



PREMIER
INSURANCE

55th
ANNUAL REPORT 2006



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Vision Statement

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

Mission Statement

Our Business

We are a company underwriting general insurance business including underwriting fire, property, marine, motor and other risks of our clients.
We are committed to become the leading organization in the insurance sector building an excellent reputation among our clients with the objective of maximizing returns for all the stakeholders.

Our Strengths

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

Our Strategy

To enhance our corporate image by providing high quality products and services to our policy holders.
To provide an excellent working environment to our employees affording them every opportunity to growth and career developments.

Our Values

We take pride in adhering to ethical business practices and in being a good corporate citizen.
We respect our people and endeavor to provide them opportunities to realize their full potential.
We recognize our responsibility to our stakeholders and to society.



Because we care.....

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

Among those that receive assistance from the company are:

The Citizens Foundation (TCF)

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

Layton Rahmatulla Benevolent Trust (LRBT)

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

Sind Institute of Urology & Transplantation (SIUT)

Towards earthquake relief and free, modern urology treatment and care.

Marie Adelaide Leprosy Centre (MALC)

For rehabilitation and care for leprosy sufferers.

The Kidney Centre

For free, comprehensive treatment of kidney related ailments.

Patient's Aid Foundation (PAF)

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

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



Notice of Annual General Meeting

Notice is hereby given that the 55th Annual General Meeting of the company will be held at Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, at Chartered Accountants Avenue, Clifton, Karachi, on April 28, 2007 at 09:00 a.m. to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on November 30, 2006;
2. To receive and consider the audited accounts of the company for the year ended December 31, 2006, the report of the Auditors thereon and the report of the directors;
3. To approve the payment of a cash dividend @ 20% i.e. Re 1 per ordinary share of Rs 5 each, and the issuance of bonus shares @ 20% i.e. 1 ordinary share for every 5 ordinary shares held, out of the profit for the year ended December 31, 2006, as recommended by the directors;
4. To appoint Anjum Asim Shahid Rahman, Chartered Accountants, as auditors for the year 2007 and to fix their remuneration;
5. To transact any other business with the permission of the Chair.

By Order of the Board

Afroz Quraishi
Company Secretary

Karachi: March 24, 2007

NOTES

- i) The Share Transfer Books of the company shall remain closed from April 21, 2007 to April 28, 2007 (both days inclusive). Transfers received in order at our Registrar Ferguson Associates (Pvt) Limited, 4th Floor, State Life Building No. 2-A, Wallace Road, Off: I.I. Chundrigar Road, Karachi, Pakistan by the close of business on April 20, 2007 will be treated in time for this purpose.
- ii) As per the Articles of Association of the company, any fractional entitlements to bonus shares shall be consolidated and disposal proceeds distributed to the shareholders according to their fractional entitlements.
- iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.
- iv) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their original National Identity Card and account number in CDC for verification.
- v) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- vi) Shareholders are requested to notify our Registrar immediately of any change in their addresses.



Company Information

Board of Directors

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

Company Secretary

Afroz Quraishi

Audit Committee

Khalid Bashir (Chairman)
Nadeem Maqbool
Shaukat Shafi

Auditors

Anjum Asim Shahid Rahman,
Chartered Accountants

Legal Advisors

Arfin & Co.
Advocates

Registered & Head Office

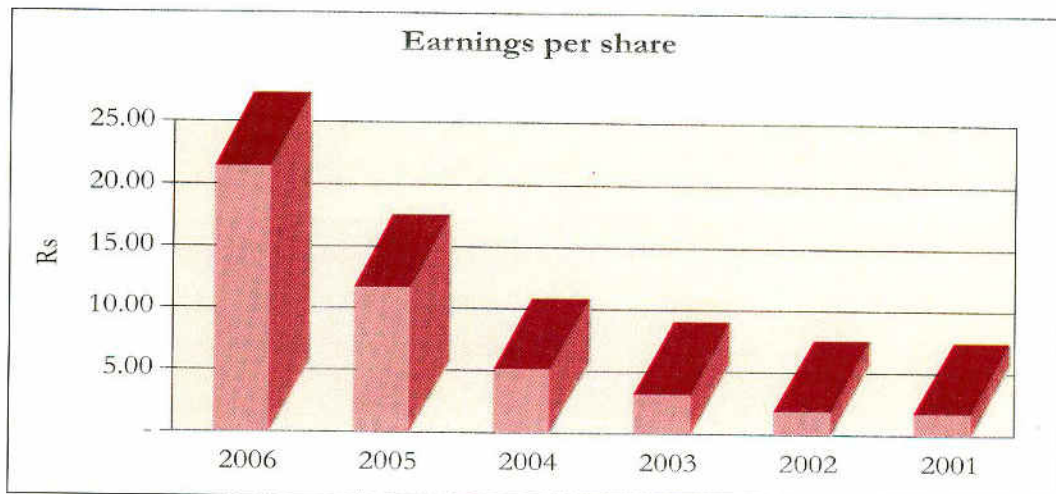
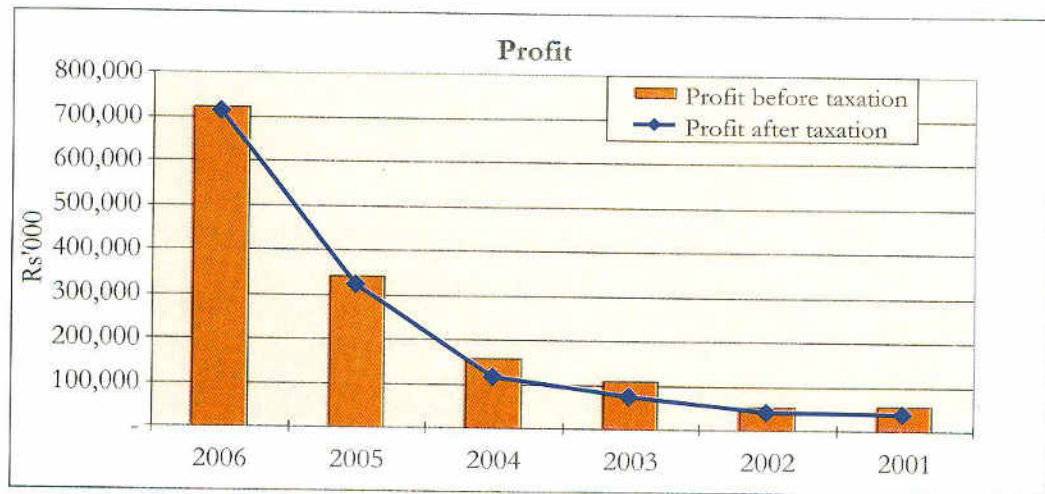
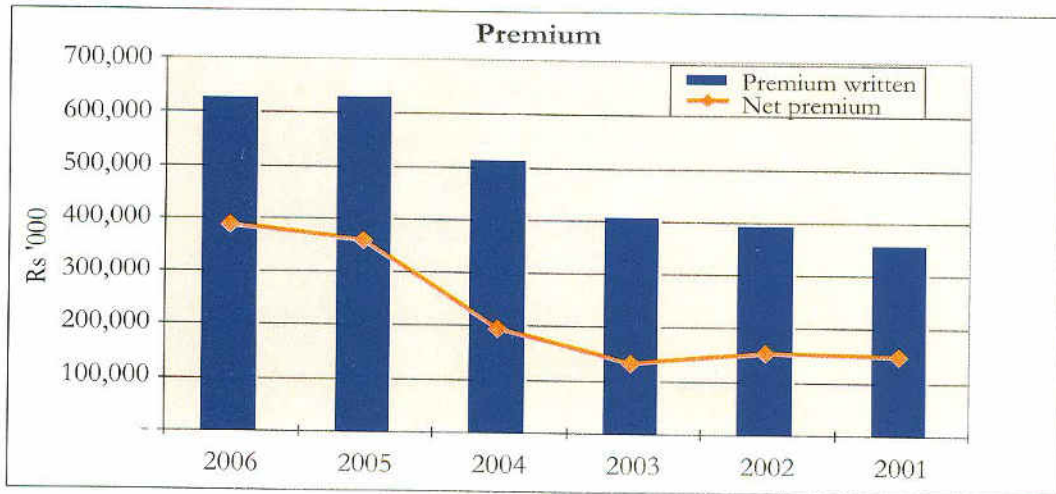
5th Floor, State Life Building No. 2A,
Wallace Road, Karachi-74000, Pakistan
Phones : (21) 2416331-4
Fax : (21) 2416572
Email : prinscop@super.net.pk

Registrar

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

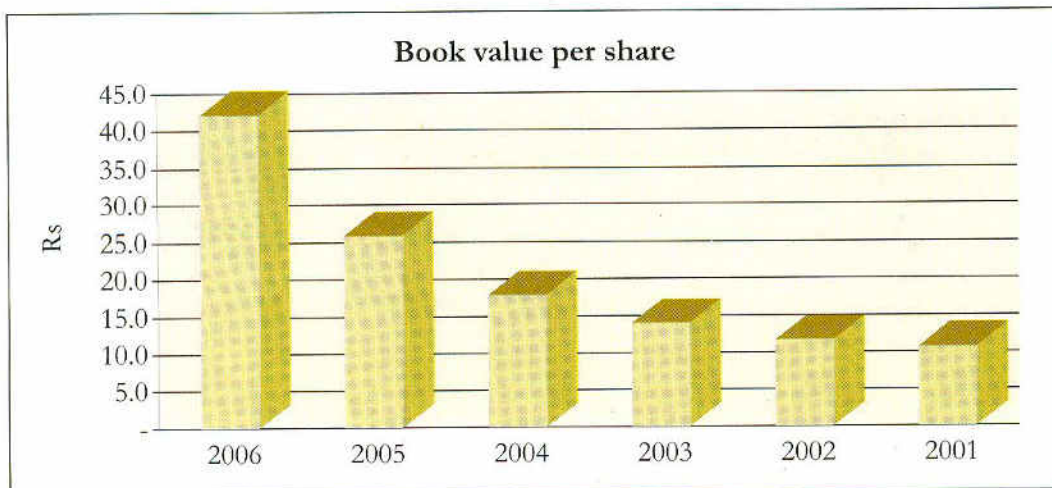
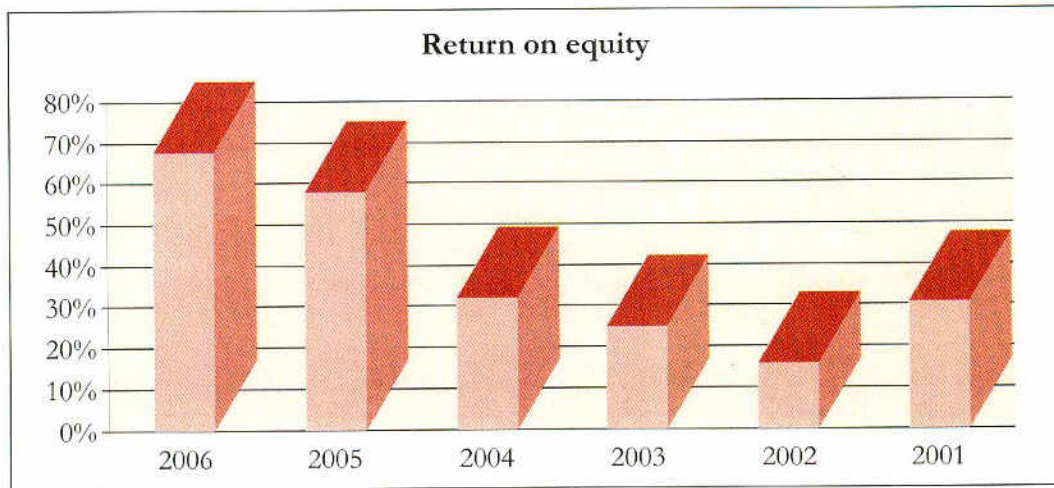
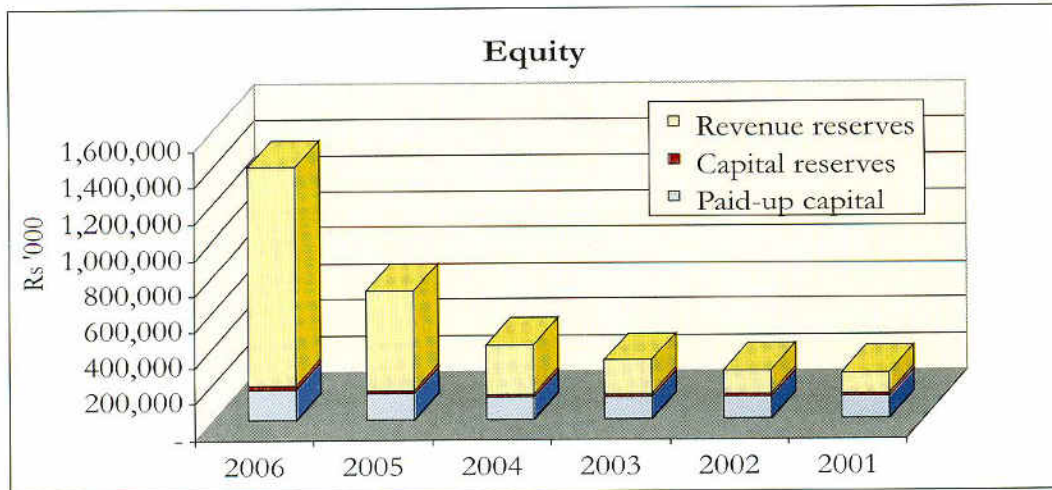


Performance at a Glance





Performance at a Glance





Key Operating and Financial Data

(Amounts in Rupees '000)

	2006	2005	2004	2003	2002	2001
Paid-up capital	166,240	138,533	115,444	115,444	115,444	115,444
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,214,600	554,587	275,327	186,751	132,987	112,923
Total reserves	1,234,275	574,262	295,002	206,426	152,662	132,598
Total equity	1,400,515	712,795	410,446	321,870	268,106	248,042
Total assets	2,424,733	1,738,274	1,486,848	1,098,495	916,429	705,761
Premium written	630,395	631,393	515,851	406,908	395,517	356,650
Net premium	389,232	360,164	194,601	132,095	153,605	148,885
Investment income	798,115	341,996	165,462	118,753	36,408	34,616
Profit before taxation	719,721	339,438	158,437	106,967	52,235	54,636
Profit after taxation	715,427	325,438	117,437	73,967	41,448	38,249
Return on equity* (%)	67.71%	57.95%	32.07%	25.07%	16.06%	16.04%
Book value per share** (Rs)	42.12	25.73	17.78	13.94	11.61	10.74
Earnings per share** (Rs)	21.52	11.75	5.09	3.20	1.80	1.66
Cash dividend (%)	20%	20%	20%	25%	17.5%	15%
Stock dividend (Bonus - %)	20%	20%	20%	-	-	-

* Return based on average equity for the year

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



Report of the Directors to the Members

The directors are pleased to present the 55th Annual Report of the company together with the audited accounts for the year ended December 31, 2006.

Review

(Amounts in Rupees '000)

	2006	2005
Premium written	630,395	631,393
Net premium	389,232	360,164
Underwriting result	49,251	41,152
Investment income	798,115	341,996
Profit before taxation	719,721	339,438
Profit after taxation	715,427	325,438

The premium written, approximately the same as 2005, reflects our stated policy to focus on improving quality and results, rather than top-line growth, as a measure of performance and value addition. Although both written and net premium for the nine months to September 2006 were well above the 2005 corresponding period (19% and 24% respectively), the underwriting profit year-over-year was flat for the period. However, the fourth quarter of 2006 manifested results of earlier decisions in that the 9 months' underwriting profit of Rs 14.2 million increased by Rs 35.1 million (248%) to Rs 49.3 million for the full year.

The net premium of Rs 389.2 million (2005: Rs 360.2 million) and underwriting profit of Rs 49.3 million (2005: Rs 41.2 million) are higher by 8% and 20% respectively over 2005. This modest growth disguises the significant drop in the overall claims ratio to 55% from 63% in 2005 (motor from 85% to 68%, marine from 32% to 16% and others from 126% to 10%; fire rose from 16% to 41%). Again, claims ratios for all classes improved in the fourth quarter from the first three quarters. The result is also impacted by a higher commission expense of Rs 19 million, mostly due to lower commission income consequent to the industry-wide adverse loss experiences in the recent past.

Net investment income rose to Rs 798.1 million (2005: Rs 342 million) comprising capital gains Rs 697.6 million (2005: Rs 298.7 million), dividends Rs 85.9 million (2005: Rs 37.1 million) and returns on deposits etc. Rs 14.9 million (2005: Rs 6.5 million). The realized

yield on equities is 96% on average cost and 65% on average market value at risk; both measures handsomely exceed the benchmark KSE 100 index which returned 5% for 2006. Unrealized gains and subsequent dividends on the year-end portfolio have obviously not been considered.

Active treasury management not only yielded 130% higher returns than 2005 from deposits etc. but also internally funded fixed capital expenditure of Rs 156.5 million. This includes acquisition of a prime property for our Zonal office in Lahore, major renovations at our Karachi head office and significant investment in IT assets. Needless to say, sizeable cash and bank balances continue to be maintained to meet any contingencies.

Total expenses remained under tight control despite inflationary pressures, including certain discretionary HR and other costs. Consistent with the Board's policy to strengthen the balance sheet, the allowance for doubtful receivables was enhanced by Rs 100 million to conservatively cover any unforeseen losses.

Profit before taxation increased by Rs 380.3 million to Rs 719.7 million (2005: Rs 339.4 million) and after taxation by Rs 390 million to Rs 715.4 million (2005: Rs 325.4 million).

Earnings per ordinary share of Rs 5 were Rs 21.5 compared with Rs 9.8 for 2005, after adjusting for the 20% bonus issue during 2006, declared last year.

Appropriation of Profit

(Amounts in Rupees '000)

Profit after taxation for the year	715,427
Unappropriated profit brought forward	189,237
	<u>904,664</u>
Appropriations approved during the year:	
- payment of cash dividend @ 20% (2005)	(27,707)
- issue of bonus shares @ 20% (2005)	(27,707)
	<u>849,250</u>
- transfer to general reserve (2006)	(100,000)
Unappropriated profit carried forward	<u>749,250</u>



Appropriated as follows:

(Amounts in Rupees '000)

- Proposed cash dividend @ 20% (2006)
- Proposed bonus issue @ 20% (2006)
- Transfer to general reserve Rs. 535,000

Outlook for the Current Year

As anticipated in our last Annual Report, the economy has continued to grow, albeit at a slower pace than earlier years. Monetary tightening has somewhat arrested inflation, though volatility in petroleum prices remains critical to our current account and fiscal deficits and, hence, forex rates and reserves.

Also, as anticipated, the competition within an expanding insurance industry is adversely impacting HR costs, underwriting rates and terms. Tied selling, arbitrary per risk limits and delisting by financial institutions are being used to indirectly support associated industry players. Over time, these practices will erode the overall strength of the sector, constrain customer choice and, ultimately lower both the quality and service levels of the insurance industry.

It is time that the industry as a whole and the financial services regulators work together to level the playing field and to develop the strength, capacity and quality of the insurance industry.

Your company, however, remains committed to manage and grow its business prudently and ethically while continuing to build our financial strength and claims settlement ability. We are pleased to report that JCR-VIS has reaffirmed our conservative Insurer Financial Strength (IFS) Rating of A (Single A) with Stable Outlook. The rating denotes a "high capacity to meet policyholder and contract obligations."

We remain fully cognizant of the volatility inherent in the insurance business and will continue to manage our investment operations to optimize value and security for all our stakeholders.

Corporate Financial Reporting

The Board has taken all necessary steps to comply

with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- ▶ The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ▶ The company has maintained proper books of account.
- ▶ Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
- ▶ International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ There is no doubt about the company's ability to continue as a going concern.
- ▶ There has been no material departure from the best practice of Corporate Governance as detailed in the listing regulations.
- ▶ Key operating and financial data for the last six years is annexed with the report.
- ▶ The value of investments based on the audited accounts of the Provident Fund as at December 31, 2005 was Rs 21 million.
- ▶ During 2006 four meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Mr Maqbul Ahmad	4
Syed Arshad Ali	3
Mr Khalid Bashir	2
Mr Zahid Bashir (Chairman)	4
Mr Nadeem Maqbool	4
Mr Khurram Mazhar	1
Mr Shaukat Shafi	4

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



Mr Abid Javed Akbar's resignation was accepted and Syed Arshad Ali was co-opted to fill the casual vacancy by the Board in its meeting on March 20, 2006.

Following the recent demise of Mr Maqbul Ahmad, Mr Imran Maqbool has been co-opted to fill the resultant casual vacancy on the Board.

The directors, CEO, CFO, Company Secretary, executives and their spouses and minor children, had no transactions in the shares of the company except:

- a) Mr Zahid Bashir, director, disposed of 121,802 shares;
- b) Mrs Umbreen Zahid Bashir W/o. Mr Zahid Bashir, acquired 13,680 shares; and
- c) Mr Shaukat Shafi, director, disposed of 134,883 shares.

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2006, have been duly complied with. A statement to this effect is annexed with the report.

Statement of Ethics and Business Practices

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

Board Committees

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

The Board constituted underwriting, claims settlement

and reinsurance & co-insurance committees met as required during the year.

Appointment of Auditors

As recommended by the audit committee, the directors propose that Anjum Asim Shahid Rahman, Chartered Accountants, be re-appointed as auditors of the company for the year ending December 31, 2007.

Categories of Members / Pattern of Shareholding

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

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

Acknowledgement

We acknowledge a deep debt of gratitude to Mr Maqbul Ahmad who passed away earlier this month. As a long time director and a former Managing Director of the company, his contributions and achievements are too many to number. His sincere guidance and commitment to the last will always be remembered and missed.

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

On behalf of the Board.

Zahid Bashir
Chairman

Karachi: March 24, 2007



Statement of compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board. Except the Chief Executive, the Board comprises non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred during the year which was duly filled by the Board.
5. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policy guidelines, which are in the process of formal documentation. Such guidelines, amendments and approvals are recorded.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings were given at least seven days before the meetings and agendas and working papers were duly circulated. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the company are experienced in various businesses, including insurance and are well aware of their duties and responsibilities. However, all directors continue to be encouraged to attend specialized orientation course at company expense.
10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by the CEO and the CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the categories of members.



13. The company has complied with all the financial reporting requirements of the Code.
14. The Board has formed an audit committee which comprised at least four members during the year, all of whom are non-executive directors including the Chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has also formed an underwriting committee, a claims committee and a reinsurance and co-insurance committee.
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed the IFAC guidelines in this regards.
19. We confirm that all other material principles contained in the Code have been complied with.

Zahid Bashir
Chairman

Karachi, March 24, 2007



Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Premier Insurance Company of Pakistan Limited** to comply with the Listing Regulation No. 37, Chapter No. XIII and section No. 36 of the Karachi, Lahore and Islamabad Stock Exchanges respectively where the company is listed.

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

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

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

Anjum Asim Shahid Rahman

Chartered Accountants

Karachi: March 24, 2007



Auditors' Report to the Members

We have audited the annexed financial statements comprising:

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

of **Premier Insurance Company of Pakistan Limited** as at December 31, 2006 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion

- a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the company's affairs as at December 31, 2006 and of the profit, its cash flows and changes in equity for the year then ended in accordance with International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the company for the year ended December 31, 2005 were audited by another firm of chartered accountants who expressed an unmodified audit opinion in their audit report dated March 20, 2006.

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi: March 24, 2007



Balance Sheet

As at December 31, 2006

(Amounts in Rupees '000)

	Note	2006	2005
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 40,000,000 (2005: 40,000,000) ordinary shares of Rs 5 each		<u>200,000</u>	<u>200,000</u>
Issued subscribed and paid-up capital 33,247,843 (2005: 27,706,536) ordinary shares of Rs.5 each	6	166,240	138,533
Retained earnings		749,250	189,237
Reserves	7	485,025	385,025
Shareholders' equity		1,400,515	712,795
Underwriting provisions			
Provision for outstanding claims (including IBNR)		288,555	290,801
Provision for unearned premium		328,109	341,877
Commission income unearned		34,229	38,331
Total underwriting provisions		650,893	671,009
Deferred liability			
Staff retirement benefits	8	9,336	7,433
Liabilities against assets subject to finance lease			
	9	2,067	3,635
Creditors and accruals			
Current maturity of lease finance		1,568	1,670
Amounts due to other insurers / reinsurers		131,691	110,292
Accrued expenses		8,000	5,989
Taxation - provision less payments		96,802	70,757
Other creditors and accruals	10	119,877	151,932
		357,938	340,640
Other liabilities			
Unclaimed dividend		3,984	2,762
TOTAL EQUITY AND LIABILITIES		<u>2,424,733</u>	<u>1,738,274</u>
CONTINGENCIES AND COMMITMENTS			
	11		

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



(Amounts in Rupees '000)

	Note	2006	2005
ASSETS			
Cash and bank deposits	12		
Cash and other equivalents		1,435	2,858
Current and other accounts		90,802	104,628
Deposits maturing within 12 months		170,243	198,193
		<u>262,480</u>	<u>305,679</u>
Loans to employees	13	48	214
Investments	14	1,080,517	562,265
Other assets			
Premium due but unpaid	15	352,189	273,942
Amounts due from other insurers / reinsurers - unsecured, considered good		160,099	168,873
Accrued investment income	16	6,557	4,584
Reinsurance recoveries against outstanding claims		149,274	144,078
Deferred commission expense		47,440	46,366
Prepayments	17	140,828	154,466
Sundry receivables	18	12,791	10,022
		<u>869,178</u>	<u>802,331</u>
Fixed assets	19		
Tangible			
Land and buildings		169,456	31,927
Furniture, fixtures and office equipment		15,473	5,081
Motor vehicles		25,178	24,717
Intangible			
Computer software		2,403	-
		<u>212,510</u>	<u>61,725</u>
Capital work in progress		-	6,060
		<u>212,510</u>	<u>67,785</u>
TOTAL ASSETS		<u><u>2,424,733</u></u>	<u><u>1,738,274</u></u>

Zahid Bashir
Chairman

Shaukat Shafi
Director

Nadeem Maqbool
Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Profit and Loss Account

For the year ended December 31, 2006

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2006 Aggregate	2005 Aggregate
Revenue accounts								
Net premium revenue		89,819	37,597	251,825	10,003	(12)	389,232	360,164
Net claims		(36,512)	(6,080)	(172,564)	(1,014)	(121)	(216,291)	(225,357)
Expenses	20	(22,473)	(9,408)	(63,008)	(2,503)	3	(97,389)	(86,788)
Net commission		(1,364)	(3,055)	(24,990)	3,129	(21)	(26,301)	(6,867)
Underwriting result		<u>29,470</u>	<u>19,054</u>	<u>(8,737)</u>	<u>9,615</u>	<u>(151)</u>	<u>49,251</u>	<u>41,152</u>
Investment income							798,115	341,996
Gain on disposal of fixed assets							525	115
General and administration expenses	20						(128,170)	(43,825)
Profit before tax							<u>719,721</u>	<u>339,438</u>
Provision for taxation	21						(4,294)	(14,000)
Profit after tax							<u>715,427</u>	<u>325,438</u>
Profit and loss appropriation account								
Balance at commencement of year							189,237	59,977
Profit after tax for the year							715,427	325,438
Cash dividend for 2005 at 20% (2004: 20%)							(27,707)	(23,089)
Bonus shares for 2005 at 20% (2004: 20%)							(27,707)	(23,089)
Transfer to general reserve							(100,000)	(150,000)
Balance unappropriated profit at the end of the year							<u>749,250</u>	<u>189,237</u>
Earnings per share - basic and diluted (in Rupees)	22						<u>21.52</u>	<u>9.80</u>

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

Zahid Bashir
Chairman

Shaukat Shafi
Director

Nadeem Maqbool
Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Statement of Changes in Equity

For the year ended December 31, 2006

(Amounts in Rupees '000)

	Share capital	Reserves						Total reserves	Total equity
		Capital reserves			Revenue reserves				
		Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts		
Balance as at January 1, 2005	115,444	19,490	185	-	215,000	350	59,977	295,002	410,446
Profit after tax for 2005	-	-	-	-	-	-	325,438	325,438	325,438
Cash dividend for the year ended December 31, 2004 declared subsequent to the year end	-	-	-	-	-	-	(23,089)	(23,089)	(23,089)
Bonus shares for the year ended December 31, 2004 declared subsequent to the year end	-	-	-	23,089	-	-	(23,089)	-	-
Bonus shares issued	23,089	-	-	(23,089)	-	-	-	(23,089)	-
Transferred to general reserve	-	-	-	-	150,000	-	(150,000)	-	-
Balance as at December 31, 2005	138,533	19,490	185	-	365,000	350	189,237	574,262	712,795
Profit after tax for 2006	-	-	-	-	-	-	715,427	715,427	715,427
Cash dividend for the year ended December 31, 2005 declared subsequent to the year end	-	-	-	-	-	-	(27,707)	(27,707)	(27,707)
Bonus shares for the year ended December 31, 2005 declared subsequent to the year end	-	-	-	27,707	-	-	(27,707)	-	-
Bonus shares issued	27,707	-	-	(27,707)	-	-	-	(27,707)	-
Transferred to general reserve	-	-	-	-	100,000	-	(100,000)	-	-
Balance as at December 31, 2006	166,240	19,490	185	-	465,000	350	749,250	1,234,275	1,400,515

The annexed notes form an integral part of these financial statements

Zahid Bashir
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Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Statement of Cash Flows

For the year ended December 31, 2006

(Amounts in Rupees '000)

	2006	2005
Operating cash flows		
a) Underwriting activities		
Premium received	552,148	702,314
Reinsurance premium paid	(218,517)	(298,568)
Claims paid	(460,484)	(500,916)
Reinsurance and other recoveries received	245,525	245,080
Commissions paid	(54,665)	(129,946)
Commissions received	58,979	58,615
Net cash flow from underwriting activities	122,986	76,579
b) Other operating activities		
Income tax	21,751	1,376
General management expenses paid	(97,389)	(86,788)
Other operating payments	(54,194)	(261)
Advances, deposits and sundry receivables	(3,980)	(6,934)
Other liabilities and accruals	(49,446)	89,975
Net cash (used in) other operating activities	(183,258)	(2,632)
Total cash (used in)/flow from operating activities	(60,272)	73,947
Investment activities		
Investment income	98,535	47,402
Payments for investments	(3,961,786)	(953,008)
Proceeds from disposal of investments	4,062,446	933,824
Fixed capital expenditure	(156,452)	(23,099)
Proceeds from disposal of fixed assets	2,485	844
Total cash flow from investing activities	45,228	5,963
Financing activities		
Dividends paid	(26,485)	(22,876)
Payments on finance leases	(1,670)	(1,451)
Total cash used in financing activities	(28,155)	(24,327)
Total cash (used in)/flow from all activities	(43,199)	55,583
Cash at the beginning of the year	305,679	250,096
Cash at the end of the year	262,480	305,679
Reconciliation to profit and loss account		
Operating cash flows	(60,272)	73,947
Depreciation expense	(9,767)	(8,356)
Investment income	798,115	341,996
Profit on disposal of fixed assets	525	115
Increase/(decrease) in assets other than cash	64,708	(133,400)
(Increase)/ decrease in liabilities other than running finance	(77,882)	51,136
Profit after taxation	715,427	325,438

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

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Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Statement of Premium

For the year ended December 31, 2006

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2006	2005
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative										
1 Fire and property damage	248,594	140,156	133,763	254,987	150,518	100,454	85,804	165,168	89,819	101,183
2 Marine, aviation and transport	74,738	35,949	39,012	71,675	40,556	17,834	24,312	34,078	37,597	27,614
3 Motor	251,100	131,848	124,659	258,289	1,394	5,002	(68)	6,464	251,825	220,038
4 Miscellaneous	55,975	33,926	30,677	59,224	47,448	30,453	28,680	49,221	10,003	6,720
Total	630,407	341,879	328,111	644,175	239,916	153,743	138,728	254,931	389,244	355,555
Treaty										
5 Proportional	(12)	(2)	(2)	(12)	-	-	-	-	(12)	4,609
Grand Total	630,395	341,877	328,109	644,163	239,916	153,743	138,728	254,931	389,232	360,164

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

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Chief Executive

Karachi: March 24, 2007



Statement of Claims

For the year ended December 31, 2006

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2006	2005
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative										
1 Fire and property damage	193,854	105,330	120,809	209,333	162,262	72,209	82,768	172,821	36,512	15,678
2 Marine, aviation and transport	72,796	50,171	44,438	67,063	63,973	35,794	32,804	60,983	6,080	9,090
3 Motor	181,942	85,434	73,611	170,119	1,302	4,940	1,193	(2,445)	172,564	188,163
4 Miscellaneous	11,273	44,311	44,640	11,602	9,214	31,135	32,509	10,588	1,014	8,488
Total	459,865	285,246	283,498	458,117	236,751	144,078	149,274	241,947	216,170	221,419
Treaty										
5 Proportional	619	5,555	5,057	121	-	-	-	-	121	3,938
Grand Total	460,484	290,801	288,555	458,238	236,751	144,078	149,274	241,947	216,291	225,357

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

Zahid Bashir
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Director

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Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Statement of Expenses

For the year ended December 31, 2006

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class		2006							2005	
		Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and										
Facultative	1	45,061	24,335	24,247	45,149	22,473	67,622	43,785	23,837	18,704
	2	13,979	6,112	7,297	12,794	9,408	22,202	9,739	12,463	3,393
	3	25,224	12,583	12,522	25,285	63,008	88,293	295	87,998	71,937
	4	6,139	3,358	3,364	6,133	2,503	8,636	9,262	(626)	(2,299)
	Total	90,403	46,388	47,430	89,361	97,392	186,753	63,081	123,672	91,735
Treaty	5	53	(22)	10	21	(3)	18	-	18	1,920
	Grand Total	90,456	46,366	47,440	89,382	97,389	186,771	63,081	123,690	93,655

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

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

Zahid Bashir
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Director

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Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Statement of Investment Income

For the year ended December 31, 2006

(Amounts in Rupees '000)

	2006	2005
Income from non-trading investments		
Held to maturity		
Return on bank deposits	14,799	6,356
Return on term finance certificates	163	163
	14,962	6,519
Available for sale		
Dividend income	85,886	37,085
Gain on sale of investments	697,607	298,723
	783,493	335,808
Investment management expenses	(340)	(331)
Investment income	<u>798,115</u>	<u>341,996</u>

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

Zahid Bashir
Chairman

Shaukat Shafi
Director

Nadeem Maqbool
Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Notes to the Financial Statements

for the Year ended December 31, 2006

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

3.1 These accounts have been prepared in accordance with the International Accounting Standards (IASs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretations Committee of the IASB as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules, 2002 (the Rules), along with the directives of the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Rules or the directive issued by the SECP differ with the requirements of these IASs, the requirements of the Companies Ordinance 1984, the Insurance Ordinance, 2000, the Rules, or the requirements of the said directives take precedence.

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

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Use of critical accounting estimates and judgments

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



Notes to the Financial Statements

for the Year ended December 31, 2006

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

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

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

5.2 Premium

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

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

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

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

5.3 Claims

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

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

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

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



Notes to the Financial Statements

for the Year ended December 31, 2006

5.4 Commissions

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

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

5.5 Premium deficiency reserve

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

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

5.6 Staff retirement benefits

Defined benefits plan

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2006 in accordance with IAS-19, Employee Benefits.

Compensated absences

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

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

Defined contribution plan

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



Notes to the Financial Statements

for the Year ended December 31, 2006

5.7 Taxation

Current

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

Deferred

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

5.8 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified as follows:

5.8.1 At fair value through profit or loss

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

5.8.2 Held to maturity

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

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

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



Notes to the Financial Statements

for the Year ended December 31, 2006

5.8.3 Available for sale

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

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

All quoted investments are subsequently marked to market using the year end bid prices obtained from stock exchange quotations and quotes from brokers.

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

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

Under the requirements of IAS-39, Financial Instruments: Recognition and Measurement, the investments of the company would have been higher by Rs 13 million (2005: Rs 754 million) and the corresponding amount would have either increased the profits or a revaluation reserve by the same amount subject to the accounting policy adopted by the company.

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

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

Derecognition

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

5.9 Fixed assets

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

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

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



Notes to the Financial Statements

for the Year ended December 31, 2006

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

Capital work in progress

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

Impairment

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

5.10 Revenue recognition

Underwriting result

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

Dividend income

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

Gain / loss on disposal of investments

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

Return on bank accounts and term finances

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

5.11 Proposed dividend

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

5.12 Expenses of management

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



Notes to the Financial Statements

for the Year ended December 31, 2006

5.13 Impairment

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

5.14 Provisions

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

5.15 Transactions with related parties and transfer pricing

Transactions with related parties mainly represent the insurance contracts and purchases and sales of investments. The company follows approved valuation methods to measure and value the transactions with related parties. Related party transactions are entered into on an arm's length basis except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the company to do so.

5.16 Foreign currency translation

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

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

5.17 Cash and cash equivalents

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

5.18 Segment reporting

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

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

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

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

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



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

	Note	2006	2005
7.3 General reserve			
Balance at the beginning of the year		365,000	215,000
Transfer from profit and loss account		100,000	150,000
Balance at the end of the year		<u>465,000</u>	<u>365,000</u>

8. STAFF RETIREMENTS BENEFITS

Gratuity	8.1	5,136	3,862
Employees compensated absences	8.3	4,200	3,571
		<u>9,336</u>	<u>7,433</u>

8.1 Movement in the net liability recognized in the balance sheet

Opening net liability		3,862	3,908
Expense for the year	8.2	1,850	325
		5,712	4,233
Payments during the year		(576)	(371)
Closing net liability		<u>5,136</u>	<u>3,862</u>

8.2 Expense recognized in the profit and loss account

Current service cost		1,659	230
Interest cost		256	205
Net actuarial gain recognized in the year		(65)	(110)
		<u>1,850</u>	<u>325</u>

8.3 Movement in the net liability recognized in the balance sheet

Opening net liability		3,571	3,750
Expense for the year	8.4	1,729	439
		5,300	4,189
Payment during the year		(1,100)	(618)
Closing net liability		<u>4,200</u>	<u>3,571</u>

8.4 Expense recognized in the profit and loss account

Current service cost		821	426
Interest cost		322	300
Net actuarial (loss) / gain recognized in the year		586	(287)
		<u>1,729</u>	<u>439</u>

Principal actuarial assumptions

Following are a few important actuarial assumptions used in the benefits' valuation:

Discount rate	<u>10%</u>	<u>9%</u>
Expected rate of increase in salary	<u>9%</u>	<u>8%</u>
Average expected remaining working life of employees	<u>10 years</u>	<u>10 years</u>



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

	2006	2005
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Minimum lease payments		
Up to one year	2,108	2,039
More than one year but less than five years	1,856	3,964
	<u>3,964</u>	<u>6,003</u>
Less: Financial charges not yet due		
Up to one year	226	369
More than one year but less than five years	103	329
	<u>329</u>	<u>698</u>
Present value of minimum lease payments	3,635	5,305
Payable within one year	(1,568)	(1,670)
Payable after one year but less than five years	<u>2,067</u>	<u>3,635</u>

This represents finances obtained under lease arrangement for vehicles. The total minimum lease payments are payable in monthly installments over a period of 60 months. The internal rate of return of 7.42% to 8.55% (2005: 7.42% to 8.55%) per annum is used as discounting factor. Taxes, repairs and insurance costs are to be borne by lessee. The lessee can exercise purchase option at the end of the lease term by adjusting the deposit amount. These are secured against promissory notes.

	2006	2005
10. OTHER CREDITORS AND ACCRUALS		
Creditors for investments	6,713	85,408
Commissions payable	82,340	46,549
Central excise duty	3,648	1,300
Federal insurance fee	617	100
Tax deducted at source	933	720
Advance recoveries	820	1,109
Others	24,806	16,746
	<u>119,877</u>	<u>151,932</u>
11. CONTINGENCIES AND COMMITMENTS		

There are no material contingencies or commitments at the balance sheet date.

12. CASH AND BANK DEPOSITS

Cash and other equivalents		
Cash	1,054	2,374
Stamps in hand	381	484
	<u>1,435</u>	<u>2,858</u>
Current and other accounts		
Current accounts	17,047	39,274
Savings accounts	73,385	64,984
Statutory deposit with State Bank of Pakistan	370	370
	<u>90,802</u>	<u>104,628</u>
Deposits maturing within 12 months		
Term deposits	170,243	198,193
	<u>262,480</u>	<u>305,679</u>



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

Deposits include Rs 9.7 million with Crescent Standard Investment Bank Limited (CSIBL). The SECP appointed Administrator has reported ongoing negotiations with prospective acquirers of CSIBL and has not given any indication that might warrant any provisioning against realisation of the stated deposits.

	Note	2006	2005
13. LOANS			
Unsecured - considered good			
Employees - temporary advances		<u>48</u>	<u>214</u>
14. INVESTMENTS			
Available for sale			
Quoted shares (market value: Rs 1,087,536 [2005: Rs 1,233,522])	14.1	1,074,507	484,046
Unquoted shares	14.2	4,645	54,645
Mutual funds - quoted (market value: Rs 10 [2005: Rs 26,805])	14.3	10	22,219
		<u>1,079,162</u>	<u>560,910</u>
Held to maturity			
Term Finance Certificates - quoted (market value: Rs 1,355 [2005: Rs 1,355])	14.4	1,355	1,355
		<u>1,355</u>	<u>1,355</u>
		<u>1,080,517</u>	<u>562,265</u>

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

Available for sale

	Number of		Name of entity	2006	2005
	shares /	certificates			
14.1 Quoted					
Associated Undertakings					
-	750,428		Crescent Commercial Bank Limited	-	6,905
333	333		Crescent Jute Products Limited	1	1
-	51,381		Crescent Steel & Allied Products Limited	-	2,270
292	292		Jubilee Spinning & Weaving Mills Limited	1	1
11,337,223	12,694,721		PICIC Limited	699,550	206,163
-	57,500		Shakarganj Mills Limited	-	1,266



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

Number of shares / certificates		Name of entity	2006	2005
2006	2005			
53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	531	531
280,000	280,000	Suraj Cotton Mills Limited	8,064	8,064
Others				
5,000	-	Adamjee Insurance Company Limited	848	-
13,230	35,000	Askari Commercial Bank Limited	1,321	3,789
20,000	20,000	Attock Petroleum Limited	7,024	6,094
12,925	45,540	Attock Refinery Limited	1,122	4,941
10,050	-	Azgard Nine Limited	315	-
50,000	50,000	Bahawalpur Textile Mills Limited	500	500
40,782	15,000	Bank Alfalah Limited	2,001	1,011
117,227	-	Bank of Punjab	12,224	-
-	68	Bata Pakistan Limited	-	1
100	-	Bawany Sugar Mills Limited	1	-
-	15,000	Callmate Telips Telecom Limited	-	1,182
93,539	86,854	Central Insurance Company Limited	10,880	7,996
-	165	Crescent Leasing Corporation Limited	-	1
300	-	Dadabhoy Cement Industries Limited	2	-
110,023	108,499	Dawood Hercules Chemicals Limited	27,251	19,595
-	18,369	Dawood Lawerncepur Limited	-	343
116,480	41,500	Engro Chemical Pakistan Limited	21,295	4,577
22,703	20,000	Fauji Fertilizer Bin Qasim Limited	783	776
154,964	171,353	Fauji Fertilizer Company Limited	17,509	16,896
48,253	87,200	Faysal Bank Limited	3,199	4,087
160,926	132,941	Glaxo Smithkline Pakistan Limited	22,105	17,706
21,999	313,500	Hub Power Company Limited	591	8,991
50,600	81,600	ICI Pakistan Limited	6,337	9,959
-	31,600	Indus Motor Company Limited	-	4,388
372	-	Investec Modaraba	1	-
11,849	20,000	Kot Addu Power Company Limited	513	790
5,000	5,000	KSB Pumps Company Limited	21	21
-	35,500	Maple Leaf Cement Factory Limited	-	1,353
12,000	12,000	Maple Leaf Cement Factory Limited (Preference Shares)	120	120
96,517	15,000	MCB Bank Limited	24,937	2,369
10,000	-	Meezan Bank Limited	232	-
241	-	Mirza Sugar Mills	1	-



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

Number of shares / certificates		Name of entity	2006	2005
2006	2005		2006	2005
91,161	-	National Bank of Pakistan	23,842	-
37,000	-	NIB-NDLC (IFIC Bank)	906	-
-	6,500	Pakistan Cement Company Limited	-	57
33,450	16,350	Nishat (Chunian) Limited	2,410	1,642
31,600	37,600	National Refinery Limited	8,106	9,645
4,000	4,000	New Jubilee Life Insurance Company Limited	83	83
37,952	-	Oil & Gas Development Company Limited	5,255	-
36,750	36,750	Packages Limited	7,157	6,577
175,159	-	Pak Telecommunication Company Limited	8,392	-
55,973	24,500	Pakistan Oil Fields Limited	19,874	8,539
145,632	-	Pakistan Petroleum Limited	35,775	-
10,077	35,431	Pakistan Refinery Limited	2,450	9,951
317,600	371,800	Pakistan Reinsurance Company Limited	27,762	18,634
71,438	206,800	Pakistan State Oil Company Limited	21,127	43,962
135,000	242,000	PICIC Commercial Bank Limited	5,076	9,540
226,340	500,000	PICIC Energy Fund	2,263	5,000
233,779	210,000	PICIC Growth Fund	9,612	9,391
281,429	-	PICIC Insurance Limited	4,573	-
88,717	26,391	PICIC Investment Fund	1,655	459
16,459	-	Prime Commercial Bank	957	-
-	20,000	Pak Suzuki Motor Company Limited	-	3,204
2	-	P.N.S.C.	-	-
323	-	Sahrish Textile Mills Limited	1	-
100	-	Sakrand Sugar Mills Limited	1	-
40,703	57,472	Security Papers Limited	3,511	2,521
9,500	4,500	Service Textile Limited	32	32
45,525	37,938	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	1,415	101
9,210	9,210	Shaheen Cotton Mills Limited	91	91
1,221	26,077	Shell Pakistan Limited	600	11,930
10,500	-	Sui Northern Gas Pipelines Limited	921	-
120,000	-	Sui Southern Gas Company Limited	4,211	-
300	-	Taj Textile Mills Limited	1	-
48,525	-	United Bank Limited	7,167	-
168	-	Yousuf Weaving Mills Ltd.	1	-
			1,074,507	484,046



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

Number of shares / certificates		Name of entity		
2006	2005		2006	2005
14.2 Unquoted				
Associated Undertakings				
400,000	400,000	Crescent Powertec Limited Break-up value 2006: Rs 50.37 (2005: Rs 58.18) per audited accounts for the year ended June 30, 2006 Equity held : 8% Chief Executive : Mr Ahsan Bashir	4,000	4,000
-	5,000,000	Suraj Fabrics Limited Subscription towards share capital of newly formed company Chief Executive: Mr Adil Bashir	-	50,000
			4,000	54,000
Others				
9,966	9,966	Akber Textile Mills Limited	-	-
517	517	Burma Soap & Oil Industries Limited	5	5
101,572	101,572	Central Cotton Mills Limited	214	214
1,000	1,000	Chemphor Pakistan Limited	-	-
353,040	353,040	Crescent Bahuman Limited	-	-
10,000	10,000	Electric Lamps Manufacturing Pakistan Limited	-	-
250,000	250,000	Fazal Sugar Mills Limited	-	-
113	113	H.M. Silk Mills Limited	1	1
100	100	Hyderabad Tanning & Shoe Manufacturing Company Limited	-	-
6,745	6,745	Investment Corporation of Pakistan	425	425
75,000	75,000	Sibaac Cotton Mills Limited	-	-
			4,645	54,645
14.3 Mutual funds (unit trusts)				
-	195,350	United Money Market Fund	-	20,015
892	-	Pakistan Capital Market Fund	10	-
-	123,500	N.I.T. Units	-	2,204
			10	22,219



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

Held to maturity		2006	2005
14.4 Term Finance Certificates			
	No. of certificates	Profit rate per annum	Profit payment
		Maturity date	
Crescent Leasing Corporation Limited (Face value of Rs 100 per certificate)	15	12%	Semi-annually Sept. 2007
		<u>1,355</u>	<u>1,355</u>
15. PREMIUM DUE BUT UNPAID - unsecured			
Considered good		<u>352,189</u>	<u>273,942</u>
Considered doubtful		<u>160,000</u>	<u>60,000</u>
		512,189	333,942
Provision for doubtful balances		<u>160,000</u>	<u>60,000</u>
		<u>352,189</u>	<u>273,942</u>
Reconciliation of provision for doubtful balances			
Opening balance		60,000	40,000
Provision during the year		<u>100,000</u>	<u>20,000</u>
Closing balance		<u>160,000</u>	<u>60,000</u>
15.1 Premium due but unpaid from associated undertakings Rs 175 million (2005: Rs 158 million)			
16. ACCRUED INVESTMENTS INCOME			
Return on bank deposits and term finances		6,081	3,099
Dividends receivable		<u>476</u>	<u>1,485</u>
		<u>6,557</u>	<u>4,584</u>
17. PREPAYMENTS			
Prepaid premium to insurers / reinsurers		138,728	153,743
Others		<u>2,100</u>	<u>723</u>
		<u>140,828</u>	<u>154,466</u>
18. SUNDRY RECEIVABLES			
Lease deposits		764	764
Other deposits		7,204	2,536
Other receivables		<u>4,823</u>	<u>6,722</u>
		<u>12,791</u>	<u>10,022</u>



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

19. FIXED ASSETS

	2006							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2006	Additions/ (disposals)/ adjustments	As at Dec 31, 2006	Accumulated as at Jan 1, 2006	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2006	Written down value as at Dec 31, 2006	Depreciation/ Amortization rate on written down value % per annum
Tangible								
Owned								
Land and buildings (Office premises)	40,176	139,125	179,301	8,249	1,596	9,845	169,456	5
Computer equipment	6,141	1,657	7,798	3,544	1,037	4,581	3,217	30
Office equipment	5,579	1,377	5,538	3,858	226	3,114	2,424	10
		(1,418)			(970)			
Furniture and fixtures	4,071	9,928	11,069	3,308	310	1,237	9,832	10
		(2,930)			(2,381)			
Vehicles	37,236	7,825	42,026	17,983	5,308	21,219	20,807	20
		(3,035)			(2,072)			
	93,203	159,912	245,732	36,942	8,477	39,996	205,736	
		(7,383)			(5,423)			
Leased								
Vehicles	7,644	-	7,644	2,180	1,093	3,273	4,371	20
	7,644	-	7,644	2,180	1,093	3,273	4,371	
Intangible								
Computer software	-	2,600	2,600	-	197	197	2,403	30
2006	100,847	162,512	255,976	39,122	9,767	43,466	212,510	
		(7,383)			(5,423)			
	2005							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2005	Additions/ (disposals)/ adjustments	As at Dec 31, 2005	Accumulated as at Jan 1, 2005	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2005	Written down value as at Dec 31, 2005	Depreciation/ Amortization rate on written down value % per annum
Tangible								
Owned								
Land and buildings (Office premises)	14,341	25,835	40,176	6,568	1,681	8,249	31,927	5
Computer equipment	4,312	1,829	6,141	2,851	693	3,544	2,597	30
Office equipment	5,375	204	5,579	3,678	180	3,858	1,721	10
Furniture and fixtures	3,973	98	4,071	3,230	78	3,308	763	10
Vehicles	36,087	2,049	37,236	14,016	4,607	17,983	19,253	20
		(900)			(640)			
	64,088	30,015	93,203	30,343	7,239	36,942	56,261	
		(900)			(640)			
Leased								
Vehicles	3,444	4,985	7,644	1,379	1,117	2,180	5,464	20
		(785)			(316)			
	3,444	4,985	7,644	1,379	1,117	2,180	5,464	
		(785)			(316)			
2005	67,532	35,000	100,847	31,722	8,356	39,122	61,725	
		(1,685)			(956)			



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

19.1 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Buyer's name	Address
Honda City	868	316	551	795	244	Claim	Insurance claim	Karachi
Toyota Corolla	560	524	36	425	389	Negotiation	Mr Muhammad Aslam Riaz	Lahore
Toyota Corolla	682	600	82	450	368	Negotiation	Mr Muhammad Afzal	Lahore
Honda Motorcycle	16	16	1	15	14	Negotiation	Mr Zia Habib	Karachi
Honda City	434	235	199	434	235	Negotiation	Mr Humayun Shahzada	Karachi
Honda Motorcycle	59	22	37	59	22	Negotiation	Mr Jan-e-Alam	Karachi
Honda Motorcycle	66	51	15	65	50	Negotiation	Ms Shahnaz Akhtar	Lahore
Honda Motorcycle	77	60	17	77	60	Negotiation	Mr Abdul Waheed	Lahore
Suzuki Mehran	273	248	25	100	75	Negotiation	Mr L.M. Gulzar	Karachi
Furniture & office equipment	4,348	3,351	997	65	(932)	Negotiation	Various	Karachi
	<u>7,383</u>	<u>5,423</u>	<u>1,960</u>	<u>2,485</u>	<u>525</u>			

	Note	2006	2005
20. MANAGEMENT EXPENSES			
Underwriting expenses			
Salaries, wages and benefits		62,591	57,219
Rent, taxes etc.		2,388	1,956
Communications		3,766	4,285
Printing and stationery		2,608	2,361
Travelling and entertainment		4,878	4,928
Repairs and maintenance		3,083	998
Legal and professional		1,561	1,558
Advertisement		606	643
Lease finance charges		370	452
Others		15,538	12,388
		<u>97,389</u>	<u>86,788</u>
General and administration expenses			
Depreciation and amortization	19	9,767	8,356
Bonus, retirement & other benefits		11,685	12,708
Provision for doubtful receivables		100,000	20,000
Others		6,718	2,761
		<u>128,170</u>	<u>43,825</u>
Total		<u>225,559</u>	<u>130,613</u>

20.1 Donations

Charitable donations during the year amounted to Rs 2.4 million (2005: Rs 3.6 million) and did not include any donee in which any director or his spouse had any interest except for Rs 1.5 million to the Patient Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.



Notes to the Financial Statements
for the Year ended December 31, 2006

(Amounts in Rupees '000)

	2006	2005
21. TAXATION		
Current		
For the year	<u>4,294</u>	<u>14,000</u>
Deferred		
There are no significant timing differences at the balance sheet date.		
21.1 Tax charge reconciliation	%	%
Applicable tax rate	35.00	35.00
Effect of expenses that may not be allowable, net of exemptions / rebates	<u>(30.82)</u>	<u>(27.70)</u>
Effect of dividend income taxed at a lower rate	<u>(3.58)</u>	<u>(3.30)</u>
	<u>(34.40)</u>	<u>(31.00)</u>
Average effective tax rate charged to profit and loss account	<u>0.60</u>	<u>4.00</u>

22. EARNINGS PER SHARE

Profit after tax for the year	<u>715,427</u>	<u>325,438</u>
Weighted average number of shares	<u>33,247,843</u>	<u>33,247,843</u>
Basic earnings per share of Rs 5 each	<u>21.52</u>	<u>9.80</u>

Rupees

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

Earnings per share for the corresponding period have been adjusted for the effect of subsequent issue of bonus shares during 2006.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Managerial remuneration	5,539	4,908	4,920	4,113	4,089	3,927	14,548	12,948
Retirement benefits	1,508	409	-	102	235	222	771	733
Housing and utilities	1,513	942	738	1,156	1,867	1,723	4,118	3,821
Bonus	-	-	-	-	1,734	689	1,734	689
Meeting fees	-	-	210	230	-	-	210	230
Others	204	-	865	725	-	-	1,069	725
	<u>8,764</u>	<u>6,259</u>	<u>6,733</u>	<u>6,326</u>	<u>7,925</u>	<u>6,561</u>	<u>22,450</u>	<u>19,146</u>
No. of person	1	1	7	7	5	5		

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



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

24. FINANCIAL INSTRUMENTS

24.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The company is exposed to yield/ mark up rate risk in respect of the following:

	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			Total
		Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	1.25 - 11.25	243,628	-	243,628	18,482	370	18,852	262,480
Loans to employees		-	-	-	48	-	48	48
Investments		10	1,355	1,365	-	1,079,152	1,079,152	1,080,517
Premium due but unpaid		-	-	-	352,189	-	352,189	352,189
Amount due from other insurers / reinsurers		-	-	-	160,099	-	160,099	160,099
Accrued investment income		6,081	-	6,081	476	-	476	6,557
Reinsurance recoveries		-	-	-	149,274	-	149,274	149,274
Sundry receivables		-	-	-	4,823	-	4,823	4,823
		<u>249,719</u>	<u>1,355</u>	<u>251,074</u>	<u>685,391</u>	<u>1,079,522</u>	<u>1,764,913</u>	<u>2,015,987</u>
Financial liabilities								
Provision for outstanding claims		-	-	-	288,555	-	288,555	288,555
Liabilities against assets subject to finance lease	7.42 - 8.55	1,568	2,067	3,635	-	-	-	3,635
Amount due to other insurers / reinsurers		-	-	-	131,691	-	131,691	131,691
Accrued expenses		-	-	-	8,000	-	8,000	8,000
Other creditors and accruals		-	-	-	114,680	-	114,680	114,680
Dividend payable		-	-	-	3,984	-	3,984	3,984
		<u>1,568</u>	<u>2,067</u>	<u>3,635</u>	<u>546,910</u>	<u>-</u>	<u>546,910</u>	<u>550,545</u>
Total yield / mark-up rate risk sensitivity gap 2006		<u>248,151</u>	<u>(712)</u>	<u>247,439</u>	<u>138,481</u>	<u>1,079,522</u>	<u>1,218,003</u>	<u>1,465,442</u>
Total yield / mark-up rate risk sensitivity gap 2005		<u>219,637</u>	<u>(2,280)</u>	<u>217,357</u>	<u>140,654</u>	<u>537,132</u>	<u>677,786</u>	<u>895,143</u>

24.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Out of total financial assets of Rs. 2,015,987 (2005:Rs.1,469,657), the financial assets which are subject to credit risk amounted to Rs. 517,111 (2005: Rs. 452,837). The company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

24.3 Market risk

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

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

24.4 Reinsurance risk

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

24.5 Fair value of financial instruments

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

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

25 MATURITIES OF ASSETS AND LIABILITIES

Particulars	Interest / Mark up bearing			Non Interest / Mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
Cash and bank deposits	243,628	-	243,628	18,482	370	18,852	262,480
Loans to employees	-	-	-	48	-	48	48
Investments	10	1,355	1,365	-	1,079,152	1,079,152	1,080,517
Premium due but unpaid	-	-	-	352,189	-	352,189	352,189
Amount due from other insurers / reinsurers	-	-	-	160,099	-	160,099	160,099
Accrued investment income	6,081	-	6,081	476	-	476	6,557
Reinsurance recoveries	-	-	-	149,274	-	149,274	149,274
Deferred Commission expense	-	-	-	47,440	-	47,440	47,440
Prepayments	-	-	-	140,828	-	140,828	140,828
Sundry receivables	-	-	-	12,791	-	12,791	12,791
2006	249,719	1,355	251,074	881,627	1,079,522	1,961,149	2,212,223
2005	288,495	1,355	289,850	841,578	539,061	1,380,639	1,670,489
Provision for outstanding claims	-	-	-	288,555	-	288,555	288,555
Provision for unearned premium	-	-	-	328,109	-	328,109	328,109
Commission income unearned	-	-	-	34,229	-	34,229	34,229
Staff retirement benefits	-	-	-	-	9,336	9,336	9,336
Liabilities against assets subject to finance lease	1,568	2,067	3,635	-	-	-	3,635
Amount due to other insurers / reinsurers	-	-	-	131,691	-	131,691	131,691
Accrued expenses	-	-	-	8,000	-	8,000	8,000
Other creditors and accruals	-	-	-	119,877	-	119,877	119,877
Dividend payable	-	-	-	3,984	-	3,984	3,984
2006	1,568	2,067	3,635	914,445	9,336	923,781	927,416
2005	1,670	3,635	5,305	941,984	7,433	949,417	954,722



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

	2006	2005
26. AUDITORS' REMUNERATION		
Audit fee	185	45
Review reports	40	70
Taxation advisory services	-	450
	<u>225</u>	<u>565</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

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

Premium written	48476	<u>77,704</u>	<u>94,429</u>
Claims paid		<u>21,300</u>	<u>81,740</u>
Commission paid	18985	<u>3,771</u>	<u>7,004</u>
Dividend received	3387	<u>60,794</u>	<u>15,725</u>
Dividend paid	581	<u>2,504</u>	<u>1,865</u>
Investment made		<u>-</u>	<u>30,000</u>
Investment disposed of		<u>50,000</u>	<u>-</u>

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

28. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2006 and December 31, 2005 and estimated information regarding certain assets and liabilities as at December 31, 2006 and December 31, 2005.

	Fire		Marine		Motor		Miscellaneous		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue										
Premiums earned	<u>254,984</u>	<u>252,293</u>	<u>71,672</u>	<u>73,503</u>	<u>258,286</u>	<u>235,744</u>	<u>59,221</u>	<u>50,766</u>	<u>644,163</u>	<u>612,306</u>
Segment results	<u>29,470</u>	<u>66,801</u>	<u>19,054</u>	<u>15,131</u>	<u>(8,737)</u>	<u>(40,062)</u>	<u>9,464</u>	<u>(718)</u>	<u>49,251</u>	<u>41,152</u>
Investment income									<u>798,115</u>	<u>341,996</u>
Other income									<u>525</u>	<u>115</u>
General and administration expenses									<u>(128,170)</u>	<u>(43,825)</u>
									<u>670,470</u>	<u>298,286</u>
Profit before tax									<u>719,721</u>	<u>339,438</u>
Provision for tax									<u>(4,294)</u>	<u>(14,000)</u>
Net profit									<u>715,427</u>	<u>325,438</u>



Notes to the Financial Statements

for the Year ended December 31, 2006

(Amounts in Rupees '000)

	Fire		Marine		Motor		Miscellaneous		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Other Information										
Segment assets	368,364	340,933	113,468	102,338	206,040	195,924	112,418	101,441	800,290	740,636
Unallocated corporate assets									1,624,443	997,638
Consolidated total assets									<u>2,424,733</u>	<u>1,738,274</u>
Segment liabilities	309,673	291,813	98,680	99,143	251,293	263,803	88,710	88,213	748,357	742,972
Unallocated corporate liabilities									293,067	282,507
Consolidated total liabilities									<u>1,041,424</u>	<u>1,025,479</u>
Capital expenditure	<u>63,380</u>	<u>13,300</u>	<u>17,876</u>	<u>3,850</u>	<u>65,005</u>	<u>14,700</u>	<u>16,251</u>	<u>3,150</u>	<u>162,512</u>	<u>35,000</u>
Depreciation/Amortization	<u>3,809</u>	<u>3,175</u>	<u>1,074</u>	<u>919</u>	<u>3,907</u>	<u>3,510</u>	<u>977</u>	<u>752</u>	<u>9,767</u>	<u>8,356</u>

29. NUMBER OF EMPLOYEES

The company employed 199 (2005: 187) employees at the end of the year.

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 24, 2007 has proposed a cash dividend of 20% (2005: 20%). In addition, the directors have also announced a bonus issue of 20% (2005: 20%), which will be issued out of the unappropriated profit. These distributions will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2006 do not include the effect of the following appropriations which will be accounted for in the financial statements for the year ending December 31, 2007 as follows:

Transfer from unappropriated profit to proposed dividend	33,248
Transfer from unappropriated profit for issue of bonus shares	33,248
Transfer from unappropriated profit to general reserve	535,000

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 24, 2007 by the directors of the company.

32. GENERAL

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

All amounts have been rounded to the nearest thousand Rupees.

Zahid Bashir
Chairman

Shaukat Shafi
Director

Nadeem Maqbool
Director

Fakhir Rahman
Chief Executive

Karachi: March 24, 2007



Pattern of Shareholding

as at December 31, 2006

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
614	1	100	18,354
552	101	500	151,939
256	501	1000	193,052
505	1001	5000	1,287,993
132	5001	10000	970,396
63	10001	15000	802,645
34	15001	20000	600,797
36	20001	25000	813,457
17	25001	30000	464,393
20	30001	35000	662,772
10	35001	40000	375,161
10	40001	45000	421,571
11	45001	50000	527,691
4	50001	55000	204,905
7	55001	60000	402,010
5	60001	65000	309,790
6	65001	70000	397,830
3	70001	75000	216,846
3	75001	80000	230,237
3	80001	85000	251,082
4	85001	90000	349,739
6	90001	95000	552,219
2	95001	100000	199,442
7	100001	105000	707,536
2	105001	110000	213,303
1	110001	115000	111,342
1	115001	120000	116,366
1	125001	130000	125,512
1	130001	135000	132,988
3	135001	140000	414,585
3	140001	145000	429,786
1	145001	150000	150,000
1	155001	160000	158,500
2	160001	165000	327,228
3	165001	170000	498,711
1	170001	175000	170,776
2	180001	185000	362,773
2	185001	190000	375,508
3	195001	200000	599,485
2	200001	205000	401,478
2	205001	210000	415,448
2	215001	220000	432,000
1	230001	235000	231,120
1	235001	240000	237,230
1	250001	255000	251,712
1	255001	260000	259,713
1	270001	275000	272,469
2	295001	300000	598,166
1	320001	325000	324,093
1	325001	330000	326,695
1	330001	335000	332,476
1	340001	345000	344,754
2	350001	355000	701,031
1	370001	375000	373,780
2	395001	400000	796,000
1	425001	430000	427,734
1	505001	510000	505,803
1	510001	515000	511,759
2	520001	525000	1,044,527
1	560001	565000	560,096
1	625001	630000	625,897
1	815001	820000	816,715
1	820001	825000	822,914
1	870001	875000	872,680
1	1860001	1865000	1,863,376
1	3595001	3600000	3,599,457
2,371			33,247,843



Pattern of Shareholding

as at December 31, 2006
Additional Information

Categories of Shareholders	Shares Held	Percentage
Associated companies, undertakings & related parties		
Crescent Fibres Ltd. (formerly Crescent Boards Ltd.)	46,376	0.14
Crescent Jute Products Ltd.	24,727	0.07
Crescent Sugar Mills & Distillery Ltd.	199,485	0.60
First Elite Capital Modaraba	43,028	0.13
Jubilee Spinning & Weaving Mills Ltd.	12,448	0.04
Muhammad Amin Muhammad Bashir Ltd.	144	-
Shakarganj Mills Ltd.	66,307	0.20
The Crescent Textile Mills Ltd.	511,759	1.54
Shams Textile Mills Ltd.	93,091	0.28
Crescent Powertec	1,863,376	5.60
Suraj Cotton Mills Limited	396,000	1.19
P.I.C.I.C.	111,342	0.33
Directors, CEO and their spouses & minor Children		
Mr. Zahid Bashir (Director)	523,211	1.57
Mr. Khalid Bashir (Director)	16,722	0.05
Mr. Maqbul Ahmad (Director)	816,715	2.46
Mr. Shaukat Shafi (Director)	541,665	1.63
Mr. Khurram Mazhar (Director)	139,638	0.42
Mr. Nadeem Maqbool (Director)	76,567	0.23
Mrs. Umbreen Zahid Bashir (w/o. Mr. Zahid Bashir)	13,680	0.04
Mrs. Tanveer Khalid (w/o. Mr. Khalid Bashir)	105,423	0.32
Mrs. Khawar Maqbul (w/o. Mr. Maqbul Ahmad)	505,803	1.52
Mrs. Zahida Shaukat (w/o. Mr. Shaukat Shafi)	314,566	0.95
Mrs. Nazia (w/o. Mr. Nadeem Maqbool)	132,988	0.40
Others		
Individuals	21,377,850	64.29
Investment Companies	328,172	0.98
Insurance Companies	247,206	0.74
Joint Stock Companies	751,791	2.26
Modaraba Companies	5,432	0.02
Financial Institutions	41,780	0.13
Administrator Abandoned Properties, Government of Pakistan	182,196	0.55
Dawood Foundation	4,733	0.01
HBL A/c. Muhammad Amin Wakf Estate	22,098	0.07
Muhammad Amin Wakf Estate	107,880	0.32
Saeeda Amin Wakf	8,524	0.03
Australasia Bank Ltd.	1,972	0.01
Habib Bank Limited	5,376	0.02
Investment Corporation of Pakistan	2,055	0.01
Islamabad Stock Exchange (G) Limited	5,960	0.02
State Life Insurance Corporation of Pakistan	3,599,757	10.83
	33,247,843	100.00



Locations

KARACHI

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

QUETTA

43-Regal Plaza
2nd Floor, Circular Road
Phones: (081) 2842883

PESHAWAR

Rehman Building No.1080
Saddar Road Cantt
Phones: (091) 5273757
Fax: (091) 5277809

BHAWALPUR

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

RAHIM YAR KHAN

17, Shahi Road
Phones: (068) 5870751

SIALKOT

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

VEHARI

23-B, Ghalla Mandi
Phones: (0693) 3361801

HAROONABAD

Niab Cottege 61
Madina Colony
Phones: (063) 2006105
Fax: (063) 2252053

GUJRANWALA

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

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

Hafeez Centre, Gulberg

Phones: (042) 5874271/5873636
Fax: (042) 5750749

DERA GHAZI KHAN

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Multan Cantt.
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Fax: (061) 4587143

RAWALPINDI

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

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

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Room No.1, Sattar Complex
Stadium Road
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