Annual Report 2008

Central Insurance Company Limited

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.

Delivering on Our Promise of Quality Service

Contents

Company Information

BOARD OF DIRECTORS

A. Samad Dawood (Chairman)
Viquar Siddiqui (Chief Executive)
Isar Ahmad
Aleem A. Dani
Haroon Mahenti
Aziz Moon
Shahid Hamid Pracha

COMPANY SECRETARY & CFO

Ghulam Haider

EXECUTIVES AT HEAD OFFICE

Tariq Mehmood Awan (Manager)
Mirza Akhtar Baig (Manager)
Shehla Hashim (Dy. Manager)

AUDITORS

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

BANKERS

Barclays Bank PLC Pakistan
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

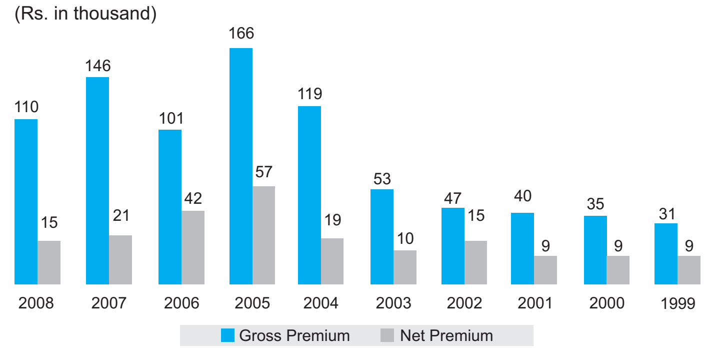
Key Financial Data

Rupees In thousand

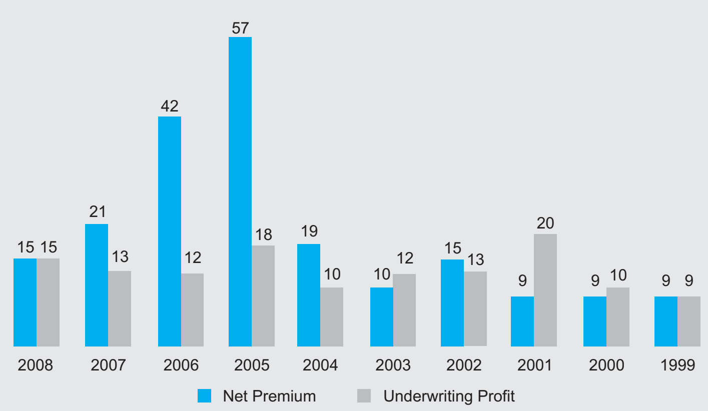
Particulars	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Earnings										
Gross premium	110,070	145,629	101,327	166,022	119,033	52,763	47,174	40,419	35,120	30,730
Net Premium	14,758	20,851	42,073	56,969	18,590	9,987	14,512	8,990	9,020	8,540
Underwriting Profit	14,993	12,612	12,453	18,405	10,008	12,012	13,182	19,672	9,736	8,564
Investments Income	128,412	2,752,567	767,673	243,127	127,560	89,391	107,117	81,347	60,590	53,490
Profit before taxation	133,687	2,764,738	730,310	222,449	156,116	102,555	117,925	99,055	67,080	60,560
Profit after taxation	116,421	2,747,982	750,090	200,640	131,621	77,369	104,817	76,855	43,870	40,050
Pay Out Information %										
Cash Dividend	20	50	50	40	60	40	80	100	50	50
Stock Dividend	20	20	-	10	20	10	20	-	33.33	20
Balance Sheet										
Paid Up Capital	184,581	139,834	139,834	127,122	105,935	96,305	80,254	80,254	60,190	50,160
Equity Growth	4,187,070	4,115,396	1,458,306	754,615	579,399	511,340	472,493	431,879	370,045	338,122
Investments -Book Value	4,124,141	4,017,496	1,146,086	1,099,115	455,708	365,150	360,175	363,698	365,809	369,127
Investments -Market Value	1,975,131	4,108,830	2,769,434	3,127,928	1,831,616	1,506,640	1,009,625	484,417	530,832	792,600
Cash & Bank Deposits	64,773	97,520	307,548	87,857	109,758	154,156	135,723	119,573	81,252	37,107
Fixed Assets	3,187	4,103	5,624	6,158	4,633	2,471	492	551	534	1,217
Total Assets	4,343,680	4,303,732	1,585,050	1,359,547	772,550	712,644	551,992	540,939	471,330	427,210
Operating Performance										
Earning Per Share Basic and Diluted (Rupees)	6.31	148.88	53.64	14.35	10.35	7.30	10.88	10.69	7.29	7.99
Break up Value per Share (Rupees)	226.84	294.30	104.29	59.36	54.69	53.09	58.88	48.94	61.48	67.41
Underwriting Result to Net Premium %	101.59	60.48	29.60	32.31	53.84	120.28	90.84	218.82	107.94	100.28
Return on Investments %	3.11	68.51	66.98	22.12	27.99	24.48	29.74	22.37	16.56	14.49

Graphical Presentation

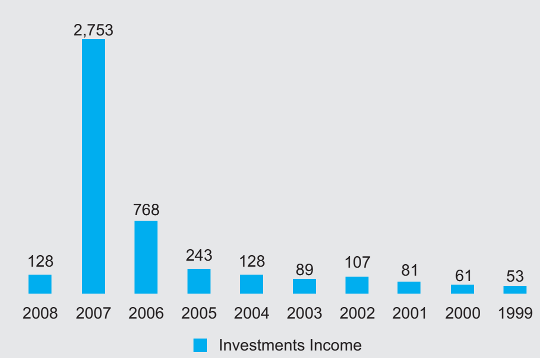
Gross and Net Premium Trend
(Rs. in thousand)



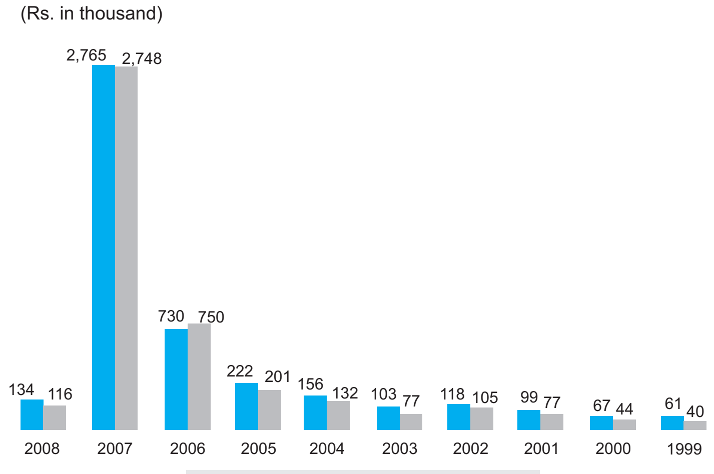
Net Premium & Underwriting Profit
(Rs. in thousand)



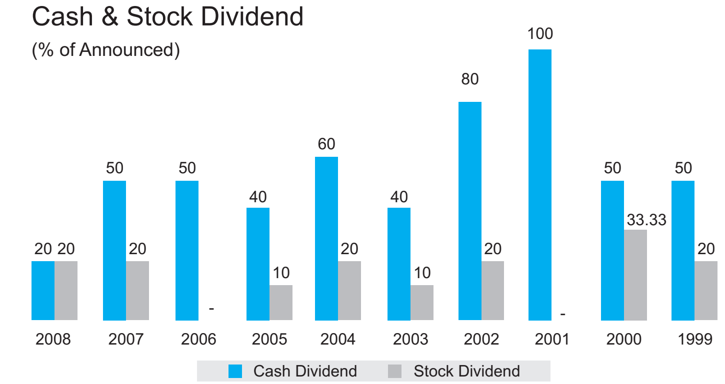
Investments Income
(Rs. in thousand)



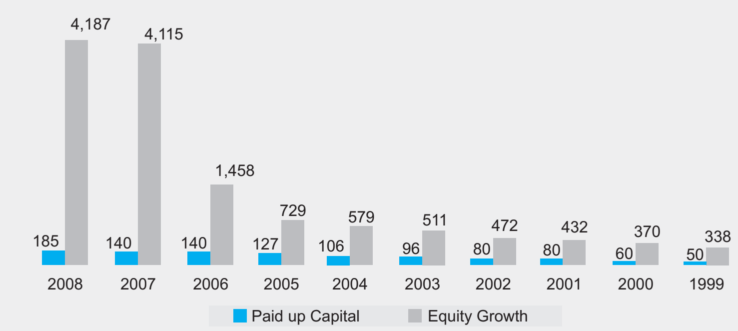
Profit before and after taxation
(Rs. in thousand)



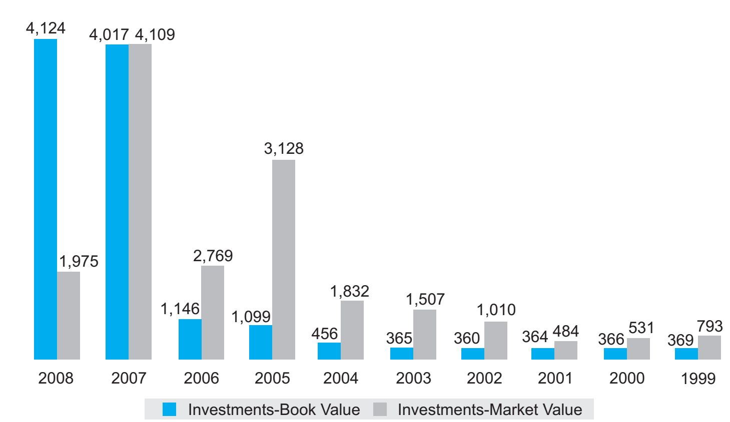
Cash & Stock Dividend
(% of Announced)



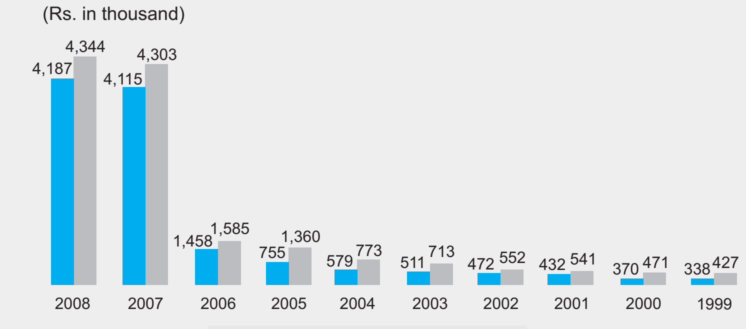
Paid up Capital & Total Equity Growth
(Rs. in thousand)



Investment Book Value & Market Value
(Rs. in thousand)



Total Assets and Equity Gearing
(Rs. in thousand)



Covering Claims not avoiding them

Notice of Annual General Meeting

Notice is hereby given that the Forty Ninth Annual General Meeting of Central Insurance Company Limited will, Insha Allah, be held on Wednesday April 22, 2009 at 11 am at Karachi Marriott Hotel, Abdullah Haroon 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 Wednesday April 30, 2008.

2) To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2008 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 10% (Rs.1 per share) for the year ended December 31, 2008 as recommended by the Board of Directors. This is in addition to the interim distributions of 10% Bonus Shares and Cash Dividend of Rs.10 per share already paid during the year.

4) To appoint Auditors for the year ending December 31, 2009 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 approve the issue of Bonus Shares in the ratio of one (1) bonus share for every ten (10) existing Ordinary Shares held by the shareholders (10 %) 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.18,458,150 (Rupees eighteen million four hundred fifty eight thousand one hundred fifty only) be capitalized out of the unappropriated profit of the Company and applied towards the issue of 1,845,815 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 ten (10) existing Ordinary Shares held by the Members of the Company who are registered on the books of the Company on April 15, 2009, and that, after allotment, such new shares shall rank pari passu in all respect with the existing Ordinary Shares of the Company. These bonus shares will not be eligible for the final cash dividend of 10% for the year ended December 31, 2008.

Members entitled to fractions of shares as a result of their holding either less than ten Ordinary Shares or in excess of exact multiple of 10 Ordinary Shares be given the sale proceeds of their fractional entitlements for which purpose the fractions be consolidate and sold 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."

6) To consider and, if thought fit, pass the following Resolution, with or without modification, as a Special Resolution:

"RESOLVED, that the Company be and is hereby authorized to further invest a sum of Rs.154,003,250/- (Rupees one hundred fifty four million three thousand two hundred fifty only) in Engro Chemical Pakistan Limited (ECPL), an associated company, by subscribing for its full entitlement of 40% Right Shares (3,080,065 Shares) at Rs. 50/- per share (Rs. 10/- face value with a premium of Rs. 40/-), being issued in accordance with the decision taken at the ECPL Board Meeting held on 21st January 2009."

(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

Karachi:
12 March 2009

(Ghulam Haider)
Company Secretary &
Chief Financial Officer

Notes:

1. Closure of Share Transfer Books:

The Share transfer books of the Company will remain closed from April 16, 2009 to April 22, 2009 (both days inclusive) .Transfer received in order at the Company's Registered Office by the close of business (6:00 pm) on Wednesday April 15, 2009 will be treated in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees.

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 proxies shall produce their original CNICs or original Passports at the time of the Meeting.

3. Proxy:

A member of the Company may appoint another member as his/her Proxy to attend and vote 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 along 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 and information required under SRO 865(1) 2000.

This statement sets out the material facts concerning the Special Business, given in agenda items No.5 & 6 of the Notice, to be transacted at the Forty Ninth Annual General Meeting of the Company.

Item (5) 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.18,458,150 for the issue of Bonus Shares in the ratio of one Bonus Share for every ten Ordinary Shares held i.e. 10%. 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.

Item (6) of the Agenda

Central Insurance Company Limited (CICL) is currently holding 7,700,164 Ordinary Shares of Engro Chemical Pakistan Limited (ECPL), an associated company, which constitute 3.62% of the latter's paid up capital. Two of CICL's Directors are also members of the ECPL Board.

The Board of ECPL in its meeting held on 21st January 2009 has decided to issue 40% Right Shares to the shareholders of the Company as on 13th February 2009. This right issue is offered at a price of Rs.50/- per share (Rs.10/- per share face value plus a premium of Rs.40/- per share). By virtue of its holding in ECPL, CICL has become entitled of 3,080,065 ordinary shares of ECPL to be issued as Right Shares. The Directors of CICL recommend subscribing to these right shares not only because it is necessary for maintaining the Company's holding %age but also because the price of Rs.50/- per share is considered as a good investment. Additional information is given below:

i) Name of investee company or associated undertaking;

Engro Chemical Pakistan Limited (ECPL)

ii) Nature, amount and extent of investment;

Investment of Rs. 154,003,250/- in right shares

iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies (last days' closings);

Market price of ECPL shares has averaged **Rs. 166.25** (ranged Rs.96.25 to Rs.214.54) during the six months ended January 2009.

iv) Break-up value of shares intended to be purchased on the basis of last published financial statements;

2006: **Rs.55.70,**2007: **Rs.80.02,**2008: **Rs.108.47**

v) Price at which shares will be purchased;

3,080,065 Right Shares at Rs. 50/- per share (Rs.10/- face value plus premium of Rs.40/- per share)

vi) Earnings per share of investee company in last 3 years;

2006: **Rs. 15.13,**2007: **Rs. 16.51,**2008: **Rs.20.50**

vii) Source of funds from where shares will be purchased;

Own and or borrowed funds

viii) Period for which investment will be made;

Long-term

ix) Purpose of investment;

To maintain the present ratio of holding and for return on investment

x) Benefits likely to accrue to the Company and the shareholders from the proposed investment;

The receipt of dividend income from ECPL and increase in value for shareholders

xi) Interest of directors and their relatives in the investee company;

The Directors of the Company are interested to the extent of their respective shareholdings in CICL & ECPL.

Providing Complete access to Coverage

Directors' Report

Assalam-o-Alaikum. We are pleased to present the forty ninth annual report of Central Insurance Company to our stakeholders.

THE ECONOMY:

The year 2008 has been marred by political and economic challenges. On the political front, the country saw transition to a democratically elected government; this transition however has not been smooth. The break up of the coalition government, the lawyers' movement for the restoration of the judiciary as well as the resignation of the former President Pervez Musharraf, all led to significant disruption to the local economy. The law and order situation, especially the escalation in violence through terrorism, also remained a continuous challenge for the country.

The global economy is undergoing a structural recession not experienced in decades. Financial institutions having exposure to the US sub-prime mortgages and complex derivatives underwent massive write downs. Some of the most prominent names such as Bear Sterns and Lehman Brothers went bankrupt, sending ripples throughout the world economies. Governments around the world either had to come up with massive fiscal and monetary stimulus plans or seek the help of the IMF and the World Bank.

Pakistan has not been immune to this global economic turmoil. The impact of high commodity prices and massive government subsidies earlier during the year led to huge borrowing from the central bank. This increase in the money supply had a dramatic impact on domestic prices, with inflation soaring around 25%. In response, the State Bank increased its policy rates sharply, crowding out private sector investments. As net foreign assets in the economy contracted, the rupee nose dived, depreciating by over 33% in just over two months. Trade and current account deficits widened, exerting pressure on the State Bank's foreign reserves. The government was left with the only option of appoachring the IMF for budgetary support. The injection of over $3 billion has given much needed support to the economy.

The Karachi stock exchange completed one of the worst years in its history. The index touched its all time high of 15,739 in April, only to close at 5,865 at the end of the year. The imposition of a floor at the KSE for a period of 110 days starting from 27th August 2008 has made world history by being the longest peace time closure of any market.

Although the environment that we operate in is turbulent and challenging, yet, we believe, that the situation will improve as we move forward. Fiscal disciplines along with lower commodity prices have had an impact of lowering inflation. The economic targets agreed by the IMF are being met and the economic growth, albeit 2% is still positive.

COMPANY PERFORMANCE:

The year 2008 has seen a decline in our gross and net premiums by 24% and 29% respectively. This is due to decrease in insurance premiums attributable to Engro's expansion project, majority of which was booked last year. The gross premium on this front has decreased by over 63% i.e. from Rs.56.34 million last year to Rs.20.41 million for the year 2008. Similarly net premiums were down 29% to over Rs.14 million. In spite of the worsening law and order situation in the country, our net claims have reduced by 25% to Rs.6.56 million. This has led to an improvement of our underwriting profit by 19% to Rs.14.99 million.

The brief summary of operational highlights for the year is as under:

	Rupees in Million		Increase
	2008	2007	%
Gross Premium	110.07	145.63	-24%
Net Premium	14.75	20.85	-29%
Net Claims	6.56	8.71	-25%
Underwriting Result	14.99	12.61	19%
Investment & Other income	131.81	2,764.75	-95%
Profit before tax	133.68	2,764.73	-95%
Profit after tax	116.42	2,747.98	-96%
Earnings per share (Rupees)	6.31	148.88	-96%

UNDERWRITING RESULT:

Though the gross and net premiums have both declined during 2008, the underwriting result has improved to Rs.14.99 million compared to Rs.12.61 million recorded last year which works out to approximately 19% increase over 2007.

SEGMENT WISE REVIEW:

Fire

Our net premium has declined by 70% to Rs.1.86 million from last year's Rs. 6.28 million and the net claim expense has decreased to Rs. 0.82 million from Rs 2.72 million for last year, i.e., by 70%. The profitability has gone up to Rs.5.24 million in 2008 from Rs. 3.38 million in 2007.

Marine, aviation and transport

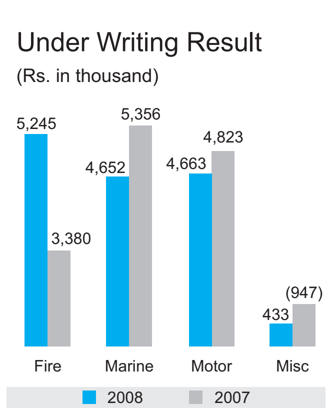
The net premium increased to Rs.3.41 million from Rs.3.25 million last year i.e., by 4%. The net claims have increased to Rs.1.52 million from Rs.1.36 million for 2007. The profitability for this class has decreased to Rs. 4.65 million from last year's Rs.5.35 million.

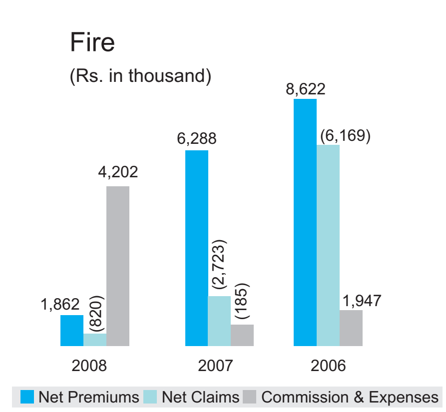
Motor

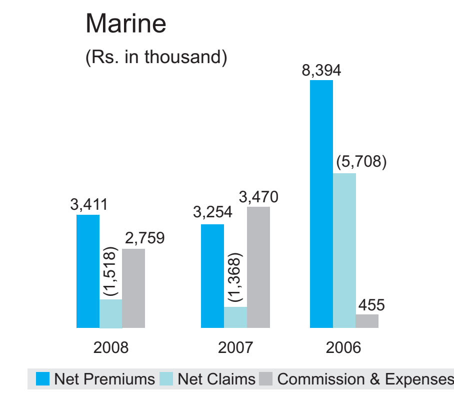
The net premium decreased to Rs.8.91 million from Rs.10.17 million last year showing a 12% decline while the net claims have reduced to Rs.3.73 million from last year's Rs. 4.17 million. The profitability of this class has decreased to Rs. 4.66 million from last year's Rs. 4.82 million.

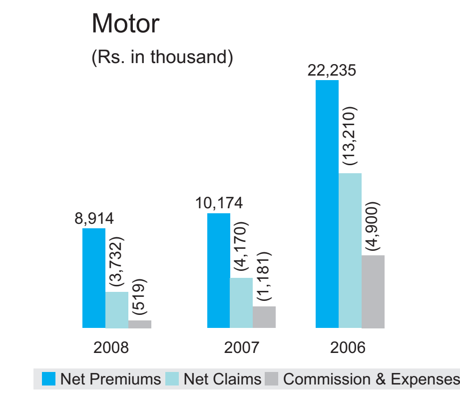
Miscellaneous

The net premium has declined to Rs. 0.57 million from Rs. 1.14 million last year i.e., by 50%. The net claims expense increased to Rs. 0.49 million from Rs. 0.45 million. This class has shown an overall profit of Rs. 0.43 million as compared to last year's loss of Rs.(0.94) million.









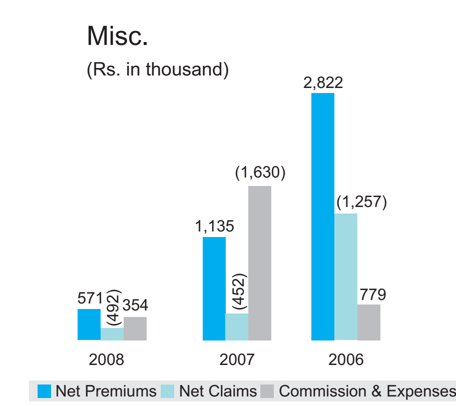
INVESTMENT INCOME:

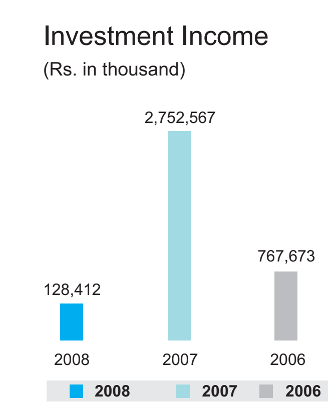
Our investment income is categorised into two parts i.e., dividends and capital gains. Our dividend income has remained relatively constant, declining by 5% to Rs.101.57 million. A large part of our investment portfolio comprises of holdings in Engro Chemical Pakistan Limited, Dawood Hercules Chemicals Limited and Sui Northern Gas Pipelines Limited. Late last year we decided to book capital gains on our group holdings, resulting in capital gains of over Rs.2.65 billion. Hence the capital gains of Rs.41.16 million this year is a small fraction of the gains earned in the year 2007.

As stated earlier, the stock market has declined considerably over the year, eroding the gains we had booked in 2007. The SECP has given a relaxation of the treatment of IAS 39, which relates to the treatment of impairment loss on investments. According to the relaxation, companies are now required to record impairment losses over the next four quarters. Although the stock market has shown signs of improvement since the start of the year, we believe that the impairment losses will also have a significant impact on the profitability for the year 2009.

EARNINGS OF THE COMPANY:

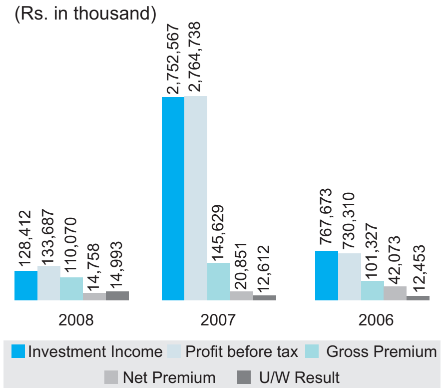
In spite of better underwriting profits the profit before tax of Rs.133.68 million is sharply lower as compared to the profit before tax of Rs.2,764 million in 2007. After tax deductions, the profits were Rs.116.42 million (EPS Rs.6.31) for the year under review compared to Rs.2,748 million (EPS Rs.148.88) in 2007, showing a decline of 96%. As stated earlier, the EPS of Rs.148.88 comprises mainly of capital gains realised on the revaluation of investments in our group companies





Earning of the Company

(Rs. in thousand)



PAID UP CAPITAL:

The Authorized Share Capital of your Company is Rs.300 million divided into 30 million shares of Rs.10/- each.

The Paid up Capital as on December 31, 2008 stands at Rs. 184.58 million divided into 18.45 million shares of Rs. 10/- each.

APPROPRIATIONS:

During 2008 your company has declared interim cash dividends and bonus shares of 10% each for the shareholders.

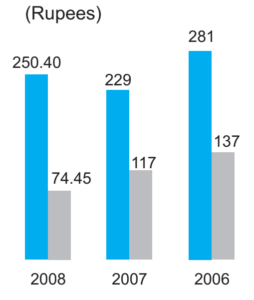
The Board now recommends a final cash dividend and bonus share of 10% each, making a total of 20% cash dividend and 20% bonus shares.

SOCIAL AND CORPORATE RESPONSIBILITY:

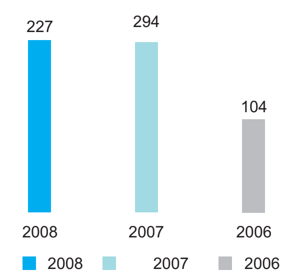
The company continues to focus on strict

Share Price - High / Low Price

(Rupees)



Breakup Value of CICL Shares (Rupees)



compliance of ethics and corporate values through sound policies and procedures that develop a Quality Corporate Culture through enhanced communication, training and other supporting initiatives.

Responsibility to Clients

We are committed to improve the quality of our service to our existing Clientele and at the same time will continue to explore avenues to enhance the Company's business on sound underwriting principles.

Responsibility to Shareholders

We are determined to continue to work for maximizing the shareholder's value, and to 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.

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.

i) The face value of the investment made out of the provident fund of the permanent employees was Rs 2.35 million on the closing date.

j) 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 Chairman who purchased 227,613 shares.

BOARD MEETINGS:

During the financial year under review, six (6) meetings of the Board of Directors were held and attendance by the respective directors was as follows:

		No of Meetings	
		Held	Attended
A.Samad Dawood	Chairman	6	6
Viquar Siddiqui	Director & CEO	6	6
Aleem A. Dani	Director	6	5
Haroon Mahenti	Director	6	4
Aziz Moon	Director	6	6
Shahid Hamid Pracha	Director ♣	3	3
Isar Ahmad	Director ♣	3	3
Hussain Dawood	Director ∗	3	2
Shahzada Dawood	Director ∗	3	2

♣ (new appointment on 30-04-2008)

∗ (term expired on 30-04-2008)

AUDITORS:

KPMG Taseer Hadi & Co, Chartered Accountants have been reappointed as the Company's Auditors.

CHANGE IN THE BOARD OF DIRECTORS:

Upon completion of their tenures, Mr. Hussain Dawood, Chairman of the Company as well as Mr. Shahzada Dawood ceased to serve on the Board of Directors. We would like to appreciate the services offered and the commitment showed by the outgoing directors and welcome Mr. Isar Ahmad and Mr. Shahid Hamid Pracha onto the Company's Board. Both members bring with them substantial management experience having worked in many leading national and multinational organizations.

FUTURE OUTLOOK:

Our Company's profitability and growth is highly dependant on the economic environment in which it operates. Growth in investment income, a key driver of company profitability, is dependant on stock market performance and the performance of the companies we have invested in. We believe that although the path to growth may sway in the short term, the medium term prospects look encouraging. Our group continues to grow and as it does so, it not only grows our insurance business, but also increases the value of our investments. 2009 may prove to be a year where impairment loss will result in an overall loss in the company. However, better investment management, stricter risk control and continuous improvement of our human capital should lead to sustained profitability over the medium term.

KEY OPERATING AND FINANCIAL DATA:

A Statement summarizing the key financial data for the last nine years along with the current year is enclosed in this Annual Report.

STATEMENT OF APPRECIATION:

We are appreciative of the Confidence of our Valued Clients and the Support provided by our Reinsurers. We also thank our Employees for their Devotion, Loyalty and Hard Work.

On behalf of the Board

Karachi: Viquar Siddiqui
12 March 2009 (Chief Executive)

Financial Statements

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 NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. No casual vacancy occurred in the Board during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices' and circularized the same for acknowledgments by employees and directors.

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. No new appointment of Chief Executive Officer and 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.

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
12 March 2009

Viquar Siddiqui
(Chief Executive & Principal Officer)

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2008 prepared by the Board of Directors of **Central Insurance Company Limited** ("the Company") to comply with the listing regulation of the Karachi and Lahore Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(I)/2003, by the Securities and Exchange Commission of Pakistan.

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 for the year ended 31 December 2008.

Karachi
12 March 2009

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) statement of cash flows;
(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 2008 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 2008 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi
12 March 2009

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet as at 31 December 2008

	Note	2008	2007
		(Rupees in '000)	
Share Capital and Reserves			
Authorised share capital	5	300,000	150,000
Paid-up share capital	5	184,581	139,834
Retained earnings		3,869,401	3,842,474
Reserves	6	133,088	133,088
		4,187,070	4,115,396
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		52,768	41,021
Provision for unearned premium		59,914	70,993
Commission income unearned		3,351	5,958
Total underwriting provisions		116,033	117,972
Deferred Liabilities			
Staff retirement benefit	7	845	780
Creditors and Accruals			
Premium received in advance		-	13
Amounts due to other insurers/reinsurers	8	21,862	28,272
Accrued expenses		2,833	2,100
Other creditors and accruals	9	5,430	11,844
		30,125	42,229
Other Liabilities			
Unclaimed dividend		9,607	27,355
TOTAL LIABILITIES		156,610	188,336
TOTAL EQUITY AND LIABILITIES		4,343,680	4,303,732
CONTINGENCIES	10		

The annexed notes 1 to 29 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 12.

Balance Sheet as at 31 December 2008

	Note	2008	2007
		(Rupees in '000)	
Cash and Bank Deposits	11		
Cash and other equivalents		183	17
Current and other accounts		61,969	94,882
Deposits maturing within 12 months		2,621	2,621
		64,773	97,520
Investments	12	4,124,141	4,017,496
Deferred Taxation	13	850	10,498
Others Assets			
Premiums due but unpaid	14	6,528	17,006
Amounts due from other insurers/reinsurers	15	10,730	29,464
Accrued investment income		1,229	1,162
Reinsurance recoveries against outstanding claims		32,528	20,795
Taxation-payment less provision		37,737	34,986
Deferred commission expense		269	861
Prepayments	16	60,413	66,933
Sundry receivables	17	1,295	2,908
		150,729	174,115
Fixed Assets	18		
Tangible and Intengibles			
Furniture, fixtures and office equipment		948	1,015
Motor vehicles		2,212	2,625
Intangible - Computer software		27	463
		3,187	4,103
TOTAL ASSETS		4,343,680	4,303,732

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Profit and Loss Account

For the year ended 31 December 2008

	Note	Fire and property	Marine, aviation and transport	Motor	Others	Aggregate 2008	Aggregate 2007
		(Rupees in '000)					
Revenue Account							
Net premium revenue		1,862	3,411	8,914	571	14,758	20,851
Net claims		(820)	(1,518)	(3,732)	(492)	(6,562)	(8,713)
Expenses	19.2	(2,380)	(2,192)	(564)	(1,127)	(6,263)	(7,510)
Net commission		6,583	4,951	45	1,481	13,060	7,984
Underwriting result		5,245	4,652	4,663	433	14,993	12,612
Investment income						128,412	2,752,567
Other income	20					3,399	12,184
General and administration expenses	19.2					(13,117)	(12,625)
						118,694	2,752,126
Profit before tax						133,687	2,764,738
Provision for taxation	21 and 21.1					(17,266)	(16,756)
Profit after tax						116,421	2,747,982
Profit and loss appropriation account							
Balance at the commencement of year						3,842,474	1,185,384
Profit after tax for the year						116,421	2,747,982
Issue of bonus shares @ 20% (2007: Nil)						(27,967)	-
Final dividend for the year ended 31 December 2007 at Rs. 2 per share (2006: Rs.3.5 per share)						(27,967)	(48,942)
Issue of bonus shares @ 10% (2007: Nil)						(16,780)	-
1st Interim dividend at Re.1 per share (2007: Rs.1.50)						(16,780)	(20,975)
2nd Interim dividend NIL (2007: Rs.1.50)						-	(20,975)
						26,927	2,657,090
Balance of unappropriated profit at the end of year						3,869,401	3,842,474
							(Restated)
Earnings per share - basic and diluted	26				Rupees	6.31	148.88

The annexed notes 1 to 29 form an integral part of these financial statements.
The details of valuation of investments, impairment and impact on profit and loss account are given in note 12

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital	Capital reserves			Revenue reserves		Total
	Issued, subscribed and paid-up	Reserve for exceptional loses	Reserve for bonus shares	Capital gain reserve	General reserve	Retained earnings	
	(Rupees in '000)						
Balance as at 01 January 2007	139,834	10,535	-	2,553	120,000	1,185,384	1,458,306
Final dividend Rs.3.50 per share for the year ended 31 December 2006	-	-	-	-	-	(48,942)	(48,942)
1st interim dividend of Rs.1.50 per share	-	-	-	-	-	(20,975)	(20,975)
2nd interim dividend of Rs. 1.5 per share	-	-	-	-	-	(20,975)	(20,975)
Net profit for the year ended 31 December 2007	-	-	-	-	-	2,747,982	2,747,982
Balance as at 31 December 2007	139,834	10,535	-	2,553	120,000	3,842,474	4,115,396
Final dividend of Rs.2 per share for the year ended 31 December 2007	-	-	-	-	-	(27,967)	(27,967)
Issue of bonus shares @ 20%	27,967	-	-	-	-	(27,967)	-
Issue of bonus shares @ 10%	16,780	-	-	-	-	(16,780)	-
1st interim dividend of Re. 1 per share	-	-	-	-	-	(16,780)	(16,780)
Net profit for the year ended 31 December 2008	-	-	-	-	-	116,421	116,421
Balance as at 31 December 2008	184,581	10,535	-	2,553	120,000	3,869,401	4,187,070

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Statement of Cash Flows
For the year ended 31 December 2008

	2008	2007
	(Rupees in '000)	
Operating Cash Flows		
(a) Underwriting activities		
Premiums received	119,474	137,565
Re-insurance premiums paid	(103,550)	(133,135)
Claims paid	(12,488)	(23,055)
Re-insurance and other recoveries received	24,372	12,277
Commissions paid	(13,048)	(4,069)
Commissions received	15,635	20,435
Other underwriting receipts	-	439
Other underwriting payments	(5,820)	-
Net cash flow from underwriting activities	24,575	10,457
(b) Other operating activities		
Income tax paid	(10,369)	(10,291)
General management expenses paid	(8,673)	(7,763)
Other operating payments	(919)	(22,436)
Other operating receipts	1,300	101
Net cash outflow from other operating activities	(18,661)	(40,389)
Total cash inflow / (outflow) from all operating activities	5,914	(29,932)
Investment activities		
Profit / return received	2,461	10,061
Dividend received	101,287	105,329
Payments for investments	(820,341)	(3,727,782)
Proceeds from disposal of investments	740,522	3,503,500
Fixed capital expenditure	(1,255)	(182)
Proceeds from disposal of fixed assets	1,160	-
Total cash inflow / (outflow) from investing activities	23,834	(109,074)
Financing activities		
Dividends paid	(62,495)	(71,022)
Total cash (outflow) from financing activities	(62,495)	(71,022)
Net cash (outflow) from all activities	(32,747)	(210,028)
Cash at the beginning of the year	97,520	307,548
Cash at the end of the year	64,773	97,520

Statement of Cash Flows
For the year ended 31 December 2008

	2008	2007
	(Rupees in '000)	
Reconciliation to profit and loss account		
Operating cash flows	5,914	(29,932)
Depreciation expense	(1,186)	(1,704)
Profit on disposal of fixed assets	174	-
(Decrease)/increase in assets other than cash	(23,387)	64,526
Decrease / (increase) in liabilities other than running finance	13,978	(41,722)
	(4,507)	(8,832)
Others		
Investment and other income	131,637	2,764,751
Reversal of provision for doubtful debts	(1,061)	(2,181)
Deferred taxation	(9,648)	(5,756)
Profit after taxation	116,421	2,747,982
Definition of cash		
Cash in hand and at banks, stamps in hand, deposits and short term placements with banks		
Cash and cash equivalents for the purposes of the statement of Cash Flows consists of:		
Cash and Other Equivalents		
Cash in hand	27	7
Stamps in hand	156	10
	183	17
Current and Other Accounts		
Current accounts	284	286
PLS accounts	61,685	94,596
	61,969	94,882
Deposits maturing within 12 months		
Statutory deposit with State Bank of Pakistan	368	368
Term deposit receipts with banks	2,253	2,253
	2,621	2,621
	64,773	97,520

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood	Viquar Siddiqui	Shahid Hamid Pracha	Haroon Mahenti
Chairman	Chief Executive & Principal Officer	Director	Director

Statement of Premiums
For the year ended 31 December 2008

	Class	Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Re-insurance ceded	Prepaid Re-insurance premium ceded Opening	Prepaid Re-insurance premium ceded Closing	Re-insurance expense	Net premium revenue 2008	Net premium revenue 2007
		(Rupees in '000)									
Direct and Facultative	1. Fire and Property Damage	41,710	15,873	17,517	40,066	40,063	15,424	17,283	38,204	1,862	6,288
	2. Marine, Aviation and Transport	38,615	16,893	8,644	46,864	35,614	16,250	8,411	43,453	3,411	3,254
	3. Motor	9,736	2,787	2,074	10,449	1,615	291	371	1,535	8,914	10,174
	4. Miscellaneous	20,009	35,440	31,679	23,770	19,848	34,968	31,617	23,199	571	1,135
	Total	110,070	70,993	59,914	121,149	97,140	66,933	57,682	106,391	14,758	20,851

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Statement of Claims
For the year ended 31 December 2008

	Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Re-insurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Re-insurance and other recoveries revenue	Net claims expense 2008	Net claims expense 2007
		(Rupees in '000)									
Direct and Facultative	1. Fire and Property Damage	6,277	23,998	35,786	18,065	4,796	14,365	26,814	17,245	820	2,723
	2. Marine, Aviation and Transport	1,006	4,318	5,090	1,778	480	1,587	1,367	260	1,518	1,368
	3. Motor	4,410	10,342	9,454	3,522	354	3,521	2,957	(210)	3,732	4,170
	4. Miscellaneous	795	2,363	2,438	870	310	1,322	1,390	378	492	452
	Total	12,488	41,021	52,768	24,235	5,940	20,795	32,528	17,673	6,562	8,713

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Statement of Expenses
For the year ended 31 December 2008

Class		Commissions paid or payable	Deferred Commission Opening	Deferred Commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2008	Net underwriting expense 2007
		a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
		(Rupees in '000)								
Direct and Facultative	1. Fire and Property Damage	797	363	149	1,011	2,380	3,391	7,594	(4,203)	185
	2. Marine, Aviation and Transport	3,763	431	105	4,089	2,192	6,281	9,040	(2,759)	(3,470)
	3. Motor	1	16	-	17	564	581	62	519	1,181
	4 Miscellaneous	29	51	15	65	1,127	1,192	1,546	(354)	1,630
	Total	4,590	861	269	5,182	6,263	11,445	18,242	(6,797)	(474)

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Statement of Investment Income
For the year ended 31 December 2008

	2008	2007
	(Rupees in '000)	
Income from Non-Trading Investments		
Held to Maturity		
Return on Government Securities	-	3
Available for sale		
Dividend Income:		
- Related parties	88,539	97,342
- Others	13,093	9,424
	101,632	106,766
Gain on Sale of available for sale investments	41,596	2,647,127
Provision for impairment in the value of available for sale investment	(14,322)	-
Investment related expenses	(494)	(1,329)
Net Investment Income	128,412	2,752,567

The annexed notes 1 to 29 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Shahid Hamid Pracha
Director

Haroon Mahenti
Director

Notes to the Financial Statements
For the year ended 31 December 2008

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 following new standards and interpretations became effective during the year:

- IFRIC 11 - IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction
- IFRIC 9 - Reassessment of embedded derivatives

The adoption of these standards did not have an effect on Company's financial statements.

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except that held for trading investments which 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 with a significant risk of material adjustments in the next year are as follows:

- Provision for outstanding claims (including IBNR) (Note: 4.1)
- Premium deficiency reserve (Note: 4.17)
- Reinsurance recoveries against outstanding claims (Note: 4.11)
- Income taxes (Note: 4.8 and 21)
- Classification of investment and provision for Impairment there against (Note: 4.7 and 12)
- Impairment of other assets, including premiums due but unpaid (Note: 4.9 and 14)
- Staff retirement benefits (Note: 4.4 and 7)
- Fixed assets (Note: 4.12 and 18)

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

3.1 The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) 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 the Company's financial statements.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.-

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Company's financial statements.

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

- IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. This standard will have no effect on the Company's reported total profit or loss or equity.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. IFRIC 15 would not effect the accounting policy of the Company.

- IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

- IFRS 5 Amendment - Improvements to IFRS - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company's financial statements.

- IFRS 4- Insurance Contracts, requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it required additional disclosure relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The application of the standard requires additional disclosures in the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Estimated liability in respect of outstanding claims (including IBNR)

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 at the balance sheet dates are made on the basis of individual case estimates. In addition, 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 provision 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 of the policy.

4.3 Commission

4.3.1 Commission expense

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

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 Contribution 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 Plan

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 unrecognised 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

These are investments that do not fall under investment of fair value through profit and loss or held to maturity categories. 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. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

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

4.7.3 Investment at fair value through profit and loss

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 profit or loss for the period in which it arises.

4.8 Taxation

4.8.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted, after taking into account applicable tax credits, rebates and exemptions available, if any. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

4.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can 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 the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.9 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration to be received 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

4.12.1 Tangible

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Maintenance and normal repairs are charged to profit and loss as and when incurred. Subsequent cost are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

Depreciation on tangible fixed assets is charged to profit and loss by 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 18. Depreciation is charged on additions from the date asset is available for use 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 profit and loss currently.

4.12.2 Intangible

Intangible assets comprise software license, and are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the useful life of the asset on a systematic basis to profit and loss by applying the straight line method at the rates specified in note 18 to the financial statements.

4.12.3 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.13 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, premiums due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries against outstanding claims, accrued investment income, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals 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 and derecognised when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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 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.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of net premium revenue.

4.16 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) Investment income

i) Dividend income and entitlement of bonus shares is recognised when the right to receive the dividend and bonus shares is established.

ii) Gain or loss on sale of investment is included in profit and loss currently.

iii) Income on held to maturity investments is recognised on time proportion basis using effective interest method.

c) Profit on bank accounts and deposits

Profit on bank accounts and deposits are recognised on time proportional basis using effective interest method.

d) Administrative surcharge

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

4.17 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 as an expense in the profit and loss account.

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.

4.18 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.

4.19 Management expenses

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

4.20 Zakat

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

4.21 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.

4.22 Dividend distributions and appropriations

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

4.23 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 at the end of the year.

5. SHARE CAPITAL

	Note	2008	2007
		(Rupees in '000)	
Authorised			
30,000,000 (2007: 15,000,000) Ordinary shares of Rs. 10/- each		300,000	150,000
Issued, subscribed and paid-up capital			

2008	2007		2008	2007
(Number of shares)				
250,000	250,000	Ordinary shares of Rs. 10 each fully paid in cash	2,500	2,500
18,208,158	13,733,454	Ordinary shares of Rs. 10 each issued as bonus shares	182,081	137,334
18,458,158	13,983,454		184,581	139,834

5.1 Movement in share capital during the year

2008	2007		2008	2007
(Number of shares)				
13,983,454	13,983,454	At 1 January,	139,834	139,834
4,474,704	-	Ordinary shares of Rs. 10 each issued during the year ended 31 December as bonus shares	44,747	-
18,458,158	13,983,454		184,581	139,834

5.2 As at 31 December 2008, related parties hold 13,692,902 (2007: 11,577,212) ordinary shares of Rs. 10/- each.

6. RESERVES

	Note	2008	2007
Capital reserves			
- Reserve for exceptional losses	6.1	10,535	10,535
- Capital gain reserve		2,553	2,553
		13,088	13,088
Revenue reserve			
- General reserve		120,000	120,000
		133,088	133,088

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 2008. The principal actuarial assumptions used for the purpose of the valuation were as follows:

- Valuation discount rate is 15% per annum (2007 : 10%)
- Expected rate of increase in salaries is 12% (2007 : 9%)
- Average expected service length of the employees is 8 years (2007 : 11 years)

7.2 Reconciliation of payable to defined benefit plan

	2008	2007
	(Rupees in '000)	
Present value of defined benefit obligation	707	334
Net actuarial gains not recognized	27	78
Benefit due but not paid	111	368
Recognised liability as at 31 December 2008	845	780

7.3 Movement in net liability recognised in the balance sheet

	2008	2007
Balance at the beginning of the year	780	1,260
Charge for the year	112	160
Payments during the year	(47)	(640)
Balance at the end of the year	845	780

7.4 Amount recognised in the profit and loss account

	2008	2007
Current service cost	43	78
Interest cost	70	82
Actuarial (gains) / losses recognised	(1)	-
Amount charged to profit and loss account	112	160

7.5 Historical information

	2008	2007	2006	2005	2004
	---------- (Rupees in '000) ----------				
Present value of defined benefit obligation	707	334	820	1,533	1,315
Unrecognised actuarial (losses) / gain	138	446	440	387	387
Net liability in balance sheet	845	780	1,260	1,920	1,702

8. AMOUNT DUE TO OTHER INSURERS / REINSURERS
– unsecured, considered good

	2008	2007
	(Rupees in '000)	
Foreign companies	13,587	21,647
Local companies	8,275	6,625
	21,862	28,272

9. OTHER CREDITORS AND ACCRUALS

	2008	2007
Commission payable	2,386	11,320
Trustees employees provident fund	31	31
Withholding tax payable	-	70
Workers' welfare fund	2,727	-
Premium refundable to policy holders	247	295
Sundry creditors	39	128
	5,430	11,844

10. CONTINGENCIES

			2008	2007
			(Rupees in '000)	
10.1	Guarantees issued on behalf of the Company by commercial banks		5,205	5,205
10.2	Claim not acknowledged as debt	10.2.1	1,500	1,744

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

		2008	2007
		(Rupees in '000)	
Cash and other equivalents			
Cash in hand		27	7
Stamps in hand		156	10
		183	17
Current and other accounts			
Current accounts		284	286
PLS accounts	11.1	61,685	94,596
		61,969	94,882
Deposits maturing within 12 months			
Statutory deposit with State Bank of Pakistan	11.2	368	368
Term deposit receipts with banks	11.3	2,253	2,253
		2,621	2,621
		64,773	97,520

11.1 These accounts carry effective mark-up rate, ranging between 4% to 17% (2007: 4% and 8%) per annum.

11.2 This represents statutory deposit kept with State Bank of Pakistan (SBP) in accordance with the requirements of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2002. Under the said provision Insurance Companies are required to maintain with State Bank of Pakistan (SBP) minimum statutory deposit at higher of Rs. 10 million and 10% of insurer's paid-up capital. The Company has complied with above provision subsequent to the year end.

11.3 This includes a deposit of Rs. 2 million (2007: Rs. 2 million) under lien with National Bank of Pakistan Limited against fire claims. This deposit carries profit rate of 5.8% (2007: 5.8%) per annum. Other deposits carry profit rate of 6.15% (2007: 6.15%) per annum.

12. INVESTMENTS

		2008	2007
The investments comprise the following:		(Rupees in '000)	
Held-to-maturity investments	12.1		
Defense Saving Certificate	12.1.1	41	41
Pakistan Investment Bond	12.1.2	15,784	-
		15,825	41
Available-for-sale investments	12.2	4,108,316	4,017,455
		4,124,141	4,017,496

12.1 Held-to-maturity investments

12.1.1

Number of certificates 2008	Number of certificates 2007	Face value per certificate	Particular	Note	2008	2007
					(Rupees in '000)	
1	1	9,300	Defense Saving Certificate		9	9
-	-		Accrued interest		32	32
					41	41

This security is placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000. The Company has complied with above provision subsequent to the year end.

12.1.2

Face value	Profit rate %	Profit Payment	Particulars	Maturity Date	2008	2007
20,000,000	8	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	6-Oct-2013	15,784	-
					15,784	-

Market value as at 31 December 2008 of Pakistan Investment Bond is Rs.16.162 million (2007: Nil). The market value was determined on the basis of quotations obtained from the reputable brokers, the PIB is placed with State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2002. The Company has complied with above provision subsequent to the year end.

12.2 Available-for-sale investments

	Note	2008	2007
Quoted shares	12.2.1	374,536	144,141
Unquoted shares	12.2.2	-	-
Mutual funds	12.2.3	37,131	238,251
Unquoted debentures	12.2.4	-	-
Government bonds	12.2.5	54	54
Quoted shares - related parties	12.2.6	3,696,595	3,635,009
		4,108,316	4,017,455

Market value of quoted available for sale investments is Rs. 1,975.131 million (31 December 2007: Rs. 4,108.830 million).

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volume declined significantly during the period from 27August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009 and disclosed in the financial statements as required.

Furthermore, SECP vide circular no.3/2009 dated 16 February, 2009 has allowed that for the purpose of application of clause 16(1)(a) of Part A and clause 13(1)(a) of Part B to the Annexure II: "Statements required to be filed by life and non-life insurers" of the Insurance Rules, 2002, where the market value of any available for sale investment as at 31 December 2008 is less then cost, the fall in value may be treated as temporary and the investment valued at cost. The fall in value of available for sale investments as temporary, then twenty five percent of the difference after any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The decline in value of available for sale investment as at 31 December 2008 shall be treated as charge to profit and loss account for the purpose of distribution of dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to profit and loss account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are 'rare circumstances'' and the plunge in equity markets cannot be considered to be a fair

reflection of equity values. Therefore recognition of impairment for 'Available for Sale' equity securities through profit and loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of above circular would have had the following effect on these financial statements:

	2008
	(Rupees in '000)
Increase in 'impairment loss' in profit and loss account	2,136,887
Decrease in profit for the year	2,136,887
Decrease in earnings per share	115.77
Decrease in un-appropriated profit	2,136,887

12.2.1 Quoted shares

Number of shares 2008	Number of shares 2007	Face value per share (Rupees)	Name of the investee Company	Cost 2008	Cost 2007
				(Rupees in '000)	
			Fertilizer		
-	24,500	10	Fauji Fertilizer Limited	-	2,734
600,000	354,000	10	Fauji Fertilizer Bin Qasim Limited	26,973	16,792
			Chemical		
1,000	1,000	10	Pakistan PVC Limited	5	5
54,000	-	10	ICI Pakistan Limited	8,857	-
			Fuel and Energy		
11,001	-	10	Pakistan Refinery Limited	64	-
			Oil and gas marketing		
500	500	10	Sui Southern Gas Company Limited	3	2
			Oil and gas exploration		
202,440	-	10	Pakistan Oil Fields Limited	60,616	-
400,000	564,100	10	Oil & Gas Development Company Limited	46,456	66,862
85,800	-	10	Pakistan Petroleum Limited	17,585	-
			Technology and Communication		
1,533,600	-	10	Pakistan Telecommunication Company Limited	58,468	-
			Insurance		
12	12	10	PICIC Insurance Limited	-	-
			Jute		
9	9	10	Crescent Jute Product Limited	-	-
			Cement		
150,000	150,000	10	Lucky Cement Limited	14,713	18,888
200,000	120,000	10	D.G Khan Cement Limited	11,114	11,736
			Power Generation & Distillation		
292,800	66,200	10	Kot Addu Power Company Limited	14,051	3,285
920,500	418,500	10	The Hub Power Company Limited	26,027	12,646

Number of shares 2008	Number of shares 2007	Face value per share (Rupees)	Name of investee Company	Cost 2008	Cost 2007
				(Rupees in '000)	
			Automobiles Assemblers		
30,000	30,000	10	Pak Suzuki Company Limited	11,174	11,174
1,700	1,700	10	Ghandhara Industries Limited	17	17
			Commercial Banks		
300,000	-	10	The Bank of Punjab	16,081	-
744,300	-	10	Bank Alfalah Limited	34,586	-
75,300	-	10	MCB Bank Limited	22,533	-
1,135	357	10	NIB Bank Limited	-	-
			Textile Composite		
204,000	-	10	Nishat Mills Limited	19,535	-
			Cost as on 31 December	388,858	144,141
			Provision for impairment in value of investment	(14,322)	-
				374,536	144,141
			Market value as on 31 December	151,924	139,924

12.2.2 Unquoted shares

Number of shares 2008	Number of shares 2007	Face value per share (Rupees)	Name of investee Company	Cost 2008	Cost 2007
28,600	28,600	10	Aslo Electrical Industries Limited	162	162
1,800	1,800	10	Adamjee Paper and 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
500	500	10	Punjab Lamp Works Limited	2	2
8,900	8,900	10	Saifi Development Corporation Limited	34	34
			Cost as on 31 December	640	640
			Provision for impairment in value of investment	(640)	(640)
				-	-

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 2008	Number of units 2007	Par value per unit (Rupees)	Name of investee Company		2008	2007
					(Rupees in '000)	
240,500	240,500	50	National Investment Unit Trust (NIT)	12.2.3.1	3,131	3,131
-	4,567,267	50	Al Meezan Islamic Income Fund (AMIIF)		-	235,120
333,684	-	50	KASB Islamic Income Funds		34,000	-
			Cost as on 31 December		37,131	238,251
			Market value		37,777	253,189

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

12.2.3.2 The market value of National Investment Unit Trust (NIT) and KASB Islamic Income Fund was not available on 31 December 2008. However, the market value of the above mentioned scripts are taken on the basis of values published on 05 January 2009 and 16 January 2009, respectively.

12.2.4 Unquoted debenture

Number of units 2008	Number of units 2007	Par value per unit (Rupees)	Name of investee Company	2008	2007
				(Rupees in '000)	
240,500	240,500	10	Hyson Sugar Mills Limited	60	60
			Cost as on 31 December	60	60
			Provision for impairment in value of investment	(60)	(60)
				-	-

12.2.5 Government Bonds

Number of bonds 2008	Number of bonds 2007	Face value per bond (Rupees)	Name of investee Company	2008	2007
5	5	10,000	Government Bonds	52	52
17	17	100	Government Bonds	2	2
			Cost as on 31 December	54	54

12.2.6 Quoted shares - related parties

Number of share 2008	Number of share 2007	Face value per share (Rupees)	Name of investee Company	2008	2007
			Fertilizer and chemicals		
3,249,946	2,462,081	10	Dawood Hercules Chemicals Limited	857,794	857,794
			Equity held: 3.00% (2007: 3.00%)		
7,700,164	7,000,150	10	Engro Chemical Pakistan Limited	2,085,801	1,963,298
			Equity held: 3.62% (2007: 3.62%)		
			Textile Composite		
2,853,778	2,594,344	10	Dawood Lawrencepur Limited	245,837	245,837
			Equity held: 5.19% (2007: 5.56%)		
			Fuel and Energy		
-	9,430	10	Pakistan Refinery Limited	-	64
			Equity held: 0.04% (2007: 0.04%)		
			Oil and gas		
8,595,000	9,595,700	10	Sui Northern Gas Pipelines Limited	507,163	568,016
			Equity held: 1.59% (2007: 1.67%)		
			Cost as on 31 December	3,696,595	3,635,009
			Market value as on 31 December	1,785,430	3,715,717

13. DEFERRED TAXATION

	Note	2008	2007
		(Rupees in '000)	
Deductible temporary differences			
Staff gratuity		296	273
Provision against amount due from other insurers / reinsurers		106	414
Unabsorbed tax loss		-	9,055
Others		609	837
		1,011	10,579
Taxable temporary differences			
Accelerated tax depreciation		(161)	(81)
		850	10,498

13.1 Reconciliation of deferred tax asset

	2008	2007
Opening balance	10,498	16,254
(Reversal) / recognised for the year	(9,648)	(5,756)
Closing balance	850	10,498

14. PREMIUMS DUE BUT UNPAID - Unsecured

	Note	2008	2007
Considered good		6,528	17,006
Considered doubtful		-	1,107
		6,528	18,113
Provision against premiums due but unpaid	14.1	-	(1,107)
		6,528	17,006

14.1 Provision against premium due but unpaid

	2008	2007
Opening balance	1,107	4,537
Provision made during the year	-	-
Provision written-off / recovery during the year	(1,107)	(3,430)
Closing balance	-	1,107

14.2 Premium due but unpaid comprises of the following:

	2008	2007
Related parties		
Dawood Corporation (Private) Limited	328	-
Dawood Lawrencepur Limited	5,402	3,773
Dawood Hercules Chemicals Limited	-	6
Pakistan Refinery Limited	-	11,588
Engro Chemicals Pakistan Limited	-	25
Inbox Business Technologies (Private) Limited	794	1,031
Hajaini Hanifa Bai Memorial Society	4	-
	6,528	16,423
Others	-	1,690
	6,528	18,113

15. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured

	Note	2008	2007
		(Rupees in '000)	
Considered good - foreign		-	383
- local		10,730	29,081
Considered doubtful		302	77
		11,032	29,541
Provision against amounts due from other insurers / reinsurers	15.1	(302)	(77)
		10,730	29,464

15.1 Provision against amount due from other insurers / reinsurers

	2008	2007
Opening balance	77	2,352
Provision made during the year	225	-
Provision written-off / recovery during the year	-	(2,275)
Closing balance	302	77

16. PREPAYMENTS

	2008	2007
Prepaid reinsurance premium ceded	57,682	66,933
Others	2,731	-
	60,413	66,933

17. SUNDRY RECEIVABLES

	2008	2007
Profit on bank deposits		
- Saving accounts	418	257
- Term deposits	123	18
Security deposits	89	1,286
Commission receivable	-	308
Others	665	1,039
	1,295	2,908

18. FIXED ASSETS

Tangible	Furniture and fixtures	Office Equipment	Vehicles	Total
	---------- (Rupees in '000) ----------			
As at 1 January 2007				
Cost	846	2,795	5,467	9,108
Accumulated depreciation	(637)	(1,690)	(2,232)	(4,559)
Net book value as at 1 January 2007	209	1,105	3,235	4,549
Year ended 31 December 2007				
Opening net book value	209	1,105	3,235	4,549
Additions	-	68	39	107
Disposals				
- Cost	-	-	-	-
- Accumulated depreciation	-	-	-	-
	-	-	-	-
Depreciation charge	(21)	(346)	(649)	(1,016)
Net book value as at 31 December 2007	188	827	2,625	3,640
As at 1 January 2008				
Cost	846	2,863	5,506	9,215
Accumulated depreciation	(658)	(2,036)	(2,881)	(5,575)
Net book value as at 1 January 2008	188	827	2,625	3,640
Year ended 31 December 2008				
Opening net book value	188	827	2,625	3,640
Additions	14	204	1,038	1,255
Disposals				
- Cost	-	-	(1,683)	(1,683)
- Accumulated depreciation	-	-	698	698
	-	-	(985)	(985)
Depreciation charge	(20)	(265)	(466)	(750)
Net book value as at 31December 2008	182	766	2,212	3,160
As at 1 January 2009				
Cost	860	3,067	4,861	8,787
Accumulated depreciation	(678)	(2,301)	(2,649)	(5,627)
Net book value	182	766	2,212	3,160
Annual rate of depreciation	10%	15% and 33.33%	20%	

18.1 Intangible

2008

	Cost: At the beginning of the year	Cost: Additions / (disposals)	Cost: At the end of the year	Accumulated amortisation: At the beginning of the year	Accumulated amortisation: For the year / (disposals)	Accumulated amortisation: At the end of the year	Written down value at 31 Dec 2008	Rate (%)
	---------- (Rupee in '000) ----------							
Computer software	2,135	-	2,135	1,672	436	2,108	27	33.33
	2,135	-	2,135	1,672	436	2,108	27	

2007

	Cost: At the beginning of the year	Cost: Additions / (disposals)	Cost: At the end of the year	Accumulated amortisation: At the beginning of the year	Accumulated amortisation: For the year / (disposals)	Accumulated amortisation: At the end of the year	Written down value at 31 Dec 2007	Rate (%)
	---------- (Rupee in '000) ----------							
Computer software	2,060	75	2,135	985	687	1,672	463	33.33
	2,060	75	2,135	985	687	1,672	463	

18.2 Disposal of operating fixed asset

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		---------- (Rupees in '000) ----------				
Vehicles						
Honda Civic 2005 AIX -766	Abdur Rahim - Ex CEO	1,064	393	671	750	Negotiation
Suzuki Cultus	Malik Salman Saeed (Outsider)	619	305	314	410	Negotiation

19. EXPENSES

		2008	2007
		(Rupees in '000)	
Salaries, wages and other benefits	19.1	6,914	7,354
Levy, cess and insurance		756	467
Rent, rates and taxes		2,495	1,863
Depreciation	18	750	1,016
Amortisation	18.1	436	687
Legal and professional charges		1,003	3,268
Printing and stationery		656	1,054
Utilities		835	875
Vehicle running expenses		283	388
Advertisement expenses		187	184
Security guards expenses		363	406
Auditors' remuneration	19.3	555	430
Entertainment		318	314
Medical expenses		98	150
Travelling expenses		16	86
Fees and subscription		1,845	1,137
Postage and telegram		172	147
Books and periodicals		70	74
Repairs, renewal and decoration		534	182
Provision against amount due from insurers / reinsurers		179	-
Bank charges	19.4	141	161
Workers' welfare fund		2,727	-
Others		862	1,101
Service charges		(2,815)	(1,209)
		19,380	20,135

19.1 This include Rs. 0.176 million (2007: Rs. 0.083 million) in respect of employees' provident fund.

19.2 **Expenses are allocated as under**

	2008	2007
	(Rupees in '000)	
Management expenses	6,263	7,510
General and administrative expenses	13,117	12,625
	19,380	20,135

19.3 **Auditors' remuneration**

Annual audit fee	320	220
Review and certifications	235	210
	555	430

19.4 **Financial charges**

Bank charges	97	57
Bank guarantee charges	44	104
	141	161

20. OTHER INCOME

Income from financial assets		
Profit on bank deposits	2,707	10,003
Income from non-financial assets		
Gain on sale of fixed assets	174	-
Others	518	2,181
	3,399	12,184

21 TAXATION

Tax Returns have been filed up to Tax year 2008 (Accounting year 2007) which are deemed as assessment completed in terms of section 120(1) of the Income Tax Ordinance 2001. The only pending appeal filed by the Income tax department against appeal order in respect of Tax year 2003 has been decided in favour of the Company by Income Tax Appellate Tribunal, in which deletion by CIT Appeals, of excess management expenses amounting to rupees 4.36 million with reference to Income Tax Rules has been confirmed. Return for the tax year 2007 has been selected for the audit under section 177 by Commissioner Income Tax. The Company request Regional Commissioner of Income Tax has not been acceded to however, the audit proceedings have been kept pending the outcome of the audit can not be predicted.

21.1 **Provision for taxation**

	2008	2007
	(Rupees in '000)	
Current		
- for the year	12,000	11,000
- for prior years	(4,382)	-
Deferred	9,648	5,756
	17,266	16,756

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

Profit for the year before taxation	133,687	2,764,738
Tax at the applicable rate of 35% (2007: 35%)	46,790	967,658
Tax effect of capital gain exempt from tax	(14,559)	(926,029)
Tax effect of dividend income taxed at a lower rate	(25,408)	(26,692)
Reversal of prior year provision	(4,382)	-
Tax effect of expenses that are not allowable in determining taxable income	5,013	-
Absorption of unused tax losses	9,055	-
Others	757	1,819
	17,266	16,756

22 REMUNERATION OF CHIEF EXECUTIVE

Aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to Chief Executive of the Company are as follows:

	2008	2007
	(Rupees in '000)	
Managerial remuneration	1,297	1,429
House rent, utility and conveyance	516	764
Medical expenses	110	157
Bonus for the year	360	123
	2,283	2,473

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

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

23 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies with common directors, group companies, staff retirement fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties other than those which have been disclosed elsewhere in the Financial statements are as follows:

Premium under-written	75,693	132,145
Premium collected	93,144	113,056
Claims paid	2,161	3,109
Commission paid	-	9,221
Rent paid	2,168	2,369
Dividend received	88,540	97,341
Dividend paid	24,453	41,655
Bonus shares received	10,472	-
Bonus shares issued	24,453	-
Investment made	132,718	3,187,247
Investment sold	84,388	3,286,936
Purchase of fixed assets	91	42
Contribution to provident fund	176	83
Contribution to staff retirement funds	112	160
Key management personnel and close family members		
Dividend paid	1,603	33,595
Bonus shares issued	1,603	-
Remuneration of key management personnel	3,344	3,247

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

24 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 2008 and 31 December 2007, unallocated capital expenditures and non-cash expenses during the year.

	Fire and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in '000)									
Segment assets	55,848	75,606	30,409	41,790	56,874	77,373	36,592	44,546	179,723	239,315
Unallocated corporate assets									4,163,957	4,064,417
Consolidated corporate assets									4,343,680	4,303,732
Segment liabilities	58,834	54,129	21,602	30,278	30,142	34,158	36,425	42,416	147,003	160,981
Unallocated corporate liabilities									9,607	27,355
Consolidated corporate liabilities									156,610	188,336
Capital expenditure	163	55	289	29	753	89	50	9	1,255	182
Depreciation / amortisation	154	511	273	272	712	835	47	85	1,186	1,703

25 FINANCIAL RISK MANAGEMENT

25.1 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.

25.2 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:

2008

	Profit rate % per annum	Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments				Total
		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	4% to 17 %	64,221	-	-	64,221	551	-	-	551	64,772
Investments	8%	-	15,784	-	15,784	4,108,357	-	-	4,108,357	4,124,141
Premiums due but unpaid		-	-	-	-	6,528	-	-	6,528	6,528
Amounts due from other insurer / reinsurer		-	-	-	-	10,730	-	-	10,730	10,730
Accrued investment income		-	-	-	-	1,229	-	-	1,229	1,229
Reinsurance recoveries against outstanding claims		-	-	-	-	32,528	-	-	32,528	32,528
Sundry receivables		-	-	-	-	1,295	-	-	1,295	1,295
		64,221	15,784	-	80,005	4,161,218	-	-	4,161,218	4,241,223
Financial liabilities										
Provision for outstanding claims (including IBNR)		-	-	-	-	52,768	-	-	52,768	52,768
Amount due to other insurers / reinsurers		-	-	-	-	21,862	-	-	21,862	21,862
Accrued expenses		-	-	-	-	2,833	-	-	2,833	2,833
Other creditors and accruals		-	-	-	-	5,430	-	-	5,430	5,430
Unclaimed dividend		-	-	-	-	9,607	-	-	9,607	9,607
		-	-	-	-	92,500	-	-	92,500	92,500
On balance sheet gap		64,221	15,784	-	80,005	4,068,718	-	-	4,068,718	4,148,723

2007

	Profit rate % per annum	Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments				Total
		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%	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 insurer / reinsurer		-	-	-	-	29,464	-	-	29,464	29,464
Accrued investment income		-	-	-	-	1,162	-	-	1,162	1,162
Reinsurance recoveries against outstanding claims		-	-	-	-	20,795	-	-	20,795	20,795
Sundry receivables		-	-	-	-	2,908	-	-	2,908	2,908
		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
On balance sheet gap		97,176	-	-	97,176	3,978,653	-	-	3,978,653	4,075,829

25.3 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.

25.4 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.

	2008		2007	
	(Rupees in '000)	%	(Rupees in '000)	%
Industry Sector				
Insurance (Re/co-insurance)	43,258	86.89	50,259	74.72
Textile composite	5,402	10.85	3,773	5.61
Fertilizer	-	-	31	0.05
Fuel and energy	-	-	11,588	17.22
Miscellaneous	1,126	2.26	1,614	2.40
	49,786	100.00	67,265	100.00

25.5 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 value of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted available for sale investments and held to maturity investments, the fair value of which is Rs. 1,975.131 million and Rs. 16.162 million, respectively. The fair value of quoted investments is based on quoted market prices as of 31 December 2008.

25.6 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.

25.7 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.

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

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

25.8 Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. The Company is not materially exposed to risk from foreign currency exchange rate fluctuation.

26. EARNINGS PER SHARE – basic and diluted

	2008	2007
	(Rupees in '000)	
Net profit for the year attributable to ordinary shareholders	116,421	2,747,982
	(Number of shares)	
		(Restated)
Weighted average number of ordinary shares outstanding at the end of the year	18,458,158	18,458,158
	(Rupees)	
		(Restated)
Basic earnings per share	6.31	148.88

27 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 12 March 2009 have recommended a final cash dividend of Rs 1 per share (2007: Rs 2 per share) and bonus shares in the proportion of 1 shares for every 10 shares held (2007: 2 shares for every 10 shares held) for the year ended 31 December 2008, amounting to Rs. 18.46 million (2007: Rs 27.97 million) and Rs. 18.46 million (2007: Rs.27.97 million) respectively. These financial statements for the year ended 31 December 2008 do not include the effect of these appropriations which will be accounted for subsequent to year end.

28 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 12 March 2009 by the Board of Directors of the Company.

29

Corresponding figures have been rearranged and reclassified, wherever for better presentation and disclosure.

Reclassification from component	Reclassification to component	(Rupees in '000)
Accrued investment income	Sundry receivables	275
Financial charges	General and admin expense	161

A. Samad Dawood	Viquar Siddiqui	Shahid Hamid Pracha	Haroon Mahenti
Chairman	Chief Executive & Principal Officer	Director	Director

Pattern of Shareholding

as at 31 December 2008

Disclosure Requirement Under the Code of Corporate Governance

S. No.	Categories of Shareholders		Shares held
1	**Associated Companies, Undertakings & Related Parties**		
	Dawood Corporation (Pvt) Ltd.		9,136,765
	Dawood Industries (Pvt) Ltd.		1,082
	Sach International (Pvt) Ltd.		1,658,873
	Patek (Pvt) Ltd.		4,598
	Pebbles (Pvt.) Ltd.		1,845,113
2	**NIT & ICP**		
	Investment Corporation of Pakistan		35
3	**Directors & CEO (Including holding of their spouses & minor children)**		
	Mr. A. Samad Dawood	Chairman	871,683
	Mr. Viquar Siddiqui	Chief Executive & Director	3,300
	Mr. Aleem A. Dani	Director	1
	Mr. Aziz Moon	Director	3,746
	Mr. Haroon Mahenti	Director	5,817
4	Executives		-
5	Public Sector Companies and Corporations		-
6	Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds		516,210
7	**Others**		
	Cooperative Soc ieties		161,616
	General Public		4,249,319
	TOTAL		18,458,158
8	**Shareholders holding 10% or more shares**		
	Dawood Corporation (Pvt) Ltd.		9,136,765
	Mr. Hussain Dawood		2,234,916

Pattern of Shareholding as at 31 December 2008

Number of Shareholders	Shareholding Range		Total Shares Held
	From	To	
176	1	100	5,277
233	101	500	53,551
86	501	1,000	60,013
163	1,001	5,000	366,292
40	5,001	10,000	296,609
16	10,001	15,000	196,006
7	15,001	20,000	122,346
3	20,001	25,000	67,519
3	25,001	30,000	84,625
1	35,001	40,000	35,138
1	40,001	45,000	43,059
2	45,001	50,000	95,903
1	50,001	55,000	54,175
1	65,001	70,000	66,440
1	150,001	155,000	150,480
1	160,001	165,000	161,616
1	170,001	175,000	174,506
1	175,001	180,000	175,336
1	180,000	185,000	184,665
1	225,001	230,000	227,613
1	320,001	325,000	320,002
1	640,001	645,000	644,070
1	1,655,001	1,660,000	1,656,123
1	1,845,001	1,850,000	1,845,113
1	2,230,001	2,235,000	2,234,916
1	9,135,001	9,140,000	9,136,765
745			18,458,158

S. No	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
1	Individuals	694	4,901,840	26.56
2	Financial Institutions	7	14,270	0.08
3	Insurance Companies	5	395,265	2.14
4	Joint Stock Companies	32	13,040,108	70.65
5	Modarabas	1	10,450	0.06
6	Mutual Fund	6	96,225	0.52
		745	18,458,158	100