,118
Bonus	-	-	-	-	2,060	1,734	2,060	1,734
Meeting fees	-	-	175	210	-	-	175	210
Others	295	204	2,566	865	-	-	2,861	1,069
	<u>7,992</u>	<u>8,764</u>	<u>8,399</u>	<u>6,733</u>	<u>13,007</u>	<u>7,925</u>	<u>29,398</u>	<u>23,422</u>
Number of persons	1	1	7	7	7	5		

The chief executive, a director and executives have the free use of company cars and residential telephones for business purposes. Except for one director, all other directors are only paid meeting fees





## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

### 24.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Out of total financial assets of Rs 2,516,410 (2006: Rs 1,993,165), the financial assets which are subject to credit risk amounted to Rs 713,969 (2006: Rs 643,563). The company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

### 24.3 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's investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets.

### 24.4 Reinsurance risk

Reinsurance ceded does not relieve the company of its obligation to policy holders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that a reinsurer fails to meet obligations under the reinsurance agreements. In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. To minimize reinsurance risk, reinsurance arrangements are diversified and with reputable parties.

### 24.5 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The carrying value of the financial instruments reported in the financial statements approximate their fair value except that investments have significantly higher market values as stated in note 14.

### 24.6 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 marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

	2007	2006
<b>25. AUDITORS' REMUNERATION</b>		
Audit fee	125	125
Fee for review of financial statements	30	30
Certification fee	65	35
Out of pocket expenses	19	35
	<u>239</u>	<u>225</u>

### 26. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and employee retirement benefits.

The transactions and balances with related parties, other than remuneration to the chief executive, directors and executives under the terms of employment and employee retirement benefits disclosed in notes 8 and 23 are as follows:

Premium written	<u>52,210</u>	<u>48,476</u>
Claims paid	<u>17,101</u>	<u>18,985</u>
Commission paid	<u>5,700</u>	<u>3,387</u>
Dividend received	<u>4,214</u>	<u>581</u>
Dividend paid	<u>3,209</u>	<u>2,504</u>
Investment disposed of	<u>-</u>	<u>50,000</u>
Claims outstanding	<u>22,803</u>	<u>20,532</u>
Premium receivable	<u>103,774</u>	<u>175,000</u>

Transactions with related parties are in the normal course of business at rates and terms consistent with the market.



## Notes to the Financial Statements

for the Year ended December 31, 2007

(Amounts in Rupees '000)

### 27. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2007 and December 31, 2006 and estimated information regarding certain assets and liabilities as at December 31, 2007 and December 31, 2006.

	Fire		Marine		Motor		Miscellaneous		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenue</b>										
Premium earned	<u>246,298</u>	<u>254,984</u>	<u>68,665</u>	<u>71,672</u>	<u>222,232</u>	<u>258,286</u>	<u>64,685</u>	<u>59,221</u>	<u>601,880</u>	<u>644,163</u>
Segment results	<u>22,294</u>	<u>29,470</u>	<u>5,289</u>	<u>19,054</u>	<u>(8,532)</u>	<u>(8,737)</u>	<u>3,681</u>	<u>9,464</u>	<u>22,732</u>	<u>49,251</u>
Investment income									<u>542,582</u>	<u>798,115</u>
Other income									<u>848</u>	<u>525</u>
General and administration expenses									<u>(70,477)</u>	<u>(128,170)</u>
									<u>472,953</u>	<u>670,470</u>
Profit before tax									<u>495,685</u>	<u>719,721</u>
Provision for tax									<u>(16,746)</u>	<u>(4,294)</u>
Net profit									<u>478,939</u>	<u>715,427</u>
<b>Other information</b>										
Segment assets	<u>477,433</u>	<u>356,338</u>	<u>119,325</u>	<u>110,076</u>	<u>146,188</u>	<u>193,705</u>	<u>118,071</u>	<u>109,334</u>	<u>861,017</u>	<u>769,453</u>
Unallocated corporate assets									<u>2,082,180</u>	<u>1,624,490</u>
Consolidated total assets									<u>2,943,197</u>	<u>2,393,943</u>
Segment liabilities	<u>422,444</u>	<u>297,647</u>	<u>113,203</u>	<u>95,288</u>	<u>185,078</u>	<u>238,959</u>	<u>93,140</u>	<u>85,626</u>	<u>813,865</u>	<u>717,520</u>
Unallocated corporate liabilities									<u>283,126</u>	<u>275,908</u>
Consolidated total liabilities									<u>1,096,991</u>	<u>993,428</u>
Capital expenditure	<u>9,657</u>	<u>63,380</u>	<u>2,759</u>	<u>17,876</u>	<u>7,818</u>	<u>65,005</u>	<u>2,759</u>	<u>16,251</u>	<u>22,993</u>	<u>162,512</u>
Depreciation / Amortization	<u>4,605</u>	<u>3,809</u>	<u>1,316</u>	<u>1,074</u>	<u>3,727</u>	<u>3,907</u>	<u>1,316</u>	<u>977</u>	<u>10,964</u>	<u>9,767</u>

### 28. NUMBER OF EMPLOYEES

The company employed 186 (2006: 199) employees at the end of the year.





## Notes to the Financial Statements

for the Year ended December 31, 2007

### 29. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 29, 2008 has proposed as cash dividend of 20% (2006: 20%). In addition, the directors have also announced a bonus issue of 20% (2006: 20%), which will be issued out of the unappropriated profit. These distributions will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2007 do not include the effect of the following appropriations which will be accounted for in the financial statements for the year ended December 31, 2008 as follows:

Transfer from unappropriated profit to proposed dividend	39,897
Transfer from unappropriated profit for issue of bonus shares	39,897
Transfer from unappropriated profit to general reserve	400,000

### 30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 29, 2008 by the directors of the company.

### 31. GENERAL

Figures of the prior year have been rearranged wherever necessary for the purpose of comparison.

<b>From</b>	<b>To</b>	<b>Reason</b>	<b>Amount</b>
Premium due but unpaid	Amount due from other insurers / reinsurers	Premium payable on coinsurance ceded	174,823

All amounts have been rounded to the nearest thousand Rupees.

Zahid Bashir  
Chairman

Nadeem Mabool  
Director

Imran Maqbool  
Director

Fakhir Rahman  
Chief Executive

Karachi: February 29, 2008



## Pattern of Shareholding

as at December 31, 2007

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
604	1	100	18,341
599	101	500	167,574
285	501	1000	219,019
510	1001	5000	1,288,313
161	5001	10000	1,197,725
54	10001	15000	661,128
36	15001	20000	633,140
25	20001	25000	563,207
32	25001	30000	900,433
15	30001	35000	490,278
11	35001	40000	423,555
10	40001	45000	413,975
12	45001	50000	580,543
6	50001	55000	317,474
8	55001	60000	457,144
3	60001	65000	187,400
5	65001	70000	340,598
3	70001	75000	217,267
6	75001	80000	468,126
3	80001	85000	251,173
2	85001	90000	174,808
3	90001	95000	277,398
3	95001	100000	299,715
3	100001	105000	311,214
5	105001	110000	534,659
4	110001	115000	449,009
3	115001	120000	356,521
7	120001	125000	846,659
1	125001	130000	126,507
2	130001	135000	265,610
1	150001	155000	154,231
2	155001	160000	315,558
1	160001	165000	164,690
3	165001	170000	504,643
1	170001	175000	172,800
2	175001	180000	358,845
1	180001	185000	182,331
1	190001	195000	190,160
3	195001	200000	595,441
1	215001	220000	218,635
1	220001	225000	223,864
1	225001	230000	226,744
3	235001	240000	719,382
2	240001	245000	481,772
2	245001	250000	498,536
2	255001	260000	518,400
1	275001	280000	277,344
2	310001	315000	625,709
1	325001	330000	326,962
1	335001	340000	339,299
1	385001	390000	388,911
1	390001	395000	391,082
2	395001	400000	798,971
1	415001	420000	415,792
2	420001	425000	841,882
1	445001	450000	448,536
1	475001	480000	475,200
1	515001	520000	515,960
1	550001	555000	553,317
1	580001	585000	583,150
1	615001	620000	620,000
1	620001	625000	620,579
1	670001	675000	672,115
1	750001	755000	751,076
1	930001	935000	933,468
1	985001	990000	987,496
1	1045001	1050000	1,047,216
1	1300001	1305000	1,301,170
1	2695001	2700000	2,698,223
1	4315001	4320000	4,319,408
2,475			39,897,411



**PREMIER INSURANCE LIMITED**  
(Formerly Premier Insurance Company of Pakistan Limited)

**Pattern of Shareholding**

as at December 31, 2007

Additional Information

Categories of Shareholders	Shares Held	Percentage
<b>Associated companies, undertakings &amp; related parties</b>		
Crescent Fibres Ltd.	55,651	0.14
Crescent Sugar Mills & Distillery Ltd.	239,382	0.60
Jubilee Spinning & Weaving Mills Ltd.	14,937	0.04
Muhammad Amin Muhammad Bashir Ltd.	172	-
Shakarganj Mills Ltd.	79,568	0.20
The Crescent Textile Mills Ltd.	111,709	0.28
Shams Textile Mills Ltd.	583,150	1.46
Crescent Powertec	2,713,223	6.80
Suraj Cotton Mills Limited	475,200	1.19
<b>Directors, CEO and their spouses &amp; minor Children</b>		
Mr. Zahid Bashir (Director)	4,853	0.01
Mr. Khalid Bashir (Director)	20,066	0.05
Mr. Shaukat Shafi (Director)	645,097	1.62
Mr. Khurram Mazhar (Director)	54,165	0.14
Mr. Nadeem Maqbool (Director)	91,880	0.23
Mr. Imran Maqbool (Director)	105,231	0.26
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	16,416	0.04
Mrs.Tanveer Khalid (w/o. Mr.Khalid Bashir)	126,507	0.32
Mrs.Zahida Shaukat (w/o.Mr.Shaukat Shafi)	358,979	0.90
Mrs.Nazia Maqbool (w/o.Mr.Nadeem Maqbool)	159,585	0.40
Mrs.Asma Imran Maqbool (w/o.Mr.Imran Maqbool)	120,960	0.30
<b>Others</b>		
Individuals	26,664,437	66.82
Investment Companies	149,048	0.37
Insurance Companies	679,942	1.70
Joint Stock Companies	1,486,362	3.72
Modaraba Companies	44,737	0.11
Financial Institutions	133,610	0.33
Administrator Abandoned Properties, Government of Pakistan	218,635	0.55
Dawood Foundation	15,870	0.04
Muhammad Amin Wakf Estate	155,973	0.39
Trustees Crescent Steel & Allied Products Ltd.	10,000	0.03
Saeeda Amin Wakf	10,228	0.03
Rashid Latif Jamal Trust	2,000	0.01
Aziz Latif Jamal Trust	2,000	0.01
Trustees DGKC Employees P.F. Trust	10,200	0.03
Ali Trust	37	-
Australasia Bank Ltd.	2,366	0.01
Habib Bank Limited	6,451	0.02
Investment Corporation of Pakistan	1,665	-
Islamabad Stock Exchange (G) Limited	7,411	0.02
State Life Insurance Corporation of Pakistan	4,319,708	10.83
	<b>39,897,411</b>	<b>100.00</b>



## Locations

### KARACHI

Head Office:  
State Life Building No. 2A  
5th Floor, Wallace Road  
Phones: (021) 2416331-3  
Fax: (021) 2416572

### QUETTA

43-Regal Plaza  
2nd Floor, Circular Road  
Phones: (081) 842883

### PESHAWAR

Rehman Building  
Saddar Road Cantt  
Phones: (091) 5273757  
Fax: (091) 5277809

### BHAWALPUR

1/A, Model Town "B"  
Saraiki Chowk  
Phones: (0621) 2875468  
Fax: (0621) 2875458

### RAHIM YAR KHAN

17, Shahi Road  
Phones: (068) 5870751

### SIALKOT

Fazal Market  
Mujahid Road  
Phones: (052) 4586268  
Fax: (052) 4588526

### VEHARI

23-B, Ghalla Mandi  
Phones: (067) 3361801

### DERA GHAZI KHAN

House No. 60, St. No.1, Block "B"  
P. O. Box No. 12  
Phones: (0642) 2471233

### GUJRANWALA

Block "L" Trust Plaza G.T. Road  
Phones: (055) 3859718-19  
Fax: (055) 3256432

### LAHORE

North Zone Office:  
163-A, Shadman II  
Phones: (042) 7563160-63  
Fax: (042) 7579334

Hafeez Centre, Gulberg  
Phones: (042) 5874271/5873636  
Fax: (042) 5750749

23, Shahrah-e-Quaid-e-Azam  
P. O. Box No. 355  
Phones: (042) 7230602-5  
Fax: (042) 7235557

### FAISALABAD

Regency Arcade, 949, Mall Road  
P. O. Box No. 105  
Phones: (041) 2632211-13  
Fax: (041) 2617802

### MULTAN

Hasan Arcade, Nusrat Road  
Multan Cantt.  
Phones: (061) 4515007 - 4515009 - 4585006  
Fax: (061) 4587143

### RAWALPINDI

32, Service Plaza  
The Mall  
Phones: (051) 5562113, 5568907  
Fax: (051) 5566900

### ISLAMABAD

Masco Plaza  
64-E, Blue Area  
Jinnah Avenue  
Phones: (051) 2270134, 2270135, 2876967  
Fax: (051) 2829654

### SAHIWAL

Room No.1, Sattar Complex  
Stadium Road  
Phones: (040) 4220918  
Fax: (040) 4220790





**PROXY FORM**

Annual General Meeting

I/We..... being a member of Premier Insurance Limited (Formerly Premier Insurance Company of Pakistan Ltd.) appoint ..... of..... whom failing ..... as my/our Proxy to vote and act for me/us and on my/our behalf at the Annual General Meeting of the company to be held on the March 29, 2008 at 4:00 p.m. and at any adjournment thereof.

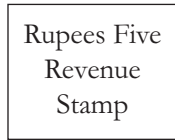
Dated this.....day of..... 2008

Address.....

Folio No. / Transfer Receipt No.....

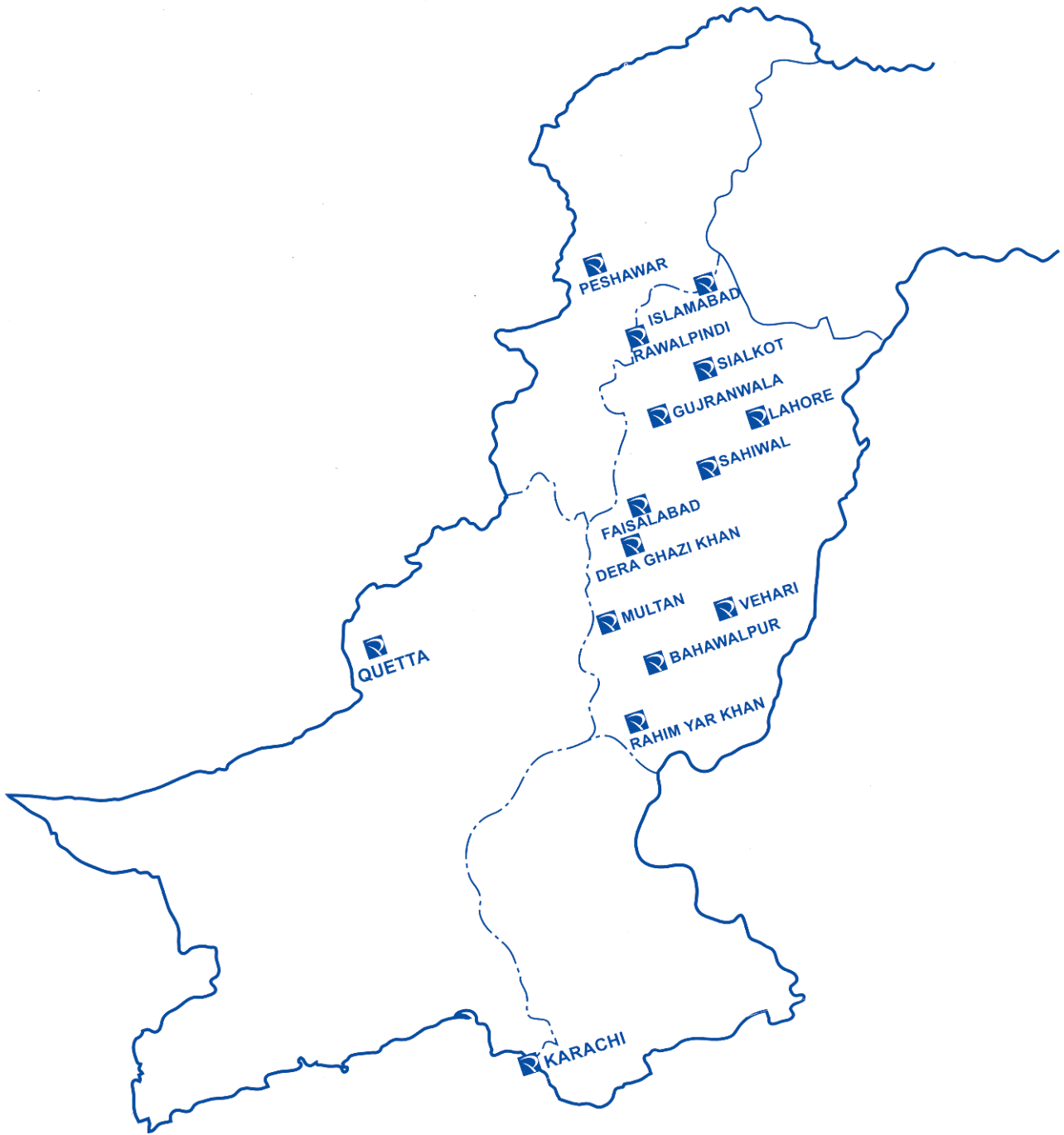
Number of shares held.....

Signature of proxy holder.....



Signature of Shareholder

- NOTES:
1. No person shall be appointed a proxy who is not a member of the company and qualified to vote, except that a corporation being a member of the company may, by resolution of the directors, authorize any of its officials or any other person to act as its representative.
  2. The instrument appointing a proxy and power of attorney or other authority (if any), under which it is signed, shall be deposited at the Registered Office of the company not less than 48 hours before the time of the meeting.
  3. The signature on the instrument of proxy must conform to the specimen signature recorded with the company.
  4. In case of joint holders any one of the joint holder may sign the instrument of proxy.
  5. In case of a body corporate, the instrument of proxy must bear its common seal or should be signed by its constituted Attorney in which case a notarily certified copy of the instrument of power should be deposited at the Registered Office of the company not less than 48 hours before the time for holding the meeting.
  6. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.



PESHAWAR

ISLAMABAD

RAWALPINDI

SIALKOT

GUJRANWALA

LAHORE

SAHIWAL

FAISALABAD

DERA GHAZI KHAN

MULTAN

VEHARI

BAHAWALPUR

RAHIM YAR KHAN

QUETTA

KARACHI