

FINANCIAL STATEMENTS

STABILITY AND GROWTH

We are firmly set on the path to progress and accomplish greater feats than ever before. Here, you will be able to observe this very greatness, and how we, during the hardest of times have held our heads high and inspirationally moved forward with the utmost of dedication.



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Adamjee Insurance Company Limited as at December 31, 2008 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

March 09, 2009

Karachi

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET

As at December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Share capital and reserves			
Authorised share capital	5.1	<u>1,500,000</u>	<u>1,500,000</u>
Paid-up share capital	5.2	1,022,351	1,022,351
Retained earnings		6,458,717	5,666,273
Reserves	6	963,123	963,123
		<u>7,421,840</u>	<u>6,629,396</u>
TOTAL EQUITY		<u>8,444,191</u>	<u>7,651,747</u>
Underwriting provisions			
Provision for outstanding claims (including IBNR)	7	4,562,553	5,022,620
Provision for unearned premium		4,014,822	4,252,005
Commission income unearned		176,500	236,039
Total underwriting provisions		<u>8,753,875</u>	<u>9,510,664</u>
Deferred liability			
Staff retirement benefits	8	9,166	3,688
Creditors and Accruals			
Premiums received in advance		101,247	125,682
Amounts due to other insurers / reinsurers		137,380	579,621
Accrued expenses		79,626	79,174
Other creditors and accruals	9	994,367	785,885
		<u>1,312,620</u>	<u>1,570,362</u>
Other liabilities			
Unclaimed dividends		25,055	29,502
TOTAL LIABILITIES		<u>10,100,716</u>	<u>11,114,216</u>
TOTAL EQUITY AND LIABILITIES		<u>18,544,907</u>	<u>18,765,963</u>
CONTINGENCIES	10		

As more fully explained in note 13.2.1, the company has made a provision of Rs. 2,386.179 million against the aggregate fall in the market value of available-for-sale investments of Rs. 3,483.765 million as at December 31, 2008. This amount has been provided in accordance with the treatment allowed under the SECP Circular 3/ 2009 dated February 16, 2009. Had the company treated the entire amount of the fall in value of investments as other than temporary and accounted for the same through the profit and loss account, the remaining amount of Rs. 1,097.586 million would have been recognised in the profit and loss account for the year ended December 31, 2008 with a corresponding decrease of Rs. 1,097.586 million in the profit after taxation for the year. The earnings per share for the year would also have been lower by Rs. 10.73.

The annexed notes 1 to 38 form an integral part of these financial statements.

BALANCE SHEET

As at December 31, 2008

	Note	2008	2007
(Rupees in '000)			
Cash and bank deposits			
Cash and other equivalents	11	41,622	133,735
Current and other accounts		483,534	600,661
Deposits maturing within 12 months		1,198,950	219,801
		1,724,106	954,197
Loans			
To employees	12	26,852	27,312
Investments	13	7,576,749	8,132,102
Other Assets			
Premiums due but unpaid	14	3,449,898	3,203,751
Amounts due from other insurers/ reinsurers	15	535,059	255,570
Salvage recoveries accrued		228,147	205,404
Premium and claim reserves retained by cedants		28,682	32,926
Accrued investment income	16	39,465	31,009
Reinsurance recoveries against outstanding claims	17	2,188,101	2,792,464
Taxation - payments less provision		132,876	157,153
Deferred commission expense		414,701	413,543
Prepayments	18	1,057,783	1,519,241
Sundry receivables	19	202,578	272,878
		8,277,290	8,883,939
Fixed Assets - Tangible & Intangible	20		
Owned			
Land and buildings		177,793	181,055
Furniture and fixtures		27,052	22,373
Motor vehicles		228,869	233,625
Capital work-in-progress	20.2	-	64,846
Machinery and equipment		395,443	220,266
Computers and related accessories		65,032	42,940
Intangible asset - computer software		45,721	3,308
		939,910	768,413
TOTAL ASSETS		18,544,907	18,765,963

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

PROFIT AND LOSS ACCOUNT For the year ended December 31, 2008

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	2008	2007
	(Rupees in '000)						
Note							
Revenue account							
Net premium revenue	1,484,731	1,199,675	3,740,021	1,047,746	15,971	7,488,144	5,531,818
Net claims	(950,534)	(616,515)	(2,740,149)	(860,956)	(4,998)	(5,173,152)	(3,915,091)
Expenses	(251,159)	(196,022)	(576,840)	(179,782)	(2,760)	(1,206,563)	(1,054,978)
Net commission	(97,928)	(225,863)	(337,139)	(72,349)	(8,088)	(741,367)	(442,498)
Underwriting result	185,110	161,275	85,893	(65,341)	125	367,062	119,251
Investment income						1,098,050	4,486,366
Rental income						494	494
Other income						183,594	71,166
						1,649,200	4,677,277
General and administration expenses						(511,727)	(398,367)
Exchange gain						38,404	6,533
Finance charge on lease rentals						-	(558)
Profit before tax						1,175,877	4,284,885
Provision for taxation - Current						(76,727)	(83,635)
Profit after tax						1,099,150	4,201,250
Profit and loss appropriation account							
Balance at the commencement of the year						5,666,273	1,802,399
Final dividend for the year ended December 31, 2007 @ 15% (Rs. 1.5/- per share) [2006:@ 18% (Rs. 1.8/- per share)]						(153,353)	(184,023)
Profit after tax for the year						1,099,150	4,201,250
Interim dividend @ 15% (Rs. 1.5/- per share) [2007: @ 15% (Rs. 1.5/- per share)]						(153,353)	(153,353)
Balance unappropriated profit at the end of the year						6,458,717	5,666,273
Earnings per share - basic	25					10.75	41.09

As more fully explained in note 13.2.1, the company has made a provision of Rs. 2,386.179 million against the aggregate fall in the market value of available-for-sale investments of Rs. 3,483.765 million as at December 31, 2008. This amount has been provided in accordance with the treatment allowed under the SECP Circular 3/ 2009 dated February 16, 2009. Had the company treated the entire amount of the fall in value of investments as other than temporary and accounted for the same through the profit and loss account, the remaining amount of Rs. 1,097.586 million would have been recognised in the profit and loss account for the year ended December 31, 2008 with a corresponding decrease of Rs. 1,097.586 million in the profit after taxation for the year. The earnings per share for the year would also have been lower by Rs. 10.73.

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

PROFIT AND LOSS ACCOUNT For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	2008	2007
	(Rupees in '000)						
Revenue account							
Net premium revenue	1,434,868	1,095,981	3,102,679	1,035,879	15,971	6,685,378	5,437,266
Net claims	(934,656)	(580,425)	(2,421,551)	(860,546)	(4,998)	(4,802,176)	(3,886,683)
Expenses	(247,981)	(189,413)	(536,220)	(179,026)	(2,760)	(1,155,400)	(1,026,340)
Net commission	(107,197)	(212,529)	(276,398)	(73,448)	(8,088)	(677,660)	(454,163)
Underwriting result	145,034	113,614	(131,490)	(77,141)	125	50,142	70,080
Investment income						1,098,050	4,486,366
Rental income						494	494
Other income						153,112	65,734
						1,301,798	4,622,674
General and administration expenses						(487,127)	(389,502)
Exchange gain						2,550	-
Finance charge on lease rentals						-	(558)
Profit before tax				817,221			4,232,614

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

PROFIT AND LOSS ACCOUNT For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	2008	2007
	(Rupees in '000)						
Revenue account							
Net premium revenue	49,863	103,694	637,342	11,867	-	802,766	94,552
Net claims	(15,878)	(36,090)	(318,598)	(410)	-	(370,976)	(28,408)
Expenses	(3,178)	(6,609)	(40,620)	(756)	-	(51,163)	(28,638)
Net commission	9,269	(13,334)	(60,741)	1,099	-	(63,707)	11,665
Underwriting result	40,076	47,661	217,383	11,800	-	316,920	49,171
Other income						30,482	5,432
						347,402	54,603
General and administration expenses						(24,600)	(8,865)
Exchange gain						35,854	6,533
Profit before tax				358,656			52,271

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2008

	Share Capital	Capital Reserves		Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for exceptional losses	Investment fluctuation reserve	General reserve	Retained earnings	
	(Rupees in '000)					
Balance as at December 31, 2006	1,022,351	22,859	3,764	936,500	1,802,399	3,787,873
Profit after tax for the year ended December 31, 2007	-	-	-	-	4,201,250	4,201,250
Final dividend for the year ended December 31, 2006 @ 18% (Rs. 1.8/- per share)	-	-	-	-	(184,023)	(184,023)
Interim dividend @ 15% (Rs. 1.5/- per share)	-	-	-	-	(153,353)	(153,353)
Balance as at December 31, 2007	1,022,351	22,859	3,764	936,500	5,666,273	7,651,747
Profit after tax for the year ended December 31, 2008	-	-	-	-	1,099,150	1,099,150
Final dividend for the year ended December 31, 2007 @ 15% (Rs. 1.5/- per share)	-	-	-	-	(153,353)	(153,353)
Interim dividend @ 15% (Rs. 1.5/- per share)	-	-	-	-	(153,353)	(153,353)
Balance as at December 31, 2008	<u>1,022,351</u>	<u>22,859</u>	<u>3,764</u>	<u>936,500</u>	<u>6,458,717</u>	<u>8,444,191</u>

As more fully explained in note 13.2.1, the balance of Rs. 1,097.586 million, representing the remaining portion of the fall in the market value of investments, considered as temporary as at December 31, 2008 and hence not accounted for in the profit and loss account for the year, is not available for the purposes of distribution as dividend to shareholders.

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

	2008	2007
	(Rupees in '000)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	10,000,258	8,358,617
Reinsurance premiums paid	(2,955,950)	(2,886,167)
Claims paid	(7,057,015)	(4,730,124)
Surrenders paid	(65,364)	(91,511)
Reinsurance and other recoveries received	1,730,171	953,882
Commissions paid	(1,086,443)	(928,325)
Commissions received	392,195	545,773
Other underwriting payments	(1,085,931)	(842,811)
Net cash flow from underwriting activities	(128,079)	379,334
b) Other operating activities		
Income tax (paid) / refund	(52,450)	56,757
General and other expenses paid	(291,823)	(469,642)
Loans disbursed	(55,948)	(50,073)
Loan repayments received	55,335	46,992
Deposits received / (paid)	6,051	(1,157)
Other receipts	99,099	21,465
Net cash flow from other operating activities	(239,736)	(395,658)
Total cash flow from all operating activities	(367,815)	(16,324)
Investment activities		
Profit/ return received	106,660	57,879
Dividends received	401,601	356,393
Investments purchased	(11,978,457)	(7,494,229)
Proceeds from disposal of investments	13,212,392	7,962,309
Fixed capital expenditure - Tangible assets	(318,472)	(490,647)
Fixed capital expenditure - Intangible assets	(5,185)	(1,734)
Proceeds from disposal of fixed assets	12,649	5,415
Income received on TFCs	23,740	22,466
Total cash flow from investing activities	1,454,928	417,852
Financing activities		
Dividends paid	(311,153)	(321,139)
Lease rentals paid	-	(10,577)
Total cash flow from financing activities	(311,153)	(331,716)
Net cash inflow from all activities	775,960	69,812
Cash at the beginning of the year	943,695	873,883
Cash at the end of the year	1,719,655	943,695

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

	2008	2007
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	(367,815)	(16,324)
Depreciation expense	(134,464)	(78,610)
Provision for gratuity	(5,478)	(603)
Other income - bank deposits	120,495	54,635
Profit on disposal of fixed assets	2,404	1,599
Finance charge on lease obligations	-	(558)
Rental income	494	494
(Decrease)/ Increase in assets other than cash	(590,828)	3,640,746
Decrease/ (Increase) in liabilities other than running finance	777,348	(2,470,101)
	(197,844)	1,131,278
Others		
Profit on sale of investments	3,060,670	3,973,014
Amortization expense	(7,451)	(669)
Decrease/ (Increase) in unearned premium	237,183	(1,277,543)
Amortisation of income on Government Securities - net	70,531	122,001
(Decrease) /Increase in loans	(460)	1,053
Income tax paid/ (refund)	52,450	(56,757)
(Provision) /Reversal for diminution in value of investments	(2,452,619)	7,706
Dividend, investment and other income	395,032	361,175
Deposits (received)/ paid	(6,051)	1,157
Income on TFCs	24,436	22,470
	1,373,721	3,153,607
Profit before taxation	1,175,877	4,284,885

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rs.4.451 million (2007: Rs. 10.502 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	2008	2007
	(Rupees in '000)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Cash in hand	41,622	133,735
Current and other accounts		
Current accounts	6,269	346,317
Savings accounts	477,265	254,344
Deposits maturing within 12 months		
Fixed and term deposits accounts	1,194,499	209,299
Total cash and cash equivalents	1,719,655	943,695

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

2008 2007

(Rupees in '000)

Operating Cash Flows

a) Underwriting activities

Premiums received	8,951,499	8,122,422
Reinsurance premiums paid	(2,759,741)	(2,891,257)
Claims paid	(6,665,683)	(4,664,270)
Surrenders paid	(65,364)	(91,511)
Reinsurance and other recoveries received	1,624,807	917,329
Commissions paid	(972,117)	(910,125)
Commissions received	358,476	519,054
Other underwriting payments	(1,082,217)	(819,239)
Net cash flow from underwriting activities	(610,340)	182,403

b) Other operating activities

Income tax (paid)/ refund	(52,450)	56,757
General and other expenses paid	(277,528)	(466,072)
Loans disbursed	(54,343)	(48,973)
Loan repayments received	55,335	46,892
Deposits received/ (paid)	3,241	(1,157)
Other receipts	39,890	14,932
Net cash flow from other operating activities	(285,855)	(397,621)

Total cash flow from all operating activities

(896,195) (215,218)

Investment activities

Profit/ return received	101,359	56,977
Dividends received	401,601	356,393
Investments purchased	(11,978,457)	(7,494,229)
Proceeds from disposal of investments	13,212,392	7,962,309
Fixed capital expenditure - Tangible assets	(313,082)	(490,647)
Fixed capital expenditure - Intangible assets	(5,185)	(1,734)
Proceeds from disposal of fixed assets	12,649	4,991
Income received on TFCs	23,740	22,466
Total cash flow from investing activities	1,455,017	416,526

Financing activities

Dividends paid	(311,153)	(321,139)
Lease rentals paid	-	(10,577)
Remittance from Head office	255,384	-
Total cash flow from financing activities	(55,769)	(331,716)

Net cash inflow/ (outflow) from all activities

503,053 (130,408)

Cash at the beginning of the year 643,870 774,278

Cash at the end of the year

1,146,923 643,870

The annexed notes I to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CASH FLOWS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	2008	2007
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	(896,195)	(215,218)
Depreciation expense	(132,938)	(77,437)
Provision for gratuity	-	-
Other income - bank deposits	113,367	52,679
Profit on disposal of fixed assets	2,404	1,491
Finance charge on lease obligations	-	(558)
Rental income	494	494
(Decrease)/ Increase in assets other than cash	(1,115,824)	3,291,164
Decrease/ (Increase) in liabilities other than running finance	1,170,964	(2,335,556)
	(857,728)	717,059
Others		
Profit on sale of investments	3,060,670	3,973,014
Amortization expense	(7,451)	(669)
Decrease/ (Increase) in unearned premium	535,601	(915,762)
Amortisation of income on Government Securities - net	70,531	122,001
(Decrease)/ Increase in loans	(460)	1,220
Income tax paid/ (refund)	52,450	(56,757)
(Provision)/ Reversal for diminution in value of investments	(2,452,619)	7,706
Dividend, investment and other income	395,032	361,175
Deposits received	(3,241)	1,157
Income on TFCs	24,436	22,470
	1,674,949	3,515,555
Profit before taxation	817,221	4,232,614

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rs. 4.451 million (2007: Rs. 7.692 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	2008	2007
	(Rupees in '000)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Cash in hand	41,408	133,568
Current and other accounts		
Current account	(122,750)	245,534
Saving account	477,265	254,344
Deposits maturing within 12 months		
Fixed and term deposits accounts	751,000	10,424
Total cash and cash equivalents	1,146,923	643,870

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

2008
2007
(Rupees in '000)

Operating Cash Flows

a) Underwriting activities

Premiums received	1,048,759	236,195
Reinsurance premiums paid	(196,209)	5,090
Claims paid	(391,332)	(65,854)
Surrenders paid	-	-
Reinsurance and other recoveries received	105,364	36,553
Commissions paid	(114,326)	(18,200)
Commissions received	33,719	26,719
Other underwriting payments	(3,714)	(23,572)
Net cash flow from underwriting activities	482,261	196,931

b) Other operating activities

Income tax (paid)/ refund	-	-
General and other expenses paid	(14,295)	(3,570)
Loans disbursed	(1,605)	(1,100)
Deposits received	2,810	-
Loan repayments received	-	100
Other receipts	59,209	6,533
Net cash flow from other operating activities	46,119	1,963

Total cash flow from all operating activities

528,380 198,894

Investment activities

Profit/ return received	5,301	902
Dividends received	-	-
Investments purchased	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - Tangible assets	(5,390)	-
Fixed capital expenditure - Intangible assets	-	-
Proceeds from disposal of fixed assets	-	424
Income received on TFCs	-	-
Total cash flow from investing activities	(89)	1,326

Financing activities

Dividends paid	-	-
Lease rentals paid	-	-
Remittance to Head office	(255,384)	-
Total cash flow from financing activities	(255,384)	-

Net cash inflow from all activities

272,907 200,220

Cash at the beginning of the year 299,825 99,605

Cash at the end of the year

572,732 299,825

The annexed notes I to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

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Director

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Chairman

STATEMENT OF CASH FLOWS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	2008	2007
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	528,380	198,894
Depreciation expense	(1,526)	(1,173)
Provision for gratuity	(5,478)	(603)
Other income - bank deposits	7,128	1,956
Profit on disposal of fixed assets	-	108
Finance charge on lease obligations	-	-
Rental income	-	-
Increase in assets other than cash	524,996	349,582
(Increase) in liabilities other than running finance	(393,616)	(134,545)
	659,884	414,219
Others		
Profit on sale of investments	-	-
Amortization expense	-	-
(Increase) in unearned premium	(298,418)	(361,781)
Amortisation of income on Government Securities - net	-	-
(Decrease) in loans	-	(167)
Income tax (refund)/ paid	-	-
Reversal for diminution in value of investments	-	-
Dividend, investment and other income	-	-
Deposits (received)/ paid	(2,810)	-
Income on TFCs	-	-
	(301,228)	(361,948)
Profit before taxation	358,656	52,271

Definition of cash:

Cash comprises of cash in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	Note	2008	2007
		(Rupees in '000)	
Cash for the purposes of the Statement of Cash Flows consists of:			
Cash and other equivalent			
Cash in hand		214	167
Current and other accounts			
Current accounts		129,019	100,783
Savings accounts		-	-
Deposits maturing within 12 months			
Fixed and term deposits accounts		443,499	198,875
Total cash and cash equivalents		572,732	299,825

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF PREMIUMS For the year ended December 31, 2008

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2008	2007
		(Rupees in '000)								
Direct and facultative										
Fire and property damage	3,381,955	1,920,772	1,551,532	3,751,195	1,850,461	1,294,868	878,865	2,266,464	1,484,731	1,118,069
Marine, aviation and transport	1,481,044	109,785	91,984	1,498,845	294,558	25,976	21,364	299,170	1,199,675	1,041,231
Motor	3,885,892	1,735,394	1,789,404	3,831,882	90,392	3,379	1,910	91,861	3,740,021	2,496,213
Miscellaneous	1,440,614	486,054	581,902	1,344,766	278,298	120,814	102,092	297,020	1,047,746	859,886
Total	10,189,505	4,252,005	4,014,822	10,426,688	2,513,709	1,445,037	1,004,231	2,954,515	7,472,173	5,515,399
Treaty										
Proportional	15,971	-	-	15,971	-	-	-	-	15,971	16,419
Total	15,971	-	-	15,971	-	-	-	-	15,971	16,419
Grand Total	10,205,476	4,252,005	4,014,822	10,442,659	2,513,709	1,445,037	1,004,231	2,954,515	7,488,144	5,531,818

The annexed notes 1 to 38 form an integral part of these financial statements.

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Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF PREMIUMS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2008	2007
		(Rupees in '000)								
Direct and facultative										
Fire and property damage	3,216,971	1,870,804	1,477,644	3,610,131	1,752,167	1,259,274	836,178	2,175,263	1,434,868	1,104,602
Marine, aviation and transport	1,364,370	44,030	30,146	1,378,254	279,572	15,429	12,728	282,273	1,095,981	996,801
Motor	2,929,378	1,489,182	1,286,286	3,132,274	28,126	3,379	1,910	29,595	3,102,679	2,460,912
Miscellaneous	1,397,855	483,215	557,554	1,323,516	261,038	119,223	92,624	287,637	1,035,879	858,532
Total	8,908,574	3,887,231	3,351,630	9,444,175	2,320,903	1,397,305	943,440	2,774,768	6,669,407	5,420,847
Treaty										
Proportional	15,971	-	-	15,971	-	-	-	-	15,971	16,419
Total	15,971	-	-	15,971	-	-	-	-	15,971	16,419
Grand Total	8,924,545	3,887,231	3,351,630	9,460,146	2,320,903	1,397,305	943,440	2,774,768	6,685,378	5,437,266

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF PREMIUMS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2008	2007
		(Rupees in '000)								
Direct and facultative										
Fire and property damage	164,984	49,968	73,888	141,064	98,294	35,594	42,687	91,201	49,863	13,467
Marine, aviation and transport	116,674	65,755	61,838	120,591	14,986	10,547	8,636	16,897	103,694	44,430
Motor	956,514	246,212	503,118	699,608	62,266	-	-	62,266	637,342	35,301
Miscellaneous	42,759	2,839	24,348	21,250	17,260	1,591	9,468	9,383	11,867	1,354
Total	1,280,931	364,774	663,192	982,513	192,806	47,732	60,791	179,747	802,766	94,552
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	1,280,931	364,774	663,192	982,513	192,806	47,732	60,791	179,747	802,766	94,552

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

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Chairman

STATEMENT OF CLAIMS For the year ended December 31, 2008

Class	Total claims Paid	Outstanding Claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2008	2007
(Rupees in '000)										
Direct and facultative										
Fire and property damage	2,631,393	2,458,291	1,629,455	1,802,557	1,586,031	1,762,763	1,028,755	852,023	950,534	1,040,935
Marine, aviation and transport	687,475	401,442	499,471	785,504	129,964	237,895	276,920	168,989	616,515	331,265
Motor	2,657,013	1,451,129	1,833,234	3,039,118	95,878	537,633	740,724	298,969	2,740,149	1,819,862
Miscellaneous	1,058,582	670,229	580,662	969,015	197,787	459,577	369,849	108,059	860,956	695,031
Total	7,034,463	4,981,091	4,542,822	6,596,194	2,009,660	2,997,868	2,416,248	1,428,040	5,168,154	3,887,093
Treaty										
Proportional	26,796	41,529	19,731	4,998	-	-	-	-	4,998	27,998
Total	26,796	41,529	19,731	4,998	-	-	-	-	4,998	27,998
Grand Total	7,061,259	5,022,620	4,562,553	6,601,192	2,009,660	2,997,868	2,416,248	1,428,040	5,173,152	3,915,091

The annexed notes I to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF CLAIMS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total claims Paid	Outstanding Claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2008	2007
(Rupees in '000)										
Direct and facultative										
Fire and property damage	2,556,667	2,416,429	1,617,643	1,757,881	1,530,053	1,733,509	1,026,681	823,225	934,656	1,034,952
Marine, aviation and transport	654,599	378,685	466,009	741,923	129,818	237,541	269,221	161,498	580,425	318,806
Motor	2,373,283	1,100,392	1,166,441	2,439,332	73,257	281,686	226,210	17,781	2,421,551	1,809,914
Miscellaneous	1,058,582	668,893	578,916	968,605	197,787	459,577	369,849	108,059	860,546	695,013
Total	6,643,131	4,564,399	3,829,009	5,907,741	1,930,915	2,712,313	1,891,961	1,110,563	4,797,178	3,858,685
Treaty										
Proportional	26,796	41,529	19,731	4,998	-	-	-	-	4,998	27,998
Total	26,796	41,529	19,731	4,998	-	-	-	-	4,998	27,998
Grand Total	6,669,927	4,605,928	3,848,740	5,912,739	1,930,915	2,712,313	1,891,961	1,110,563	4,802,176	3,886,683

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
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S.M. Jawed
Director

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Director

Umer Mansha
Chairman

STATEMENT OF CLAIMS For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Total claims Paid	Outstanding Claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2008	2007
(Rupees in '000)										
Direct and facultative										
Fire and property damage	74,726	41,862	11,812	44,676	55,978	29,254	2,074	28,798	15,878	5,983
Marine, aviation and transport	32,876	22,757	33,462	43,581	146	354	7,699	7,491	36,090	12,459
Motor	283,730	350,737	666,793	599,786	22,621	255,947	514,514	281,188	318,598	9,948
Miscellaneous	-	1,336	1,746	410	-	-	-	-	410	18
Total	391,332	416,692	713,813	688,453	78,745	285,555	524,287	317,477	370,976	28,408
Treaty										
Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	391,332	416,692	713,813	688,453	78,745	285,555	524,287	317,477	370,976	28,408

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
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Director

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Chairman

STATEMENT OF EXPENSES For the year ended December 31, 2008

Class	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2008	2007
(Rupees in '000)									
Direct and facultative									
Fire and property damage	429,287	204,584	188,585	445,286	251,159	696,445	347,358	349,087	247,862
Marine, aviation and transport	255,127	5,044	14,340	245,831	196,022	441,853	19,968	421,885	368,208
Motor	375,195	126,467	162,862	338,800	576,840	915,640	1,661	913,979	689,201
Miscellaneous	126,562	77,448	48,914	155,096	179,782	334,878	82,747	252,131	181,571
Total	1,186,171	413,543	414,701	1,185,013	1,203,803	2,388,816	451,734	1,937,082	1,486,842
Treaty									
Proportional	8,088	-	-	8,088	2,760	10,848	-	10,848	10,634
Total	8,088	-	-	8,088	2,760	10,848	-	10,848	10,634
Grand Total	1,194,259	413,543	414,701	1,193,101	1,206,563	2,399,664	451,734	1,947,930	1,497,476

The annexed notes I to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF EXPENSES For the year ended December 31, 2008

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2008	2007
(Rupees in '000)									
Direct and facultative									
Fire and property damage	402,718	202,547	173,385	431,880	247,981	679,861	324,683	355,178	247,523
Marine, aviation and transport	230,312	4,194	3,554	230,952	189,413	420,365	18,423	401,942	364,077
Motor	269,457	118,146	109,544	278,059	536,220	814,279	1,661	812,618	676,586
Miscellaneous	122,932	77,354	46,986	153,300	179,026	332,326	79,852	252,474	181,683
Total	1,025,419	402,241	333,469	1,094,191	1,152,640	2,246,831	424,619	1,822,212	1,469,869
Treaty									
Proportional	8,088	-	-	8,088	2,760	10,848	-	10,848	10,634
Total	8,088	-	-	8,088	2,760	10,848	-	10,848	10,634
Grand Total	1,033,507	402,241	333,469	1,102,279	1,155,400	2,257,679	424,619	1,833,060	1,480,503

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

STATEMENT OF EXPENSES For the year ended December 31, 2008

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2008	2007
(Rupees in '000)									
Direct and facultative									
Fire and property damage	26,569	2,037	15,200	13,406	3,178	16,584	22,675	(6,091)	339
Marine, aviation and transport	24,815	850	10,786	14,879	6,609	21,488	1,545	19,943	4,131
Motor	105,738	8,321	53,318	60,741	40,620	101,361	-	101,361	12,615
Miscellaneous	3,630	94	1,928	1,796	756	2,552	2,895	(343)	(112)
Total	160,752	11,302	81,232	90,822	51,163	141,985	27,115	114,870	16,973
Treaty									
Proportional	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Grand Total	160,752	11,302	81,232	90,822	51,163	141,985	27,115	114,870	16,973

The annexed notes 1 to 38 form an integral part of these financial statements.

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STATEMENT OF INVESTMENT INCOME For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Income from non-trading investments			
Available-for-sale			
Return on fixed income securities		70,531	117,990
Return on Term Finance Certificates		24,436	22,470
Dividend income			
- associated undertakings		232,447	164,554
- others		162,585	196,621
		395,032	361,175
		489,999	501,635
Gain on sale of 'available-for-sale' investments			
- associated undertakings		2,815,267	1,730,045
- others		245,403	2,242,969
		3,060,670	3,973,014
		3,550,669	4,474,649
Held-to-maturity			
Return on fixed income securities		-	4,011
		3,550,669	4,478,660
(Provision) / Reversal for impairment in value of 'available-for-sale' investment	13.2	(2,386,179)	7,706
Investment related expenses		(66,440)	-
Net investment income		1,098,050	4,486,366

The annexed notes 1 to 38 form an integral part of these financial statements.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

I THE COMPANY AND ITS OPERATIONS

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

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

- 1.1 The company also operates branches in the United Kingdom (UK), the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branches in the UK and KSA have closed down their operations and are in "run-off" status with effect from January 1, 1998 and October 1, 2003 respectively.
- 1.2 During the year, the company has made majority investment in the share capital of Adamjee Life Assurance Company Limited, a subsidiary, as indicated in note 13 to these financial statements. The subsidiary was incorporated on August 4, 2008 and has not started its commercial operations to date. Accordingly, the management has not produced consolidated financial statements as the impact of consolidation of the subsidiary will not be material.

2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the requirements of the said directives prevail.

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "investments available-for-sale" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements. In addition, the SECP has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) till further orders. Accordingly, the requirements of the said standard have not been considered in the preparation of these financial statements.

2.2 Standards, amendments and interpretations to published approved accounting standards effective in current year

During the year ended December 31, 2008, IFRIC Interpretation 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' became effective. The interpretation provides guidance on assessing the limit in IAS 19 - 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of this interpretation did not have any material impact on the company's financial statements.

There are other new standards, amendments and interpretations to published approved accounting standards that were mandatory for accounting periods beginning on or after January 1, 2008 but were considered not to be relevant or did not have any significant impact on the company's financial statements.

2.3 Standards, amendments and interpretations to published approved accounting standards that are not yet effective

- 2.3.1 The following standards and amendments to existing standards have been published and are mandatory for the company's annual accounting periods beginning on or after January 1, 2009:

IAS I (Revised) - Presentation of financial statements

IAS 19 (Amendment) - Employee Benefits

IFRS 8 - Operating Segments

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

Adoption of the above standards and amendments may result in an impact on the financial statements of the company including the nature and extent of disclosures made. The management is in the process of assessing the impact of their adoption on the company's financial statements.

2.3.2 The following standards, amendments and interpretations to published approved accounting standards, effective for annual accounting periods beginning on or after the dates specified below are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than enhanced disclosures in certain cases:

Amendments in IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements	January 1, 2009
IAS 23 (Amendment) - Borrowing Costs	January 1, 2009
IAS 27 (Amendment) - Consolidated and Separate Financial Statements	January 1, 2009
IAS 36 (Amendment) - Impairment of Assets	January 1, 2009
IAS 38 (Amendment) - Intangible Assets	January 1, 2009
IAS 27 (Revised) - Consolidated and Separate Financial Statements	July 1, 2009

There are other new standards, amendments and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 1, 2009 but are not detailed in these financial statements as these will not involve any impact on the company's future financial statements.

3 BASIS OF MEASUREMENT

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

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are disclosed in note 34 to these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4.2 Provision for unearned premium

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

4.3 Additional provision for unexpired risks (Premium deficiency reserve)

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

4.4 Commission income unearned

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

4.5 Staff retirement benefits

4.5.1 Defined contribution plan

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

4.5.2 Defined benefit plans

The company operates the following defined benefit plans:

- (a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are amortised over the expected future service of the current members. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;
- (b) unfunded gratuity schemes covering the employees in the UAE and KSA as per the requirements of the regulations applicable in those countries. Provision is made in the financial statements based on the management's best estimate of the liability in respect of these schemes.

4.6 Employees' compensated absences

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

4.7 Amount due to/ from other insurers/ reinsurers

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

4.8 Creditors, accruals and provisions

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

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

4.9 Cash and cash equivalents

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

4.10 Investments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

The above investments are classified into the following categories:

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

4.10.1 Held-to-maturity

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

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

4.10.2 Available-for-sale

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

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

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

4.11 Taxation

4.11.1 Current

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

4.11.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the company also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

4.12 Premiums due but unpaid

These are initially recognized at cost which is the fair value of consideration given.

Provision for impairment on premium receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

4.13 Claims recoveries

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

4.14 Deferred commission expense/ acquisition cost

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

4.15 Prepaid reinsurance expense

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

4.16 Fixed assets

4.16.1 Tangible

Fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Freehold land and capital work-in-progress are carried at cost less impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

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

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

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

4.16.2 Intangible

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

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

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the company.

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

4.17 Revenue recognition

4.17.1 Premium income earned

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

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

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

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

4.18 Expenses of management

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

4.19 Commission income

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

4.20 Investment income

4.20.1 Income from available-for-sale investments

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

4.20.2 Income from held-to-maturity investments

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

4.21 Other income

4.21.1 Income from car repairs

Income from car repairs is recognised on accrual basis.

4.22 Foreign currencies

Transactions in foreign currencies are accounted for in Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange which approximate to

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

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

4.23 Financial instruments

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

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

4.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised as liability in the company's financial statements in the year in which these are approved.

4.25 Off setting

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

4.26 Earnings per share

The company presents basic earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year.

4.27 Impairment

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

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

4.28 Segment reporting

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

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

4.29 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

5 SHARE CAPITAL

5.1 Authorised share capital

2008	2007		2008	2007
(Number of shares)	(Number of shares)		(Rupees in '000)	(Rupees in '000)
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs 10 each	<u>1,500,000</u>	<u>1,500,000</u>

5.2 Paid-up share capital

Issued, subscribed and fully paid:

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

As at December 31, 2008, MCB Bank Limited, Nishat Mills Limited, Security General Insurance Company Limited and D.G Khan Cement Company Ltd., associated undertakings, held 30,031,483 (2007: 30,031,483) 30,031 (2007: 30,031) 3,420,309 (2007: 4,051,748) and 2,926,770 (2007: Nil) ordinary shares of Rs 10 each, respectively.

	Note	2008	2007
		(Rupees in '000)	(Rupees in '000)
6 RESERVES			
Capital reserves			
Reserve for exceptional losses	6.1	<u>22,859</u>	22,859
Investment fluctuation reserve	6.2	<u>3,764</u>	3,764
		<u>26,623</u>	26,623
Revenue reserve			
General reserve		<u>936,500</u>	936,500
		<u>963,123</u>	<u>963,123</u>

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

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

	2008	2007
	(Rupees in '000)	(Rupees in '000)
7 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)		
Related parties	<u>260,184</u>	297,649
Others	<u>4,302,369</u>	4,724,971
	<u>4,562,553</u>	<u>5,022,620</u>

8 STAFF RETIREMENT BENEFITS - Unfunded staff gratuity

Opening balance	<u>3,688</u>	3,085
Charge for the year	<u>3,989</u>	603
	<u>7,677</u>	3,688
Exchange loss	<u>1,489</u>	-
	<u>9,166</u>	<u>3,688</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
9 OTHER CREDITORS AND ACCRUALS			
Cash margin against performance bonds		372,228	304,907
Commission payable		388,817	281,001
Workers' welfare fund		23,518	-
Federal insurance fee		12,652	16,846
Payable to Employee's Provident Fund	9.1	709	932
Federal excise duty		58,313	50,204
Sundry creditors		138,130	131,995
		<u>994,367</u>	<u>785,885</u>

9.1 Employees' Provident Fund

During the year an amount of Rs. 21.144 million (2007: Rs. 18.125 million) has been charged to the profit and loss account in respect of the company's contributions to the Employees' Provident Fund.

10 CONTINGENCIES

The income tax assessments of the company have been finalised up to and including the tax year 2008. However, the company has filed appeals in respect of certain assessment years which mainly relate to the following:

- i) The Deputy Commissioner of Income Tax (DCIT) has finalised assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIT amounted to Rs 48.205 million against which the company has made a total provision of Rs 44.141 million resulting in a shortfall of Rs 4.064 million. The company filed appeals with the Commissioner of Income Tax (Appeals) and ITAT which were decided against the company. Consequently the company has filed an appeal before the Honorable High Court of Sindh which has reserved the judgement in this respect;
- ii) The Additional Commissioner/ Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the company during the above mentioned periods resulting in an additional tax liability of Rs 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Company but the Tax department has filed an appeal before the ITAT against the order of the Additional Commissioner. The company has also filed an appeal before the ITAT which is currently pending for adjudication; and
- iii) While finalising the assessment for the year 2002-03, the Deputy Commissioner of Income Tax (DCIT) has reduced the business loss for the year by Rs 88.18 million by adjusting the dividend income against this loss. The company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the company in this respect have been rejected by the Commissioner of Income Tax (Appeals), the Income Tax Appellate Tribunal, and the Sind High Court. The company has now filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will be eventually decided in favor of the company and has consequently not made any provision against the additional tax liability of Rs 26.455 million which may arise in this respect.
- iv) The tax authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the company has not apportioned management and general administration expenses against capital gain and dividend income. The company has filed constitution petition in the High Court of Sindh against the amendment in the assessment order and the Honourable Court has suspended two of notices for amendment and other notices are pending for hearing of petition. The company may be liable to pay Rs. 5.881 million in the event of the decision against the company, out of which Rs. 2.727 million has been provided by the company resulting in a shortfall of Rs. 3.154 million.

Pending resolution of the above-mentioned appeals filed by the company, no provision has been made in these financial statements for the aggregate amount of Rs. 48.580 million (2007: Rs. 45.426 million) as the management is confident that the eventual outcome of the above matters will be in favour of the company.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
II CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		7,863	537
Cheques in hand		33,759	133,198
		41,622	133,735
Current and other accounts			
Current accounts		6,269	346,317
Savings accounts		477,265	254,344
		483,534	600,661
Deposits maturing within 12 months			
Fixed and term deposits	11.1	1,198,950	219,801
		1,724,106	954,197

11.1 These include fixed deposits amounting to Rs. 146.724 million (AED 6.847 million) [2007: (Rs. 82.415 million), (AED 4.935 million)] kept in accordance with the requirements of Insurance Regulations applicable in the UAE for the purpose of carrying on business in the country. These also include liens against cash deposits of Rs. 4.451 million (2007: Rs. 4.422 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed against the company.

11.2 Cash and bank deposits include an amount of Rs.1,018 million (2007: Rs. 322.619 million) held with related parties.

	Note	2008	2007
(Rupees in '000)			
12 LOANS - considered good			
Secured			
Executives	12.2	4,604	6,008
Employees	12.2	50,299	48,282
		54,903	54,290
Less: Recoverable within one year shown under sundry receivables			
Executives	19	4,372	5,563
Employees	19	23,679	21,415
		28,051	26,978
		26,852	27,312

12.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase/construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase/ construction of houses which carry interest at the rate of 5% (2007: 5%) per annum.

12.2 Reconciliation of carrying amount of loans

	2008			2007		
	Executives	Others	Total	Executives	Others	Total
(Rupees in '000)						
Opening balance	6,008	48,282	54,290	4,359	46,850	51,209
Disbursements	10,184	45,764	55,948	10,355	39,718	50,073
Repayments	(11,588)	(43,747)	(55,335)	(8,706)	(38,286)	(46,992)
Closing balance	4,604	50,299	54,903	6,008	48,282	54,290

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
13 INVESTMENTS			
In related parties			
Available-for-sale			
Marketable securities	13.3	5,770,797	4,841,403
Less: Provision for impairment in value of investments	13.3	(1,108,681)	(230)
		4,662,116	4,841,173
Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,086	-
		4,956,202	4,841,173
Others			
Available-for-sale			
Marketable securities	13.3	3,095,736	2,112,671
Less: Provision for impairment in value of investments	13.3	(1,305,820)	(28,092)
		1,789,916	2,084,579
Fixed income investments	13.4	830,631	1,180,100
		2,620,547	3,264,679
Held-to-maturity			
Defence Saving Certificates - deposited with the State Bank of Pakistan in accordance with Section 29 of the Insurance Ordinance, 2000		-	26,250
		2,620,547	3,290,929
		7,576,749	8,132,102

13.1 At December 31, 2008, the fair value of available-for-sale securities was Rs.6,735.364 million (2007: Rs.11,682.605 million). As per the company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2008 would have been lowered by Rs.841.385 million (2007: higher by Rs.3,576.753 million).

	Note	2008	2007
(Rupees in '000)			
13.2 Reconciliation of provision for impairment in value of investments			
Opening provision		28,322	36,028
Charge / (Reversal) for the year	13.2.1	2,386,179	(7,706)
Closing provision		2,414,501	28,322

13.2.1 During the period, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism" the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by KSE on December 15, 2008 in order to rationalise the prices of equity securities. Subsequent to the removal of the "Floor Mechanism", the KSE 100 index declined from 9,187 points at December 15, 2008 to 5,865 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes. In addition, there were lower floors on a number of securities as at December 31, 2008.

As per the requirements of the SEC (Insurance) Rules, 2002, the available-for-sale investments are to be stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). In view of the above circumstances, a clarification was sought from the SECP on the treatment of such fall in market value as at December 31, 2008. The SECP through Circular No. 3/2009 dated February 16, 2009, clarified that where the market value of any available-for-sale investment as at December 31, 2008, is less than the cost, the fall in value may be treated as temporary and the investment be valued at cost. However, it was allowed that any insurance company which wishes to treat the fall in value as other than temporary, in whole or in part, may do so.

The above-mentioned fall in the market value of available-for-sale investments aggregated to Rs.3,483.765 million as at December 31, 2008 against which the company has made a provision of Rs.2,386.179 million in these financial statements, applying the treatment allowed under the above-mentioned SECP Circular. In accordance with the methodology prescribed under the said Circular, the company will recognise the remaining fall in value of Rs.1,097.586 million, through the profit and loss account, during each calendar quarter of the year ending December 31, 2009 after adjusting for the relevant price movements. However, such remaining fall in the value shall be treated as a charge to the profit and loss account for the purposes of distribution as dividend.

Had the company treated the entire amount of fall in value of investments as other than temporary and accounted for the same through the profit and loss account, the impact on the financial statements of the company would have been as follows:

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	Rupees in '000
Increase in the provision for impairment in the profit and loss account	1,097,586
Decrease in profit after taxation for the year	1,097,586
Decrease in the earnings per share (Rupees)	10.73

Note	2008		2007
	Cost	Provision there against	Carrying Value
			Carrying Value
	(Rupees in '000)		

13.3 Marketable securities - Available for sale

In related parties:

- Listed shares	4,670,427	1,108,681	3,561,746	4,841,173	
- Mutual Fund Certificates	1,100,370	-	1,100,370	-	
- Investment in Subsidiary - Adamjee Life Assurance Company Limited	294,086	-	294,086	-	
	13.3.1	6,064,883	1,108,681	4,956,202	4,841,173

Others:

- Listed shares	13.3.2	2,750,574	1,221,554	1,529,020	1,754,584
- Term Finance Certificates	13.3.3	175,182	1,853	173,329	182,740
- Unlisted/ delisted shares and debentures	13.3.4	120	-	120	120
- Mutual Fund Certificates	13.3.5	169,699	82,413	87,286	146,974
- NIT Units		161	-	161	161
		3,095,736	1,305,820	1,789,916	2,084,579
		9,160,619	2,414,501	6,746,118	6,925,752

No. of Shares/ Certificates	Face value	Company's name	2008	2007
2008	2007		(Rupees in '000)	

13.3.1 Related parties

Listed Shares

14,327	14,327	10	Mehran Sugar Mills Ltd. [Equity held 0.15% (2007: 0.15%)]	445	445
868,035	868,035	10	Nishat Mills Ltd. [Equity held 0.54% (2007: 0.54%)]	18,586	18,586
115,500	6,204,000	10	Hub Power Company Ltd. [Equity held 0.01% (2007: 0.54%)]	3,224	173,156
-	1,298,969*	10	Oil and Gas Development Company Ltd. [Equity held Nil (2007: 0.030%)]	-	142,167
1,173,287	-*	10	D.G. Khan Cement Company Limited [Equity held 0.46% (2007: 0%)]	34,185	-
19,225,933	17,011,379	10	MCB Bank Limited [Equity held 3.06% (2007: 2.71%)]	4,613,987	4,507,049
				4,670,427	4,841,403

*D.G.Khan Cement Company Limited became associated undertaking during the year due to common directorship. Whereas, Oil and Gas Development Company Limited (OGDC) ceased to be an associated undertaking during the year. The shareholding of D.G.Khan Cement Company Limited in prior year and OGDC in current year are shown under others - listed shares.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

No. of Shares/ Certificates	Face value	Company's name	2008	2007
2008	2007	Rupees	(Rupees in '000)	

Unlisted Shares

29,408,645	-*	10	Adamjee Life Assurance Co. Limited [Equity held 55% (2007: 0%)]	294,086	-
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*This represents the subscription made by the company in the share capital of Adamjee Life Assurance Company Limited, which was incorporated during the year.

No. of Shares/ Certificates	Face value	Company's name	2008	2007
2008	2007	Rupees	(Rupees in '000)	

Mutual Fund Certificates

11,213,525	-	100	MCB Dynamic Cash Fund [Units held 12.05% (2007: 0%)]	1,100,370	-
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13.3.2 Others-listed shares

Investment Bank/ Investment Companies / Security Companies					
800,000	-	10	Arif Habib Securities Ltd.	98,981	-
34,377	-	10	Jahangir Siddiqui Co. Ltd.	7,373	-
Commercial Banks					
917,000	-	10	Allied Bank Ltd.	56,773	-
166,666	-	10	Arif Habib Bank Ltd.	3,796	-
1,020,756	335,616	10	Askari Bank Ltd.	71,871	29,187
1,246,000	190,000	10	Atlas Bank Ltd.	20,232	3,334
4,302,171	3,386,901	10	Bank Al-Habib Ltd.	166,807	170,715
496,106	2,200	10	Bank Alfalah Ltd.	22,865	127
50,000	-	10	Bank Islami Pakistan Ltd.	1,043	-
97,400	-	10	Habib Bank Ltd.	22,373	-
2,568,583	2,165,486	10	Habib Metropolitan Bank Ltd.	100,026	101,195
200,000	200,000	10	JS Bank Ltd.	4,788	4,788
951,495	324,650	10	National Bank of Pakistan	164,683	88,175
-	95,000	10	NIB Bank Ltd.	-	2,254
-	100,000	10	PICIC Commercial Bank	-	4,353
497,000	161,000	10	Samba Bank Ltd. (formerly Crescent Commercial Bank Ltd.)	10,422	3,623
194,430	126,330	10	Soneri Bank Ltd.	7,627	6,072
1,818,070	228,356	10	United Bank Ltd.	204,194	40,991
Insurance					
14,145	12,300	10	EFU General Insurance Co. Ltd.	1,081	1,081
9,116	7,597	10	Habib Insurance Co. Ltd.	22	22
163,817	87,369	10	International Gen. Ins Co. of Pakistan Ltd.	22,888	22,888
286,843	51,632	10	Pakistan Reinsurance Co. Ltd.	6,326	6,326
Textile Spinning					
57,778	57,778	10	Dewan Khalid Textile Mills Ltd.	1,142	1,142
400,000	400,000	10	Hira Textile Mills Ltd.	5,000	5,000
78,000	78,000	10	Service Industries (Textile) Ltd.	1,388	1,388
51,200	51,200	10	Shahzad Textile Mills Ltd.	634	634
Textile Composite					
16,014	16,014	10	Hussain Industries Ltd.	282	282
17	-	10	Janana-De-Melucho	-	-
5	-	10	Kohinoor Industries Ltd.	-	-
14,437	14,437	10	Zahur Textile Mills Ltd.	210	210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

No. of Shares/ Certificates 2008	2007	Face value Rupees	Company's name	2008	2007
				(Rupees in '000)	
			Jute		
112,866	112,866	10	Crescent Jute Products Limited	2,183	2,183
109,807	109,807	10	Mehran Jute Mills Limited	1,150	1,150
10,098	-	10	Thal Ltd.	2,003	-
			Sugar And Allied		
41,535	41,535	10	Crescent Sugar Mills & Distillery Ltd.	542	542
			Cement		
-	1,173,287	10	D.G. Khan Cement Company Limited.	-	34,185
75,300	90,000	10	Lucky Cement Ltd.	9,126	11,471
208,500	-	10	Maple Leaf Cement Factory Ltd.	3,118	-
			Refinery		
-	20,000	10	Attock Refinery Limited	-	5,406
5,480	5,480	10	National Refinery Limited	743	743
24,887	102,761	10	Pakistan Refinery Limited	2,438	11,743
			Power Generation & Distribution		
85,000	-	10	Kot Addu Power Company Ltd	3,913	-
			Oil And Gas Marketing Companies		
110,000	-	10	Pakistan State Oil Co. Ltd.	48,178	-
207,900	29,700	10	Shell Gas LPG Pakistan Ltd .	2,315	533
328,470	280,576	10	Shell Pakistan Ltd.	68,743	73,400
1,916,100	-	10	Sui Northern Gas Pipelines Ltd.	127,666	-
			Oil And Gas Exploration Companies		
1,446,669	-	10	Oil and Gas Development Company Limited	161,274	-
427,171	198,176	10	Pakistan Oilfields Limited	101,082	44,624
1,150,941	11,710	10	Pakistan Petroleum Limited	256,732	3,010
			Engineering		
1,165,686	883,096	10	International Industries Limited	77,490	77,490
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
521	-	10	Indus Motor Company Limited	167	-
252,508	202,007	10	Millat Tractors Limited	35,335	35,335
			Cables And Electrical Goods		
326,128	296,480	10	Pakistan Cables Limited	27,717	27,717
171,930	171,930	10	Siemens (Pakistan) Engineering Company Limited	135,531	135,531
			Transport		
47,400	47,400	10	Pan Islamic Steamship Company Limited	457	457
			Technology And Communication		
175,000	244,500	10	Pakistan Telecommunication Company Ltd.	7,151	12,888
25,000	-	10	World Call Telecommunication Ltd.	440	-
			Fertilizer		
253,811	482,338	10	Engro Chemical Pakistan Limited	64,610	66,759
404,078	266,078	10	Fauji Fertilizer Bin Qasim	15,375	11,758
1,331,285	3,082,285	10	Fauji Fertilizer Company Limited	122,324	283,214

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

No. of Shares/ Certificates		Face value	Company's name	2008	2007
2008	2007	Rupees		(Rupees in '000)	
Pharmaceutical					
1,242,596	1,294,596	10	Abbot Laboratories Pakistan Limited	151,883	158,239
52	-	10	Ferozsons Laboratories Limited	-	-
707,976	707,976	10	GlaxoSmithKline Pakistan Limited	84,811	84,811
Chemical					
77,905	77,905	10	BOC Pakistan Limited	13,881	13,881
88,321	70,657	10	Clariant Pakistan Limited	11,762	11,762
1,840,330	-	10	Descon Oxychem Limited	18,403	-
41,400	-	10	ICI Pakistan Limited	8,561	-
Paper And Board					
90	9,209	10	Packages Limited	9	1,054
1,582	109,619	10	Security Papers Limited	15	1,286
Food And Personal Care Products					
15,630	15,630	10	Ismail Industries Limited	233	233
486,812	442,557	10	Murree Brewery Company Limited	34,565	34,565
32,783	32,783	10	Nestle Milk Pak Limited	18,980	18,980
54,870	54,870	10	Rafhan Maize Products Limited	44,644	44,644
26,336	26,336	50	Unilever Pakistan Limited	35,847	35,846
Glass And Ceramics					
26,831	26,831	10	Medi Glass Limited	417	419
Miscellaneous					
75,000	-	10	Pace Pakistan Limited	2,903	-
				<u>2,750,574</u>	<u>1,782,676</u>
13.3.3 Other-Term Finance Certificates					
3,997	3,998	5,000	Allied Bank Ltd. (05/11/2006)	19,984	19,992
9,988	9,992	5,000	Bank Alfalah Ltd. (25/11/ 2005)	49,942	49,962
2,249	2,999	5,000	IGI Investment Bank Ltd. (10/07/2006)	11,246	14,997
1,998	1,999	5,000	Jahangir Siddiqui and Company Ltd. (21/11/ 2006)	9,992	9,996
999	1,000	5,000	Orix Leasing Pakistan Ltd. (25/05/ 2007)	4,997	4,999
5,994	5,996	5,000	Pakistan Mobile Communication Ltd. (31/05/ 2006)	29,970	29,982
3,941	3,943	5,000	Royal Bank of Scotland Ltd. (10/02/ 2005)	19,708	19,715
1,874	2,623	5,000	Searle Pakistan Ltd. (9/03/2006)	9,371	13,117
3,994	3,996	5,000	Soneri Bank Ltd. (5/05/2005)	19,972	19,980
				<u>175,182</u>	<u>182,740</u>
13.3.4 Others-Unlisted/ delisted shares and debentures					
12	12	10,000	Tariq Cotton Mills Ltd (Karikot Textile)	120	120
				<u>120</u>	<u>120</u>
13.3.5 Others-Mutual Fund Certificates (Open Ended) Mutual Funds					
1,000,000	-	100	ABL Income Fund	10,000	-
5,564	-	500	Atlas Income Fund	2,725	-
113,743	101,514	100	AMZ Plus Income Fund	10,000	10,000
13,609	12,349	100	Dawood Money Market Fund	1,000	1,000
230,484	205,296	100	HBL Income Fund	20,000	20,000
196,463	-	100	Meezan Islamic Income Fund	10,000	-
(Close Ended) Mutual Funds					
9,277,937	9,277,937	10	JS Growth Fund	78,317	78,317
400,000	400,000	10	Pakistan Strategic Allocation Fund	4,000	4,000
2,757,705	2,757,705	10	PICIC Investment Fund	33,657	33,657
				<u>169,699</u>	<u>146,974</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007
13.4 Fixed Income Investments			
Defence Savings Certificates		<u>830,631</u>	<u>1,180,100</u>
14 PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		3,449,898	3,203,751
Considered doubtful		<u>46,793</u>	<u>86,202</u>
		<u>3,496,691</u>	<u>3,289,953</u>
Less: Provision for doubtful balances	14.1	<u>(46,793)</u>	<u>(86,202)</u>
		<u>3,449,898</u>	<u>3,203,751</u>
14.1 Reconciliation of provision for doubtful balances			
Opening provision		86,202	145,709
Exchange loss		19,659	624
Charge for the year		30,000	19,211
Written off during the year		<u>(89,068)</u>	<u>(79,342)</u>
Closing provision		<u>46,793</u>	<u>86,202</u>
14.2 Premiums due but unpaid include an amount of Rs. 88.6 million (2007: Rs. 384.03 million) held with related parties.			
	Note	2008 (Rupees in '000)	2007
15 AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured			
Considered good		535,059	255,570
Considered doubtful		<u>61,396</u>	<u>45,396</u>
		<u>596,455</u>	<u>300,966</u>
Less: Provision for doubtful balances	15.1	<u>(61,396)</u>	<u>(45,396)</u>
		<u>535,059</u>	<u>255,570</u>
15.1 Reconciliation of provision for doubtful balance			
Opening provision		45,396	31,396
Charge for the year		<u>16,000</u>	<u>14,000</u>
Closing provision		<u>61,396</u>	<u>45,396</u>
16 ACCRUED INVESTMENT INCOME			
Return accrued on Term Finance Certificates		4,762	4,066
Dividend income			
- associated undertakings		-	2,273
- others		<u>8,648</u>	<u>12,944</u>
		<u>8,648</u>	<u>15,217</u>
Return on deposit accounts			
- associated undertakings		<u>22,127</u>	<u>2,571</u>
- others		<u>1,855</u>	<u>7,576</u>
		<u>23,982</u>	<u>10,147</u>
Others		<u>2,073</u>	<u>1,579</u>
		<u>39,465</u>	<u>31,009</u>
17 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS			
These are unsecured and considered to be good.			
18 PREPAYMENTS			
Prepaid reinsurance premium ceded		1,004,231	1,445,037
Others		<u>53,552</u>	<u>74,204</u>
		<u>1,057,783</u>	<u>1,519,241</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
19 SUNDRY RECEIVABLES			
Considered good			
Current portion of long-term loans			
Executives	12	4,372	5,563
Employees	12	23,679	21,415
Other advances		51,913	39,960
Staff Gratuity Fund	19.1.1	63,950	57,693
Receivable from Staff Gratuity Fund		-	22,167
Security deposits		11,855	20,516
Stationery in hand		2,885	2,011
Sundry debtors		43,860	103,502
		<u>202,514</u>	<u>272,827</u>
Miscellaneous			
Considered good		64	51
Considered doubtful		-	19,755
		<u>64</u>	<u>19,806</u>
		<u>202,578</u>	<u>292,633</u>
Less: Provision for doubtful balances	19.2	-	(19,755)
		<u>202,578</u>	<u>272,878</u>

19.1 Staff Gratuity Fund

The company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2008.

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

	Rate per annum
- Valuation discount rate	16.00%
- Expected rate of increase in salary level	13.79%
- Rate of return on plan assets	16.00%

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

	2008	2007
	(Rupees in '000)	
Present value of defined benefit obligation at the end of the year	161,130	173,663
Fair value of plan assets at the end of the year	<u>(250,143)</u>	<u>(282,517)</u>
	<u>(89,013)</u>	<u>(108,854)</u>
Net unrecognised actuarial gains	25,063	51,161
Net assets	<u>(63,950)</u>	<u>(57,693)</u>

19.1.1 Amounts recognised in the balance sheet

Liabilities	-	-
Assets	63,950	57,693
Net assets	<u>63,950</u>	<u>57,693</u>

19.1.2 The amounts charged in profit and loss are as follows:

Current service cost	9,651	10,199
Interest on obligation	17,841	17,975
Expected return on plan assets	(29,814)	(26,716)
Actuarial gains recognised during the year	(3,935)	(1,612)
Total gratuity expense for the year for funded obligation	<u>(6,257)</u>	<u>(154)</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
	(Rupees in '000)	
19.1.3 Actual return on plan assets	<u>(8,790)</u>	<u>53,568</u>
19.1.4 Changes in present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	173,663	176,626
Current service cost	9,651	10,199
Interest cost	17,841	17,975
Actuarial gain	(16,441)	(4,000)
Benefits paid	(23,584)	(27,137)
Present value of defined benefit obligation at the end of the year	<u>161,130</u>	<u>173,663</u>
19.1.5 Changes in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	282,517	256,086
Expected return	29,814	26,716
Actuarial gain	(38,604)	26,852
Benefits paid	(23,584)	(27,137)
Fair value of plan assets at the end of the year	<u>250,143</u>	<u>282,517</u>

The Company is not expected to contribute to the gratuity fund in 2008.

	<u>2008</u>		<u>2007</u>	
	(Rupees in '000)	%	(Rupees in '000)	%
19.1.6 Fund Investment				
Government Bonds	57,853	23%	141,159	50%
Other Bonds	100,041	40%	41,574	15%
Unit Trusts	83,545	33%	89,996	32%
Cash	13,785	6%	34,046	12%
Creditors	(5,081)	(2%)	(24,258)	(9%)
	<u>250,143</u>	<u>100%</u>	<u>282,517</u>	<u>100%</u>

19.1.7 Amounts/ percentages for the current and previous four periods

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

	<u>2008</u>	2007	2006	2005	2004
	(Rupees in '000)				
Defined benefit obligation	(161,130)	(173,663)	(176,626)	(200,739)	(202,824)
Plan assets	250,143	282,517	256,086	270,037	279,748
Surplus	<u>89,013</u>	<u>108,854</u>	<u>79,460</u>	<u>69,298</u>	<u>76,924</u>
Experience adjustments on plan liabilities	-10%	-2%	3%	-5%	12%
Experience adjustments on plan assets	-15%	10%	10%	-5%	9%

	<u>2008</u>	<u>2007</u>
	(Rupees in '000)	
19.2 Reconciliation of provision for doubtful balances		
Opening provision	19,755	19,755
Written off during the year	(19,755)	-
Closing provision	<u>-</u>	<u>19,755</u>

20 FIXED ASSETS

Owned assets - tangible	20.1	894,189	700,259
- intangible	20.1	45,721	3,308
		<u>939,910</u>	<u>703,567</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

20.1 The following is a statement of operating fixed assets :

	2008										
	Owned assets							Leased assets		Total Assets	
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Intangible computer software	Total	Motor vehicles		Total
	(Rupees in '000)										
At January 1, 2008											
Cost	204,076	52,821	344,954	303,586	131,184	1,036,621	9,096	1,045,717	-	-	1,045,717
Accumulated depreciation/ amortisation	23,021	30,448	1,11,329	83,320	88,244	336,362	5,788	342,150	-	-	342,150
Net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Year ended December 31, 2008											
Opening net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Additions	-	9,912	42,201	244,798	21,561	318,472	5,185	323,657	-	-	323,657
Disposals											
Cost	-	1,296	15,612	4,519	157	21,584	-	21,584	-	-	21,584
Depreciation/ amortisation	-	575	7,417	3,258	89	11,339	-	11,339	-	-	11,339
	-	721	8,195	1,261	68	10,245	-	10,245	-	-	10,245
Transfer from Capital Work-in-Progress											
Cost	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation/ amortisation	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation/ amortisation charge for the year	3,262	4,512	38,762	68,360	19,568	134,464	7,451	141,915	-	-	141,915
Closing net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	939,910
At December 31, 2008											
Cost	204,076	61,437	371,543	543,865	172,755	1,353,676	58,960	1,412,636	-	-	1,412,636
Accumulated depreciation/ amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	472,726
Net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	939,910
Depreciation rate per annum	10%	15%	15%	15% & 16.67%	30%		20%		15%		

During the year, capital work-in-progress amounting to Rs. 20.167 million and Rs. 44.679 million have been transferred to tangible (computer) and intangible (computer software) respectively.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	2007										
	Owned assets							Leased assets			Total Assets
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Intangible computer software	Total	Motor vehicles	Total	
	(Rupees in '000)										
At January 1, 2007											
Cost	52,410	50,734	267,900	111,558	117,031	599,633	7,362	606,995	25,696	25,696	632,691
Accumulated depreciation / amortisation	19,351	27,422	71,582	65,189	78,559	262,103	5,119	267,222	6,342	6,342	273,564
Net book value	33,059	23,312	196,318	46,369	38,472	337,530	2,243	339,773	19,354	19,354	359,127
Year ended December 31, 2007											
Opening net book value	33,059	23,312	196,318	46,369	38,472	337,530	2,243	339,773	19,354	19,354	359,127
Additions	151,666	3,293	56,012	195,018	19,812	425,801	1,734	427,535	-	-	427,535
Disposals											
Cost	-	1,206	4,654	2,990	5,659	14,509	-	14,509	-	-	14,509
Depreciation/ amortisation	-	721	2,855	1,683	5,434	10,693	-	10,693	-	-	10,693
Transferred from leased assets	-	485	1,799	1,307	225	3,816	-	3,816	-	-	3,816
Cost	-	-	25,696	-	-	25,696	-	25,696	25,696	25,696	-
Depreciation/ amortisation	-	-	6,342	-	-	6,342	-	6,342	6,342	6,342	-
Depreciation/ amortisation charge for the year	3,670	3,747	36,260	19,814	15,119	78,610	669	79,279	-	-	79,279
Closing net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
At December 31, 2007											
Cost	204,076	52,821	344,954	303,586	131,184	1,036,621	9,096	1,045,717	-	-	1,045,717
Accumulated depreciation / amortisation	23,021	30,448	111,329	83,320	88,244	336,362	5,788	342,150	-	-	342,150
Net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Depreciation rate per annum	10%	15%	15%	15% & 16.67%	30%		20%		15%		

During the year, leased motor vehicles amounting to Rs. 25.696 million (having net book value of Rs. 19.354 million) were transferred to owned motor vehicles at the end of lease term.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Furniture & Fixtures	115	44	71	71	Negotiation	Mohammad Hashim- Karachi
	60	8	52	51	Full & Final Settlement	Yousuf Jamal- Karachi (Ex-Employee)
	315	66	249	249	Full & Final Settlement	Malik Yaseen- Islamabad (Ex-Employee)
Items having book value below Rs.50,000	806	457	349	331		
	1,296	575	721	702		
Motor Vehicles	500	198	302	442	Auction	Muhammad Iqbal S/o Salah Muhammad- Karachi
	610	123	487	450	Full & Final Settlement	Tinku I. Johnson- Karachi (Ex-executive)
	316	216	100	144	Auction	Muhammad Ehtesham S/o M.Younus- Karachi
	650	251	399	-	Full & Final Settlement	Ghulam Abbas (Late)- Karachi (Ex-employee)
	1,287	438	849	-	Full & Final Settlement	T.A. Abbasi- Karachi (Ex-executive)
	849	437	412	511	Negotiation	Iqbal A. Karim- Karachi
	381	258	123	243	Auction	Fawir Mohammad- Lahore
	347	219	128	252	Auction	Saeed Ahmed- Lahore
	548	245	303	463	Auction	Fahad Saleem- Lahore
	826	370	456	721	Auction	Ijaz Lashari- Lahore
	1,550	571	979	1,256	Auction	Ch.Aamir Abbas
	950	280	670	690	Auction	Mohammad Shakil
	885	250	635	639	Auction	Aslam Jawaid- Lahore
	175	-	175	160	Auction	Ghulam Mustafa- Lahore
	799	370	429	451	Auction	Belal Aftab- Lahore
	495	431	64	235	Auction	Saqib Aziz- Lahore
	173	72	101	121	Auction	Abdul Majeed- Lahore
	425	341	84	230	Auction	Hafeez Ahmed- Islamabad
Items having book value below Rs.50,000	3,846	2,347	1,499	2,776		
	15,612	7,417	8,195	9,784		
Machinery & Equipment	1,157	1,042	115	80	Trade in	Seimens Enterprise Communications Pvt Ltd.- Karachi
	217	146	71	17	Negotiation	Noor Electronics-Karachi
	163	67	96	96	Full & final Settlement	Ghulam Wajahat- Karachi (Ex-employee)
	630	557	73	73	Negotiation	Mohammad Hashim- Karachi
	70	16	54	13	Negotiation	Panasonic Media Solution- Karachi
Items having book value below Rs.50,000	2,282	1,430	852	1,805		
	4,519	3,258	1,261	2,084		
Computer						
Items having book value below Rs.50,000	157	89	68	79		
	157	89	68	79		
	21,584	11,339	10,245	12,649		

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	Note	<u>2008</u>	<u>2007</u>
(Rupees in '000)			
20.2 Capital work-in-progress			
Tangible - Computer and related accessories		-	20,167
Intangible - Computer software		-	44,679
		<u>-</u>	<u>64,846</u>
21 EXPENSES			
Salaries and wages		722,995	596,760
Rent, rates and taxes		63,769	51,589
Utilities		31,693	34,147
Communication		44,610	38,394
Printing and stationery		22,297	21,726
Traveling and entertainment		74,610	77,559
Repairs and maintenance		154,786	142,087
Advertisement and sales promotion		80,907	87,359
Amortisation of intangible asset	20.1	7,451	669
Others		3,445	4,688
		<u>1,206,563</u>	<u>1,054,978</u>
22 OTHER INCOME			
Gain on sale of fixed assets		2,404	1,599
Income from car repairs		8,566	10,378
Interest on loans to employees		884	848
Return on bank deposits		119,664	53,776
Liabilities no longer required written back		42,043	-
Miscellaneous		10,033	4,565
		<u>183,594</u>	<u>71,166</u>
23 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and wages	23.1	181,449	171,946
Depreciation	20.1	134,464	78,610
Directors' fee		300	380
Legal and professional expenses		49,667	40,541
Auditors' remuneration	23.2	2,827	1,916
Donations	23.3	473	1,032
Provision for doubtful receivables		46,000	33,835
Workers' welfare fund		23,518	-
Others		73,029	70,107
		<u>511,727</u>	<u>398,367</u>
23.1	These include Rs 25.133 million (2007: Rs 18.728 million) in respect of staff retirement benefits.		
		<u>2008</u>	<u>2007</u>
(Rupees in '000)			
23.2 Auditors' remuneration			
Audit fees		1,700	1,700
Other certifications and tax advisory services		890	30
Out of pocket expenses		237	186
		<u>2,827</u>	<u>1,916</u>
23.3	None of the directors or their spouses had any interest in the donee.		

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

2008
—————
(Rupees in '000) —————
2007

24 PROVISION FOR TAXATION

Current

for the year
for prior years

	76,727	31,187
	-	52,448
	76,727	83,635

24.1 Relationship between tax expense and accounting profit

Profit before taxation

Tax at the applicable rate of 35%

Tax effect of income not deductible for tax purposes

Tax effect of income taxed at lower rate

Prior year's tax - current

	1,175,877	4,284,885
	411,557	1,499,710
	835,163	-
	(1,169,993)	(1,468,523)
	76,727	31,187
	-	52,448
	76,727	83,635

25 EARNINGS PER SHARE

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

Net profit after tax for the year

	1,099,150	4,201,250
--	-----------	-----------

(Number of shares)

Weighted average number of shares

	102,235,159	102,235,159
--	-------------	-------------

Basic earnings per share

	10.75	41.09
--	-------	-------

(Rupees)

26 REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES

	2008				2007			
	Chief Executive	Directors	Executives	Total (Rupees in '000)	Chief Executive	Directors	Executives	Total
Fee	-	300	-	300	-	380	-	380
Managerial remuneration	8,317	-	127,940	136,257	7,113	-	103,739	110,852
Allowances and perquisites	2,566	-	82,038	84,604	2,774	-	67,499	70,273
	10,883	300	209,978	221,161	9,887	380	171,238	181,505
Number	2	10	92	104	1	10	73	84

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

27 TRANSACTIONS WITH RELATED PARTIES

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 12, 20 and 26 to the financial statements. Particulars of transactions with the company's staff retirement benefit schemes are disclosed in note 19 to the financial statements. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant balance sheet notes. Other transactions with related parties (associated undertakings) are summarised as follows:

	Note	2008	2007
		(Rupees in '000)	
Premium underwritten		723,781	801,828
Premium received		802,085	385,827
Claims paid		486,216	210,241
Rent paid		2,727	2,138
Dividend received		232,447	162,359
Dividend paid		108,815	107,284
Income on deposit accounts		22,127	42,703
Number of shares			
Bonus shares received		447,680	1,802,019

28 SEGMENT REPORTING

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

	2008						Total
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/Liabilities	
							(Rupees in '000)
Segment assets	3,426,270	895,093	2,433,751	1,087,424	6,281	-	7,848,819
Unallocated assets	-	-	-	-	-	10,696,088	10,696,088
Total assets	3,426,270	895,093	2,433,751	1,087,424	6,281	10,696,088	18,544,907
Segment liabilities	3,406,225	628,190	3,713,719	1,224,264	20,104	-	8,992,502
Unallocated liabilities	-	-	-	-	-	1,108,214	1,108,214
Total liabilities	3,406,225	628,190	3,713,719	1,224,264	20,104	1,108,214	10,100,716
Capital expenditure	-	-	-	-	-	323,657	323,657
							2007
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/Liabilities	Total
							(Rupees in '000)
Segment assets	4,616,159	779,481	1,805,952	1,140,817	6,286	-	8,348,695
Unallocated assets	-	-	-	-	-	10,417,268	10,417,268
Total assets	4,616,159	779,481	1,805,952	1,140,817	6,286	10,417,268	18,765,963
Segment liabilities	4,852,831	617,630	3,416,857	1,285,850	42,799	-	10,215,967
Unallocated liabilities	-	-	-	-	-	898,249	898,249
Total liabilities	4,852,831	617,630	3,416,857	1,285,850	42,799	898,249	11,114,216
Capital expenditure	-	-	-	-	-	492,381	492,381

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

Although the operations of the company are based primarily on business segments, the company also operates in four geographical markets. The following table shows the distribution of company's revenue, total assets and capital expenditure by geographical segments:

	External premiums less reinsurances by Geographical Segments	
	2008	2007
	(Rupees in '000)	
Pakistan	6,705,366	5,453,284
United Arab Emirates	782,778	78,534
United Kingdom	-	-
Saudia Arabia	-	-
	<u>7,488,144</u>	<u>5,531,818</u>

	Carrying Amount of Segment Assets		Capital Expenditure incurred during the year	
	2008	2007	2008	2007
	(Rupees in '000)			
Pakistan	16,698,847	17,627,018	318,267	492,381
United Arab Emirates	1,792,909	949,704	5,390	-
United Kingdom	167	18,537	-	-
Saudia Arabia	52,984	170,704	-	-
	<u>18,544,907</u>	<u>18,765,963</u>	<u>323,657</u>	<u>492,381</u>

29 LIQUIDITY AND INTEREST RATE RISK

Liquidity risk

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

Interest rate risk

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

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

	2008						Total	
	Effective Yield/ Mark-up rate (%)	Interest/ Mark-up bearing			Non-Interest/ Mark-up bearing			
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year		Sub-total
	(Rupees in '000)							
Financial assets								
Cash and bank balances	3 - 15	1,676,215	-	1,676,215	47,891	-	47,891	1,724,106
Loans	5	28,051	26,852	54,903	-	-	-	54,903
Investments	11.48 - 18.52	372,344	631,736	1,004,080	6,572,669	-	6,572,669	7,576,749
Premiums due but unpaid		-	-	-	3,449,898	-	3,449,898	3,449,898
Amounts due from other insurers/ reinsurers		-	-	-	535,059	-	535,059	535,059
Premium and claim reserves retained by cedants		-	-	-	28,682	-	28,682	28,682
Accrued investment income		-	-	-	39,465	-	39,465	39,465
Reinsurance recoveries against outstanding claims		-	-	-	2,188,101	-	2,188,101	2,188,101
Sundry receivables		-	-	-	95,837	11,855	107,692	107,692
		2,076,610	658,588	2,735,198	12,957,602	11,855	12,969,457	15,704,655
Financial liabilities								
Provision for outstanding claims		-	-	-	4,562,553	-	4,562,553	4,562,553
Amounts due to other insurers/ reinsurers		-	-	-	137,380	-	137,380	137,380
Accrued expenses		-	-	-	79,626	-	79,626	79,626
Other creditors and accruals		-	-	-	899,175	-	899,175	899,175
Unclaimed dividends		-	-	-	25,055	-	25,055	25,055
		-	-	-	5,703,789	-	5,703,789	5,703,789

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

	2007							Total
	Effective Yield/ Mark-up rate (%)	Interest/ Mark-up bearing			Non-Interest/ Mark-up bearing			
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
							(Rupees in '000)	
Financial assets								
Cash and bank balances	3 - 11.5	474,145	-	474,145	480,052	-	480,052	954,197
Loans	5	26,978	27,312	54,290	-	-	-	54,290
Investments	11.47 - 18	443,787	945,423	1,389,210	6,742,892	-	6,742,892	8,132,102
Premiums due but unpaid		-	-	-	3,203,751	-	3,203,751	3,203,751
Amounts due from other insurers/ reinsurers		-	-	-	255,570	-	255,570	255,570
Premium and claim reserves retained by cedants		-	-	-	32,926	-	32,926	32,926
Accrued investment income		-	-	-	31,009	-	31,009	31,009
Reinsurance recoveries against outstanding claims		-	-	-	2,792,464	-	2,792,464	2,792,464
Sundry receivables		-	-	-	143,513	20,516	164,029	164,029
		944,910	972,735	1,917,645	13,682,177	20,516	13,702,693	15,620,338
Financial liabilities								
Provision for outstanding claims		-	-	-	5,022,620	-	5,022,620	5,022,620
Amounts due to other insurers/ reinsurers		-	-	-	579,621	-	579,621	579,621
Accrued expenses		-	-	-	79,174	-	79,174	79,174
Other creditors and accruals		-	-	-	717,903	-	717,903	717,903
Liabilities against assets subject to finance lease	8.50 - 8.58	-	-	-	-	-	-	-
Unclaimed dividends		-	-	-	29,502	-	29,502	29,502
		-	-	-	6,428,820	-	6,428,820	6,428,820

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

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

30.2 Credit risk and concentration of credit risk exposure

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and review and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

30.3 Foreign exchange risk

Foreign currency risk arises mainly where receivables/ payables exist due to transactions with foreign undertakings. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs 1,774.983 million (2007: Rs 1,669.246 million) and Rs 1,024.001 million (2007: Rs 1,786.474 million) respectively, at the end of the year.

30.4 Market risk

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

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

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

30.5 Reinsurance risk

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

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

31 CAPITAL MANAGEMENT

The company's goals and objectives when managing capital are:

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. During the year, minimum paid-up capital requirement for non-life insurers was raised to Rs. 300 million. The requirement is to be met in a phased manner by December 31, 2011. The company's current paid-up capital is well in excess of the limit prescribed by the SECP.
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings and to protect the company against unexpected events/ losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

32 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in their meeting held on March 7, 2009 proposed a final cash dividend for the year ended December 31, 2008 @ 10% Re 1.0/- share (2007: @ 15% Rs 1.5/- share). This is in addition to the interim dividend @ 15% Rs. 1.5/- share (2007: @ 15% Rs 1.5/- share) resulting in a total cash dividend for the year ended December 31, 2008 of Rs. 2.5/- per share (2007: Rs 3.0/- share). The Board also proposed issue of bonus shares @ 10% i.e 10 shares for every 100 shares held. The approval of the members for the cash dividend and bonus shares will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2008 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2009.

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2008

33 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 13 to the financial statements.

34 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

- a) Provision for outstanding claims including incurred but not reported (IBNR) (note 4.1)
- b) Defined benefit plans (note 4.5.2 and note 19.1)
- c) Classification of investments and provision for impairment there against (note 4.10 and note 13)
- d) Provision for taxation including the amount relating to tax contingency (note 4.11, note 10 and note 24)
- e) Provision for doubtful receivables (note 4.7, note 4.12, note 14 and note 15)

	2008	2007
	Number	
35 NUMBER OF EMPLOYEES AT DECEMBER 31	<u>1,214</u>	<u>1,388</u>

36 CORRESPONDING FIGURES

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

37 GENERAL

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

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on March 07, 2009 by the Board of Directors of the company.

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

S.M. Jawed
Director

Ibrahim Shamsi
Director

Umer Mansha
Chairman

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS as at December 31, 2008

No. of shareholders	Shareholdings	Total shares held
1,672	Holding from 1	100 shares 67,505
1,181	-do- 101	" 339,713
453	-do- 501	" 360,325
717	-do- 1001	" 1,725,081
173	-do- 5001	" 1,295,148
73	-do- 10001	" 892,392
58	-do- 15001	" 1,042,520
26	-do- 20001	" 601,193
33	-do- 25001	" 915,060
17	-do- 30001	" 538,833
10	-do- 35001	" 381,065
8	-do- 40001	" 332,897
8	-do- 45001	" 385,391
7	-do- 50001	" 370,459
8	-do- 55001	" 460,181
11	-do- 60001	" 696,593
5	-do- 65001	" 342,522
7	-do- 70001	" 505,050
4	-do- 75001	" 317,973
6	-do- 80001	" 492,483
1	-do- 85001	" 89,433
2	-do- 90001	" 188,567
3	-do- 95001	" 296,364
3	-do- 100001	" 304,182
2	-do- 115001	" 235,065
3	-do- 120001	" 371,321
1	-do- 125001	" 129,285
1	-do- 130001	" 134,470
1	-do- 135001	" 139,625
1	-do- 140001	" 140,250
3	-do- 160001	" 486,513
2	-do- 165001	" 334,054
2	-do- 170001	" 347,507
1	-do- 180001	" 182,273
2	-do- 185001	" 373,458
2	-do- 190001	" 384,846
2	-do- 205001	" 414,597
1	-do- 210001	" 212,500
1	-do- 215001	" 217,049
1	-do- 235001	" 240,000
2	-do- 245001	" 500,000
2	-do- 250001	" 505,300
2	-do- 255001	" 516,237
1	-do- 275001	" 277,089
1	-do- 290001	" 294,595
1	-do- 300001	" 303,800
2	-do- 305001	" 614,440
2	-do- 310001	" 625,960
2	-do- 315001	" 638,600
1	-do- 320001	" 323,762
1	-do- 330001	" 331,416
1	-do- 335001	" 337,455
1	-do- 355001	" 360,000

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS as at December 31, 2008

No. of shareholders	Shareholdings	Total shares held
1	-do- 370001	" 375000
2	-do- 385001	" 390000
1	-do- 405001	" 410000
2	-do- 465001	" 470000
1	-do- 490001	" 495000
1	-do- 505001	" 510000
1	-do- 510001	" 515000
1	-do- 595001	" 600000
1	-do- 755001	" 760000
1	-do- 1005001	" 1010000
1	-do- 1040001	" 1045000
1	-do- 1255001	" 1260000
1	-do- 1615001	" 1620000
1	-do- 2925001	" 2930000
1	-do- 3280001	" 3285000
1	-do- 3415001	" 3420000
1	-do- 3420001	" 3425000
1	-do- 3755001	" 3760000
1	-do- 3795001	" 3800000
1	-do- 4235001	" 4240000
1	-do- 6050001	" 6055000
1	-do- 8095001	" 8100000
1	-do- 30030001	" 30035000
<u>4,556</u>		<u>102,235,160</u>

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS as at December 31, 2008

Categories of Shareholders	Shares held	Percentage
Directors		
Umer Mansha	17,625	0.017
Ahmad Alman Aslam	3,093	0.003
Ahmed Ebrahim Hasham	2,500	0.002
Ali Munir	4,704	0.005
Atif Bajwa (Nominee of MCB Bank)	-	
Ibrahim Shamsi	4,908	0.005
Hassan Mansha	17,625	0.017
Khalid Qadeer Qureshi	2,500	0.002
S.M. Jawed	5,000	0.005
Shahzad Saleem	2,504	0.002
Chief Executive Officer		
Muhammad Ali Zeb	2,500	0.002
Directors / CEO's spouse	-	-
Executives / Executives' spouse	-	-
Associated Companies, undertakings & related parties		
MCB Bank Ltd.,	30,031,483 *	29.375
Nishat Mills Ltd.	30,031	0.029
Security General Insurance Co., Ltd.	3,420,309	3.346
D.G. Khan Cement Co., Ltd.	2,926,770	2.863
NIT and ICP		
National Investment Trust Limited	494,173	0.484
Banks, DFIs and NBFIs	2,814,538	2.753
Public sector companies and corporations	105,656	0.103
Insurance Companies	581,407	0.569
Modaraba and Mutual Funds	3,947,342	3.861
General Public		
a) Local (Individuals)	27,265,237	26.669
b) Foreign Companies/ organizations/ Individuals (on repatriable basis)	10,944,751	10.706
Others - See below	19,610,504 **	19.182
	<u>102,235,160</u>	<u>100.000</u>
Shareholders holding 10% or more voting interest	<u>30,031,483 *</u>	

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS as at December 31, 2008

Categories of Shareholders

Shares held

Others:

1 The Administrator, Abandoned Properties Organisation	100
2 Adamjee Foundation	8,100,836
3 Mobarak Begum Charitable Trust	9,678
4 Ismailia Youth Services	3,272
5 Trustee-Ebrahim Bawany Foundation	32
6 Trustee Overseas Pakistanis Pension Trust	34
7 Managing Committee Mobarak Begum Charitable Trust	29
8 Trustees-ICI Pakistan Management Staff Pension Fund	562
9 Trustee-Nishat (Chunian) Ltd Employees Provident Fund	5,000
10 Trustee-NWFP GPI Fund	60,000
11 Trustee- NWFP Pension Fund	79,000
12 Trustee-MCB Employees Pension Fund	4,238,565
13 MCB Provident Fund Pak Staff	3,417,175
14 Trustees Nishat Mills Ltd. Emp. Prov. Fund	167,375
15 Trustees DGKC Emp P.F.Trust	82
16 Trustees ICI Pakistan Mgmt. Staff P.F.	562
17 Trustee-Kohinoor Mills Ltd. Staff Provident Fund	10,000
18 Trustee PNSC Employees Contributory Provident Fund	9,901
19 Trustees Nestle Pakistan Ltd Employees Provident Fund	94,500
20 Trustees Nestle Pakistan Ltd Employees Gratuity Fund	65,000
21 Pakistan Memon Educational & Welfare Society	62,614
22 Joint Stock Companies	3,286,187
	<u>19,610,504</u> **

Karachi: March 7, 2009

Muhammad Ali Zeb

Managing Director & Chief Executive Officer

PROXY FORM

I/We _____ of _____ being a member of Adamjee Insurance Company Limited hereby appoint Mr _____ of _____ or failing him Mr _____ of _____ as my/our Proxy to vote for me/us and on my/our behalf at the forty eighth Annual General Meeting of the Company to be held on Tuesday, March 31, 2009 at 11.00 a.m. at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8, Kehkashan, Clifton, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2009

WITNESSES:

- 1- Signature _____
Name _____
Address _____

NIC No _____
- 2- Signature _____
Name _____
Address _____

NIC No _____

Rupees Five
Revenue
Stamp

Signature _____
Holder of _____ Ordinary Shares _____
Share Register Folio No _____
"CDC" Participant's ID No _____ A/c. No _____

(Please See Notes on reverse)

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her. A corporation or a company being a member of the Company, may appoint any of its officers, though not a member of the Company.
2. Proxies must be received at the Office of our Registrar M/s Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi not less than 48 hours before the time appointed for the Meeting.
3. The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.
4. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting

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

B. For appointing Proxies

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