

Annual Report 2007

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to protect.

So do we

**Central Insurance Company Limited**

Head Office: Dawood Centre, M.T. Khan Road, Karachi-75530

Tel: (92-21) 5686001-16, 5684019, 5681491 Fax: (92-21) 5680218

Lahore Office: 35-A, Shahrāh-e-Abdul Hameed Bin Badees (Empress Road), Lahore.

Tel: (92-42) 6301601-07 Fax: (92-42) 6364316, 6360343

E-mail: info.cic@dawoodgroup.com Website: www.ceninsure.com

Designed by: dh Creative Unit 6304167

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**Central Insurance Company Limited**



# Annual Report 2007



**Central Insurance Company Limited**



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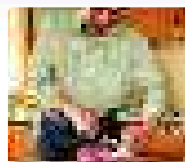
Providing protection and peace of mind



## Highlights

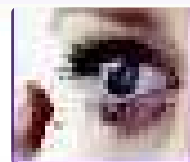
- Gross Premium increased by 44%
- Underwriting Profit increased by 1%
- Investment Income increased by 259%
- Other Income increased by 1345%
- Profit After Tax increased by 266%
- Growth in Balance Sheet of over Rs. 2.72 billion

Shielding you from the tear...



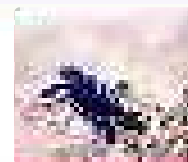
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Enabling you to focus on the more important things in life



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ensuring that you are secure where ever you go



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Helping you treasure and preserve what you value



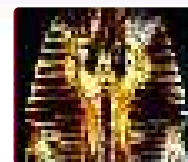
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Cushioning you for a more comfortable existence



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Masking you from adversity



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# COVER

Shielding you from  
the tear...



## *Company Information*

### BOARD OF DIRECTORS

Hussain Dawood (Chairman)  
Viqar Siddique (Chief Executive)  
Aleem A. Dani  
Shahzada Dawood  
A. Samad Dawood  
Haroon Mahenti  
Aziz Moon

### COMPANY SECRETARY & CFO

Ghulam Haider

### EXECUTIVES AT HEAD OFFICE

Tariq Mehmood Awan  
Mirza Akhtar Baig  
Shehla Hashim

### AUDITORS

KPMG , Taseer Hadi & Company  
(Chartered Accountants)  
1st floor, Shaikh Sultan Trust  
Building # 2 Beaumont Road,  
Karachi.  
[www.kpmg.com.pk](http://www.kpmg.com.pk)

### BANKERS

Meezan Bank Limited  
Bank Al Habib Limited  
Atlas Bank Limited  
Habib Bank Limited  
Standard Chartered Bank

### TAX CONSULTANTS

Tanuli Qazi Law Associates  
346-Hotel Metropol, Club Road,  
Karachi.

### LEGAL ADVISORS

Zahid & Tariq Advocates  
65, Hussain Manzil, Chestnut Street,  
Garden East, Karachi.

### REGISTERED OFFICE & SHARES DEPARTMENT

Dawood Centre,  
M.T. Khan Road, Karachi-75530

### BRANCH OFFICE LAHORE

35-A, Empress Road, Lahore-54000

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on the more important  
things in life



## Key Financial Data

Ten Year at a Glance

Particulars	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Earnings</b>										
Gross Premium	145,629	101,327	166,022	119,033	52,763	47,174	40,419	35,120	30,730	30,650
Net Premium	20,851	42,073	56,969	18,590	9,987	14,512	8,990	9,020	8,540	9,183
Underwriting Profit	12,612	12,453	18,405	10,008	12,012	13,182	19,672	9,736	8,564	12,358
Investments Income	2,752,567	767,673	243,127	127,560	89,391	107,117	81,347	60,590	53,490	41,025
Profit before Taxation	2,764,738	730,310	222,449	156,116	102,555	117,925	99,055	67,080	60,560	75,310
Profit after Taxation	2,747,982	750,090	200,640	131,621	77,369	104,817	76,855	43,870	40,050	633,110
<b>Pay Out Information %</b>										
Cash Dividend	50	50	40	60	40	80	100	50	50	20
Stock Dividend	20	-	10	20	10	20	-	33.33	20	100
<b>Balance Sheet</b>										
Paid Up Capital	139,834	139,834	127,122	105,935	96,305	80,254	80,254	60,190	50,160	25,080
Equity Growth	4,115,396	1,458,306	754,615	579,399	511,340	472,493	431,879	370,045	338,122	313,142
Investments -Book Value	4,017,496	1,146,086	1,099,115	455,708	365,150	360,175	363,698	365,809	369,127	168,697
Investments -Market Value	4,108,830	2,769,434	3,127,928	1,831,616	1,506,640	1,009,625	484,417	530,832	792,600	306,985
Cash & Bank Deposits	97,520	307,548	87,857	109,758	154,156	135,723	119,573	81,252	37,107	164,469
Fixed Assets	4,103	5,624	6,158	4,633	2,471	492	551	534	1,217	1,388
Total Assets	4,303,732	1,585,050	1,359,547	772,550	712,644	551,992	540,939	471,330	427,210	384,694
<b>Operating Performance</b>										
Earning Per Share Basic and Diluted (Rupees)	196.52	53.64	14.35	10.35	7.30	10.88	10.69	7.29	7.99	12.62
Break up Value per Share (Rupees )	294.30	104.29	59.36	54.69	53.09	58.88	48.94	61.48	67.41	124.85
Underwriting Result to Net Premium %	60.48	29.60	32.31	53.84	120.28	90.84	218.82	107.94	100.28	134.57
Return on Investments %	68.51	66.98	22.12	27.99	24.48	29.74	22.37	16.56	14.49	24.32



*Notice of Annual General Meeting*

Notice is hereby given that the Forty Eighth Annual General Meeting of Central Insurance Company Limited will, Insha Allah, be held on Thursday March 27, 2008 at 12:00 noon at Shalimar Hall, Pearl Continental Hotel, Club Road, Karachi to transact the following business after recitation from the Holy Quran.

A. ORDINARY BUSINESS:

- 1) To confirm the Minutes of the Extraordinary General Meeting held on Friday 14 December 2007.
- 2) To receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2007 together with the Auditors' and Directors' Reports thereon.
- 3) To consider and if thought fit, approve payment of final cash dividend at the rate of 20% (Rs.2 per share) for the year ended December 31, 2007 as recommended by the Board of Directors. This is in addition to the two interim cash dividends totaling 30% (Rs.3 per share) already paid during the year.
- 4) To appoint Auditors for the year

ending December 31, 2008 and to fix their remuneration. The retiring Auditors M/s. KPMG Taseer Hadi & Company, being eligible, offer themselves for re-appointment.

B. SPECIAL BUSINESS:

- 5) To consider and if thought fit, pass with or without modification, the following Special Resolution to increase the Authorized Share Capital of the Company from Rs. 150 million to Rs.300 million.

"Resolved that the Authorized Share Capital of the Company be and is hereby increased from Rs.150,000,000 (Rupees one hundred fifty million) to Rs.300,000,000 (Rupees three hundred million) divided in to 30,000,000 (Thirty million) Ordinary Shares of Rs.10/- (Rupees ten) each.

That the Memorandum of Association of the Company be altered by substituting the figures and words "150,000,000" (One hundred fifty million) and "15,000,000 (Fifteen million) Ordinary Shares appearing in clause V by the figures and words

“300,000,000” (Three hundred million) and 30,000,000 (Thirty million) Ordinary Shares respectively.

That the Articles of Association of the Company be altered by substituting the figures and words “150,000,000” (One hundred fifty million) and “15,000,000 (Fifteen million) Ordinary Shares appearing in Article 3 by the figures and words “300,000,000” (Three hundred million) and 30,000,000 (Thirty million) Ordinary Shares respectively.”

- 6) To approve the issue of Bonus Shares in the ratio of one (1) bonus share for every five (5) existing Ordinary Shares held by the shareholders (20%) as recommended by the Board of Directors. To give effect to the above, the Directors have recommended to consider and if thought fit, pass, with or without modification, the following Resolution as an Ordinary Resolution:

“RESOLVED that a sum of Rs.27,966,908 (Rupees twenty

seven million nine hundred sixty six thousand nine hundred eight only) be capitalized out of the unappropriated profit of the Company and applied towards the issue of 2,796,690 Ordinary Shares of Rs.10/- each as fully paid bonus shares to be allotted to the shareholders in proportion of one (1) share for every five (5) existing Ordinary Shares held by the Members of the Company who are registered on the books of the Company on March 20, 2008, and that, after allotment, such new shares shall rank pari passu in all respect with the existing Ordinary Shares of the Company. These bonus share will not be eligible for the final cash dividend of 20% for the year ended December 31, 2007.

Members entitled to fractions of shares as a result of their holding either less than 5 Ordinary Shares or in excess of exact multiple of 5 Ordinary Shares be given the sale proceeds of their fractional entitlements for which purpose the fractions be consolidated and sold



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at the Stock Exchange.

For the purpose of giving effect to the foregoing, the Directors be and are hereby severally authorized to take all necessary actions under the law and to settle any questions of difficulties that may arise in the distribution of the said Bonus Shares or in the disposal of fractions and payment of proceeds thereof."

(Attached to this Notice is a statement of material facts covering the above mentioned special business, as required under Section 160 (1) (b) of the Companies Ordinance, 1984)

By order of the Board

( Ghulam Haider )  
Company Secretary &  
Chief Financial Officer

Karachi: February 21, 2008

Notes:

### 1. Closure of Share Transfer Books.

The Share transfer books of the Company will remain closed from March 21, 2008 to March 27, 2008 (both days inclusive). Transfer received in order at the Company's Registered Office by the close of business on Thursday March 20, 2008 will be treated in time for the purpose of payment of final cash dividend, if approved by the Shareholders.

### 2.Participation in the Annual General Meeting

All members of the Company are entitled to attend the Meeting and vote thereat in person or through Proxy. A Proxy, duly appointed, shall have such rights as respects speaking and voting at the Meeting as are available to a member. The Proxy shall produce their original CNICs or original Passports at the time of the Meeting.

### 3. Proxy

A member of the Company may

appoint other member as his/her Proxy to attend and instead of him/her. A Corporation being a member may appoint any person, whether or not a member of the Company, as its Proxy. In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company with the Proxy Form.

In order be effective, Proxy Forms, duly filled and signed, must be received at the Registered Office of the Company, not less than forty eight (48) hours before the Meeting. A blank Proxy Form is attached herewith.

### 4. Change of Address

Shareholders are requested to immediately notify the change of address, if any.

Statement of material facts under Section 160(1)(b) of the Companies

Ordinance, 1984 regarding the Special Business

### Item (5) of the Agenda

The Authorized Share Capital of the Company presently stands at Rs.150 million in share of Rs.10/- each. To accommodate issuance of further bonus shares in future, it is, therefore, considered advisable to increase the Authorized Share Capital of the Company from Rs.150 million to Rs.300 million divided into 30 million shares of Rs.10/- each.

### Item (6) of the Agenda

The Board of Directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs.27,966,908 for the issue of Bonus Shares in the ratio of one Bonus Share for every five Ordinary Shares held i.e. 20%. The Directors of the Company, directly or indirectly, are not personally interested in this business except to the extent of their shareholding in the Company.



## Director's Report

Assalam-o-Alaikum,

The Directors of Central Insurance Company Limited are pleased to present the Forty-Eighth Annual Report and audited accounts for the year ended December 31, 2007.

### COMPANY PERFORMANCE

A summary of results indicating the overall performance of the Company is given below for the year under review:-

	Rupees in Million		
	2007	2006	%
Gross Premium	145.63	101.33	44%
Net Premium	20.85	42.07	-50%
Net Claims	8.71	26.34	-67%
Underwriting Result	12.61	12.45	1%
Investment and other income	2,764.75	768.52	259%
Profit before tax	2,764.73	730.31	279%
Profit after tax	2,747.98	750.09	266%
Earnings per share (Rupees)	196.52	53.64	266%

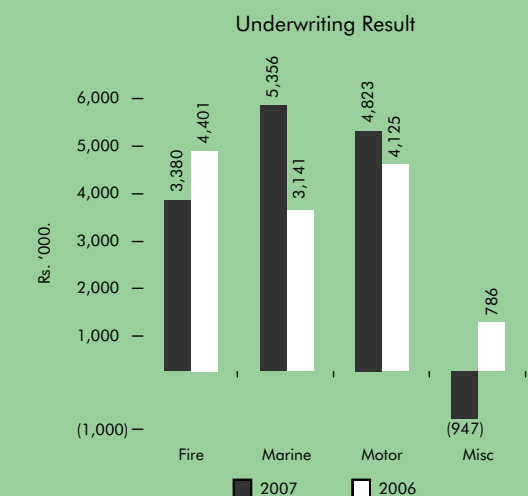
The total Gross Premium has gone up by 44%, from Rs.101.33 million last year to Rs.145.63 million. However the trend does not continue in relation to the Net Premium which has declined by 50%, from Rs.42.07 million last year to Rs.20.85 million, mainly due to the extra heavy reinsurance cessions on the

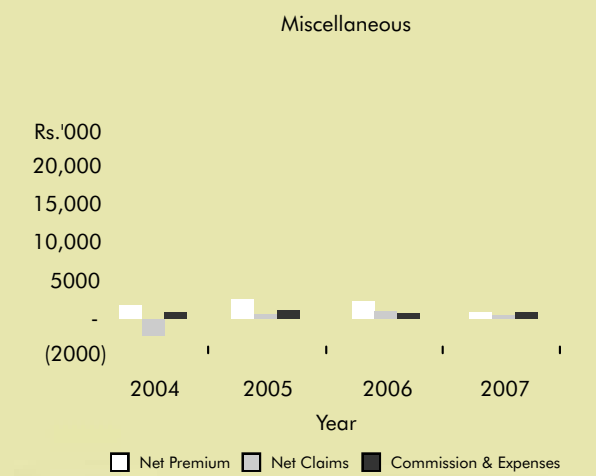
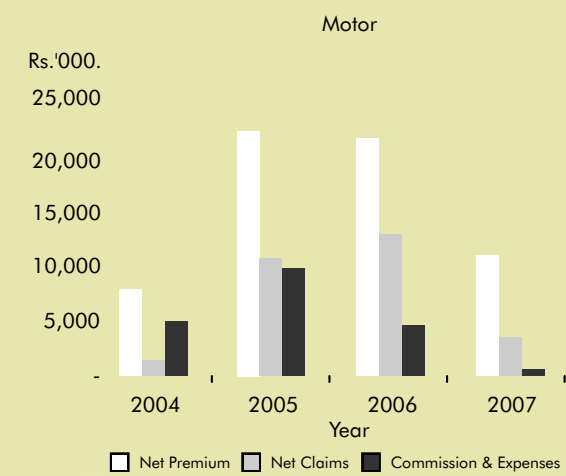
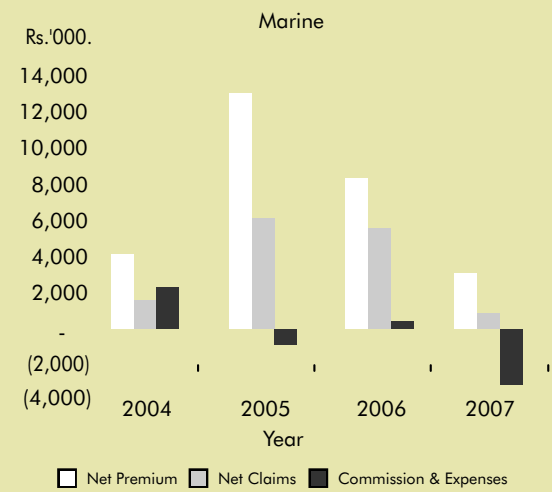
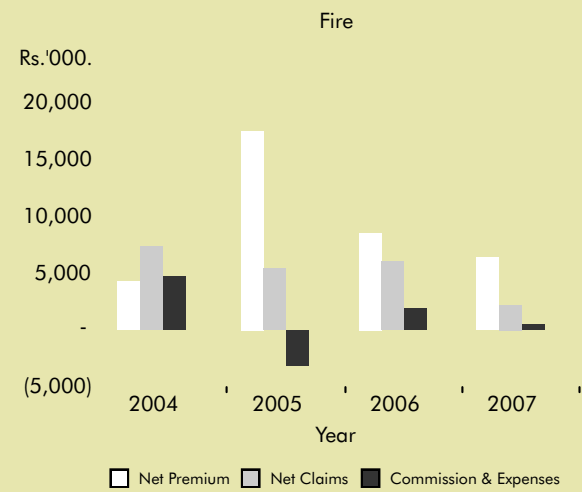
Engineering Business written during the year. As a result, the Underwriting Profit remained more or less the same as last year, though the Net Claims actually declined appreciably, from Rs.26.34 million last year to Rs.8.71 million for the year under review.

From Investment and others Income point of view, 2007 has been another good year for your Company as it has recorded a 259% increase over that of last year.

### UNDERWRITING RESULT

Following strategic review our Gross premium has increased to Rs. 145.63 million from Rs.101.33 million last year with the underwriting result remaining more or less the same as last year at Rs. 12.61 million.





## SEGMENT WISE REVIEW

### FIRE

Our net premium has declined by 27% to Rs.6.28 million from last year's Rs. 8.62 million, Net Claim expense has decreased to Rs. 2.72 million from Rs 6.16 million i.e by 55%. Profitability has gone down to Rs.3.38 million from Rs. 4.40 million last year.

### MARINE, AVIATION AND TRANSPORT

The Net premium declined to Rs. 3.25 million from Rs. 8.39 million last year i.e by 61%. Net claims have decreased to Rs. 1.36 million from Rs. 5.71 million. The Profitability for this class has increased to Rs. 5.35 million from last year's Rs. 3.14 million.

### MOTOR

Net premium decreased to Rs. 10.17 million from Rs. 22.23 million last



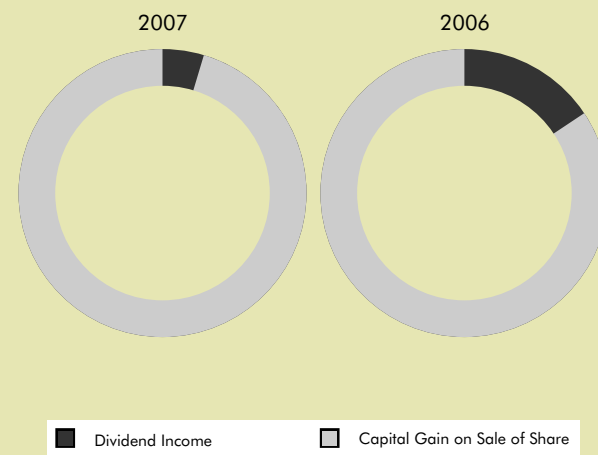
year showing a 54% decline while net claims have reduced to Rs. 4.17 million from the last year's Rs. 13.21 million. Profitability of this class has increased to Rs. 4.82 million from last year's Rs. 4.12 million.

### MISCELLANEOUS

Net Premium has declined to Rs. 1.14 million from Rs. 2.82 million last year i.e by 59%. Net claims expense decreased to Rs. 0.45 million from Rs. 1.26 million which represents a 64% decline. The class therefore produced an overall loss of Rs 0.94 million as compared to last year's profit of Rs. 0.78 million.

Helping you treasure and preserve what you value





### Assassination of Mohtarma Benazir Bhutto

The year end saw unprecedented debacle in the form of large scale Rioting, Arson and Looting following the unfortunate assassination of Mohtarma Benazir Bhutto. The Insurance Industry suffered immensely due to these tragic events and a cautious estimate of losses suffered by the Industry stands well over Rs. 6 Billion.

Central Insurance Company by in large was shielded against the destruction caused by mob rioting in the street. Total of Rs. 2 million Claims were filed with the Company.

### INVESTMENT INCOME

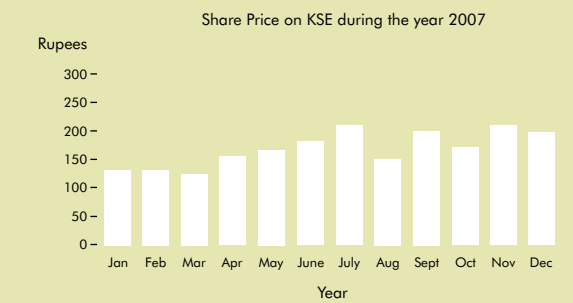
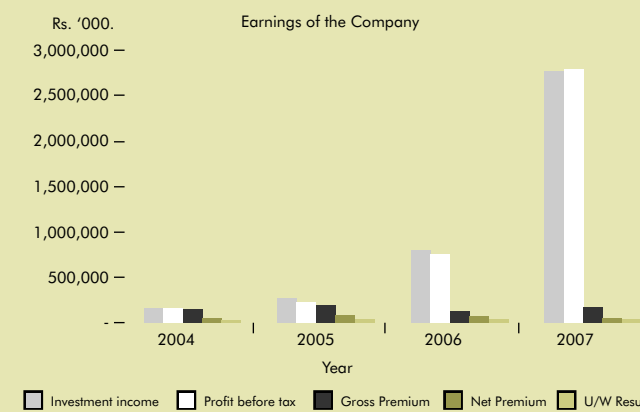
In view of the uncertainty as to whether or not the Tax exemption on Capital Gains would continue beyond the current financial year, the Board of Directors of your Company decided to recognize the capital gain in the Accounts for the year under

review. For this purpose the necessary approval of shareholders was obtained in the EGM dated 14<sup>th</sup> December 2007. Accordingly shares of Dawood Hercules Chemicals Ltd, Dawood Lawrencepur Ltd and Engro Chemical Ltd amounting to Rs. 2,603.33 million were sold which has resulted in the substantial increase of 259% in the Investment Income from 767.67 million last year to Rs. 2,752.56 million.

Dividend income on the other hand has gone down by 11% from Rs. 120.02 million to Rs. 106.76 million.

### OTHER INCOME

The other Income has also increased appreciably to Rs.12.18 million compared to Rs.0.84 million last year mainly due to enhanced profits on banks deposits.



### EARNINGS OF THE COMPANY

The investment income has contributed immensely to the profitable results. Profit before tax has increased to Rs. 2,764.74 million which is up by 279 % compared to Rs. 730.31 million last year. After tax profit has increased to Rs. 2,747.98 million from Rs. 750.10 million which works out to 266% over last year. Earning per share has increased to Rs. 196.52 from Rs. 53.64 per share recorded in 2006.

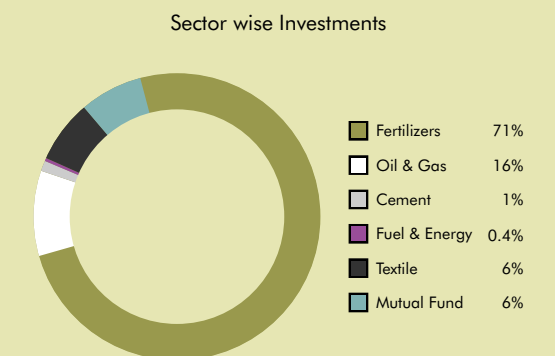
### PAID UP CAPITAL:

Authorized Share Capital of your Company is Rs.150 million divided into 15 million shares of Rs.10/- each.

Paid up Capital as on December 31, 2007 stands at Rs. 139.83 million divided into 13.98 million shares of Rs. 10/- each. This is in line with the prescribed increase in paid up capital provided by the Securities and Exchange Commission of Pakistan for the year under review.

### INVESTMENTS

Your Company revalued its investments in Associate Companies and as a result of this exercise, the total investments now stand at Rs. 4,017.50 million as compared to Rs. 1,146.09 million last year which works out to 251% over that of last year.



### APPROPRIATIONS

During 2007 your company has declared two interim cash dividends of 15% each for the shareholders. The Board now recommends a final cash dividend of 20% making a total of 50% cash dividend and 20% Bonus shares.

Cushioning you for a more comfortable existence



## SOCIAL AND CORPORATE RESPONSIBILITY

The company continues to focus on strict compliance, ethics and corporate values including policies and procedures that develop a corporate culture through enhanced communication, training and other supporting initiative.

### Responsibility to Clients

We are determined to continually develop and maximize the use of technology for benefit of our customers.

### Responsibility to Shareholders

We realize that for maximizing the shareholder's value, we ensure the highest possible standard of financial management and risk assessment.

## RATING

Your company continues to be considered as a 'stable' company and enjoys "A" rating by JCR- VIS.

## LISTING WITH FINANCIAL INSTITUTIONS

All foreign as well as national banks

have accepted our financial strength and net worth as sufficiently dependable to enroll the Company on their panel of acceptable insurance companies. This enables the Company to secure business from different bank branches countrywide.

## FUTURE OUTLOOK

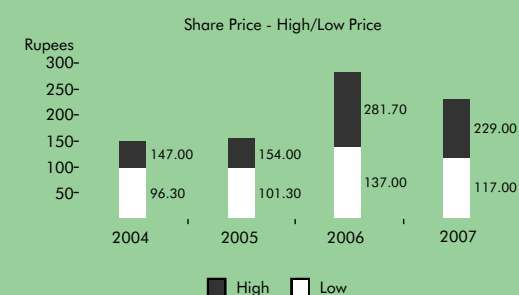
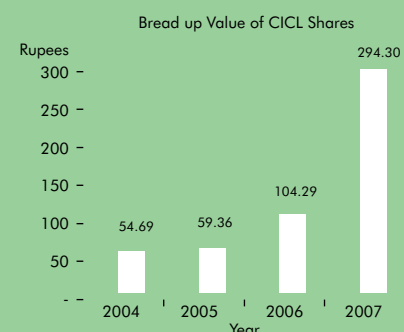
The company is reviewing its market strategy and with prudent underwriting, the Management is hopeful of qualitative and profitable growth in its insurance business. The Company is looking forward to expand its business by acquiring new reputable clients in the Corporate Sector wherever possible.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

The board has adopted the statement of Ethics and Business Practices. All employees have signed and understood that they are required to observe these rules of conduct in relation to business and regulations.

## CORPORATE GOVERNANCE:

- a) The financial statements have been prepared by the



Management which fairly represent its state of affairs (balance sheet), the results of its operations (Profit & Loss Account), cash flow and statement of changes in equity.

b) The company has maintained proper books of accounts as required under the Companies Ordinance 1984.

c) The Company has followed consistent and appropriate accounting policies in the preparation of the financial statements. Changes, wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.

d) The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored regularly.

f) The fundamentals of the Company are strong and it

has the ability to continue as a going concern free from uncertainties.

g) The Company has followed the best practices of Corporate Governance as per provision required by Securities & Exchange Commission of Pakistan laid down in the Listing Regulations of the stock exchanges and there has been no material departure.

h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding except in the ordinary course of business and described in the financial statement.

l) The face value of the investment made out of the provident fund of the permanent employees was Rs. 1.10 million on the closing date.

i) A statement of pattern shareholding is separately shown in the report.

k) Directors, CEO, CFO/Company Secretary and

their spouses and minor children have not traded in the Company shares during the year, except the CEO who purchased 2,500 shares.

## BOARD MEETINGS

During the financial year under review, five (5) meetings of Board of Directors were held and attendance by the respective director was as follows:

		No. of Meeting	
		Held	Attended
Hussain Dawood	Chairman	5	4
Abdur Rahim	Director & CEO	5	5
Shahzada Dawood	Director	5	4
A. Samad Dawood	Director	5	5
Aleem A. Dani	Director	5	5
Haroon Mehanti	Director	5	4
Aziz Moon	Director	5	5

## AUDITORS

KPMG Taseer Hadi & Co., Chartered Accountants have been appointed as the Company's Auditors after the retirement of Messer's Ford Rhodes Sidat Hyder & Co., Chartered Accountants, in 47th Annual General Meeting, for the financial year ended 31 December 2007.

## CHANGE IN SENIOR MANAGEMENT

During the year Mr. Abdur Rahim Director and CEO resigned from the Company and Mr. Viqar Siddiqui assumed the responsibilities of Director and CEO of the Company with effect from 1st November 2007.

## KEY OPERATING AND FINANCIAL DATA

A Statement summarizing the key financial data for the last nine years along with current year is attached to Annual Report.

## STATEMENT OF APPRECIATION

We are appreciative of the confidence of our valued clients and the support of our reinsures. We also thank our employees for their devotion, loyalty and hard work.

On behalf of Board

Viqar Siddiqui  
(CHIEF EXECUTIVE)

Karachi: 21 February 2008

Masking you from adversity



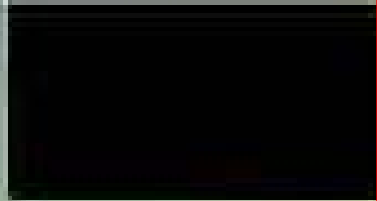
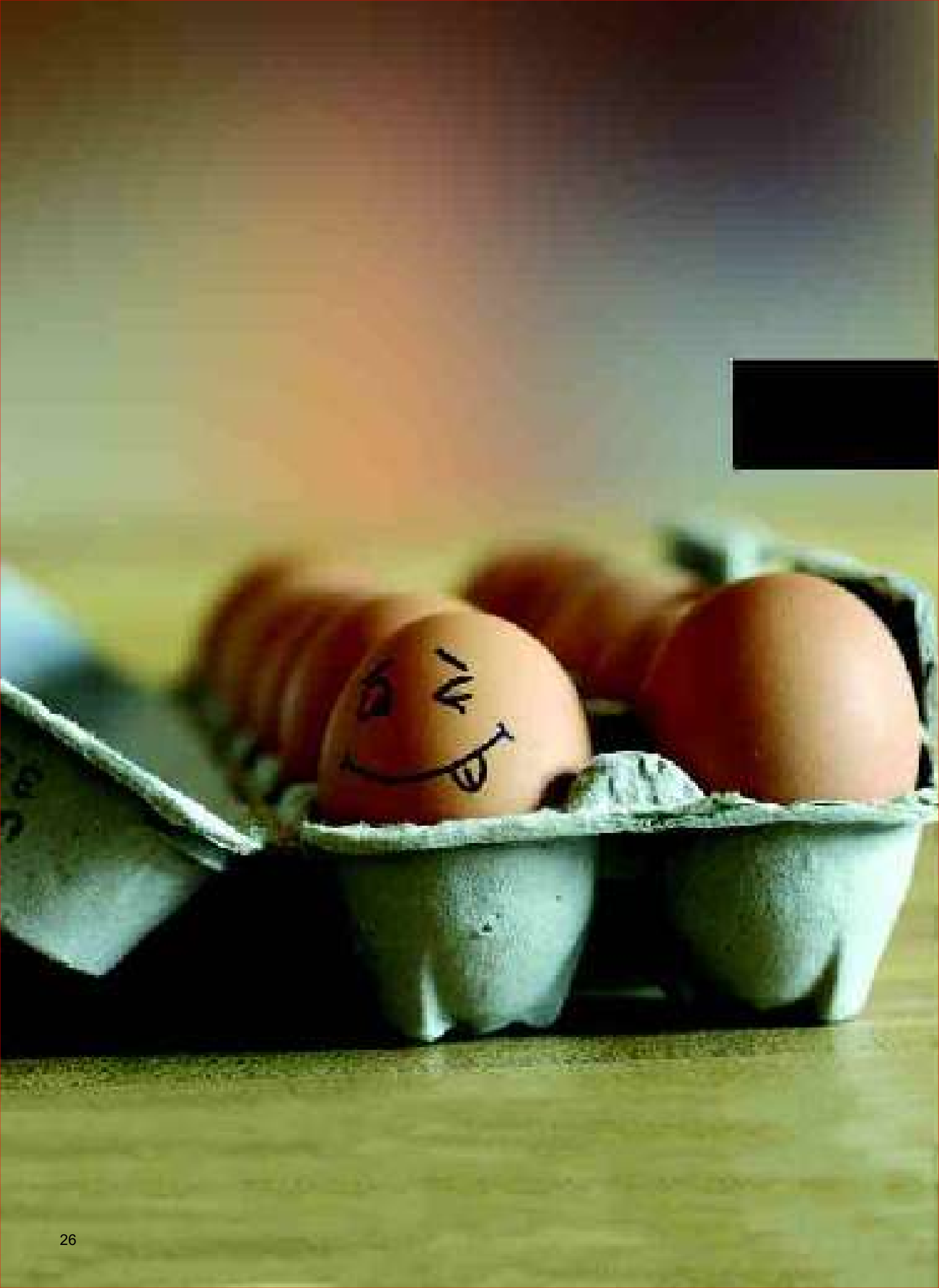
## *Vision and Mission*

### Vision

To be recognized as a highly ethical, innovative and technically competent insurance company, dedicated to provide top quality services to its clients in the field of risk assessment and insurance coverage, while generating above average returns in the industry for the investors.

### Mission

To achieve the status of a quality service provider in the insurance industry and seize opportunities for profitable growth through introduction of new products, market share expansion and effective utilization of resources, and ensure timely and equitable settlement of claims, while providing adequate return to all stakeholders.



*Vision and Mission*  
*Financial Statements*

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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 (chapter XI) of listing regulations of Karachi Stock Exchange, Clause 40 (chapter XIII) of listing regulations of Lahore Stock Exchange and SRO 68 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board comprises of all non-executive directors except the Chief Executive Officer.
2. The directors have confirmed that none of them is serving as a director in ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. The Directors filled up a vacancy occurring in the Board on November 01, 2007 within thirty days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices' and circularized the same for acknowledgments by employees and directors. The circularization and signing of said document amongst directors will be made in due course.
6. The Board has developed a vision / mission statement, overall corporate strategy whereas formal documentation for significant policies of the Company will be developed and approved in due course.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. 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.
9. The Board has established a system of sound internal control and a committee for effective implementation of such controls at all levels within the Company. The documentation of said system of controls will be made in due course which shall include all necessary aspects of internal controls given in the code.
10. The Board comprises of senior corporate executives and a professional who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.
11. The Board has appointed Chief Executive Officer during the year, No new appointment of Chief Financial Officer/Company Secretary has been made during the year. Any changes to the remuneration, terms and conditions of employment of Chief Financial Officer/Company Secretary have been determined by the Chief Executive Officer with the approval of the Board of Directors.
12. The directors' 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.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed under-writing, claim settlement, reinsurance & co-insurance committees.
17. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the committee.
18. A meeting of Audit Committee was held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The Board is in the process of forming the 'Terms of Reference' of the audit committee.
19. The Board has outsourced the internal audit function to M/s. Ahmed Saeed & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the company and they are involved in the internal audit function on a full time basis.
20. 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.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. No actuary is required to be appointed by the Company.
23. We confirm that all other material principles contained in the Code have been complied with.

Karachi  
21 Feb 2008

**Viqar Siddiqui**  
(Chief Executive & Principal Officer)

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 for the year ended December 31, 2007 prepared by the Board of Directors of Central Insurance Company Limited ("the Company") to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the above Codes 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 Codes 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 Codes.

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 Codes of Corporate Governance as applicable to the Company.

Karachi  
21 Feb 2008

KPMG Taseer Hadi & Co.  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of **Central Insurance Company Limited** ("the Company") as at 31 December 2007 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2007 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company for the year ended 31 December 2006 were audited by another firm of Chartered Accountants who vide their report dated 19 March 2007 issued an unqualified report thereon.

Karachi  
21 Feb 2008

KPMG Taseer Hadi & Co.  
Chartered Accountants

## BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 (Rupees in 000')	2006 (Rupees in 000')
<b>Share Capital and Reserves</b>			
Authorised share capital	5	150,000	150,000
Paid-up share capital	5	139,834	139,834
Retained earnings		3,842,474	1,185,384
Reserves	6	133,088	133,088
		4,115,396	1,458,306
<b>Underwriting Provisions</b>			
Provision for outstanding claims (including IBNR)		41,021	43,849
Provision for unearned premium		70,993	31,442
Commission income unearned		5,958	3,950
Total underwriting provisions		117,972	79,241
<b>Deferred Liabilities</b>			
Staff retirement benefits	7	780	1,260
<b>Creditors and Accruals</b>			
Premium received in advance		13	194
Amounts due to other insurers/reinsurers	8	28,272	13,320
Accrued expenses		2,100	12,124
Other creditors and accruals	9	11,844	13,120
		42,229	38,758
<b>Other Liabilities</b>			
Unclaimed dividend		27,355	7,485
<b>TOTAL LIABILITIES</b>		188,336	126,744
<b>TOTAL EQUITY AND LIABILITIES</b>		4,303,732	1,585,050
<b>CONTINGENCIES</b>	10		

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

## BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 (Rupees in 000')	2006 (Rupees in 000')
<b>Cash and Bank Deposits</b>			
Cash and other equivalents	11	17	69
Current and other accounts		94,882	304,871
Deposits maturing within 12 months		2,621	2,608
		97,520	307,548
<b>Investments</b>	12	4,017,496	1,146,086
<b>Deferred Taxation</b>	13	10,498	16,254
<b>Others Assets</b>			
Premiums due but unpaid	14	17,006	9,381
Amounts due from other insurers/reinsurers	15	29,464	10,741
Accrued investment income		1,437	58
Reinsurance recoveries against outstanding claims		20,795	21,558
Taxation-payments less provision		34,986	35,695
Deferred commission expense		861	7,951
Prepaid reinsurance premium ceded		66,933	22,796
Sundry receivables		2,633	1,358
		174,115	109,538
<b>Fixed Assets</b>			
<b>Tangible</b>			
Furniture, fixtures and office equipment	16	1,015	1,314
Motor vehicles		2,625	3,235
<b>Intangible</b>			
Computer software		463	1,075
		4,103	5,624
<b>TOTAL ASSETS</b>		4,303,732	1,585,050

Aziz Moon  
Director

Aleem A. Dani  
Director

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2007

Note	Fire and Property	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Aggregate 2006	Aggregate 2007
						(Rupees in 000')	(Rupees in 000')
<b>Revenue Account</b>							
Net Premium Revenue	6,288	3,254	10,174	1,135	-	42,073	20,851
Net Claims	(2,723)	(1,368)	(4,170)	(452)	-	(26,344)	(8,713)
Management Expenses	(2,095)	(2,564)	(592)	(2,259)	-	(7,228)	(7,510)
Net Commission	1,910	6,034	(589)	629	-	3,952	7,984
<b>Underwriting result</b>	<b>3,380</b>	<b>5,356</b>	<b>4,823</b>	<b>(947)</b>	<b>-</b>	<b>12,453</b>	<b>12,612</b>
Investment Income						767,673	2,752,567
Other Income						843	12,184
Financial Charges						(40,691)	(161)
General and administration Expenses						(9,968)	(12,464)
<b>Profit before tax</b>						<b>717,857</b>	<b>2,752,126</b>
Provision for Taxation						730,310	2,764,738
- Current						(6,000)	(11,000)
- Prior						12,470	-
- Deferred						13,310	(5,756)
<b>Net Profit after tax</b>						<b>19,780</b>	<b>(16,756)</b>
<b>Profit and Loss Appropriation Account</b>							
Balance at commencement of the year						750,090	2,747,982
Profit after tax for the year						494,405	1,185,384
Issue of bonus shares Nil (2006: 10%)							
Final dividend for the year ended 31 December 2006 of Rs. 3.50 per share (2005:Rs. 2 per share)						(12,712)	-
1st Interim dividend of Rs. 1.50 per share (2006: Rs. 1.50 per share)						(25,424)	(48,942)
2nd Interim dividend of Rs. 1.50 per share (2006:Nil)						(20,975)	(20,975)
Balance Unappropriated Profit at the end of the year						690,979	2,657,090
Earnings per share-basic and diluted						1,185,384	3,842,474
						53.64	196.52

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

Aziz Moon  
Director

Aleem A. Dani  
Director

## STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2007

	Share Capital	Capital Reserves			Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for exceptional losses	Reserve for bonus shares	Capital gain reserve	General reserve	Retained earnings	
	(Rupees in 000')						
<b>Balance as at 01 January 2006</b>	127,122	10,535	-	2,553	120,000	494,405	754,615
Final dividend Rs. 2 per share for the year ended 31 December 2005	-	-	-	-	-	(25,424)	(25,424)
Transfer to reserve for issue of bonus shares	-	-	12,712	-	-	(12,712)	-
Issue of bonus shares @ 10%	12,712	-	(12,712)	-	-	-	-
Interim dividend of Rs. 1.50 per share	-	-	-	-	-	(20,975)	(20,975)
Net profit for the year ended 31 December 2006	-	-	-	-	-	750,090	750,090
<b>Balance as at 31 December 2006</b>	<b>139,834</b>	<b>10,535</b>	<b>-</b>	<b>2,553</b>	<b>120,000</b>	<b>1,185,384</b>	<b>1,458,306</b>
Final dividend Rs. 3.50 per share for the year ended 31 December 2006	-	-	-	-	-	(48,942)	(48,942)
1st Interim dividend Rs. 1.50 per share	-	-	-	-	-	(20,975)	(20,975)
2nd Interim dividend Rs. 1.50 per share	-	-	-	-	-	(20,975)	(20,975)
Net profit for the year ended 31 December 2007	-	-	-	-	-	2,747,982	2,747,982
<b>Balance as at 31 December 2007</b>	<b>139,834</b>	<b>10,535</b>	<b>-</b>	<b>2,553</b>	<b>120,000</b>	<b>3,842,474</b>	<b>4,115,396</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

Aziz Moon  
Director

Aleem A. Dani  
Director

## STATEMENT OF CASH FLOWS

### For the year ended 31 December 2007

	2007 (Rupees in 000')	2006 (Rupees in 000')
<b>Operating Cash Flows</b>		
(a) Underwriting activities		
Premiums received	137,565	109,285
Re-insurance premiums paid	(133,135)	(25,175)
Claims paid	(23,055)	(38,509)
Re-insurance and other recoveries received	12,277	20,357
Commissions paid	(4,069)	(21,205)
Commissions received	20,435	18,416
Other underwriting receipts	439	1,180
Net cash flow from underwriting activities	10,457	64,349
(b) Other operating activities		
Income tax paid	(10,291)	(25,772)
General management expenses paid	(7,763)	(7,798)
Other operating payments	(21,053)	(54,076)
Other operating receipts	101	467
Other operating receipts	(1,383)	(1,509)
Net cash flow from other operating activities	(40,389)	(88,688)
Total cash flows from all operating activities	(29,932)	(24,339)
<b>Investment activities</b>		
Profit / return received	10,061	1,138
Dividend received	105,329	120,380
Payments for investments	(3,727,782)	(84,491)
Proceeds from disposal of investments	3,503,500	687,262
Fund capital expenditure	(182)	(1,552)
Proceeds from disposal of fixed assets	-	71
Total cash flows from investing activities	(109,074)	722,808
<b>Financing activities</b>		
Short-term running finance obtained	-	145,383
Short-term running finance paid	-	(575,964)
Dividends paid	(71,022)	(48,197)
Total cash flows from financing activities	(71,022)	(478,778)
Net cash inflow from all activities	(210,028)	219,691
Cash at the beginning of the year	307,548	87,857
Cash at the end of the year	97,520	307,548

## STATEMENT OF CASH FLOWS

### For the year ended 31 December 2007

	Note	2007 (Rupees in 000')	2006 (Rupees in 000')
<b>Reconciliation to profit and loss account</b>			
Operating cash flows		(29,932)	(24,339)
Depreciation expense		(1,704)	(1,755)
(Loss) on disposal of fixed assets		-	(260)
Increase / (decrease) in assets other than cash		64,526	(53,935)
Decrease / (increase) in liabilities		(41,722)	47,797
		(8,832)	(32,492)
<b>Others</b>			
Investment and other income		2,764,751	769,272
Reversal of provision for doubtful debts		(2,181)	-
Deferred taxation		(5,756)	13,310
<b>Profit after taxation</b>		<u>2,747,982</u>	<u>750,090</u>
<b>Definition of cash</b>			
Cash in hand and at banks, stamps in hand and short term placements with banks			
Cash for the purposes of the statement of cash flows consists of :			
<b>Cash and other equivalents</b>			
Cash in hand		7	34
Stamps in hand		10	35
		17	69
<b>Current and other accounts</b>			
Current accounts		286	444
Profit or loss sharing accounts		94,596	304,427
		94,882	304,871
<b>Deposits maturing within 12 months</b>			
Statutory deposit with State Bank of Pakistan		368	368
Term deposit receipts with banks		2,253	2,240
		2,621	2,608
		<u>97,520</u>	<u>307,548</u>
The annexed notes 1 to 27 form an integral part of these financial statements.			

## STATEMENT OF PREMIUMS For the year ended 31 December 2007

Class	Premiums written	Unearned premium reserve		Premiums earned	Re-insurance ceded	Prepaid Re-insurance premium ceded		Re-insurance expense	Net premium revenue 2007	Net premium revenue 2006
		Opening	Closing			Opening	Closing			
(Rupees in 000')										
1. Fire and Property Damage	40,619	22,613	15,873	47,359	37,387	19,108	15,424	41,071	6,288	8,622
2. Marine, Aviation and Transport	49,722	3,722	16,893	36,551	46,545	3,002	16,250	33,297	3,254	8,394
3. Motor	11,474	3,833	2,787	12,520	2,445	192	291	2,346	10,174	22,235
4. Miscellaneous	43,814	1,274	35,440	9,648	42,987	494	34,968	8,513	1,135	2,822
Total	145,629	31,442	70,993	106,078	129,364	22,796	66,933	85,227	20,851	42,073
5. Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	145,629	31,442	70,993	106,078	129,364	22,796	66,933	85,227	20,851	42,073

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

Aziz Moon  
Director

Aleem A. Dani  
Director

## STATEMENT OF CLAIMS For the year ended 31 December 2007

Class	Claims paid	Outstanding claims		Claims expense	Re-insurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Re-insurance and other recoveries revenue	Net claims expense 2007	Net claims expense 2006
		Opening	Closing			Opening	Closing			
(Rupees in 000')										
1. Fire and Property Damage	12,506	22,195	23,998	14,309	8,720	11,499	14,365	11,586	2,723	6,169
2. Marine, Aviation and Transport	1,206	3,947	4,318	1,577	610	1,988	1,587	209	1,368	5,708
3. Motor	5,899	12,088	10,342	4,153	420	3,958	3,521	(17)	4,170	13,210
4. Miscellaneous	3,444	5,619	2,363	188	2,527	4,113	1,322	(264)	452	1,257
Total	23,055	43,849	41,021	20,227	12,277	21,558	20,795	11,514	8,713	26,344
5. Proportional	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Grand Total	23,055	43,849	41,021	20,227	12,277	21,558	20,795	11,514	8,713	26,344

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

Aziz Moon  
Director

Aleem A. Dani  
Director

## STATEMENT OF EXPENSES For the year ended 31 December 2007

C l a s s	Commissions paid or payable	Deferred Commission		Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2007	Net underwriting expense 2006
		Opening	Closing						
(Rupees in 000')									
Direct and Facultative									
1. Fire and Property Damage	1,054	6,623	363	7,314	2,095	9,409	9,224	185	(1,948)
2. Marine, Aviation and Transport	2,049	535	431	2,153	2,564	4,717	8,187	(3,470)	(455)
3. Motor	114	596	16	694	592	1,286	105	1,181	4,900
4. Miscellaneous	136	197	51	282	2,259	2,541	911	1,630	779
Total	3,353	7,951	861	10,443	7,510	17,953	18,427	(474)	3,276
Treaty									
5 Proportional	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Grand Total	3,353	7,951	861	10,443	7,510	17,953	18,427	(474)	3,276

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood Chairman	Viqar Siddiqui Chief Executive & Principal Officer	Aziz Moon Director
Aleem A. Dani Director		

## STATEMENT OF INVESTMENT INCOME For the year ended 31 December 2007

	2007 (Rupees in 000')	2006
<b>Income from Non-Trading Investments</b>		
<b>Held to Maturity</b>		
Return on Government Securities	3	7
<b>Available for sale</b>		
Dividend Income:		
- Related parties	97,342	112,800
- Others	9,424	7,224
	106,766	120,024
Gain on Sale of available for sale investments	2,647,127	648,198
Investment related expenses	(1,329)	(556)
<b>Net Investment Income</b>	<b>2,752,567</b>	<b>767,673</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

Hussain Dawood  
Chairman

Viqar Siddiqui  
Chief Executive & Principal Officer

Aziz Moon  
Director

Aleem A. Dani  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2007

#### 1. STATUS AND NATURE OF BUSINESS

Central Insurance Company Limited – a Dawood Group Company (the company) is a public limited company incorporated in Pakistan on 23 April, 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The company is listed on the Karachi and Lahore Stock Exchanges and is engaged in general insurance services in the sphere of fire, marine, motor and miscellaneous.

The registered office of the company is situated at Dawood Centre, Molvi Tamizuddin Khan Road, Karachi.

#### 2. BASIS OF PREPARATION

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

##### a) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "Investment available-for-sale". Accordingly, the requirements of IAS-39 to the extent allowed by SECP as aforesaid have not been considered in the preparation of these financial statements.

##### b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except that held for trading investments are carried at fair value.

##### c) Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency and have been rounded off to the nearest thousand rupees.

##### d) Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards as applicable in Pakistan that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are as follows:

##### Provision for outstanding claims (including IBNR)

The company records claims based on the amount of claim lodged by the insured. However, the settlement of all the claims is made based on the surveyor's assessment appointed for ascertainment of company's liability. The surveyor's assessment could differ significantly with the claims lodged by the insured, and accordingly amount of claims settled could materially differ with the amount of liability accrued.

The provision of claims incurred but not reported (IBNR) is made on the basis of management judgment which is made on the basis of past experience of claims. The actual amount of IBNR may materially differ from the management estimates.

##### Premium deficiency reserve

Premium deficiency reserve (PDR) is made on the basis of management judgment for class wise insurance business. The management considers the trend of gross and net loss ratio of the company. Accordingly the actual results may differ with the assumption (based on historical trend) used by the management.

##### Reinsurance recoveries against outstanding claims

Reinsurance recoveries are accrued on the basis of share of reinsurers in outstanding claims as stated above. The recoveries are finalised when the amounts of outstanding claims are finalised based on surveyor's assessment. Therefore, reinsurance recoveries booked could proportionately differ with the amount of reinsurance recoveries accrued at the balance sheet date.

##### Income taxes

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

##### Impairment of investments

The Company determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in prices. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational financial cash flows.

##### Impairment of other assets, including premiums due but unpaid

The Company also considers the need for impairment provision against other assets, including the premium due but unpaid. While assessing such a requirement, various factors including the delinquency in the account, financial position of the counterparty, etc. are considered.

##### Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note - 7.1) for the actuarial valuation of unfunded gratuity scheme. Changes in these assumptions in future years may affect the liability under this scheme in those years.

##### Fixed assets

The Company's management determines the estimated useful lives and related depreciation charge for its fixed assets. The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding affect on the depreciation charge and impairment.

#### 3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

##### 3.1 Initial application of a standard or an interpretation

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 23.7 to the financial statements.

### 3.2 New accounting standards or IFRIC interpretations that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

IFRIC 11 – IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as equity settled share based payment regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any material impact on the Company's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company's operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers. IFRIC 13 is not relevant to the Company's operations.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Estimated liability in respect of outstanding claims

Outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet dates are made on the basis of individual case estimates. In additions, a provision based on management's judgment and the company's prior experience is maintained for the cost of settling claims incurred but not reported (IBNR) at the balance sheet date.

Any difference between the provisions at the balance sheet date and settlements in the following year is included in the financial statement of that year.

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

### 4.2 Provision for unearned premium

The company maintains unearned premium, on all classes of business, determined as the ratio of the unexpired period of the policy and the total period.

### 4.3 Commission

#### 4.3.1 Commission expense

Commission expense incurred in obtaining and recording policies are deferred and recognised as an asset in correlation with unearned premium revenue that will be recognised in the subsequent reporting period(s).

### 4.3.2 Commission income

Commission income from reinsurers is taken to profit and loss account as income in accordance with the pattern of recognition of the reinsurance premium to which they relate. Unearned portion of commission income relating to the unexpired period is recognised as a liability.

## 4.4 Staff retirement benefits

### 4.4.1 Defined Contributory Plan

The company operates a recognised contributory Provident Fund scheme for all its eligible employees. Equal contributions are made by the company and the employees.

### 4.4.2 Defined Benefit Gratuity Scheme

The company operates an unfunded approved gratuity scheme for all permanent employees who have completed minimum qualifying period of service. The contributions to the scheme are made in accordance with the independent actuarial valuation using Projected Unit Credit method.

Actuarial gains or losses are recognised as income or expense when the cumulative unrecognized actuarial gains or losses at the end of previous reporting period exceeded 10% of the higher of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

### 4.4.3 Employees' compensated absences

The company accounts for the liability in respect of employees compensated absences in the period in which they are earned.

## 4.5 Amount due to other insurers / re-insurers

Liabilities for other insurers / re-insurers are carried at cost which is the fair value of consideration to be paid in the future for services.

## 4.6 Cash and cash equivalents

Cash and cash equivalents are consist of cash in hand and at banks, stamps in hand, deposits and short term placements with banks.

## 4.7 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investments. These are recognised and classified as follows:

### 4.7.1 Held-to-maturity

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

Subsequently, these are measured at amortised cost. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortised over the term of investment using the effective yield method.

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

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which these arise.

**4.7.2 Available-for-sale**

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

**Quoted**

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirement of the S.R.O. 938 issued by the SECP in December 2002.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the company would have been higher by Rs 91.433 million (2006: Rs 1,623.44 million) and the corresponding amount that would have increased the net equity by the same amount subject to the accounting policy adopted by the Company.

**Unquoted**

Unquoted investments are stated at cost less impairment (if any), in the value of such investments.

**4.7.3 Held for trading**

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuation in price or are part of a portfolio for which there is a recent actual pattern of short-term profit taking are classified as held for trading.

Subsequent to initial recognition, these are re-measured at fair value by reference to quoted market price with a resultant gain or loss being included in net profit or loss for the period in which it arises.

**4.8 Taxation****4.8.1 Current**

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

**4.8.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

**4.9 Premiums due but unpaid**

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

**4.10 Amount due from other insurers / re-insurers**

Amount due from other insurers / re-insurers are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future for services rendered.

**4.11 Reinsurance recoveries against outstanding claims**

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

**4.12 Fixed assets and depreciation****4.12.1 Tangible**

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Depreciation on tangible fixed assets is charged to income applying the reducing balance method whereby the depreciable amount of an asset is written-off over its estimated useful life at the rates specified in note 16. Depreciation is charged on additions from the date of acquisition of asset whereas depreciation on disposals is charged till the date of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Gain or loss on disposal of fixed assets is included in income currently.

**4.12.2 Intangible**

Intangible assets comprise software license, and are stated at cost less accumulated amortization. Amortization is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 16 to the financial statements.

**4.12.3 Impairment**

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

Provision for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Change in the provision is recognised as income / expense currently.

**4.13 Financial instruments**

Financial instruments carried on the balance sheet include cash and bank, loans, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognising of financial assets and financial liabilities are taken to income directly.

**4.14 Off-setting of financial assets and liabilities**

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

**4.15 Transactions with related parties**

All transactions with related parties are carried out on arms length basis.

#### 4.16 Segment reporting

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

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

The company has four primary business segments for reporting purposes as follows:

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

The marine insurance provides coverage against cargo risk, war risk, and damages occurring in inland transit.

The motor insurance provides comprehensive car coverage and indemnity against third party loss.

The miscellaneous insurance provides cover against burglary, cash in safe, cash in transit, personal accident, money, engineering, fidelity guarantees and etc.

#### 4.17 Revenue recognition

##### a) Premium income

Premium income under a policy is recognised 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.
- b) Dividend income and bonus shares**
- i) Dividend income is recognised when the right to receive the dividend is established.
  - ii) Entitlement of bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof which is in accordance with the requirement of the Institute of Chartered Accountants of Pakistan (ICAP) Technical Release-15.

##### c) Income on held-to-maturity investments

The income on held-to-maturity investments is recognised on time proportion basis using effective interest method.

##### d) Profit on bank accounts and deposits

Profit on bank account and deposits are recognised on time proportional basis.

##### e) Administrative surcharge

Administrative surcharge recovered from insured is recognised as part of premium.

#### 4.18 Premium deficiency reserve

The company is required under SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recognised in the profit and loss account for the year.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from 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 the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

#### 4.19 Foreign currency translation

Foreign currency transactions are translated into Pak. Rupees at exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account currently.

#### 4.20 Expenses of management

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

#### 4.21 Zakat

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

#### 4.22 Provisions

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

#### 4.23 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

#### 4.24 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

### 5. SHARE CAPITAL

#### Authorised

15,000,000 (2006: 15,000,000) Ordinary shares  
of Rs. 10/- each

2007	2006
(Rupees in '000)	
150,000	150,000

#### Paid-up

250,000 (2006: 250,000) fully paid Ordinary shares  
of Rs. 10/- each issued for cash

2,500	2,500
-------	-------

13,733,454 (2006: 13,733,454) Ordinary shares of  
Rs 10/- each issued as fully paid bonus shares

137,334	137,334
<b>139,834</b>	<b>139,834</b>

5.1 As at 31 December 2007, related parties hold 11,577,212 (2006: 11,454,782) ordinary shares of Rs. 10/- each.

### 6. RESERVES

#### Capital Reserves

- Reserve for exceptional losses
- Capital gain reserve

6.1	10,535	10,535
	2,553	2,553
	<b>13,088</b>	<b>13,088</b>

#### Revenue Reserve

- General reserve

120,000	120,000
<b>133,088</b>	<b>133,088</b>

- 6.1** The reserve for exceptional losses is a specific purpose reserve created to provide for possible losses on exceptional insurance claims which the directors do not consider to be available for dividend distribution.

**7 DEFERRED LIABILITY - Staff Retirement Benefits**

- 7.1** The latest actuarial valuation of the gratuity scheme was carried out as of 31 December 2006. The principal actuarial assumptions used for the purpose of the valuation were as follows:

Valuation discount rate is 10% per annum (2006: 10%)

Expected rate of increase in salaries is 9% (2006: 9%)

Average expected remaining working life of employees is 11 years (2006: 11 years)

**7.2 Reconciliation of payable to defined benefit plan**

Present value of defined benefit obligation

Net actuarial gains not recognized

Benefit due but not paid

Recognised liability

	2007	2006
	(Rupees in '000')	
Present value of defined benefit obligation	334	820
Net actuarial gains not recognized	78	72
Benefit due but not paid	368	368
Recognised liability	780	1,260

**7.3 Movement in net liability recognised in the balance sheet**

Balance at the beginning of the year

Charge for the year

Payments during the year

Balance at the end of the year

	2007	2006
Balance at the beginning of the year	1,260	1,920
Charge for the year	160	236
Payments during the year	(640)	(896)
Balance at the end of the year	780	1,260

**7.4 Amount recognised in the profit and loss account**

Current service cost

Interest cost

Amount charged to profit and loss account

	2007	2006
Current service cost	78	122
Interest cost	82	114
Amount charged to profit and loss account	160	236

**7.5 Historical information**

Present value of defined benefit obligation

Unrecognised actuarial (losses) / gain

Net liability in balance sheet

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	334	820	1,533	1,315	1,541
Unrecognised actuarial (losses) / gain	446	440	387	387	84
Net liability in balance sheet	780	1,260	1,920	1,702	1,625

**8. AMOUNT DUE TO OTHER INSURERS / REINSURERS**

– unsecured, considered good

Foreign companies

Local companies

	2007	2006
	(Rupees in '000)	
Foreign companies	21,647	5,105
Local companies	6,625	8,215
	28,272	13,320

**9. OTHER CREDITORS AND ACCRUALS**

Commission payable

Federal insurance fee

Federal excise duty

Trustees employees provident fund

Withholding tax payable

Sundry creditors

Premium refundable to policy holders

	2007	2006
Commission payable	11,320	11,774
Federal insurance fee	-	40
Federal excise duty	-	279
Trustees employees provident fund	31	7
Withholding tax payable	70	16
Sundry creditors	128	125
Premium refundable to policy holders	295	879
	11,844	13,120

- 9.1** This includes an amount of Rs. 7.72 million (2006: Rs. 6.58 million) due to related parties.

- 9.2** This includes an amount of Rs. 0.09 million (2006: 0.09 million) due to a related party for purchase of computers and office equipment.

**10. CONTINGENCIES**

- 10.1** Guarantees issued on behalf of the company by commercial banks

- 10.2** Claim not acknowledged as debt

10.2.1

	2007	2006
	(Rupees in '000')	
Guarantees issued on behalf of the company by commercial banks	5,205	5,205
Claim not acknowledged as debt	1,744	244

- 10.2.1** This includes claim reported by MCB Bank Vehari Chowk Branch Multan for Rs. 35 million on account of theft of stock of fertilizer. According to the bank in written report to the Police Station their loaners (joint insured) in collusion with the bank night watchman had stolen the stocks. This loss is therefore not covered within the definition of Burglary. However, should this claim be payable ultimately the net liability of the company after all reinsurance recoveries will be Rs. 1.5 million.

**11. CASH AND BANK DEPOSITS**

Cash and other equivalents

Cash in hand

Stamps in hand

Current and other accounts

Current accounts

Profit or loss sharing accounts

11.1 & 11.2

Deposits maturing within 12 months

Statutory deposit with State Bank of Pakistan

Term deposit receipts with banks

11.3

	2007	2006
	(Rupees in '000')	
Cash and other equivalents		
Cash in hand	7	34
Stamps in hand	10	35
	17	69
Current and other accounts		
Current accounts	286	444
Profit or loss sharing accounts	94,596	304,427
	94,882	304,871
Deposits maturing within 12 months		
Statutory deposit with State Bank of Pakistan	368	368
Term deposit receipts with banks	2,253	2,240
	2,621	2,608
	97,520	307,548

- 11.1** These accounts carry effective mark-up rate, ranging between 4% and 8% (2006: 1.50% and 4.00%) per annum.

- 11.2** This includes a margin deposit for revolving letter of credit in favor of W.K Webstor London for marine export claims Rs. 1.20 million (2006: NIL) with the commercial bank.

- 11.3** This includes a deposit of Rs. 2 million (2006: Rs. 2 million) under lien with National Bank of Pakistan Limited against fire claims. This deposit carries profit rate of 1.5% (2006: 1.5%) per annum. Other deposits carry profit rate of 6.15% (2006: 6.15%) per annum.

**12. INVESTMENTS**

The investments comprise the following:

Held-to-maturity investments

Available-for-sale investments

	2007	2006
	(Rupees in '000')	
Held-to-maturity investments	41	38
Available-for-sale investments	4,017,455	1,146,048
	4,017,496	1,146,086

**12.1 Held-to-maturity investments**

Number of certificates		Face value per certificate	Name of certificate	2007	2006
2007	2006			(Rupees in '000)	
-	1	9,300	Defense Saving Certificate	9	9
-	-		Accrued interest thereon	32	29
				41	38

**12.2 Available-for-sale investments**

Quoted shares			12.2.1	144,141	40,122
Unquoted shares			12.2.2	-	-
Mutual funds			12.2.3	238,251	3,131
Government bonds			12.2.4	54	54
Quoted shares - related parties			12.2.5	3,635,009	1,102,741
				4,017,455	1,146,048

**12.2.1 Quoted shares**

Number of shares		Face value per share (Rupees)	Name of the investee entity	2007	2006
2007	2006			(Rupees in '000)	
<b>Fertilizers</b>					
24,500	-	10	Fauji Fertilizer Limited	2,734	-
354,000	-	10	Fauji Fertilizer Bin Qasim Limited	16,792	-
<b>Chemical</b>					
1,000	1,000	10	Pakistan PVC Limited	5	5
<b>Oil and gas marketing</b>					
500	500	10	Sui Southern Gas Company Limited	2	2
<b>Oil and gas exploration</b>					
-	29,000	10	Pakistan Oilfields Limited	-	10,072
564,100	86,000	10	Oil & Gas Development Corporation	66,862	9,965
<b>Investment banks / companies</b>					
357	357	10	Pakistan Industrial Credit & Investment Corporation	-	-
<b>Technology and Communication</b>					
-	460,000	10	Pakistan Telecommunication Company Limited	-	20,078
<b>Insurance</b>					
12	12	10	PICIC Insurance Limited	-	-
<b>Jute</b>					
9	9	10	Crescent Jute Product Limited	-	-
<b>Cement</b>					
150,000	-	10	Lucky Cement Limited	18,888	-
120,000	-	10	D.G Khan Cement Limited	11,736	-

Number of shares		Face value per share (Rupees)	Name of the investee entity	2007	2006
2007	2006			(Rupees in '000)	
<b>Power Generation &amp; Distillation</b>					
66,200	-	10	Kot Addu Power Company Limited	3,285	-
418,500	-	10	The Hub Power Company Limited	12,646	-
<b>Automobiles Assembles</b>					
30,000	-	10	Pak Suzuki Company Limited	11,174	-
1,700	-	10	Ghandhara Industries Limited	17	-
Book value as on 31 December				144,141	40,122
Market value as on 31 December				139,924	40,419
<b>12.2.2 Unquoted shares</b>					
28,600	28,600	10	Aslo Electrical Industries Limited	162	162
1,800	1,800	10	Adamjee Paper & Boards Limited	7	7
1,700	1,700	10	Adamjee Floorings Limited	13	13
13,465	13,465	10	Bankers Equity Limited	117	117
45,900	45,900	10	Electric Lamp Manufacturers	305	305
-	1,100	10	National Motors Limited	-	17
500	500	10	Punjab Lamp Works Limited	2	2
8,900	8,900	10	Saifi Development Corporation Limited	34	34
Book value as on 31 December				640	657
Provision for impairment in value of investments				(640)	(657)
Fair value as on 31 December				-	-

**12.2.2.1** Unquoted companies in which the company has made investments are in the process of liquidation, therefore, the names of respective Chief Executives are not available.

**12.2.3 Mutual Funds**

Number of units		Particulars	2007	2006
2007	2006		(Rupees in '000)	
240,500	240,500	National Investment Trust (NIT)	3,131	3,131
4,567,267	-	Al Meezan Islamic Income Fund (AMIIF)	235,120	-
Book value as on 31 December			238,251	3,131
Market value as on 31 December			253,189	10,786

**12.2.3.1** Investments in mutual funds of NIT and AMIIF have a par value of Rs. 50 per unit.

**12.2.3.2** NIT units, having book value of Rs. 2.405 million, are under lien against a bank guarantee issued by a commercial bank.

**12.2.4 Government Bonds**

Number of bonds		Face value per bond (Rupees)	Particulars	2007		2006	
2007	2006			(Rupees in '000)	(Rupees in '000)		
5	5	10,000	Government Bonds	52	52		
17	17	100	Government Bonds	2	2		
			Book value as on 31 December	54	54		

**12.2.5 Quoted shares - related parties**

Number of share		Face value per share (Rupees)	Name of the investee entity	2007		2006	
2007	2006			(Rupees in '000)	(Rupees in '000)		
<b>Fertilizer and Chemicals</b>							
2,462,081	2,486,581	10	Dawood Hercules Chemicals Limited* Equity held: 3.00% (2006: 3.00%)	857,794	8,333		
7,000,150	6,087,087	10	Engro Chemical Pakistan Limited* Equity held: 3.62% (2006: 3.62%)	1,963,298	318,377		
<b>Textile Composite</b>							
2,594,344	2,358,496	10	Dawood Lawrencepur Limited* Equity held: 5.56% (2006: 5.56%)	245,837	27,152		
<b>Fuel and Energy</b>							
9,430	9,430	10	Pakistan Refinery Limited Equity held: 0.04% (2006: 0.04%)	64	64		
<b>Oil and gas marketing</b>							
9,595,700	12,650,000	10	Sui Northern Gas Pipelines Limited Equity held: 1.67% (2006: 2.30%)	568,016	748,815		
			Book value as on 31 December	3,635,009	1,102,741		
			Market value as on 31 December	3,715,717	2,718,229		

\* The shares of these companies were sold and purchased subsequently during the month of December 2007 resulting in capital gain of Rs. 2,603.778 million taken to profit and loss account.

**13. DEFERRED TAXATION****Deductible temporary differences**

	2007	2006
Staff gratuity	273	441
Provision for doubtful debts	414	2,411
Unabsorbed tax loss	9,055	12,963
Others	837	741
	10,579	16,556

**Taxable temporary differences**

Accelerated tax depreciation	(81)	(302)
	10,498	16,254

**13.1 Reconciliation of deferred tax asset**

	2007	2006
	(Rupees in '000)	
Opening balance	16,254	2,944
(Reversal) / Recognised for the year	(5,756)	13,310
Closing balance	10,498	16,254

**14. PREMIUMS DUE BUT UNPAID - Unsecured**

Considered good	17,006	9,381
Considered doubtful	1,107	4,537
	18,113	13,918
Provision against doubtful debts	(1,107)	(4,537)
	17,006	9,381

**14.1 This comprises of the following:****Related parties**

Dawood Corporation (Private) Limited	-	406
Dawood Lawrencepur Limited	3,773	287
Dawood Hercules Chemicals Limited	6	5,180
Pakistan Refinery Limited	11,588	752
Engro Chemicals Pakistan Limited	25	25
Inbox Business Technologies (Private) Limited	1,031	594
	16,423	7,244
Others	1,690	6,674
	18,113	13,918

**15. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured**

Considered good - foreign	383	72
- local	29,081	10,669
	29,464	10,741
Considered doubtful - local	77	2,352
Provision against amounts due from other reinsurers	(77)	(2,352)
	-	-
	29,464	10,741

## 16. FIXED ASSETS

	2007							Rate (%)
	Cost			Accumulated depreciation / amortization				
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year (disposals)	At the end of the year	Written down value at 31 December 2007	
(Rupee in '000)								
<b>Tangible</b>								
<b>Furniture, fixtures and office equipment</b>								
Furniture and fixtures	846	-	846	637	21	658	188	10
Office equipment	2,795	68	2,863	1,690	346	2,036	827	15 & 33.33
	3,641	68	3,709	2,327	367	2,694	1,015	
<b>Motor vehicles</b>								
Motor car	5,467	-	5,467	2,232	647	2,879	2,588	20
Motor cycle	-	39	39	-	2	2	37	20
	5,467	39	5,506	2,232	649	2,881	2,625	
<b>Intangible</b>								
Computer software	2,060	75	2,135	985	687	1,672	463	33.33
	11,168	182	11,350	5,544	1,703	7,247	4,103	

	2006							Rate (%)
	Cost			Accumulated depreciation / amortization				
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year / (disposals)	At the end of the year	Written down value at 31 December 2006	
(Rupee in '000)								
<b>Tangible</b>								
<b>Furniture, fixtures and office equipment</b>								
Furniture and fixtures	1,138	65	846	652	26	637	209	10
Office equipment	2,255	540	2,795	1,340	350	1,690	1,105	15 & 33.33
	3,393	605	3,641	1,992	376	2,327	1,314	
		(357)			(41)			
		(357)			(41)			
<b>Motor vehicles</b>								
Motor car	4,776	947	5,467	1,770	703	2,232	3,235	20
Motor cycle	24	(24)	-	24	(24)	-	-	20
	4,800	947	5,467	1,794	703	2,232	3,235	
		(280)			(265)			
<b>Intangible</b>								
Computer software	2,060		2,060	309	676	985	1,075	33.33
	10,253	1,552	11,168	4,095	1,755	5,544	5,624	
		(637)			(306)			

## 17. EXPENSES

	2007	2006
	(Rupees in '000)	
Salaries, wages and other benefits	6,539	6,658
Levy, cess and insurance	467	1,176
Rent, rates and taxes	1,659	1,431
Depreciation	1,703	1,755
Legal and professional charges	3,268	330
Printing and stationery	1,054	901
Utilities	852	674
Vehicle running expenses	388	496
Advertisement expenses	184	359
Security guards expenses	406	364
Auditors' remuneration	430	540
Entertainment	314	325
Medical expenses	150	391
Traveling expenses	86	460
Fees and subscription	1,012	383
Postage and telegram	147	166
Books and periodicals	74	28
Repairs, renewal and decoration	182	134
Others	1,059	625
	19,974	17,196

## 17.1 Expenses are allocated as under

Management expenses	7,510	7,228
General and administrative expenses	12,464	9,968
	19,974	17,196

## 17.2 Auditors' remuneration

Annual audit fee	220	220
Review and certifications	210	280
Out of pocket expenses	-	40
	430	540

## 18. FINANCIAL CHARGES

Mark-up on short term running finance	-	40,538
Bank charges	57	123
Bank guarantee charges	104	30
	161	40,691

**19. TAXATION**

The tax assessments of the company have been finalised up to and including the assessment year 2003. In respect of tax years from 2003 to 2007, the company has filed tax returns which are deemed as assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

The company claimed compensation, amounting to Rs. 35.753 million, under Section 102 of the Income Tax Ordinance, 2001 in respect of pending tax refunds relating to assessment years 1976-77 to 1998-99. In this connection, Rs. 21.274 million were received by the company from the tax authorities in 2004 whereas balance of Rs. 14.474 million is outstanding as of the balance sheet date. However, such balance of compensation has not been recognised as income in these financial statements as the management considers it prudent to recognise such income upon receipt.

**19.1 Relationship between tax expense and accounting profit**

	2007	2006
	(Rupees in '000)	
Profit for the year before taxation	2,764,738	730,310
Tax at the applicable rate of 35% (2006: 35%)	967,658	255,609
Tax effect of capital gain exempt from tax	(926,029)	(226,675)
Tax effect of dividend income taxed at a lower rate	(26,692)	(36,007)
Reversal of prior year provision	-	(12,470)
Others	1,819	(237)
	<u>16,756</u>	<u>(19,780)</u>
<b>20. REMUNERATION OF CHIEF EXECUTIVE</b>		
Aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to Chief Executive of the company are as follows:		
Managerial remuneration	1,429	1,363
House rent, utility and conveyance	764	730
Medical expenses	157	152
Bonus for the year	123	396
Bonus paid for 2005	-	180
	<u>2,473</u>	<u>2,821</u>

**20.1** No director other than Chief Executive Officer has been paid any remuneration during the year.

**20.2** Chief Executive is provided with free use of company vehicle for official and personal use.

**21. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise local associates, staff retirement fund, directors and key management personnel.

The company in the normal course of business carries out transactions with various related parties.

Material transactions with related parties are given below:

	2007	2006
	(Rupees in '000)	
Entities having directors in common with the company		
Premiums underwritten	132,145	73,989
Premiums collected	113,056	127,766
Claims paid	3,109	3,068
Commissions paid	9,221	13,615
Rent paid	2,369	1,724
Dividend received	97,341	78,300
Dividend paid	41,655	21,264
Bonus shares issued	-	583
Investments made	3,187,247	-
Investments sold	3,286,936	-
Purchase of fixed assets	42	342
Contribution to provident fund	138	-
Contribution to staff retirement funds	160	236
Key management personnel and close family members		
Dividend paid	33,595	17,149
Bonus shares issued	-	470
Remuneration of key management personnel	<u>3,247</u>	<u>3,296</u>

Investments in and balance outstanding with related parties have been disclosed in the specific notes to the financial statements.

**22. SEGMENT REPORTING**

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2007 and 31 December 2006, unallocated capital expenditures and non-cash expenses during the year.

	Fire & property damage		Marine, aviation & transport		Motor		Miscellaneous		Treaty		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in '000)											
Segment assets	75,606	105,810	41,790	72,292	77,373	181,605	44,546	27,250	-	-	239,315	386,957
Unallocated corporate assets											4,064,417	1,198,093
Consolidated corporate assets											<u>4,303,732</u>	<u>1,585,050</u>
Segment liabilities	54,129	55,979	30,278	16,441	34,158	37,148	42,416	9,691	-	-	160,981	119,259
Unallocated corporate liabilities											27,355	7,485
Consolidated corporate liabilities											<u>188,336</u>	<u>126,744</u>
Capital expenditure	55	318	28	310	89	820	10	104	-	-	182	1,552
Depreciation	514	360	266	350	831	927	93	118	-	-	1,704	1,755

**23. FINANCIAL RISK MANAGEMENT****23.1 Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

**23.2 Interest rate risk**

The company invests in securities and maintains profit bearing bank accounts (including term deposit accounts). However, it has no liability that is subject to mark-up rate risk. Profit / mark-up rate risk to the company is the risk of changes in market profit / mark-up rates reducing the overall return on its profit bearing assets. The company limits profit / mark-up rate risk by monitoring the changes in profit / mark-up rates. The company's profit / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier is as follows:

2007										
Profit rate	Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments				Total	
	% per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	Maturity up to one year	Maturity over one year to five years	Maturity more than five years		Sub total
(Rupees in '000)										
Financial assets										
Cash and bank deposits	1 to 7.8	97,135	-	-	97,135	385	-	-	385	97,520
Investments	18.04	41	-	-	41	4,017,455	-	-	4,017,455	4,017,496
Premiums due but unpaid		-	-	-	-	17,006	-	-	17,006	17,006
Amounts due from other insurers / reinsurers		-	-	-	-	29,464	-	-	29,464	29,464
Accrued investment income		-	-	-	-	1,437	-	-	1,437	1,437
Reinsurance recoveries against outstanding claims		-	-	-	-	20,795	-	-	20,795	20,795
Sundry receivables		-	-	-	-	2,633	-	-	2,633	2,633
		97,176	-	-	97,176	4,089,175	-	-	4,089,175	4,186,351
Financial liabilities										
Provision for outstanding claims (including IBNR)		-	-	-	-	41,021	-	-	41,021	41,021
Amount due to other insurers / reinsurers		-	-	-	-	28,272	-	-	28,272	28,272
Accrued expenses		-	-	-	-	2,100	-	-	2,100	2,100
Other creditors and accruals		-	-	-	-	11,774	-	-	11,774	11,774
Unclaimed dividend		-	-	-	-	27,355	-	-	27,355	27,355
		-	-	-	-	110,522	-	-	110,522	110,522
Inter risk sensitivity gap		97,176	-	-	97,176	3,978,653	-	-	3,978,653	4,075,829
Cumulative Interest risk sensitivity gap		97,176	97,176	97,176						

2006										
Profit rate	Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments				Total	
	% per annum	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	Maturity up to one year	Maturity over one year to five years	Maturity more than five years		Sub total
(Rupees in '000)										
Financial assets										
Cash and bank deposits	1 to 6.15	307,111	-	-	307,111	437	-	-	437	307,548
Investments	18.04	-	38	-	38	1,146,048	-	-	1,146,048	1,146,086
Premiums due but unpaid		-	-	-	-	9,381	-	-	9,381	9,381
Amounts due from other insurers / reinsurers		-	-	-	-	10,741	-	-	10,741	10,741
Accrued investment income		-	-	-	-	58	-	-	58	58
Reinsurance recoveries against outstanding claims		-	-	-	-	21,558	-	-	21,558	21,558
Sundry receivables		-	-	-	-	1,358	-	-	1,358	1,358
		307,111	38	-	307,149	1,189,581	-	-	1,189,581	1,496,730
Financial liabilities										
Provision for outstanding claims (including IBNR)		-	-	-	-	43,849	-	-	43,849	43,849
Amount due to other insurers / reinsurers		-	-	-	-	13,320	-	-	13,320	13,320
Accrued expenses		-	-	-	-	12,124	-	-	12,124	12,124
Other creditors and accruals		-	-	-	-	11,906	-	-	11,906	11,906
Unclaimed dividend		-	-	-	-	12,785	-	-	12,785	12,785
		-	-	-	-	93,984	-	-	93,984	93,984
Inter risk sensitivity gap		307,111	38	-	307,149	1,095,597	-	-	1,095,597	1,402,746
Cumulative Interest risk sensitivity gap		307,111	307,149	307,149						

**23.3 Market risk**

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

The company is exposed to market risk with respect to its investments. The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

**23.4 Credit risk and concentration of credit risk**

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

Concentration of credit risk 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 effect their ability to meet contractual obligations in a similar manner.

The company is exposed to its credit risk on premiums due but unpaid, amounts 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 estimates of provisions for doubtful receivables, if any. Company's concentration of credit risk by industry sector is given as under.

Industry Sector	2007		2006	
	(Rupees in '000)	%	(Rupees in '000)	%
Insurance (Re/co-insurance)	50,259	74.72	32,299	77.49
Textile composite	3,773	5.60	287	0.69
Fertilizer	31	0.05	5,205	12.49
Bank	-	-	18	0.04
Fuel and energy	11,588	17.23	752	1.81
Miscellaneous	1,614	2.40	3,119	7.48
	67,265	100.00	41,680	100.00

**23.5 Fair value of financial instruments**

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments, fair value of which have been stated in note 12.

**23.6 Reinsurance risk**

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

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

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

**23.7 Capital risk management**

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

In accordance with Circular no. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid-up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

	2007	2008	2009	2010	2011
	(Rupees in 000)				
Minimum paid up capital	120,000	160,000	200,000	250,000	300,000

The Company currently meets the externally imposed capital limit.

**23.8 Foreign currency risk**

The Company is not materially exposed to risk from foreign currency exchange rate fluctuation.

**24. EARNINGS PER SHARE – basic and diluted**

		2007	2006
		(Rupees in '000)	
Net profit for the year attributable to ordinary shareholders		2,747,982	750,090
Weighted average number of ordinary shares outstanding during the year	Number	13,983,454	13,983,454
Basic earnings per share	Rupees	196.52	53.64

**25. SUBSEQUENT EVENT - NON ADJUSTING**

The Board of Directors in its meeting held on 21 February 2008 have recommended a final cash dividend of Rs 2 per share (2006: Rs 3.5 per share) and bonus shares in the proportion of 2 shares for every 10 shares held (2006: Nil) for the year ended 31 December 2007, amounting to Rs 27.97 million (2006: 48.94 million) and Rs.27.97 million (2006: Nil) respectively. These financial statements for the year ended 31 December 2007 do not include the effect of these appropriations which will be accounted for subsequent to year end.

**26. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue on February 21, 2008 by the Board of Directors of the company.

**27. GENERAL**

The following corresponding figures have been reclassified for better comparison purposes:

**27.1** Advance premium of amounting to Rs. 0.879 million has been reclassified to premium refundable to policy holders.

**27.2** Bank account having balance of Rs 2.488 million has been reclassified to Profit or loss sharing account.

**27.3** Transaction costs on investments amounting to Rs. 0.496 million has been reclassified as investment related expenses.

## PATTERN OF SHAREHOLDING As At 31 December 2007

Number of Shareholders	Shareholding Range		Total Shares Held
	From	To	
105	1	100	4,519
86	101	500	23,178
57	501	1000	42,692
126	1001	5000	295,805
40	5001	10000	278,730
10	10001	15000	124,840
5	15001	20000	89,685
4	20001	40000	124,396
2	40001	55000	96,042
2	55001	120000	161,739
1	120001	135000	122,437
1	135001	275000	139,899
2	275001	485000	559,330
4	485001	770000	1,948,340
1	1255001	1395000	1,256,723
1	1395001	1400000	1,397,814
1	325001	3690000	3,627,153
1	3690001	3695000	3,690,132
449			13,983,454

S. No.	Categories of Shareholders	Number of Shareholder	Total Shares Held	Percentage
1	INDIVIDUALS	416	6,984,394	49.94
2	INVESTMENT COMPANIES	1	27	0.00
3	INSURANCE COMPANIES	6	279,665	2.00
4	JOINT STOCK COMPANIES	15	6,293,593	45.01
5	FINANCIAL INSTITUTIONS	4	6,639	0.05
6	ABANDONED PROPERTIES	6	296,699	2.12
7	CO - OPERATIVE SOCIETIES	1	122,437	0.88
449			13,983,454	100

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2007 Disclosure Requirement Under the Code of Corporate Governance

S. No.	Categories of Shareholders	Shares held
<b>1</b>	<b>Associated Companies, Undertakings &amp; Related Parties</b>	
	Dawood Corporation (Pvt) Ltd.	3,627,153
	Dawood Industries (Pvt) Ltd.	820
	Dawood (Pvt) Ltd.	1,397,814
	Sach International (Pvt) Ltd.	1,256,723
	Patek (Pvt) Ltd.	3,484
		6,285,994
<b>2</b>	<b>NIT &amp; ICP</b>	
	Investment Corporation of Pakistan	308
		308
<b>3</b>	<b>Directors &amp; CEO (Including holding of their spouses &amp; minor children)</b>	
	Mr. Hussain Dawood Chairman	4,177,832
	Mr. Viqar Siddiqui Chief Executive, Director	2,500
	Mr. Shahzada Dawood Director	487,700
	Mr. A. Samad Dawood Director	487,933
	Mr. Aleem A. Dani Director	3,306
	Mr. Aziz Moon Director	2,839
	Mr. Haroon Mehanti Director	4,408
		5,166,518
		11,452,820
<b>4</b>	<b>Executives</b>	-
<b>5</b>	<b>Public Sector Companies and Corporations</b>	-
<b>6</b>	<b>Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas &amp; Mutual Funds</b>	503,333
<b>7</b>	<b>others</b>	
	Cooperative Societies	122,437
	Administrator Abandoned Properties	296,699
		12,375,289
<b>8</b>	<b>Shareholders holding 10% or more shares</b>	
	Dawood Corporation (Pvt) Ltd.	3,627,153
	Mr. Hussain Dawood	4,177,832

# Central Insurance Company Limited

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member of Central Insurance Company Limited and holder of \_\_\_\_\_  
Ordinary Shares, as per:  
Share Register Folio No. \_\_\_\_\_ and/or  
CDC Participant ID No. \_\_\_\_\_ Sub A/c No. \_\_\_\_\_ ,  
hereby appoint Mr./Ms. \_\_\_\_\_ of  
\_\_\_\_\_, another member of the Company\* (or failing him Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_ , another member of the Company\*) as my/our proxy to attend, speak and vote for me/us  
and on my/our behalf, at the Forty Eighth Annual General Meeting of the Company to be held on Thursday, 27 March 2008  
at Shalimar Hall, Pearl Continental Hotel, Club Road, Karachi, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**WITNESSES:**

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
CNIC No. or  
Passport No. \_\_\_\_\_
2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
CNIC No. or  
Passport No. \_\_\_\_\_

Signature on  
Revenue Stamps  
of Rupees Five

Signature should agree with the  
specimen signature with the Company.

\* Proxy representing a corporation may or may not himself be a member of the Company.

**IMPORTANT:**

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.
2. CDC shareholders and their proxies are each requested to attach an attested photocopy of their new/computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.