

VISION STATEMENT

To transform the Company into an ideal Insurance Company, with larger growing equity base, this will provide more opportunities and options for utilization of funds and help to increase profitability through economy of scale, better resource mobilization and management and reduction in operational costs, to provide better services to our clients and policy holders and to promote the confidence of both shareholders and policy holders

MISSION STATEMENT

- To Provide Excellent Service, best risk management, prompt settlement of claims.
- Expand nation wide branch network of the Company, induct, build, a sound and dynamic team.
- Ensure good governance, for sustainable and equitable growth and prosperity of the Company.
- To provide more benefits to field staff, share holders and policy holders.

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BOARD OF DIRECTORS

CHAIRMAN	:	Chaudhry Habib-ur-Rehman
PRESIDENT & CHIEF EXECUTIVE DIRECTORS	:	Mian M.A. Shahid
	:	Chaudhry Najib-ur-Rehman
	:	Chaudhry Aziz-ur-Rehman
	:	Chaudhry Maqsood Ahmed
	:	Muhammad Ashraf Khan
	:	Huma Waheed
	:	Muhammad Iftikhar Hussain

MANAGEMENT

PRESIDENT & CHIEF EXECUTIVE	:	Mian M.A Shahid
DY. MANAGING DIRECTOR	:	Zia Hassan Zuberi
COMPANY SECRETARY	:	Naseer Ahmed (former Member Revenue CBR)
ADVISOR TO	:	(Additional Secretary Military Finance)
PRESIDENT & CHIEF EXECUTIVE	:	(Additional Secretary Finance)
EXECUTIVE DIRECTORS	:	Maj. Gen. (R) Asif Duraiz Akhtar
EXECUTIVE DIRECTORS	:	Azizulla Memon (Former President UBL & Bolan Bank)
EXECUTIVE DIRECTOR	:	Muhammad Rahat Sadiq (Former Executive Director PRC)
COUNTRY MANAGER	:	Dr. Murtaza Mughal
GENERAL MANAGER FINANCE	:	Khawas Khan Niazi
GENERAL MANAGER (MARKETING)	:	Muhammad Naseem Butt
CHIEF FINANCIAL OFFICER	:	Raja Naseem Tariq
CHIEF INTERNAL AUDITOR	:	Tajammal Iqbal
<u>SENIOR VICE PRESIDENT</u>	:	S.M. Qaiser Imam
GENERAL MANAGER	:	
E.V.P. RE-INSURANCE	:	Mumtaz Hussaini Khan
ASST. GENERAL MANAGER ADMIN	:	Manzoor Husain Mirza
MANAGER ADMIN	:	Muhammad Hussain
CHIEF MANAGER CLAIMS	:	Muhammad Yasin Khan
MANAGER AGRICULTURAL	:	Ch. A.D. Gaharana
CHIEF MEDICAL OFFICER	:	Dr. Abu Asim Hamza

MANAGEMENT COMMITTEE

1. Mian M.A Shahid : Chairman
2. Zia Hassan Zuberi : Member
3. Naseer Ahmed : Member
4. Azizullah Mamon : Member
5. Muhammad Rahat Sadiq : Member
6. Khawas Khan Niazi : Member
7. Mumtaz Hussain Khan : Member
8. S.M. Qaiser : Member

INVESTMENT

1. Mian M.A Shahid : Chairman
2. Zia Hassan Zuberi : Member
3. Muhammad Rahat Sadiq : Member
4. Khawas Khan Niazi : Member

AUDIT COMMITTEE

1. Ch. Aziz-ur-Rehman : Chairman
2. Muhammad Ashraf Khan : Member
3. Huma Waheed : Member

BANKERS

- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Al-Falah Limited
- Bank Al-Habib Limited
- My Bank Limited
- Crescent Commercial Bank Limited
- Atlas Bank Limited.
- Faysal Bank Limited
- First Women Bank Limited
- Habib Bank Limited
- KASB Bank Limited
- Meezan Bank Limited
- Metropolitan Bank Limited
- MCB Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- PICIC Commercial Bank Limited
- Prime Commercial Bank Limited
- Saudi Pak Commercial Bank Limited
- SME Bank Limited
- Soneri Bank Limited
- State Bank of Pakistan
- The Bank ofKhyber
- The Bank ofPunjab
- United Bank Limited
- Khushhali Bank
- The First Micro Finance Bank Limited
- Atlas Investment Bank Limited
- Crescent Standard Investment Bank Limited
- Escorts Investment Bank Limited
- First International Investment Bank Limited
- Jahangir Siddiqui Investment Bank Limited
- Orix Investment Bank Pakistan Limited
- Security Investment Bank Limited
- Industrial Development Bank of Pakistan
- The Punjab Provincial Cooperative Bank Limited
- Zarai Taraqati Bank Limited
- Investment Corporation of Pakistan
- National Investment Trust Limited
- ABNAMRO Bank N.V.
- Albaraka Islamic Bank B.S.C. (B.C.)
- American Express Bank Limited
- Habib Metropolitan Bank Limited
- Citibank N.A.
- Oman international BankS.A.O.G.
- Rupali Bank Limited
- Standard Chartered Bank Limited
- The Bank of Tokyo Mitsubishi, Limited
- The Hong Kong and Shanghai Banking Corporation Limited
- Orix Leasing Company Limited
- Capital Assets Leasing Corp. Limited
- Trust Leasing & Investment Bank Limited
- First Fidelity Leasing Modarba
- Grays Leasing Limited
- Dubai Islamic Bank Limited
- PICIC Corporation Limited.

- AUDITORS** : M/s. Avais Hyder Nauman Rizwani,
Chartered Accountant
- : M/s. Sarwar's,
Chartered Accountant
- INCOME TAX ADVISOR** : M/s. Sarwar's,
Chartered Accountant
- LEGAL ADVISORS** : Mr. Fazal Hussain (Advocate)
Mr. M. A. Hamdani (Advocate)
- REGISTERED OFFICE** : 302-A, Panorama Center 2,
Raja Ghazanfar Ali Khan Road,
Karachi.
Tel: (021)5214651, 5655248
Fax: (021) 5214682
Telex: 20919 UIC-PK
Telegram: UNITINSURE
Email: info@theunitedinsurance.com
unitedpk69@hotmail.com
Website: www.theunitedinsurance.com
- HEAD OFFICE** : 5th Flo`or, Nizam Chambers,
Shahra-e-Fatima Jinnah, Lahore.
Tel:(042) 6361471, 6315091, 6371420, 6311078
UAN: (042) 111-000-014
Fax: (042) 6375036 – 6304350
Email: uicp@xcess.net.pk

RATED A - BY PACRA**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the **47th AGM** of Company's Shareholders will be held at 5th Floor, Nizam Chamber, Shahrah-e-Fatima Jinnah, Lahore on **Friday the April 27, 2007 at 10:00a.m.** to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of 10th EOGM held on August 11, 2006.
2. To receive, consider and approve company's Audited Accounts for the year ended 31-12-2006 together with Director's and Auditor's Reports thereon.
3. To appoint External Auditors and fix their remuneration for the Financial year 2007. The retiring auditors M/s. Sarwars, Chartered Accountants, Lahore & M/s Avais Hyder Liaquat Nauman, Chartered Accountants, Being eligible offered themselves for reappointment.
4. Any other business with the permission of the Chair.

SPECIAL BUSINESS:

5. To approve capitalization of Rs.22,909,600/= for the issue of Bonus Shares and to consider, if thought fit to pass with or without modification the following resolutions as ordinary resolutions:

Resolved that;

- a) the sum of Rs.22,909,600/= out of the profits available for appropriation as at December 31, 2006 be capitalized and adopted to the issue of 2,290,960 ordinary share of Rs.10 each allotted as fully paid Bonus Shares (B- 12) @ 10% in the proportion of one share for every 10 shares held to Company's members whose names appear on the register of members as at close of business on April 19, 2007. This is in addition to capitalization of Rs.45,819,210/= for issue of interim Bonus Shares (B-li) @ 25%. Thus the total bonus issue for the year 2006 amounts to Rs.68,728,810/=.
- b) the Bonus shares (B-12) shall rank pari passu in all respects with the existing shares
- c) the members entitled to fraction of its share (s) shall be given sale proceeds of their fractional entitlement, for which purpose the fraction (s) shall be consolidated into whole shares and sold in the stock market.
- d) the Company Secretary be and is hereby authorized and empowered to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of Bonus Shares (B-12).

By the Order of the Board

KARACHI
Date: April 04, 2007

(Z.H. ZUBERI)
Company Secretary

NOTES:

The Share transfer Books of the Company will remain closed from 20-04-2007 to 27-04-2007 (both days inclusive). Transfer received in Company's Registered Office at Karachi on the close of business on 19-04-2007 will be treated in time for entitlement to Bonus Shares to the transferees.

STATEMENT U/S 160(1) (B) & (C) OF THE COMPANIES ORDINANCE 1984

The Directors being satisfied with the reserves and profits of the Company as at December 31, 2006 have recommended issue of Bonus share(B-12). The Director have no interest directly or indirectly except that they members of the Company.

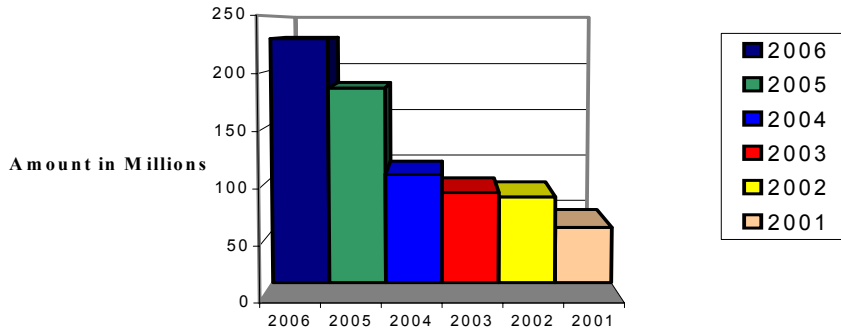
Six years at a Glance

	2006	2005	2004	2003	2002	2001	
<u>FINANCIAL DATA:</u>							
Paid up Capital	229.096	183.277	102.533	85.444	81.375	52.500	
General & Capital Reserves	98.321	49.026	29.304	23.303	13.804	13.804	
Equity	327.418	232.336	132.173	109.256	100.960	66.438	
Underwriting Provisions	172.867	152.344	54.928	43.343	34.741	40991	
Investment at cost	13.352	11.524	15.068	5.877	3.841	3.841	
Total Assets book value	584.112	427.922	215.487	182.913	151.640	118.239	
Fixed Assets net	193.969	138.152	72.001	64.424	57.939	30.367	
Cash & Bank Deposits	149.028	124.526	90.125	72.913	50.548	31.598	
Advance, Deposits & Per payments	66.354	25.095	2.365	5.186	3.909	3.823	
<u>OPERTING DATA:</u>							
Gross Premium	341.000	283.189	120.524	67.719	46.487	41.081	
Net Premium	258.296	155.326	75.240	35.575	27.307	29.172	
Net Claims Paid	50.669	23.678	14.433	03.497	03.285	07.376	
Underwriting Profit	156.850	106.924	37.911	19.606	16.724	12.991	
Investment Income	002.851	001.392	00.670	00.935	00.979	00.990	
Profit before Tax	105.638	73.933	25.397	09.473	06.697	06.936	
Income Tax	10.556	4.530	2.480	1.175	1.050	0.850	
Profit After Tax	95.081	69.403	22.917	8.296	5.647	6.086	
Management Expenses	24.075	28.700	15.634	09.741	06.643	06.091	
<u>FINANCIAL RATIOS:</u>							
Profit before Tax/Gross Premium	%	30.979	26.107	21.072	13.985	14.406	16.884
Profit before Tax/Net Premium	%	40.898	47.598	33.755	26.620	24.526	26.777
Profit after Tax/Gross premium	%	27.883	24.508	19.015	12.250	12.147	14.815
Profit after Tax/Net Premium	%	36.811	44.682	30.459	23.317	20.681	20.863
Management Exp./Gross Premium	%	07.060	07.089	12.972	14.384	14.290	14.827
Management Exp./Net Premium	%	09.321	18.477	20.779	27.379	24.330	20.880
Underwriting Profit/Net Premium	%	60.725	68.838	50.387	53.572	61.251	44.532
Net Claims/Net Premium	%	19.617	15.244	19.183	9.829	12.031	25.284
Return on Assets	%	16.278	16.219	10.635	4.535	3.724	5.147
<u>RETURN TO SHARE HOLDERS:</u>							
Return on Equity - PBT	%	32.264	31.822	19.215	8.668	6.633	10.44.
Return on Equity – PAT	%	29.040	29.872	17.339	7.593	5.593	9.161
Earning Per Share	Rs.	4.150	3.030	2.680	1.020	0.694	1.159
Price Earning Ratio	Time	5.337	7.769	8.074	18.039	12.183	5.608
Market Value during at end of year		22.15	23.54	21.640	18.40	8.455	6.500
Highest Value during the year		25.60	24.03	22.410	19.85	12.600	10.040
Lowest Value		18.45	18.00	16.00	13.75	7.450	7.000
Stock dividend Per share	Rs.	2.50	3.50	2.00	0.50	0	0.500
Net Assets Per Share	Time	14.36	13.94	15.469	13.426	12.284	12.655

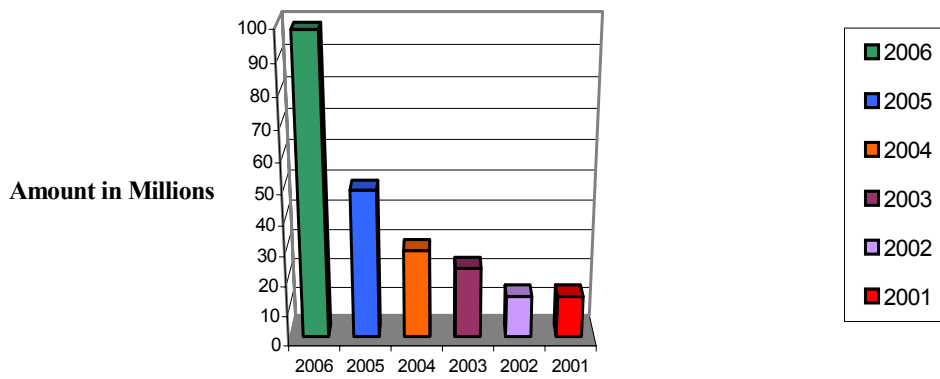
Six years at a Glance

		2006	2005	2004	2003	2002	2001
<u>LIQUIDITY / LEVERAGE RATIO:</u>							
Current Ratios	Time	1.915	1.668	1.755	1.630	1.774	2.064
Total Assets Turnover	Time	0.442	0.363	0.378	0.213	0.202	0.251
Fixed Assets Turnover	Time	1.332	1.124	0.941	0.515	0.584	1.023
Total Liabilities/Equity	Time	0.80	0.842	0.630	0.674	0.502	0.780
Return on Capital Employed	%	28.888	0.300	16.131	7.193	5.593	9.161
Paid up Capital/Total Assets	%	39.221	38.936	39.651	44.488	53.663	44.401
Equity/ Total Assets	%	56.054	54.294	61.337	59.731	66.579	56.189
<u>DISTRIBUTION:</u>							
Bonus Share	Rs.	3.50	3.50	2.000	0.500	0	0.500
Bonus Share	%	35%	35%	20%	5%	0	5%
Total Distributions		35%	35%	20%	5%	0	5%

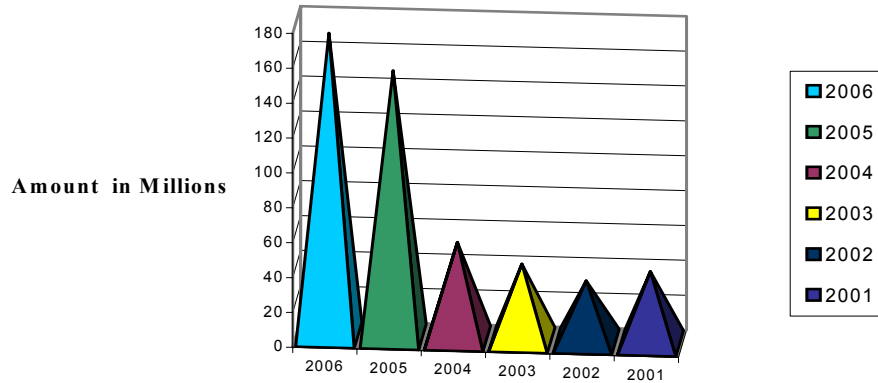
Paid Up Capital



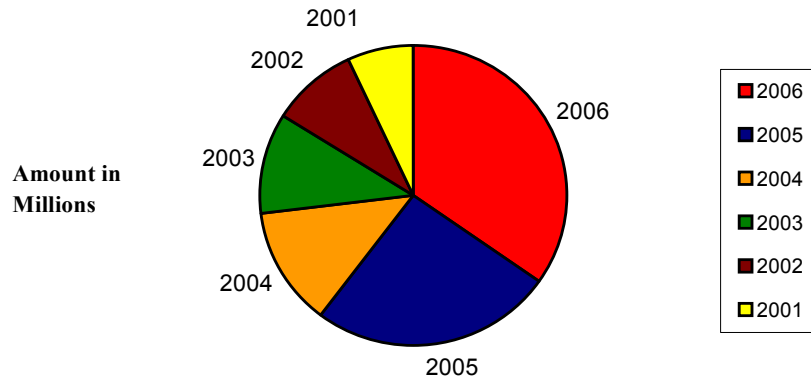
General & Capital Reserve



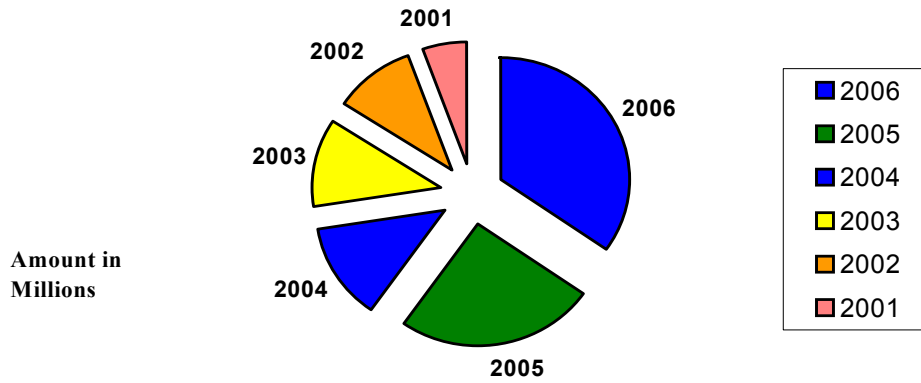
Underwriting Provisions



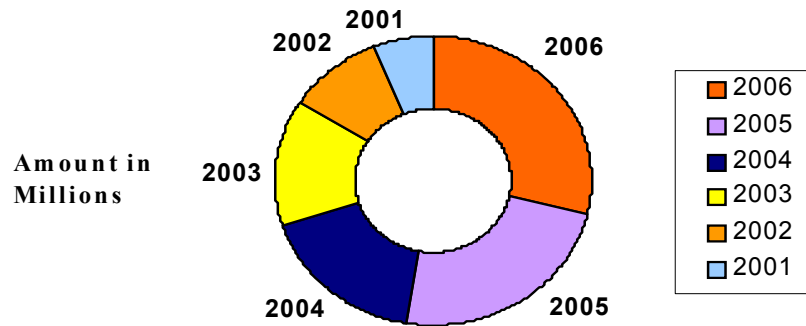
Total Assets



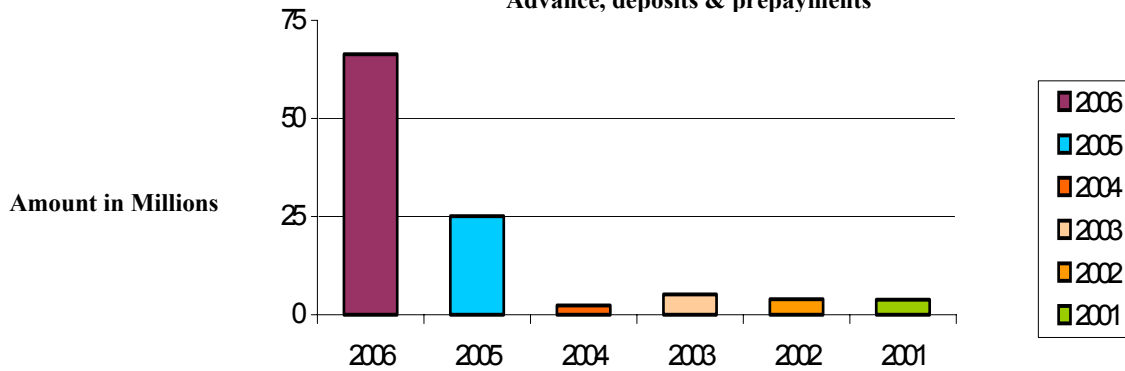
Fixed Assets



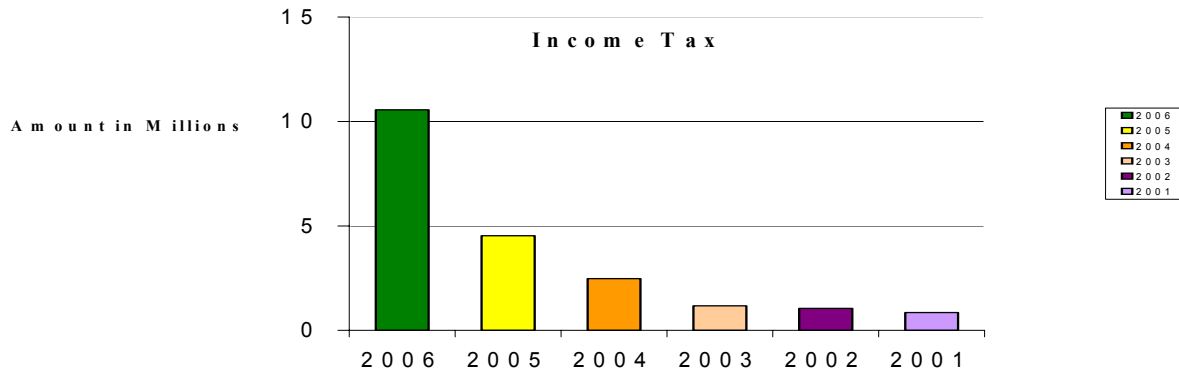
Cash & Bank Deposits



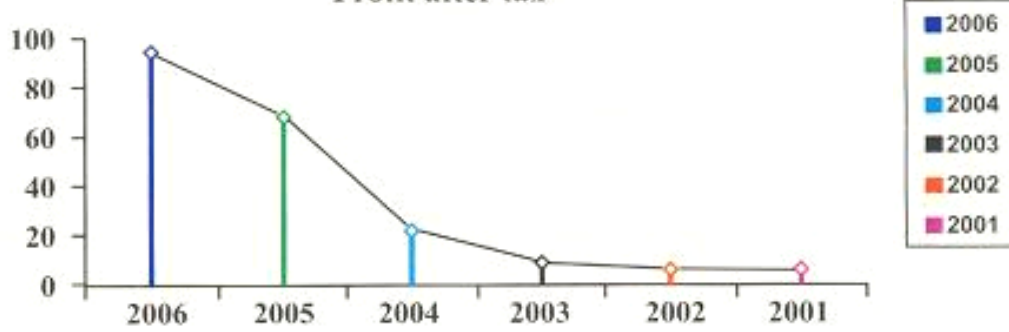
Advance, deposits & prepayments



Income Tax



Profit after tax



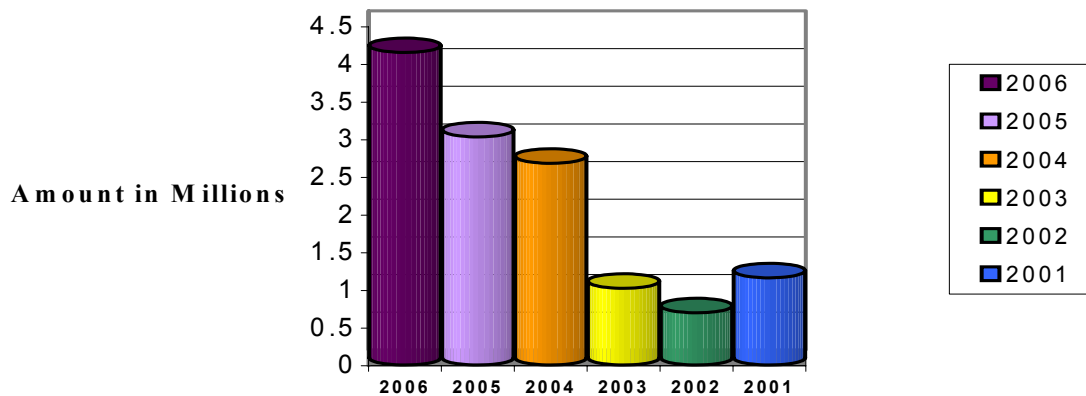
Management Expenses



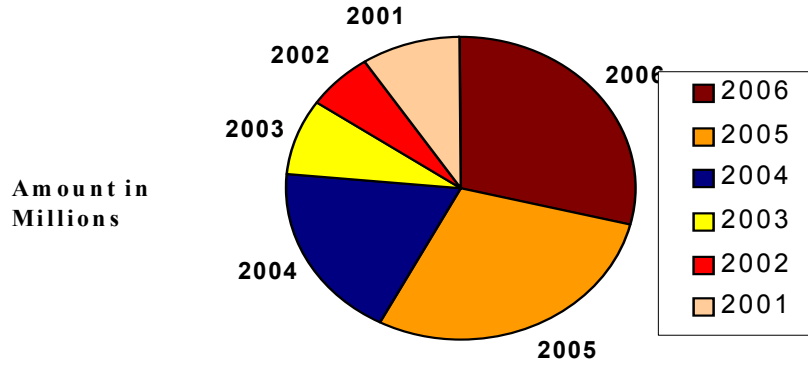
Return to Shareholders



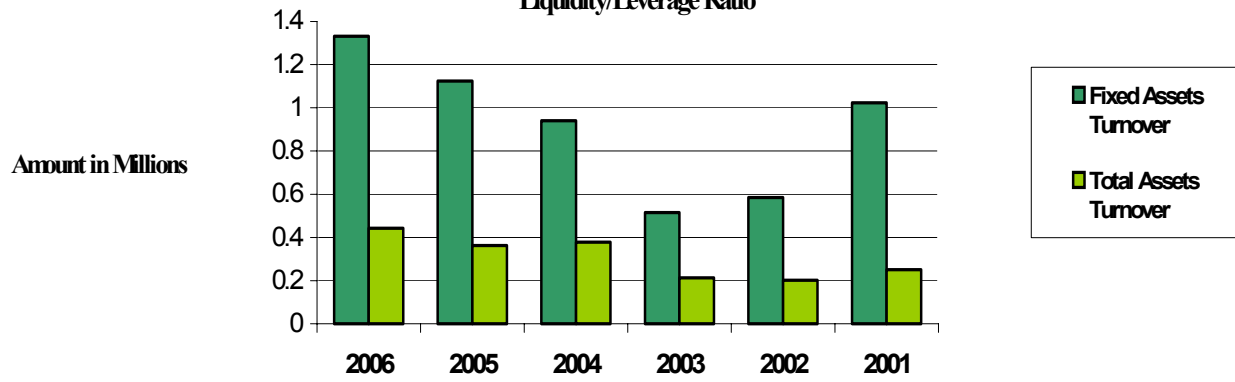
Earning Per Share



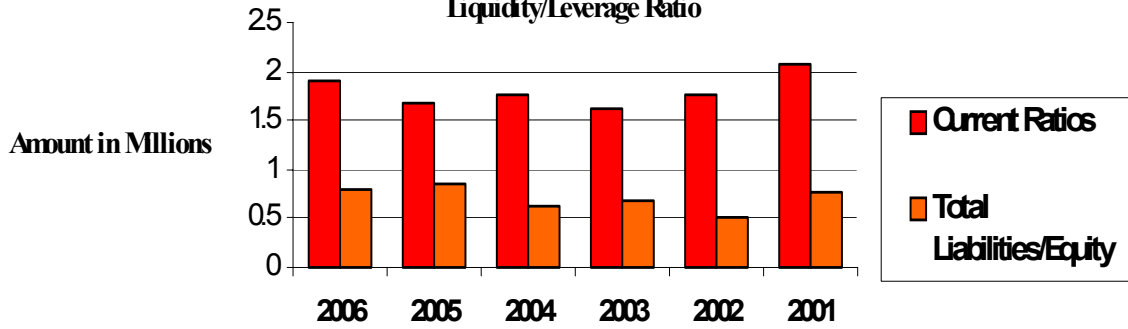
Return on Assets



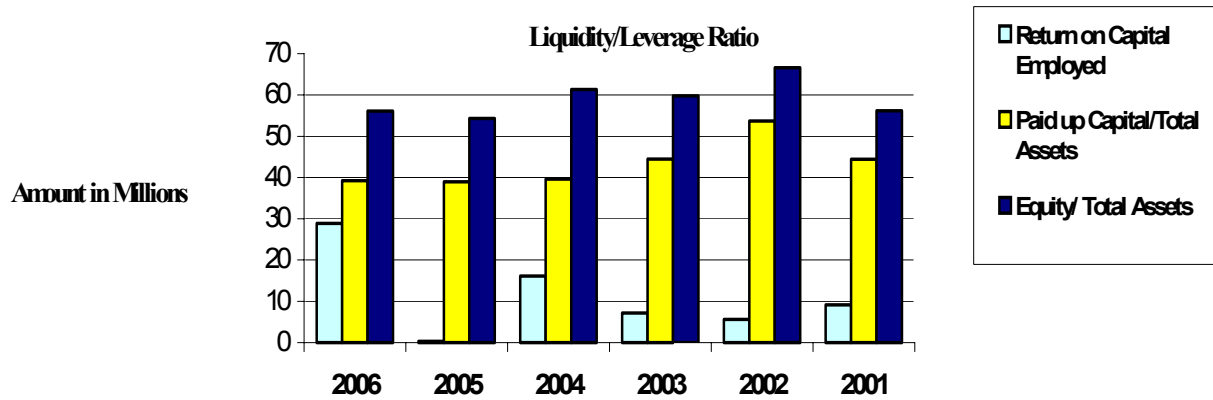
Liquidity/Leverage Ratio



Liquidity/Leverage Ratio



Liquidity/Leverage Ratio



DIRECTORS' REPORT

Your Directors are pleased to welcome you to the 47~ Annual General Meeting of the Company. The report of the Directors along with the audited financial Statements is presented; you will be pleased to note the healthy growth trends.

ECONOMIC SECTOR'S REVIEW:

The economy of the country has favourable conditions for the over all growth of business sector, with special reference to service industries, the potentials of insurance sector, have great opportunities for rapid and stable growth in the present era as they depend upon the derived demand of their customers.

The **GDP** of the country has slowed down to 6.6% during 2006 from 8.6% recorded last year, but it is still better as historic average of our country. The decline in **GDP** is due to decline of agricultural growth at 2.5% from 6.7%. Manufacturing sector growth also decline to 8.6% against 12% of the last year. Other sectors like, telecommunication, banking and auto transportation has performed well. The overall performance of service sector registered growth of 8.8% from 8% of last year.

There is also increase in **GDP** per capita to \$847 from \$742 of last year resulting in 14% increase. The trade deficit has been raised to \$13 billions as against \$9.4 billion of last year, up by 38%. That was due to 18% change in imports which rose to \$29.8 billions, because of rising oil prices. On the other hand, export rose to \$16.8 billions resulting in 6% increase as compare to Fy 2005.

INSURANCE SECTOR'S REVIEW:

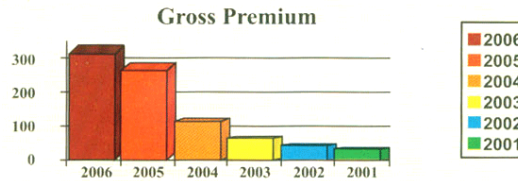
The growing economy of insurance has important role to securing assets. It has not only generated employment but also strengthened other sectors and promoting growth and stability. Total premium of industry was Rs.27.037 billions in 2005 as compare to Rs.21.494 billions a year before, up 25.78%. Despite significant insurance companies, ratio of premium to **GDP** is at lowest level as compare to other countries of the world. We are sure that this year will also see growth in industry premium.

The Government, Securities and Exchange Commission of Pakistan and Insurance Association of Pakistan need to play an important role to educating general public for the importance of insurance to secure assets, with making greater contribution to National Income.

The Entry of new insurance companies' sponsored by the banks, was a welcome decision but promoted tough competition. If, therefore, competition is with positive frame of mind will be beneficial for all dependents. SECP must play an active role to maintain discipline in the insurance industry. The growth of insurance industry will help to develop human resources. It is more important and vital for immediate action of **SECP, IAP** and insurance companies to focus on developing the educated and trained manpower.

COMPANY'S BUSINESS REVIEW:

The overall picture of the business of your company is appreciable because of arrangements of the strong reinsurance cover and strategic disaster planning of the management. The Commitments with the leading Re-insurer (**Mitsui Sumitomo Re**) a world class company of high repute and creditability is no doubt a golden ribbon for your company, that has excellent reinsurance Treaties, claiming high strength for the company, and re-imposing confidence in the company's policies.

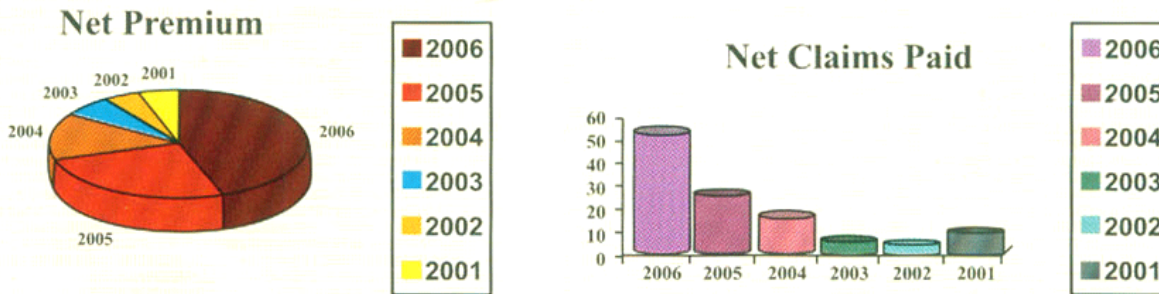


The Premium Income during the year under review went up to Rs.341.000 millions as against Rs.283.189 millions of last year, the management aims to keep up remarkable growth over the years particularly since the last year.

You will be pleased to learn that the increase registered in Gross Premium is by Rs.57.811 millions i.e. equal to 20.414% over the year 2005 and it has resulted increase in Net Premium by 66.293%. We hope to continue these trends over the coming years.

The Management exercised conservative and extremely careful under-writing and risk assessment during the year under-review. Al-mighty Allah has been kind on your Company. Though, the Net Incurred Claims increased to 6.498% of the Gross Premium, but it is still appreciable as compared to other insurance companies.

The overall Management expenses remained limited to 7.060% of gross premium in 2006 as against 7.90% in 2005. The Management had adopted prudent policies to put strict checks for avoiding unnecessary expenses but still continued its development policies.



FIRE AND PROPERTY DAMAGE:

The Net Premium Income increased to Rs. 137.456 millions as against Rs. 71.224 millions in 2005 and Net Incurred losses were curtailed to Rs. 21.760 in millions 2006 as against Rs. 14.140 millions in 2005, being 15.831% of the net premium income against 19.853% of last year.

MARINE AVIATION & TRANSPORT:

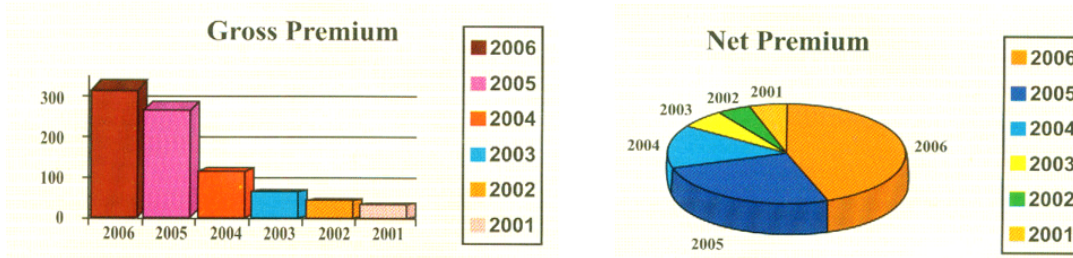
The net premium income rose to Rs.24.096 millions as against Rs.14.054 millions showing an increase in income of 71.453% over 2005 and net incurred losses in 2006 went up to Rs.2.787 millions as against Rs. 1.248 Millions of last year but were still in managed additions.

MOTOR

The net premium income went to Rs. 60.284 millions as against Rs. 21.054 millions in 2005 and Net incurred losses were Rs. 22.268 millions in 2006 as against Rs. 13.620 millions in 2005, being reduced to 36.938% of the net premium income against 64.691% of last year.

MISCELLANEOUS:

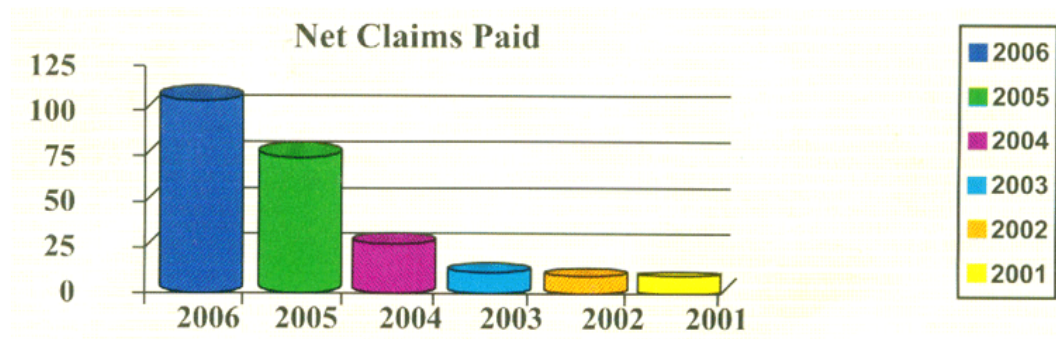
The Net Premium Income decreased to Rs.36.459 millions as against Rs.48.995 millions in 2005 and net incurred losses were Rs.3.853 millions in 2006 as against millions in 2005, being reduced to 10.568% of the premium against 10.879% of last year.



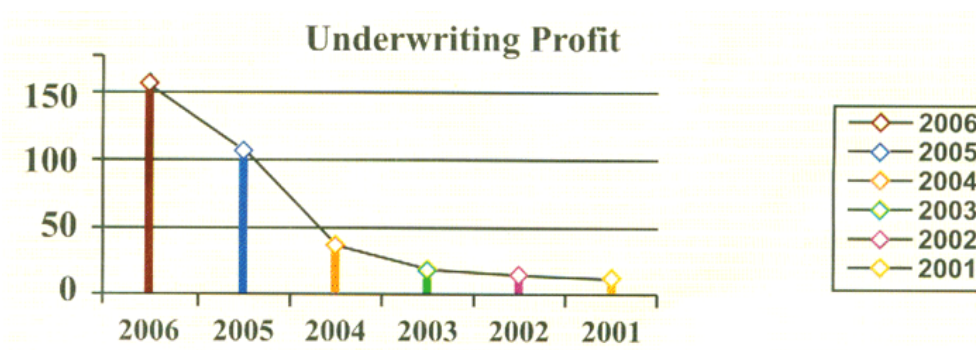
The Total premium income registered during the year 2006 was Rs.341.000 millions as against Rs.283.189 millions of 2005 and net premium income increased to Rs.258.296 millions as against Rs.155.36 millions of last year.

The Total Gross Losses paid were Rs.119.238 millions during the year 2006 as against Rs.69.719 millions and net incurred losses were Rs.50.669 millions in 2006 as against Rs.23.678 millions of last year the incurred losses were restricted to 19.62% of net premium 2006 against 16.14% of 2005.

Showing the advantageous underwriting polices management.



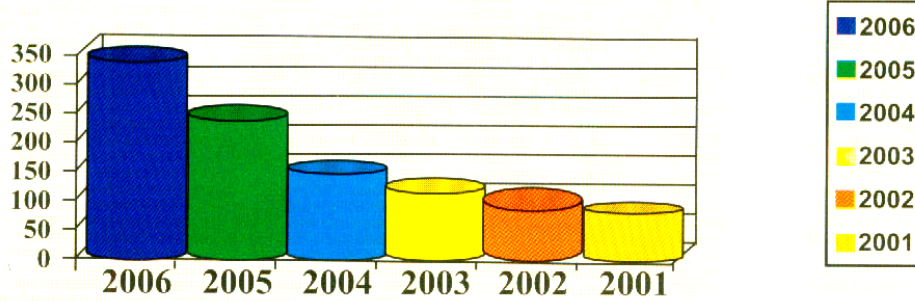
The net profit before tax comes to Rs.105.638 millions in 2006 as against Rs.73.933 millions last year.



PROFITABILITY

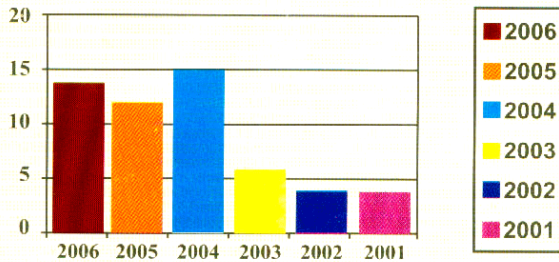
The underwriting profit of your company increased to Rs.156.850 millions against Rs.106.924 millions of the last year. Profit before tax rose to Rs.105.638 millions of the last year, up 43% the net profit after tax stood at Rs.95.081 millions compared to Rs.69.403 millions of the last year, up by 37%.

Equity

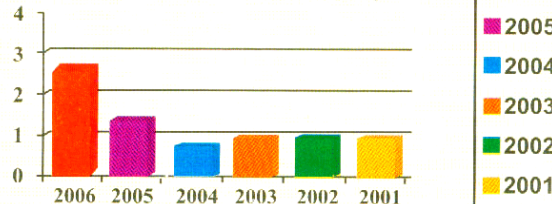


Your company has achieved return on equity at 29.04% on equity of Rs.327.418 millions against 29.872% on equity of Rs.232.336 millions of the last year and accordingly after tax earning per share of Rs.4.15 against Rs.3.03 last year on the enhanced capital of Rs.229.096 millions after issue of 25% bonus shares. The book value of total assets of the company stood at Rs.584.112 millions at the close of the year against Rs.472.922 millions of the last year

Investment at cost.



Investment Income



INVESTMENTS:

The book value of investment rose to Rs.13.352 millions from Rs.11.524 of the last year while market value stood at Rs.14.333 millions against Rs.12.237 millions for the last year reflecting the day by day growth in company's financial strength and availability of beneficial resources to meet the contingencies and future requirements. The income from investment is Rs.2.581 millions against Rs.1.392 millions last year registering an increase of 85.417%. In the current year, the company has entrusted the investment committee to guide the Company towards genetical result oriented investments.

CREDIT RATING:

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of your company to "A-". The rating reflects UIC strong financial base, which adequately supports the company's accelerated growth strategy. The rating also recognizes the company sound underwriting practices that have resulted in stable- indeed growing-income from core insurance business. PACRA has also recognized company's sound solvency margin, maintained performance and adequate liquidity.

Yours Director's are pleased to make the following recommendations for the year ended December31, 2006.

Net Profit after Taxations/Provisions	Rs. 95,081,360
Add: last year Unappropriated profit	Rs. 16,695,334
Profit available for appropriations	Rs. 111,776,694
Appropriated/appropriations:	
25% interim Bonus already capitalized	Rs. 45,819,210
Final stock dividend last year	Rs. 16,661,530
Transfer to General Reserve.	Rs. 49,000,000
Unappropriated Profits	Rs. 295,954
	Rs. 111,776,694

The directors also proposed 10% final stock dividend amounting to Rs.22,909,6001- for the approval of members.

By the Grace of Al-Mighty Allah your Company has acquired these good results despite demanding Marketing conditions. Your Company has now become a sizeable player in General Insurance Market.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

From its inception the Company has maintained a visible record of Good Corporate Governance. This is reflected clearly by the growth of the Company over the years, the confidence reposed by its shareholders and the reputation it enjoys in the market. In the phase of implementing, the "Code of Corporate Governance" as envisaged in the Listing Regulations, the Company has Implements all faces of the Code, of Corporate Governance and the management feels pleasure in stating that the fullest efforts have been made to comply with the provisions of the Code. In fact the Company has gone a step forward by adopting self imposed Code.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING

- A. The Financial Statement-prepared by the Management of the Company present fairly its state of affairs, the results of its operation Cash Flow and Changes in Equity.
- B. Proper Books of accounts of the Company have been maintained.
- C. Appropriate accounting Policies have been consistently applied in preparation of Financial Statements and Accounting Estimates are based on reasonable and prudent judgment.
- D. International Accounting Standards as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately declared.
- E. The system of internal control and internal checks is sound in design and has been effectively implemented and monitored.

- F. There are significant doubts upon the Company's ability to continue as a going concern.
- G. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- H. During the year five (5) Meetings of the Board of Directors were held and attendance of Directors was as under:-

<u>SR. No</u>	<u>NAME OF DIRECTORS</u>	<u>MEETING ATTENEDE</u>
01.	Mr. Ch. Habib-ur-Rehman.	5
02.	Mr. Mian M.A. Shahid.	4
03.	Mr. Ch. Najib-ur-Rehman.	1
04.	Mr. Ch. Maqsood Ahmed.	5
05.	Mr. Ch. Aziz-ur-Rehman.	4
06.	Mr. Muhammad Ashraf Khan.	4
07.	Miss. Huma Waheed.	5
08.	Mr. Muhammad Iftikha Hussain.	5

During the year 2006 the trading in Company's Share was carried out by the Company's Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their Spouses and their minor Children an mentioned below:-

<u>Sr. No</u>	<u>Name</u>	<u>Share Purchased</u>	<u>Share Sold</u>
a)	Mr.Ch. Habib-ur-Rehman (Chairman)	None	4,898
b)	Mrs. Mehjabeen Habib (Spouse)	None	609
c)	Mr. Ch. Aziz-ur-Rehman (Director)	None	4,746
d)	Mr. Mian M.A Shahid (President & CEO)	97,790	None
e)	Mrs. Rehana Najib (Spouse)	None	2,794
f)	Mr. Najib-ur-Rehman (Director)	None	4,585
g)	Other Directors, CFO, Company Secretary and their spouses and their minor children.	None	None

INTEREST OF DIRECTORS AND THEIR RELATIVES OF SHARE HOLDING AS AT 31-12-2006

1.	Mr. Ch. Habib-ur-Rehman	(Chairman)	13,998
2.	Mrs. Mahjabeen Habib	Spouse	1,743
3.	Mr. Mian M.A. Shahid	President & CEO	164,508
4.	Mrs. Shagufta Parveen	Spouse	20,840
5.	Ch. Najib-ur-Rehman	Director	13,102
6.	Mrs. Rehana Najib	Director	7,984
7.	Mr. Ch. Maqsood Ahmed.	Director	45,815
8.	Mr. Ch. Aziz-ur-Rehman.	Director	13,560
9.	Mr. Muhammad Ashraf Khan.	Director	5,630
10.	Miss. Huma Waheed.	Director	5,818
11.	Mr. Muhammad Iftikhar Hussain.	Director	4,903

Share of the Company held by the Executive of the company.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted "the Statement of Ethics and Business Practices". All employees are aware of this statement and are obliged to observe the rules of conduct in relation to business and regulations.

FUTURE PROSPECTS

The future prospects of the insurance business and industry are quite bright, your company has budgeted to maintain the growth of 2006 in 2007, but all this is related to overall economic management and government policies, which are conducive to insurance business at present. If the growth is sustained, of which the management is very positive, the year 2007 will witness increase in nation wide branches. ~

The Re-Insurance and treaty organizations have shown full confidence in the company's balance sheet and its underwriting policies and have renewed its treaties with your company on better terms.

AUDIT COMMITTEE

The Audit Committee assists the board in discharging its responsibilities for corporate control. Audit Committee had four meetings during the year 2006 on the end of each & every quarter.

AUDITORS

The Company's Auditors Mis Sarwars, Chartered Accountants and M/s. Avais Hyder Liaquat Nauman (Formerly M/s. Avais Hyder Nauman Rizwani) Chartered Accountants retire and being eligible to offered themselves for re-appointment for the year 2007 till next AGM.

THANKS & APPRECIATIONS

Your Directors are thankful to the Securities & Exchange Commission of Pakistan, Pakistan Re-Insurance Company Ltd., State Bank of Pakistan & the Foreign Re-Insurers, Bankers and Financial institutions for their whole hearted support and co-operation. The above results would not have been possible without the support of our valued clients and the efforts of officers, Field Force and the Staff of your Company. Your directors record their indebtedness and thanks for this support to all of them.

Lahore:

Dated: April 4th, 2007.

Mian M.A. Shahid
President & Chief Executive

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 of listing regulations of Karachi Stock Exchange for the purposes of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- a. The Company encourages representation of independent non-executive directors, and directors representing minority interest on its Board of Directors. At present the Board includes 8 independent non-executive directors and 2 non-executive directors representing minority shareholders.
- b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- c. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- d. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- e. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- f. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO and other executive directors, have been taken by the Board.
- g. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- h. The Board also arranged various orientation meetings for its directors to apprise them of their duties and responsibilities.
- i. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment, as determined by the CEO.
- j. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- k. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- l. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

- m. The Company has complied with all the corporate and financial reporting requirements of the Code.
- n. The Board has formed an audit committee. It comprises (3) three members, of whom all are non-executive directors including the Chairman of the committee.
- o. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- p. The Board has set-up an effective internal audit function.
- q. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- r. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- s. We confirm that all other material principles contained in the Code have been complied with.

Mian M.A. Shahid
President & Chief Executive

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance applicable to the Company for the year ended December 31, 2006 prepared by the board of directors of M/s. The United Insurance Company of Pakistan Limited to comply with the listing regulations, where the company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended December 31, 2006.

SARWARS
Chartered Accountants

AVAISHYDERNATJMANRJZWANI
Chartered Accountants

Place: Lahore
Dated: April 04, 2007

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed financial statement 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 M/s. **THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED** as at December 31, 2006 with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors / 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 requirement, of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the international standards on auditing as applicable in Pakistan. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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 Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied, except for the changes as stated in note No. 3.2 of the financial statements, with consequential effects, if any, to the extent and manner as stated, with which we concur;
- c) The financial statements together with the notes thereon presented fairly, in all material respects, the state of the Company's affairs as at December 31, 2006 and of the profit, its cash flow 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) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

Without qualifying our opinion, we draw attention that;

The financial statement of the company for the year ended December 31, 2005 were audited by SARWARS CHARTERED ACCOUNTANTS who had modified the report by adding emphasis of matter paragraph relating to "Provisions of outstanding Claims" where gross claims of various parties amounting to Rs.2.122 Millions as at December 31, 2005 were outstanding for more than three years. The date of that report was March 06, 2006.

SARWARS
Chartered Accountants

AVAISHYDERNATJMANRJZWANI
Chartered Accountants

Place: Lahore
Dated: April 04, 2007

			BALANCE SHEET	
	Note	2006 Rupees	2005 Rupees	
Share Capital and Reserves				
Authorized Share Capital 35,000,000/- (2005-25,000,000) Ordinary Share of Rs.10/-each		<u>350,000,000</u>	<u>250,000,000</u>	
Paid-Up share capital	6	229,096,050	166,615,310	
Retained earning – (Restated)		295,954	16,695,334	
General reserve		98,025,517	49,025,517	
		327,417,521	232,336,161	
Surplus on revaluation of fixed assets	7	1,725,237	--	
Underwriting Provisions				
Provision for outstanding Claims (including IBNR)		29,654,051	28,473,861	
Provision for unearned premium		119,904,482	113,747,192	
Commission income unearned		23,308,043	10,122,973	
Total underwriting provisions		172,866,576	152,344,026	
Deferred Liabilities				
Staff retirement benefits	8	2,178,303	--	
Deferred tax liabilities	9	6,483,737	456,622	
		8,662,040	456,622	
Creditors and Accruals				
Premium received in advance		988,227	79,819	
Amounts due to other insures/reinsures		2,839,466	2,227,077	
Accrued expenses		1,924,746	2,280,811	
Provision for taxation		5,458,100	4,000,000	
Other creditors and accruals		14,084,123	5,735,910	
		25,294,392	14,323,617	
Borrowings				
Short-term bank borrowings	10	5,594,882	7,020,161	
Other liabilities				
Liability against assets subject to finance lease	11	42,551,758	21,441,430	
Total liabilities		254,696,648	195,585,856	
TOTAL EQUITY AND LIABILITIES		<u>584,112,406</u>	<u>427,922,017</u>	
Contingencies & Commitments	12			

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A Shahid
President/Chief Executive

FINANCIAL YEAR ENDED DECEMBER 31, 2006

	Note	2006 Rupees	2005 Rupees
Cash & Bank Deposits			
Cash and other equivalents		13,787	21,078
Current and other accounts		95,917,066	78,957,603
Deposits maturing within 12monhts		24,069,304	20,041,207
Deposits maturing after 12months		29,028,223	25,555,197
		149,028,380	124,575,085
Loans (Secured)			
To employees & agents	13	4,833,255	12,118,616
Investments	14	13,352,344	11,524,167
Investment Property	15	46,359,633	--
Other Assets			
Premium due but unpaid		90,709,398	62,258,722
Amounts due from other insurance/reinsurance		13,669,140	3,723,634
Prepaid re-insurance premium ceded		63,951,319	21,701,570
Reinsurance recoveries against outstanding claims		17,225,052	17,432,360
Deferred commission expense		33,808,236	32,099,534
Accrued investment income		1,163,761	943,337
Sundry receivables		2,402,934	3,393,260
		222,929,840	141,552,417
Fixed assets-tangible	16		
Owned			
Land freehold		--	37,296,960
Buildings		38,761,340	41,047,703
Furniture, fixture, office & computers equipments		40,178,958	41,047,703
Motor vehicle		16,873,295	14,882,646
		95,813,593	103,679,513
Leased			
Motor vehicle		51,795,361	34,472,219
TOTAL ASSETS		584,112,406	427,922,017

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A Shahid
President/Chief Executive

PROFIT AND LOSS ACCOUNT

Financial Year Ended December 31, 2006

	Note	2006				2005	
		Rs.	Rs.	Misc.	Aggregate	Aggregate	Rs.
Revenue Account							
Net Premium revenue		137,456,348	24,095,439	36,459,440	258,296,197	155,326,003	
Net Claims		(21,759,861)	(2,787,469)	(3,853,462)	(50,669,110)	(23,678,449)	
Management Expenses		(13,126,541)	(2,240,507)	(3,409,462)	(24,075,286)	(28,699,954)	
Net Commission	17	(10,255,256)	(1,773,840)	(6,443,577)	(26,771,339)	3,976,051	
Underwriting Results		92,314,690	17,294,154	22,752,939	156,850,462	106,923,651	
Investments Income					2,580,853	1,391,537	
Rental Income					420,000	--	
Other Income	18				22,165,972	111,761	
General & Admin Expenses	19				(76,379,686)	(34,494,089)	
Profit/(Loss) before Tax					105,637,601	73,932,860	
Provision for Taxation	20				(10,556,241)	(4,529,633)	
Profit (Loss) after Tax					95,081,360	69,403,227	
Profit & Loss Appropriation Account							
Balance at communication of year					16,695,334	337,167	
Profit / (Loss) after tax for the year					95,081,360	96,403,227	
Profit available for appropriation					111,776,694	69,403,227	
Transfer to Reserve to issue of bonus share					(45,819,210)	(33,323,060)	
Transfer to Reserve					(16,661,530)	--	
					(49,000,000)	(19,722,000)	
Balance Un-appropriated Profit/(Loss) at end of year - (Restated)					(111,480,740)	(53,045,060)	
					295,954	16,722,000	
Basic Earning Per Share	21				4.15	3.03	

The annexed notes form an integral part of these accounts

Ch. Habib-ur-Rehman
Chairman/Director

Huma Waheed
Director

Mian M.A. Shahid
President/ Chief Executive

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED DECEMBER 31, 2006

	2006 Rupees	2005 Rupees
Operating Cash Flows:		
a) Underwriting Activities:		
Premium Received	313,458,286	249,780,889
Reinsurance Premium Paid	(118,184,427)	(69,580,798)
Claims Paid	(119,237,580)	(69,719,452)
Reinsurance and other recoveries received	60,010,462	39,399,606
Commission paid	(58,998,051)	(53,185,181)
Commission Received	43,773,080	25,853,949
Net cash flow from underwriting Activities	120,821,770	122,549,013
b) Other Operating Activities:		
Income Tax Paid	(4,000,000)	(2,953,005)
General Management Expenses paid	(67,933,847)	(48,065,315)
Other operating Receipts / (Payments)	990,326	--
Loan Repayments Received	7,285,361	--
Net Cash Flow from other Operating Activities	(63,685,160)	(51,018,320)
Total Cash Flow from other Operating Activities	57,163,610	71,530,693
Investment Activities:		
Investment income Received	2,360,429	961,069
Rental income Received	420,000	--
Purchase of Investment	(1,828,177)	3,544,208
Fixed Capital Expenditure	(56,186,910)	(60,660,457)
Process from disposal of Fixed Assets	37,962,500	450,000
Total Cash Flow from investing Activities	(17,272,157)	(55,705,180)
Financing Activities:		
Share Capital Received	--	30,759,750
Bank Borrowings	(1,425,279)	2,788,070
Lease Liability Paid	(14,012,878)	(14,922,772)
Total Cash Flow from all activities	(15,438,157)	18,625,048
Net Cash inflow from all activities	24,453,295	34,450,561
Cash and Cash equivalents at the beginning of the year	124,575,085	90,124,524
Cash and Cash equivalents at the end of the period	149,028,380	124,575,085
Reconciliation to Profit and Loss Accounts		
Net Cash Flow from operating activities	57,163,610	71,530,693
Depreciation	(17,535,535)	(10,641,390)
Investment Income	2,580,853	1,391,537
Provision for Gratuity	2,178,303	--
Profit and Loss on disposal of fixed assets	22,144,172	111,761
Lease Finance Charges	(4,793,610)	(2,764,108)
Provision for Taxation	(10,556,241)	(4,529,633)
(Increase)/Decrease in liabilities	(30,192,254)	(100,643,141)
Increase/(Decrease) in Assets other than cash	74,092,062	114,947,508
Profit after Taxation	95,081,360	69,403,227

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A Shahid
President/Chief Executive

STATEMENT OF CHANGES IN EQUITY
 Financial Year Ended December 31, 2006

DESCRIPTION	SHARE CAPITAL	RESERVE FOR ISSUE OF BONUS SHARES	GENERAL RESERVE	IN-APPROPRIATED PROFITS	TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at January 01, 2005	85,443,750	17,088,750	29,303,517	337,167	132,173,184
Bonus Share reserve capitalized	17,088,750	(17,088,750)	--	--	--
Transfer to reserve for bonus shares	--	33,323,060	--	(33,323,060)	--
Bonus Share reserve capitalized - interim	33,323,060	(33,323,060)	--	--	--
Right Shares issued for cash consideration	30,759,750	--	--	--	30,759,750
Net Profit for the year	--	--	--	69,403,227	69,403,227
Transferred to General Reserve	--	--	19,722,000	(19,722,000)	--
Balance as at December 31, 2005, (Restated)	166,615,310	--	49,025,517	16,695,334	232,336,161
Balance at January 01, 2006- (Rested)	166,615,310	--	49,025,517	16,695,334	232,336,161
Transfer to reserve for bonus shares final issue	--	16,661,530	--	(16,661,530)	--
Bonus Share Reserve Capitalized	16,661,530	(16,661,530)	--	--	--
Net Profit for the year	--	--	--	95,081,360	--
Transfer to reserve for bonus shares	--	45,819,210	--	(45,819,210)	--
Bonus Share reserve capitalized - interim	45,819,210	(45,819,210)	--	--	--
Transferred to General Reserve	--	--	49,000,000	(49,000,000)	--
Balance as at December 31, 2006	229,096,050	--	98,025,517	295,954	327,417,521

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
 Chairman/Director

Ch. Maqsood Ahmed
 Director

Mian M.A. Shahid
 President/ Chief Executive

STATEMENT OF PREMIUMS
Financial Year Ended December 31, 2006
BUSINESS UNDERWRITING INSIDE PAKISTAN

Class	Premiums Written	Unearned premium reserve		Premium Earned	Reinsurance Ceded	Prepaid re-Ins. Premium Ceded		Re-Insur Expenses	Net Premium revue	
		Opening	Closing			Opening	Closing		2006	2005
Direct & Facultative										
1. Fire and Property damage	185,923,346	66,968,535	54,865,735	198,026,146	92,802,536	17,041,069	49,273,807	60,569,798	137,456,348	71,223,574
2. Marine, Aviation and Transport	31,734,377	10,735,876	11,275,575	31,194,678	10,098,724	2,393,467	5,393,483	7,098,708	24,095,970	14,053,831
3. Motor	75,051,459	22,174,095	36,031,216	61,194,338	1,654,636	699,510	1,444,247	909,899	60,284,439	21,053,976
4. Miscellaneous	48,291,372	13,868,686	17,731,956	44,428,102	14,240,920	1,567,524	7,839,782	7,968,662	36,459,440	48,994,622
GRAND TOTAL	341,000,554	113,747,192	119,904,482	334,843,264	118,796,816	21,701,570	63,951,319	76,547,067	258,296,197	155,326,003

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Magsood Ahmed
Director

Huma Waheed
Director

Mian M.A. Shahid
President/Chief Executive

STATEMENT OF CLAIMS

Financial Year Ended December 31, 2006

Class	Claims Paid	Outstanding Claims		Claims Expenses	Re-Insur and other recoveries received	Re-Insurance and other recoveries in respect of outstanding claims		Re-Insur and other recoveries revenue	Net Claims expenses	
		Opening	Closing			Opening	Closing		2006	2005
Direct & Facultative										
1. Fire and Property Damage	73,786,027	10,845,280	20,800,423	83,741,170	55,691,596	7,809,304	14,099,017	61,941,309	21,759,861	14,140,474
2. Marine, Aviation and Transport	8,340,050	5,523,221	4,421,751	7,238,580	5,699,941	4,120,872	2,872,042	4,451,111	2,787,469	1,247,814
3. Motor	25,173,884	9,305,360	4,431,877	20,300,401	880,274	3,102,184	253,993	(1,967,917)	22,268,318	13,619,858
4. Miscellaneous	11,937,619	2,800,000	--	9,137,619	7,684,157	2,400,000	--	5,284,157	3,853,462	(5,329,697)
GRAND TOTAL	119,237,580	28,473,861	29,654,051	120,417,770	69,955,968	17,432,360	17,225,052	69,748,660	50,669,110	23,678,449

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Magsood Ahmed
Director

Huma Waheed
Director

Mian M.A. Shahid
President/Chief Executive

STATEMENT OF EXPENSES

Financial Year Ended December 31, 2006

Class	Commissions paid or payable	Deferred Commission		Net Commission Expense	Other Management Expenses	Underwriting expenses	Net Commission on Re-insurance	Net Underwriting expenses	
		Opening	Closing					2006	2005
Direct & Facultative									
1. Fire and Property Damage									
	35,475,488	22,002,103	20,879,947	36,597,644	13,126,541	49,724,185	26,342,388	23,381,797	(3,420,950)
2. Marine, Aviation and Transport									
	4,367,191	2,363,365	2,475,155	4,255,401	2,240,507	6,495,908	2,481,561	4,014,347	803,281
3. Motor									
	10,008,128	3,759,492	5,435,234	8,332,386	5,298,775	13,631,161	103,720	13,527,441	5,318,973
4. Miscellaneous									
	9,147,244	3,974,574	5,017,900	8,103,918	3,409,462	11,513,380	1,660,341	9,853,039	13,397,096
GRAND TOTAL	58,998,051	32,099,534	33,808,236	57,289,349	24,075,286	81,364,635	30,588,010	50,776,625	16,098,400

Note

The commission from reinsurance is arrived at after taking impact of opening and closing of unearned commission. The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A. Shahid
President/Chief Executive

STATEMENT OF INVESTMENT INCOME
Financial Year Ended December 31, 2006

	2006 Rupees	2005 Rupees
Income From Non-trading		
Available for sale		
Dividend Income		
Held to maturity	137,225	152,057
Return on other Fixed Income Securities and Deposits	2,443,628	1,273,447
	2,580,853	1,425,504
Less: Investment Related Expenses	--	(33,967)
Net Investment Income	2,580,853	1,391,537

The annexed notes form an integral part of these accounts.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A Shahid
President/Chief Executive

NOTES TO THE ACCOUNTS
FINANCIAL YEAR ENDED DECEMBER 31, 2006

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated on October 20, 1959, as a Public Limited Company and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The Registered Office of the Company is situated at 302-A panorama centre, 2-Raja Ghazanfsr Ali Khan Road, Karachi & Head Office in Lahore. The principal activity of the Company is General insurance Business and qualifies as a domestic insurance company under Insurance Ordinance 2000 and undertakes Fire, Marine, Motor and Miscellaneous General insurance. It had not transacted any business out side Pakistan.

2. BASIS OF PREPARATION

- 2.1.** These financial statements have been prepared on the format of financial statements issued by the Securities & Exchange Commission of Pakistan (SECP) through Securities & Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide SRO No. 938 dated December 12, 2002. The columns & rows of the financial statements not involving any transaction have been excluded from the given Format.
- 2.2.** The Company has adopted mercantile accounting system unless other wise stated to the extent and manner as permissible under the insurance Ordinance, 2000.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of SRO No. 938 issued by the SECP in December 12, 2002, the Insurance Ordinance, 2000, the requirements of the Companies Ordinance, 1984, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, SEC(insurance) rules, 2002, the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives take precedence.

- 3.1** The following IAS/IFRS, which have been published I or revised and are applicable to the financial statements of the company beginning on or after January 01,2007.

IAS-1 Presentation of Financial Statements- Capital Disclosures	Effective from 01-01-2007
IFRS-4 insurance Contracts	After completion of IASB Project phase II
IFRS-7 Financial Instruments Disclosures	Effective from 01-01-2007

A new series of standards called as “International Financial Reporting Standards (IFRS) have been introduced by IASB. Out of these following four IFRS have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP), and also adopted by the SCEP:

- i) IFRS-2 (Share based payments)
- ii) IFRS-3 (Business Combination);

- iii) IFRS-5 (Non-Current Asset held for Sale and Discounted Operations); and
- iv) IFRS-6 (Exploration for and Evaluation of mineral Resources)

The adoption of the above pronouncements is not expected to be relevant for the activities of the company and disclosure requirements of the financial statements.

3.2 CHANGES IN ACCOUNTING POLICY

3.2.1 APPROPRIATION OUT OF PROFITS

The SECP in 2006, in terms of provision of Section 234(3) of the Companies ordinance 1984 notified application of IAS- 10 (Events After Balance Sheet Date), the company in compliance to such directives has restated, reclassified, certain appropriation of retained earnings. Accordingly all declaration of dividends to equity holders including declaration of bonus issues and other appropriations, except certain appropriations which are required by law (e.g. statutory reserves), after the balance sheet date, are not recognized as liabilities or changes in reserves at balance sheet date. Such declarations and appropriations are disclosed in the notes in accordance with IAS- 1 as well as relevant statutes.

3.2.2 EMPLOYEES RETIREMENT BENEFITS

During the year, the company has complied with the requirements of IAS-19 Employees Benefits. Retirement benefits plan comprise of gratuity funds for all eligible employees. The actuarial valuation of gratuity fund is carried out by an independent valuer as at December 31, 2005 and December 31, 2006, using the projected unit credit method. The basic assumptions used for actuarial valuation are disclosed in the relevant note annexed.

3.2.3 INVESTMENT PROPERTIES

The company in the current year has re-classified and restated its investment properties under the relevant provisions of IAS-40; such change does not affect the profitability of the company. The Investment properties are accounted for under the cost model.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain assets which are stated at revalued amounts.

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, and requires management to make judgments, estimates and assumptions. The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for unearned premiums
- b) Provision for outstanding claims including incurred but not reported (IBNR)
- c) Provision for taxation.

Other areas where estimates and judgments involved are disclosed in respective notes to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1- Employees Retirement Benefits

The Company's retirement benefit plan comprises of gratuity fund for all the eligible employees, who have completed the minimum qualified period of service.

The actuarial valuation of gratuity fund is carried out by an independent valuer as at December 31, 2005 and December 31, 2006, using the projected Unit Credit Method. During the year, the additional liability resulting from the application of IAS 19 - Employees Benefits have been amortized over a maximum period of five years. The basic assumption used for actuarial valuation are disclosed in the relevant note.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains or losses and unrecognized transitional liability. Actuarial gains and losses are recognized on the basis of "minimum 10% corridor" approach.

5.2- Taxation

Current

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

Deferred

The Company accounts for deferred tax, if any, using the liability method, on all major temporary differences at the balance sheet date, between the tax base of assets and liabilities and their carrying values for the financial reporting purposes.

Provision for deferred tax has been made in these financial statements in accordance with treatment spelled in IAS- 12 (Income Taxes), using the tax rate enacted at the balance sheet date.

Deferred tax asset, if any, is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The company also recognizes deferred tax asset/liability on deficit/surplus on revaluation, which is adjusted against the related deficit/surplus in accordance with the requirements of revised IAS- 12 (Income taxes).

5.3- Foreign Currency Translations

Transaction in foreign currencies are translated into rupees at exchange rate prevailing on the date (or near thereto) these transactions are accounted for. The resultant differences, if any, are charged to profit and loss account.

5.4-Investments

The Company has classified its investments as under:

Available for sale

Investments of the company are stated at lower of cost or net realizable market value. Profit or loss on sale of investments is accounted for in the year of disposal. Provision is made for net diminution in value of investment at the Balance Sheet date, if any.

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or change in interest rates, exchange rates or equity price are classified as available for sale. The company has stated these investments, classified as available for sale, at lower of cost or market value; the requirements of IAS-39 have not been complied with, due to exemption granted to insurance companies by SECP, to avoid the circumstances due to tax implications. Had the company adopted IAS-39, the investment as at December 31,2006 would have been higher by Rs.980,970/- (2005: Rs. 712,549/-), with the consequent increase in equity by the same amount.

All purchases and sales of investments are recognized on the trade date, which is the date that the company commits to purchase, or sell the investment. Cost of purchase includes transaction cost.

Held-to-maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. Initially, these investments are measured at the cost being the fair value of the consideration paid.

Subsequent to the initial recognition at cost, these investments are measured at amortized cost, less provision for impairment value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on straight line basis, over the term of the investments.

5.5-Financial Instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. A financial asset is de-recognized when the Company loses control of its contractual rights that comprise the financial assets. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities are taken to profit and loss account, currently.

5.6-FixedAssets

Company's Owned Assets

These are stated at cost less accumulated depreciation except for free hold land, which is stated at cost, and certain building which is stated at revalued amounts.

Depreciation is charged on "No. of days basis", by using the reducing balance method at the rates stated in relevant note.

During the year, the company has revalued its building. This revaluation was carried out by independent valuer as on December 31,2006. Increase in carrying amount arising on revaluation of fixed assets, was credited to “Surplus on revaluation of fixed assets” as required by section 235 of Companies Ordinance, 1984.

Normal repairs and maintenance are charged to income currently. Where as major renewals and replacements are capitalized.

Gains or losses on disposal of fixed assets are included in income / (loss) currently.

Leased Assets

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities.

Assets acquired are amortized over their expected useful life on reducing balance method on the basis of number of days, at the rates mentioned in the relevant note.

5.7-Investment Properties

The company in the current year has re-classified and restated its investment properties; such change does not affect the profitability of the company. The Investment Properties are accounted for under the cost model where land is not depreciated and building is depreciated @ 5% using the reducing balance method.

5.8-Management and Administrative Expenses

Expenses of management are charged on accrual basis and have been allocated to the respective accounts in proportion to the net premium income of the year.

The General and administrative expenses which are not applicable to any particulars business have been charged to aggregate business income.

5.9-Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & ljsr Ordinance 1980.

5.10-Revenue Recognition

Premiums Income

Premium income under a policy is recognized over the period of insurance from the date of inception of the policy to which it relates to its expiry as follows:

- i) For direct business, evenly over the period of the policy.
- ii) For proportional reinsurance business, evenly over the period of the underlying insurance policies.
- iii) Net premium revenue represents gross premium less re-insurance after adjustment of

opening & closing balances for risk of unearned premium and prepaid re-insurance premium on Fire, Marine, Motor and Miscellaneous Insurance business.

Dividend Income and Bonus Shares

Dividend Income and entitlement to bonus shares are recognized whenever such dividend and bonus shares are received by the company, irrespective of the year/period of declaration by the declarant.

Administration Surcharge

Administration Surcharge is recognized as revenue at the time, the policies are written and is included in respective premium written.

Rental and Other Income

Rental and other incomes are recognized as and when accrued.

Income on Fixed Income Securities

Income on fixed income securities is recognized on accrual basis as and when the company obtains the right to recover.

Commission Income

The commission income is recognized at the time of issuance of underline insurance policy by the company. This income is deferred and brought to account as revenue in accordance with pattern of recognition of the insurance premium to which it relates. The profit on commission, if any, which the company maybe entitled to recover under the terms of reinsurance agreement, is recognized on accrual basis.

5.11-Reserve for Unearned Premium

The provision for unearned premium represents the portion of premiums relating to unexpired period of coverage. The company has opted for 1/24th method and maintained its reserves for unexpired risk in accordance with regulation 8(4)(b) of the accounting regulations for non-life insurance companies issued by Securities & Exchange Commission of Pakistan.

5.12-Premium Deficiency Reserve

As per SRO No. 938 issued by Securities & Exchange Commission of Pakistan a premium deficiency reserve is to be maintained, where the unearned premium liability of any class of business is not adequate to meet the expected future liability.

The Management considers that the unearned premium reserve for all classes of business at the end of the period was adequate to meet expected future liability after reinsurance of claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business, in force, at balance sheet date. Hence, no reserve for the same has been made in these Financial Statements.

5.13-Provisions

Provisions are recognized when the Company has a 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 obligations and a reliable estimate of the amount can be made.

5.14-Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized.

5.15-Off Setting of Financial Assets and Liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.16-Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and bank balances, deposits and instruments in hand.

5.17-Commission Income Unearned

The company used 1/24th method to calculate the provision of unearned commission income under the relevant provisions of SRO No. 938 of SEC insurance rules, 2002.

5.18-Deferred Commission Expense:

Commission cost incurred in obtaining and recording the insurance policies of insurance, are being deferred and recognized as an asset in correlation with the unearned premium that will be recognized in the subsequent periods.

The company uses 1/24th method to calculate the provision of unearned commission income under the relevant provisions of SRO No. 938 of SEC insurance rules, 2002.

5.19-Premium Due But unpaid

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

5.20-Estimated Liability In Respect Of Outstanding Claims

The liability in respect of outstanding claims reflects the amounts intimated or assessed before the end of the financial year in respect of claims not rejected less anticipated recoveries there against.

In addition, commencing from the year 2003, the company has adopted a policy to maintain a reserve for losses incurred but not reported (IBNR) to comply with the requirements of Securities & Exchange Commission Rules 2002. Provision for IBNR as at balance sheet date is made, if any.

5.21-Segment Reporting

The company has four primary businesses segments for reporting purpose namely fire & property damage, marine, motor, and miscellaneous.

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 premium written basis. Those assets and liabilities which cannot be allocated to a particular segment on premium written basis are reported as unallocated corporate assets and liabilities.

The fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and engineering losses.

Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in transit.

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

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money and other coverage, and other not classified in above categories.

5.22-Related Party Transactions

Party is said to be related if they are able to influence the operating and financial decisions of the company and vice versa. The company in the normal course of business carries out transactions with such party. Transactions with related party are priced at comparable uncontrolled market price and are carried out at arm's length prices.

5.23-Amount Due to/from Insurers / Re-insurers

Amount due to/from insurers/re-insurers is carried out at cost which is the fair value of the consideration to be received/paid in the future for services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired if such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for difference between the recoverable amount and the carrying.

6. SHARE CAPITAL

Issued subscribed and paid up capital

2006 Number	2005 Number	NOTE	2006 Rupees	2005 Rupees
10,963,475	10,963,475	Ordinary shares of Rs. each fully paid in cash	109,634,750	109,634,750
11,946,130	5,698,056	Ordinary shares of Rs. 10/each issued as fully paid bonus shares including current interim issue	119,461,300	56,980,560
22,909,605	16,661,531		229,096,050	166,615,310

7. SURPLUS ON REVOLUTION OF FIXED ASSETS

7.1 The building of the company is revalued by the independent valuer as on December 31, 2006 and charged to Surplus on Revaluation of Fixed Assets as per requirements of Section 235 of Companies Ordinance 1984. Revaluation Surplus is carried at the amount after adjustments of deferred taxation.

7.2 Movement in revaluation Surplus

Opening balance	--	--
Add: Revaluation surplus	2,654,211	--
Less: Deferred tax adjustment	(928,974)	--
Closing balance	1,725,237	--

7.3 Incremental depreciation is the difference between the actual depreciation expense and depreciation at the historical cost values. There is no incremental depreciation for the year as the revaluation was carried out at the year end.

8. STAFF RETIREMENT BENEFITS

8.1 Balance sheet liability

Present value of defined benefits obligations as at 31-12-2006	6,618,547	--
Unrecognized gains/(loss)	695,628	--
Unrecognized past service cost	--	--
Unrecognized transitional liability	(5,135,872)	--
	2,178,303	--

Total liability as at 31-12-2006

Present value of defined benefits obligations as at 31-12-2005	6,419,840	--
Current Service Cost	1,180,106	--
Interest Cost	641,984	--
Benefits paid	(928,255)	--
Actuarial (gain)/ loss on present value of defined benefit obligations	(695,628)	--
Present value of defined benefits obligations as at 31-12-2006	6,618,547	--

	NOTE	2006 Rupees	2005 Rupees
8.3 Reconciliation of actuarial gain/(loss)			
Unrecognized actuarial gains/(loss) as at 31-12-2005		--	--
Actuarial gain/(loss) arising during the year		695,928	--
Actuarial gain/(loss) charged to profit and loss account during the year		--	--
		695,928	--
8.4 Charged to profit and Loss Account			
Management expenses include retirement benefits in respect of gratuity, amounting to Rs.3,106,558			
Current Service Cost		1,180,606	--
Interest Cost		641,984	--
Past Service Cost		--	--
Actuarial (Gain)/Loss Charge		--	--
Liability/(Assets) charged duet to the application of IAS-19		1,283,968	--
		3,106,558	--
8.5 Transitional Liability as at December 31,2005			
Present Value of defined benefit obligations as at 31-12-2005		6,419,840	--
Less:		--	--
Past Service Cost to be recognized in later periods			
Transitional Liability as at December 31,2005		6,419,840	--
Less:		--	--
Liability reflected in December 31,2005 Balance Sheet under previous accounting policy			
Net charges as at December 31,2005		6,419,840	--
Less: Transitional liability recognized during the year		(1,283,968)	--
		5,135,872	--
8.6 Principal actuarial assumptions			
Valuation discount rate		10%	--
Expected salary increase rate		9%	--
Average expected reaming working life time of the employees		6 Years	--
The disclosure has been made in accordance with IAS-19. The retrospective effect as required under IAS-8 for change in Accounting policy is not applicable due to impartibility and as no previous liability has been recognized			
9. DEFERRED TAXATION			
Reconciliation of deferred tax liability			
Opening balance		456,622	245,657
Deferred tax liability arise during the year			
Revolution surplus		928,974	--
Other temporary difference		5,098,141	210,695
		6,027,115	210,965
		6,483,737	456,622

	Note	2006 Rupees	2005 Rupees
10. SHORT TERM BANK BORROWINGS-SECURED			
Bank Borrowings		5,594,882	7,020,161
		<u>5,594,882</u>	<u>7,020,161</u>

The above renewable finances have been obtained from various banking companies against sanctioned limit of Rs.9.00 millions. These finances are secured against pledge of TDR's/SNTD's at varying margins. The markup rates on above facilities range from 9.0% to 12.5%. The mark up is payable on various dates.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE-SECURED

Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

	2006		2005	
	Minimum lease Payments (MLP)	Present value of MLP	Minimum lease payments (MLP)	Present value of MLP
Due within one year	19,771,616	19,671,231	13,455,815	10,788,179
Due after one year but not later than five year	28,989,318	22,880,527	11,793,632	10,653,251
Total minimum lease payments	48,760,934	42,551,758	25,249,447	21,441,430
Less:				
Lease finance charges allocable to future periods	(6,209,176)	--	(3,808,017)	--
Present value of MLP	42,551,758	42,551,758	24,441,430	21,441,430
Less:				
Current maturity under finance lease	(19,671,231)	(19,671,231)	(10,788,179)	(10,788,179)
Long term liability	<u>22,880,527</u>	<u>22,880,527</u>	<u>10,653,251</u>	<u>10,653,251</u>

The company intends to exercise its options to acquire leased vehicles upon completion of lease period. The average rate of interest implicit in the lease range from 12% to 20% p.a. These are secured against personal guarantees of directors and chief executive of the company, demand promissory note for full lease rental plus residual value, security deposit and title of ownership of leased vehicles. The rental are payable in equal monthly installments and there is no financial restrictions in the lease agreements.

12. CONTINGENCIES & COMMITMENTS

Contingencies

There is a contingent liability of Rs.0.361 million (2005:Rs.0.361 million) – regarding civil commotion compensation funds ordinance 1971. The company is of the view that this will never arise.

Commitments

There were no capital commitments as at balance sheet date.

	Note	2006 Rupees	2005 Rupees
13. LOAN TO EMPLOYEES AND AGENTS-SECURED			
Loan to Employees & Agents		4,833,255	12,118,616
Employees and agents		<u>4,833,255</u>	<u>12,118,616</u>

	Note	2006 Rupees	2005 Rupees
14. INVESTMENTS			
Available for sale	14.1	9,296,628	7,468,451
Held to maturity	14.2	4,055,716	4,055,716
		13,352,344	11,524,167

14.1. AVAILABLE FOR SALE

2006	2005	Quoted companies		
Nos. of Shares				
6,500	6,500	The Hub Power Companies Limited	190,469	190,469
2,926	2,926	Askari Commercial Bank Ltd.	193,409	193,409
1,500	1,500	Pakistan Oil Field Ltd.	404,790	404,790
700	700	Indus Motor Company Ltd.	94,450	94,450
3,200	3,200	Pakistan telecommunication Ltd.	197,780	179,780
1,650	1,5000	Fauji Fertilizer Co. Ltd.	195,704	195,704
1,560	1,300	National Bank of Pakistan	188,649	188,649
3,700	3,700	Oil & Gas Development Co. Ltd.	431,178	431,178
7,750	2,500	Azguard Ltd.	215,112	99,885
14	8	Abbot Laboratories Ltd.	106	106
172	172	Adamjee Industries Ltd.	1,818	1,818
463	463	Bawani Sugar Mills. Ltd.	1,290	1,290
2,400	2,400	Climax Engineering Ltd.	88,896	88,896
64	64	Colony Thal Textile mills Ltd.	466	466
484	387	Ferozsons Laboratories ltd.	2,190	2,190
794	582	Fazal Cloth Mills. Ltd.	3,162	3,162
1,370	997	Habib Sugar Mills. Ltd.	1,606	1,606
100	100	Island Textile Mills Ltd.	844	844
50	50	ICI Pakistan Ltd.	1,377	1,377
522	475	Janana De Malucho Textile Mills Ltd.	5,070	5,070
206	206	Kakakhail Industries Ltd.	3,380	3,380
1,150	1,150	Kohat Textile Mills Ltd.	11,595	11,595
396	396	Kohinoor Sugar Mills Ltd.	3,400	3,400
44	37	Kohinoor Textile Mills Ltd.	253	253
415	415	Mirpurkhas Sugar Mills Ltd.	5,667	5,667
1,358	1,358	Packages Ltd.	62,815	62,815
588	301	Pakistan Cables Ltd.	2,800	2,800
640	640	Pakistan Paper Sack Ltd.	206	206
361	194	P.I.C.I.C.	3,009	3,009
1,008	1,008	Quality steel Mills Ltd.	5,530	5,530
122	104	Shakarganj Sugar Mills Ltd.	964	964
931	931	Shahzad Textile Mills Ltd.	8,160	8,160
232	232	Sunshine Cotton Mills Ltd.	1,834	1,834
33	33	Valika Usman Textile Mills Ltd.	729	729
530	530	Valika Woolen Mills Ltd.	1,980	1,980
952	-	Thal Jute Mill	7,940	--
155,000	-	S.M.E Leasing	1,705,000	--
199,885	35,833		4,043,628	2,215,451

Shares in Un-Quoted Companies

2006	2005	Un-Quoted companies		
Nos. of Shares				
200,000	200,000	Fazal Sugar Mills Ltd.	3,502,000	3,502,000
100,000	100,000	Punjab Cables Ltd.	1,751,000	1,751,000
300,000	300,000		5,253,000	5,253,000
			9,296,628	7,468,451

Market Value of investment in quoted shares of the companies as at December 31,2006 is Rs.5,024,598/- (2005: Rs.2,928,000/-). Due to non-availability of breakup value of investment in unquoted shares of the companies, the cost and breakup value of unquoted shares are considered to be same.

		2006	2005
		Rupees	Rupees
14.2	Held to maturity		
	Government of Pakistan bonds	1,055,716	1,055,716
	Investment in F.E.B.C	3,000,000	3,000,000
		4,055,716	4,055,716

15. INVESTMENT PROPERTIES

	Cost		Rate %	Depreciation		Written Down Value	
	As at 01, January 2006	Transfer As at 31, December 2006		Transfer As at 01, January 2006	For the Year As at 31, December 2006	As at 31, December 2006	As at 31, December 2006
Freehold Land	--	23,128,210	--	--	--	--	23,128,210
Buildings	--	24,336,460	5%	509,360	595,678	1,105,038	23,231,423
2006-Rupees	--	47,464,670		509,360	595,678	1,105,038	46,359,633
2005-Rupees	--	--		--	--	--	--

Market value of land and building as at December 31, 2006 was Rs.50,681,423. The revaluation was carried out by an independent valuer as on December 31, 2006 and the relevant surplus is not recognized in the financial statement.

16. SCHEDULE OF FIXED ASSETS TANGIBLE

PARTICULAR	COST					DEPRECIATION				W.D.V AS AT 31/12/2006	
	As at 1/1/2006 Rupees	Additions/ (Deletions) Rupees	Revaluations Surplus Rupees	Transfers/ Adjustments Rupees	As at 31/12/2006 Rupees	Rate %	For the Year Rupees	Transfers/ Adjustment Rupees	As at 31/2/2006 Rupees	Rupees	Rupees
Land-Freehold	37,296,960	1,909,667	--	(23,128,210)	--	--	--	--	--	--	--
		(14,929,002)		(1,149,415)							--
Building	41,403,040	20,442,567	2,654,211	1,149,415	41,312,773	5	2,705,456	(509,360)	2,551,433	38,761,340	
				(24,336,460)							
Furniture & Fixture	9,566,518	29,746,409	--	--	39,312,627	10	2,176,969	--	3,832,698	35,479,929	
Office Equipment	3,376,515	1,773,080	--	--	5,149,595	10	289,264	--	1,694,068	3,455,527	
Computer Equipment	921,473	921,012	--	--	1,842,485	33.33	247,514	--	598,983	1,243,502	
Vehicle	40,253,545	1,381,000	--	9,241,300	47,587,185	20	3,064,031	4,686,649	30,739,259	16,847,926	
		(3,288,660)						(2,399,334)			
Cycles	35,263	13,175	--	--	18,438	20	4,820	--	23,069	25,369	
Sub-Total 2006	132,853,014	37,969,248	2,654,211	(38,223,370)	135,253,103		8,488,054	1,777,955	39,439,510	95,813,593	
LEASED ASSETS											
Vehicles	42,854,300	30,329,596	--	(9,241,300)	63,942,596	20	8,451,803	(4,686,649)	12,147,235	51,795,361	
Grand Total 2006	175,707,314	68,298,844	2,654,211	(47,464,670)	199,195,699		16,939,857	(2,908,694)	51,586,745	147,608,954	
Grand Total 2006	99,305,531	76,401,783	--	--	175,707,314		10,641,390	--	37,555,582	138,151,732	

16.1 REVALUATION SURPLUS ON BUILDING

Description	Cost	Book Value	Revalued Amount	Revaluation Surplus
Building	1,517,673	1,441,789	4,096,000	2,654,211
				2,654,211

The revaluation of fixed assets was carried out by an independent valuer M/s FRANK OBSERVERS (Private) Limited, 16-Carvan Building, 8-Link Mcload Road Lahore, on December 31-2006 resulting in surplus of Rs.2,654,211/- which was credited to surplus on revaluation of fixed assets in order to comply with the requirements of section 235 of the Companies Ordinance, 1984. Had there been no revaluation, the related figures of revalued building as at December 31, 2006 would have been as follows:

Description	Cost	Accumulated Book Value Depreciation
Building	1,517,673	75,884
		1,441,789
	1,517,673	75,884
		1,441,789

16.2 SCHEDULE OF DISPOSAL OF FIXED ASSETS

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain/ (Loss)	Mode of Disposal	Name & Address of Purchase
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vehicles							
Suzuki IDC-4152(800CC)	130,000	124,360	5,640	10,000	4,360	Negotiation	Ghulam Muhammad RO.39 Nargis Block Iqbal Town Lhr.
Chararde LXH 2086	206,000	191,470	14,530	85,000	70,470	Negotiation	Wajid Ali Bokhari
Suzuki Mehran LXM 4245	430,120	322,147	80,973	140,000	59,027	Negotiation	Hasan Raza Naqvi St#4 House#58 Al Faisal Town Cannt. LHR.
Suzuki Khyber LOA 7714	210,000	199,216	10,785	61,500	50,715	Negotiation	Mehboob Elahi H.O 67 A-II PGICHS College Road Lhr.
Suzuki Mehran	411,780	297,106	114,674	186,000	71,326	Negotiation	Aamir Saeed House # 185 Gulshan Block, Lhr.
Suzuki Cultus LRO 451	590,000	288,530	301,470	275,000	(26,470)	Negotiation	Muhammad Saeed R.O 47/ A Taj Pura Block-B, Lhr.
Sunny Nissan ADP-276	1,337,760	976,506	361,254	275,000	(86,254)	Negotiation	Muhammad Akmal Shahzad H # A75, Choburji Lahore.
Sub-Total	3,288,660	2,399,334	889,327	1,032,500	143,173		
Land							
Land (Multan)	14,929,002	--	14,929,002	36,930,000	22,000,998	Negotiation	2- Usmania Block, Chah Koray Wala, Gulghust Colony, Multan.
Total	18,217,662	2,399,334	15,818,329	37,962,500	22,144,171		

	NOTE	2006 Rupees	2005 Rupees
17. MANAGEMENT EXPENSES			
Vehicle Expenses 7 Workshop Bills		4,047,780	1,8707,894
Advertisement & Selling Expenses		5,524,757	3,543,471
Fir Service Charges		161,200	97,096
Accident Service Charges		142,400	71,750
Marine Service Charges		146,300	88,514
Miscellaneous Expenses		30,345	26,100
Insurance Policy & Stamp Paper		615,665	480,033
Staff Salaries		13,406,869	22,585,096
		24,075,286	28,699,954
18 OTHER INCOME			
Gain on sale of fixed assets		22,144,171	111,761
Miscellaneous income		21,801	--
		22,165,972	111,761
19 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, Allowances and Benefits		20,494,729	4,050,562
Traveling, Conveyance and vehicle Charges		10,886,337	4,485,966
Printing & Stationery		2,563,188	1,361,447
General Expenses		14,795,776	9,081,804
Legal & Professional Fee		2,024,403	1,574,787
Auditor's Remuneration		180,000	85,000
Lease Finance Charges		4,793,610	2,764,108
Depreciation		17,535,535	10,641,390
Zakat		--	220,500
Gratuity		3,106,558	228,525
		76,379,686	34,494,089
20 PROVISION FOR TAXATION			
Current		5,458,100	4,000,000
Prior		--	318,668
Deferred		5,098,141	210,965
		10,556,241	4,529,633

The income tax assessment of the company has been finalized upto and including tax year 2006 relevant to year ended December 31, 2005 under the deeming provisions of the Income Tax Ordinance 2001, by virtue of this no further tax provision has been made in these accounts for the tax year 2006. see note no 5.2 annexed.

Reconciliation between effective and

Applicable tax rate

	Percentage %	
applicable tax rate	35.00	35.00
- Effective of exempted income	(7.29)	--
- Effective of tax on amounts deductible for tax purpose	(17.29)	(28.87)
- Effective of opening deferred tax	(0.43)	--
Effective of tax rate	9.99	6.13

21. BASIC EARNINGS PER SHARE		
Profit attributable to Ordinary shareholders	95,081,360	69,403,227
Weighted average no of Ordinary shareholders Outstanding during the year	22,909,605	22,909,605
Basic/adjusted earning per share	4.15	3.03

No figure of diluted earning per share has been presented as the company has not issued any instrument which would have an impact on earning per share when exercised.

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES	Interest/markup bearing			Non Interest/Markup bearing			2005 Total
	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	
Financial Assets							
Loan to employees and agents	--	4,833,255	--	4,833,255	--	4,833,255	12,118,616
Investment	4,407,228	9,296,628	4,407,228	9,296,628	--	13,703,856	11,524,167
Premium due but Unpaid	--	90,709,398	--	90,709,398	--	90,709,398	62,258,722
Interest Outstanding	--	1,163,761	--	1,163,761	--	1,163,761	943,337
Amount due from other insurers/re-insurers	--	13,669,140	--	13,669,140	--	13,669,140	3,723,634
Reinsurance recoveries	--	17,225,052	--	17,225,052	--	17,225,052	17,432,360
Sundry Receivable	--	2,402,934	--	2,402,934	--	2,402,934	3,393,260
Cash & Bank Balance	24,069,304	29,028,223	53,097,527	95,930,853	--	149,028,380	124,575,085
	<u>24,069,304</u>	<u>33,435,451</u>	<u>57,504,755</u>	<u>235,231,021</u>	<u>--</u>	<u>292,735,776</u>	<u>235,696,181</u>
FINANCIAL LIABILITIES							
Claims Outstanding	--	29,654,051	--	29,654,051	--	29,654,051	28,473,861
Amount due to other insurers/reinsures	--	2,839,466	--	2,839,466	--	2,839,466	2,227,077
Other creditors & accruals	--	16,008,599	--	16,008,599	--	16,008,599	5,735,910
Short term bank borrowings	5,594,882	--	5,594,882	--	--	5,594,882	7,020,161
Liabilities against assets subject to finance							
Liabilities against assets subject to finance lease	19,671,231	22,880,527	42,551,758	--	--	42,551,758	21,441,430
	<u>25,266,113</u>	<u>22,880,527</u>	<u>48,146,640</u>	<u>48,502,116</u>	<u>--</u>	<u>96,648,750</u>	<u>64,898,439</u>

Effective interest rates for the monetary financial certificates are mentioned in the respective notes to the accounts.

22.1- 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 investment. The company limits market risk with respect to its investment. The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

22.2- Credit Risk and concentration of credit risk

Credit risk is the risk, which arises with possibility that one party to a financial statement 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 exposure by undertaking transaction with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner.

The company is exposed to its credit risk on premiums due but unpaid, amount due from insurers/reinsurers and reinsurance recoveries against outstanding claims. The management monitors and Limits Company's exposure to credit risk through monitoring of credit exposure, review and conservative estimate of provisions for doubtful receivables, if any.

22.3- Fair Value of Financial Instrument

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

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investment, fair values of which have been stated in relevant note.

Reinsurance Risk

Reinsurance ceded does not relieve the company from its obligation to policy holders and as a result the company remains liable for the portion of outstanding claim reinsured to the extent that re-insurers fails to meet the obligation under reinsurance agreements.

In common with other insurance companies in order to minimize the financial exposure arising from large claims, the company, in the normal course of business, enters into agreement with other parties for reinsurance purpose.

To minimize its exposure to significant losses from re-insurers insolvencies. The company evaluates the financial condition of its re-insurers and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of re-insurers.

23. SEGMENT REPORTING

The company has four primary segments for reporting purposes namely Fire, Marine, Motor and Miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the premium written by each segment.

	Fire		Marine		Motor		Miscellaneous		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Amount in Rs.									
REVENUE										
Net premium revenue	137,456,348	71,223,574	24,095,970	14,053,831	60,284,439	21,053,976	36,459,440	48,994,622	258,296,197	155,326,003
Segment results	92,314,690	55,536,996	17,294,154	11,175,959	24,488,680	839,645	22,752,939	39,372,051	156,850,463	106,923,651
Investment income									2,580,853	1,391,537
Other income									22,585,972	111,761
Expenses									(76,379,686)	(34,494,089)
Profit before tax									105,637,602	73,932,860
Provision for taxation									5,458,100	4,000,000
Current									--	318,668
Prior									5,098,141	210,965
Deferred										
Net Profit									95,081,360	69,403,227
OTHER INFORMATION										
Segment assets	141,162,963	84,848,863	17,582,370	15,209,932	30,106,344	17,318,356	27,639,426	19,838,668	216,491,103	137,215,820
Unallocated assets	--	--	--	--	--	--	--	--	367,621,303	290,706,197
Total Assets									584,112,406	427,922,017
Segment liabilities	97,462,649	88,073,154	17,941,260	17,315,213	41,305,537	31,924,308	19,984,822	17,338,247	176,694,268	154,650,922
Unallocated Liabilities									78,275,380	40,934,934
Total Liabilities									254,969,648	195,585,856

2006
Rupees

2005
Rupees

Note

24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Executive	Total 2006	Total
Salaries	1,036,800	--	1,036,800	1,328,628
Allowance and perquisites	403,200	--	403,200	552,372
	<u>1,440,000</u>	<u>--</u>	<u>1,440,000</u>	<u>1,881,000</u>
Number of persons	<u>1</u>	<u>--</u>	<u>1</u>	<u>3</u>

The Chief Executive is also provided with free use of the company's maintained car.

25. RELATED PARTY TRANSACTIONS

The company has relationship of associated undertakings with United Track System (Private) Limited due to common directorship. Transactions with related party is summarized as follows:

Purchase of Track Systems	6,900,705	--
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26. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 04-04-2007 by the Board of Directors of the Company.

27. COMPARATIVES

Previous year figures have been rearranged where necessary, for the purpose of comparison. There were no major changes in comparatives during the year, effecting the income of the company, otherwise as reported to that extent only.

SR.#	DESCRIPTION	FROM	TO
1	Net surcharge recovered	Management expenses	Revenue
2	Deposits with leasing corporation, cash with CDC and Statutory deposit with SBP	Investment	Deposits maturing after 12 months.

28. GENERAL

These figures have been rounded off to the nearest rupee.

29. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In the meeting of board of directors approving the accounts, the directors also proposed 10% stock dividend on the increase paid up capital of Rs.229,096,050 after capitalizing the interim bonus shares issued, and recommended issuance of bonus shares equivalent to Rs.22,909,600 for approval of the AGM. By virtue of this approval, total stock issue in the current year will be Rs.68,728,815 increasing the paid up capital from Rs.183,276,840 as at December 31, 2005 to currently Rs.252,005,650.

Ch. Habib-ur-Rehman
Chairman/Director

Ch. Maqsood Ahmed
Director

Huma Waheed
Director

Mian M.A. Shahid
President/Chief Executive

**PATTERN OF SHARE HOLDING
AS AT DECEMBER 31, 2006**

Shareholding		Number of Shareholders	Total shares Held
From	To		
1	100	157	5903
101	500	42	20506
501	1000	31	30570
1001	5000	53	146322
5001	10000	29	275457
10001	15000	19	240414
15001	20000	16	223667
20001	25000	8	182047
25001	30000	5	134774
30001	35000	9	288100
35001	40000	9	156490
40001	50000	11	545001
50001	60000	16	947010
60001	70000	21	1469774
70001	80000	11	822939
80001	10000	47	4610926
1000001	150000	47	6086988
150001	200000	7	1195168
200001	300000	9	2432876
300001	350000	5	1714442
		552	22909605

PATTERN OF SHARE HOLDING

CATEGORIES OF SHAREHOLDERS

As per Code of Corporate Government

As at December 31, 2006

Sr. #	Categories of Shareholders	Number of Shareholders	Share Held	Percentage
-------	----------------------------	------------------------	------------	------------

1	Associated Undertaking and Related parties	NIL	NIL	0
2	ICP and NDEC (List "A" Attached)	2	5288	0.02
3	Directors & CEO (list B Attached)	8	267334	1.17
4	Executive	NIL	NIL	0
5	Public Sector Corporation	NIL	NIL	0
6	Banks, Insurance and Mudarabe Companies (List C Attached)	4	617018	2.69
7	Individuals	528	21647826	94.49
8	Others	10	372139	1.63
		552	22909605	100.00

LIST "A"

ICP and NDFC

S. NO	NAME	NUMBER OF
		SHARES
1	Investment corporation of Pakistan	1547
2	National Development Finance Corporation	3741
		5288

LIST "B"

Details of CEO and Directors

S. NO	NAME	NUMBER OF SHARES
1	Ch. Habibur Rehman	13998
2	Mian M.A Shahid CEO	164508
3	Ch. Najibur Rehman	13102
4	Ch. Maqsood Ahmed	45815
5	Ch. Azizur Rehman	13560
6	Muhammad Ashraf Khan	5630
7	Huma Waheed	5818
8	Muhammad Iftikhar Hussain	4903
		267334

LIST "C"

Banks, Insurance and Mudaraba Companies

S. NO	NAME	NUMBER OF SHARES
1	Eastern Federal Union Insurance Company	941
2	Pakistan Insurance Corporation	271151
3	Habib Bank Ltd.	291
4	Al-Zamin Leasing Modaraba Physical	500
	CDC	344135
		617018

List of Others

S. NO	NAME	NUMBER OF SHARES
	ALLIANCE INTERNATIONAL	17,000
	AZIZ COAL MIANES LTD.	14,829
	INDUS COAL MINES LTD.	212,267
	KAZI & KAZI LTD.	443
	MEHR DASTGIR TEXTILE MILLS LTD.	29,145
	MEHR DASTGIR LEATHER & FOOTWEAR INDUSTRIES LTD.	34,106
	SARFARAZ MAHMOOD (PVT.) LTD.	88
	SHAHAB COAL MINES (PVT.) LTD	11,661
	ZAHID STEEL (PVT.) LTD.	26,300
	ZAHID CHEMICAL LTD.	26,300
		372,139

NATION WIDE BRANCH OFFICES

LAHORE:

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46-Shahrah-e-Quaid-e-Azam Lahore.
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Mr. Ghulam Muhammad

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Mr. Tariq Butt

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Mr. Muhammad Rafiq Javed

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Deputy General Manager
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SIALKOT

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Mr. Tariq Saeed

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