

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated financial statements comprising of:

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

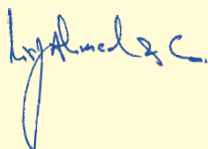
of ADAMJEE INSURANCE COMPANY LIMITED ("the company") as at 31 December 2010 together with the notes forming part thereof, for the year then ended, in which are incorporated the results and balances of Dubai branch, audited by Griffin Nagda & Company, Chartered Accountants.

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

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

In our opinion:

- a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the unconsolidated 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 unconsolidated financial statements together with the notes thereon, present fairly, in all material respects, the state of the Company's affairs as at 31 December 2010 and of the profit, its comprehensive income, 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.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of engagement partner:

Muhammad Kamran Nasir  
Karachi: 22 March 2011

# UNCONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010


	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>Share capital and reserves</b>			
Authorised share capital	3.1	<u>1,500,000</u>	<u>1,500,000</u>
Paid-up share capital	3.2	<u>1,237,045</u>	1,124,586
Retained earnings		<u>8,634,106</u>	8,520,042
Reserves	4	<u>1,163,848</u>	1,136,547
		<u>9,797,954</u>	9,656,589
<b>TOTAL EQUITY</b>		<b>11,034,999</b>	10,781,175
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)	5	<u>7,980,409</u>	3,575,903
Provision for unearned premium		<u>5,017,435</u>	4,405,817
Commission income unearned		<u>305,434</u>	228,439
Total underwriting provisions		<u>13,303,278</u>	8,210,159
<b>Deferred liabilities</b>			
Deferred taxation		<u>68,353</u>	87,834
Staff retirement benefits	6	<u>17,326</u>	13,581
<b>Creditors and Accruals</b>			
Premiums received in advance		<u>75,329</u>	91,147
Amounts due to other insurers / reinsurers		<u>1,581,965</u>	948,716
Accrued expenses		<u>147,995</u>	139,319
Other creditors and accruals	7	<u>1,520,732</u>	1,166,287
		<u>3,326,021</u>	2,345,469
<b>Borrowings</b>			
Liabilities against assets subject to finance lease	8	<u>107,637</u>	148,911
<b>Other liabilities</b>			
Unclaimed dividends		<u>29,121</u>	25,965
<b>TOTAL LIABILITIES</b>		<b>16,851,736</b>	10,831,919
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>27,886,735</b></u>	<u>21,613,094</u>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>Cash and bank deposits</b>	10		
Cash and other equivalents		59,393	61,740
Current and other accounts		1,060,597	686,915
Deposits maturing within 12 months		1,584,827	1,408,449
		<b>2,704,817</b>	2,157,104
<b>Loans</b>			
To employees	11	22,086	28,383
<b>Investments</b>	12	9,406,998	9,658,030
<b>Current assets - others</b>			
Premiums due but unpaid	13	4,546,222	3,818,046
Amounts due from other insurers/ reinsurers	14	993,584	716,962
Salvage recoveries accrued		99,636	115,753
Premium and claim reserves retained by cedants		23,252	24,235
Accrued investment income	15	33,445	41,307
Reinsurance recoveries against outstanding claims	16	6,253,202	1,845,562
Taxation - payments less provision		43,697	1,485
Deferred commission expense		512,222	399,884
Prepayments	17	1,829,112	1,548,922
Sundry receivables	18	317,071	207,108
		<b>14,651,443</b>	8,719,264
<b>Fixed Assets - Tangible &amp; Intangible</b>	19		
<b>Owned</b>			
Land and buildings		281,472	174,660
Furniture and fixtures		62,289	29,580
Motor vehicles		197,252	190,681
Machinery and equipment		316,190	373,223
Computers and related accessories		52,270	49,324
Intangible asset - computer software		48,475	38,269
	19.1	<b>957,948</b>	855,737
<b>Leased</b>			
Motor vehicles	19.1	143,443	194,576
<b>TOTAL ASSETS</b>		<b>27,886,735</b>	21,613,094

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director


  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2010	31 December 2009	
Note	(Rupees in thousand)							
<b>Revenue account</b>								
Net premium revenue	1,103,966	942,943	3,351,982	1,477,612	6,894	<b>6,883,397</b>	6,806,897	
Net claims	(1,030,802)	(545,964)	(2,266,859)	(980,674)	(9,217)	<b>(4,833,516)</b>	(4,452,839)	
Expenses	20 (216,970)	(183,175)	(561,512)	(291,787)	(1,367)	<b>(1,254,811)</b>	(1,174,577)	
Net commission	(120,655)	(180,880)	(243,103)	33,317	(3,243)	<b>(514,564)</b>	(500,224)	
<b>Underwriting result</b>								
	(264,461)	32,924	280,508	238,468	(6,933)	<b>280,506</b>	679,257	
Investment income						<b>779,089</b>	2,479,419	
Rental income						<b>1,048</b>	476	
Other income	21					<b>171,239</b>	154,265	
						<b>1,231,882</b>	3,313,417	
General and administration expenses	22					<b>(634,922)</b>	(710,804)	
Exchange (loss) / gain						<b>(1,396)</b>	4,188	
Finance charge on lease liabilities						<b>(18,966)</b>	(11,635)	
<b>Profit before tax</b>								
						<b>576,598</b>	2,595,166	
Provision for taxation	23					<b>(57,682)</b>	(160,683)	
<b>Profit after tax</b>								
						<b>518,916</b>	2,434,483	
<b>Profit and loss appropriation account</b>								
<b>Balance at the commencement of the year</b>								
Profit after tax for the year						<b>8,520,042</b>	6,458,717	
Final dividend for the year ended 31 December 2009 Rupees 1.5/- per share (2008: Rupee 1/- per share)						<b>(168,688)</b>	(102,235)	
Issue of bonus shares for the year ended 31 December 2009 @ 10 % (2008:10%)						<b>(112,459)</b>	(102,235)	
Interim dividend @ 10% (Rupee 1/- per share) [2009: Rupees 1.5/- per share]						<b>(123,705)</b>	(168,688)	
<b>Balance unappropriated profit at the end of the year</b>								
						<b>8,634,106</b>	8,520,042	
						<b>Rupees</b>	Rupees (Restated)	
<b>Earnings per share - basic and diluted (Note 24)</b>								
						<b>4.19</b>	19.68	

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010


## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2010	31 December 2009
(Rupees in thousand)							
<b>Revenue account</b>							
Net premium revenue	1,080,887	897,785	2,129,449	1,463,097	6,894	<b>5,578,112</b>	5,801,101
Net claims	(1,028,408)	(539,812)	(1,565,308)	(980,201)	(9,217)	<b>(4,122,946)</b>	(3,890,280)
Expenses	(214,341)	(178,032)	(422,272)	(290,134)	(1,367)	<b>(1,106,146)</b>	(1,058,556)
Net commission	(125,368)	(165,989)	(153,234)	31,608	(3,243)	<b>(416,226)</b>	(400,493)
<b>Underwriting result</b>	<b>(287,230)</b>	<b>13,952</b>	<b>(11,365)</b>	<b>224,370</b>	<b>(6,933)</b>	<b>(67,206)</b>	451,772
Investment income						<b>779,089</b>	2,479,419
Rental income						<b>1,048</b>	476
Other income						<b>139,239</b>	116,384
						<b>852,170</b>	3,048,051
General and administration expenses						<b>(543,440)</b>	(674,956)
Exchange (loss) / gain						<b>(804)</b>	4,021
Finance charge on lease liabilities						<b>(18,966)</b>	(11,635)
<b>Profit before tax</b>						<b>288,960</b>	<b>2,365,481</b>

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Managing Director & Chief Executive Officer

# UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010


## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2010	31 December 2009
(Rupees in thousand)							
<b>Revenue account</b>							
Net premium revenue	23,079	45,158	1,222,533	14,515	-	<b>1,305,285</b>	1,005,796
Net claims	(2,394)	(6,152)	(701,551)	(473)	-	<b>(710,570)</b>	(562,559)
Expenses	(2,629)	(5,143)	(139,240)	(1,653)	-	<b>(148,665)</b>	(116,021)
Net commission	4,713	(14,891)	(89,869)	1,709	-	<b>(98,338)</b>	(99,731)
<b>Underwriting result</b>	<u>22,769</u>	<u>18,972</u>	<u>291,873</u>	<u>14,098</u>	<u>-</u>	<b>347,712</b>	227,485
Other income						<b>32,000</b>	37,881
						<b>379,712</b>	265,366
General and administration expenses						<b>(91,482)</b>	(35,848)
Exchange (loss) / gain						<b>(592)</b>	167
<b>Profit before tax</b>						<b>287,638</b>	229,685

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Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Profit for the year</b>	<b>518,916</b>	2,434,483
<b>Other comprehensive income:</b>		
Effect of translation of net investment in foreign branches	<b>27,301</b>	58,316
<b>Total comprehensive income for the year</b>	<b><u>546,217</u></b>	<u>2,492,799</u>

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Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital Issued, subscribed and paid-up	Capital Reserves				Revenue Reserves		Total
		Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	
(Rupees in thousand)								
<b>Balance as at 01 January 2009</b>	1,022,351	-	22,859	3,764	115,108	936,500	6,458,717	<b>8,559,299</b>
Total comprehensive income for the year ended 31 December 2009	-	-	-	-	58,316	-	2,434,483	<b>2,492,799</b>
Final dividend for the year ended 31 December 2008 @ 10 % (Rupee 1/- per share)	-	-	-	-	-	-	(102,235)	<b>(102,235)</b>
Transferred to reserve for issue of bonus shares	-	102,235	-	-	-	-	(102,235)	-
Issue of bonus shares for the year ended 31 December 2008 @ 10 %	102,235	(102,235)	-	-	-	-	-	-
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(168,688)	<b>(168,688)</b>
<b>Balance as at 31 December 2009</b>	1,124,586	-	22,859	3,764	173,424	936,500	8,520,042	<b>10,781,175</b>
Total comprehensive income for the year ended 31 December 2010	-	-	-	-	27,301	-	518,916	<b>546,217</b>
Final dividend for the year ended 31 December 2009 @ 15 % (Rupees 1.5 /- per share)	-	-	-	-	-	-	(168,688)	<b>(168,688)</b>
Transferred to reserve for issue of bonus shares	-	112,459	-	-	-	-	(112,459)	-
Issue of bonus shares for the year ended 31 December 2009 @ 10 %	112,459	(112,459)	-	-	-	-	-	-
Interim dividend @ 10% (Rupee 1 /- per share)	-	-	-	-	-	-	(123,705)	<b>(123,705)</b>
<b>Balance as at 31 December 2010</b>	<b>1,237,045</b>	<b>-</b>	<b>22,859</b>	<b>3,764</b>	<b>200,725</b>	<b>936,500</b>	<b>8,634,106</b>	<b>11,034,999</b>

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S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	10,905,763	10,022,272
Reinsurance premiums paid	(3,806,233)	(3,247,657)
Claims paid	(6,193,362)	(6,626,146)
Surrenders paid	(85,589)	(79,776)
Reinsurance and other recoveries received	1,174,620	1,922,877
Commissions paid	(1,071,186)	(928,180)
Commissions received	693,974	522,486
Other underwriting payments	(1,069,698)	(784,074)
<b>Net cash flow from underwriting activities</b>	<b>548,289</b>	<b>801,802</b>
<b>b) Other operating activities</b>		
Income tax (paid) / refund	(119,376)	58,542
General and other expenses paid	(502,148)	(574,553)
Loans disbursed	(31,991)	(42,840)
Loan repayments received	38,006	51,974
Other receipts	18,944	25,067
<b>Net cash used in other operating activities</b>	<b>(596,565)</b>	<b>(481,810)</b>
<b>Total cash (used in) / flow from all operating activities</b>	<b>(48,276)</b>	<b>319,992</b>
<b>Investment activities</b>		
Profit / return received	141,763	142,374
Dividends received	517,788	348,327
Investments purchased	(4,586,048)	(7,006,036)
Proceeds from disposal of investments	5,068,448	7,008,737
Fixed capital expenditure - Tangible assets	(292,062)	(135,121)
Fixed capital expenditure - Intangible assets	(23,152)	(3,781)
Proceeds from disposal of fixed assets	74,191	61,867
Rent income received	3,335	184
Income received on PIBs	15,264	11,320
Income received on TFCs	25,565	28,767
<b>Total cash flow from investing activities</b>	<b>945,092</b>	<b>456,638</b>
<b>Financing activities</b>		
Lease rentals paid	(60,239)	(73,619)
Dividend paid	(289,237)	(270,013)
<b>Total cash used in financing activities</b>	<b>(349,476)</b>	<b>(343,632)</b>
<b>Net cash inflow from all activities</b>	<b>547,340</b>	<b>432,998</b>
Cash at the beginning of the year	2,152,653	1,719,655
<b>Cash at the end of the year</b>	<b>2,699,993</b>	<b>2,152,653</b>

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(48,276)	319,992
Depreciation expense	(184,743)	(161,444)
Provision for gratuity	(3,745)	(4,415)
Other income - bank deposits	143,156	133,493
Profit / (Loss) on disposal of fixed assets	7,744	(1,439)
Finance charge on lease obligations	(18,966)	(11,635)
Rental income	1,048	476
Increase in assets other than cash	5,795,325	122,726
(Increase) / decrease in liabilities other than running finance	(5,382,831)	187,897
	<b>308,712</b>	<b>585,651</b>
<b>Others</b>		
Profit on sale of investments	96,319	166,417
Amortization expense	(12,946)	(11,233)
Increase in unearned premium	(611,618)	(390,995)
Amortization of income on Government Securities - net	2,160	40,958
Decrease in loans	(6,015)	(9,134)
Income tax (paid) / refund	119,376	(58,542)
Profit on PIBs	15,634	12,997
Reversal of impairment in value of investments	128,882	1,873,201
Dividend, investment and other income	511,396	357,573
Income on TFCs	24,698	28,273
	<b>267,886</b>	<b>2,009,515</b>
<b>Profit before taxation</b>	<b>576,598</b>	<b>2,595,166</b>

#### Definition of cash:


Cash comprises of cash in hand, bank balances excluding Rupees 4.824 million (2009: Rupees 4.451 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	59,393	61,740
Current and other accounts	1,060,597	686,915
Deposits maturing within 12 months	1,580,003	1,403,998
Total cash and cash equivalents	<b>2,699,993</b>	<b>2,152,653</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Operating Cash Flows		
<b>a) Underwriting activities</b>		
Premiums received	9,219,937	8,805,119
Reinsurance premiums paid	(3,367,207)	(2,979,680)
Claims paid	(5,189,845)	(5,820,387)
Surrenders paid	(83,569)	(77,983)
Reinsurance and other recoveries received	890,176	1,647,704
Commissions paid	(902,537)	(815,421)
Commissions received	614,736	448,229
Other underwriting payments	(944,007)	(738,362)
<b>Net cash flow from underwriting activities</b>	<b>237,684</b>	<b>469,219</b>
<b>b) Other operating activities</b>		
Income tax (paid) / refund	(119,376)	58,542
General and other expenses paid	(416,304)	(546,485)
Loans disbursed	(26,749)	(36,679)
Loan repayments received	32,803	47,851
Other receipts	16,108	12,085
<b>Net cash used in other operating activities</b>	<b>(513,518)</b>	<b>(464,686)</b>
<b>Total cash (used in) / flow from all operating activities</b>	<b>(275,834)</b>	<b>4,533</b>
<b>Investment activities</b>		
Profit / return received	114,855	118,160
Dividends received	517,788	348,327
Investments purchased	(4,586,048)	(7,006,036)
Proceeds from disposal of investments	5,068,448	7,008,737
Fixed capital expenditure - Tangible assets	(288,166)	(134,764)
Fixed capital expenditure - Intangible assets	(23,152)	(3,781)
Proceeds from disposal of fixed assets	73,287	61,867
Rent income received	3,335	184
Income received on PIBs	15,264	11,320
Income received on TFCs	25,565	28,767
<b>Total cash flow from investing activities</b>	<b>921,176</b>	<b>432,781</b>
<b>Financing activities</b>		
Lease rentals paid	(60,239)	(73,619)
Dividend paid	(289,237)	(270,013)
<b>Total cash used in financing activities</b>	<b>(349,476)</b>	<b>(343,632)</b>
<b>Net cash inflow from all activities</b>	<b>295,866</b>	<b>93,682</b>
Cash at the beginning of the year	1,240,605	1,146,923
<b>Cash at the end of the year</b>	<b>1,536,471</b>	<b>1,240,605</b>

## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(275,834)	4,533
Depreciation expense	(181,445)	(158,977)
Other income - bank deposits	114,457	108,423
Profit / (Loss) on disposal of fixed assets	7,871	(1,439)
Finance charge on lease obligations	(18,966)	(11,635)
Rental income	1,048	476
Increase / (decrease) in assets other than cash	5,418,022	(467,524)
(Increase) / decrease in liabilities other than running finance	(4,994,723)	612,865
	<b>70,430</b>	<b>86,722</b>
<b>Others</b>		
Profit on sale of investments	96,319	166,417
Amortization expense	(12,946)	(11,233)
Increase in unearned premium	(660,935)	(119,713)
Amortization of income on Government Securities - net	2,160	40,958
Decrease in loans	(6,054)	(11,172)
Income tax paid / (refund)	119,376	(58,542)
Profit on PIBs	15,634	12,997
Reversal of impairment in value of investments	128,882	1,873,201
Dividend, investment and other income	511,396	357,573
Income on TFCs	24,698	28,273
	<b>218,530</b>	<b>2,278,759</b>
<b>Profit before taxation</b>	<b>288,960</b>	<b>2,365,481</b>

### Definition of cash:


Cash comprises of cash in hand, bank balances excluding Rupees 4.824 million (2009: Rupees 4.451 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	59,160	61,510
Current and other accounts	972,792	476,095
Deposits maturing within 12 months	504,519	703,000
<b>Total cash and cash equivalents</b>	<b>1,536,471</b>	<b>1,240,605</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	1,685,826	1,217,153
Reinsurance premiums paid	(439,026)	(267,977)
Claims paid	(1,003,517)	(805,759)
Surrenders paid	(2,020)	(1,793)
Reinsurance and other recoveries received	284,444	275,173
Commissions paid	(168,649)	(112,759)
Commissions received	79,238	74,257
Other underwriting payments	(125,691)	(45,712)
<b>Net cash flow from underwriting activities</b>	<b>310,605</b>	<b>332,583</b>
<b>b) Other operating activities</b>		
General and other expenses paid	(85,844)	(28,068)
Loans disbursed	(5,242)	(6,161)
Loan repayments received	5,203	4,123
Other receipts	2,836	12,982
<b>Net cash used in other operating activities</b>	<b>(83,047)</b>	<b>(17,124)</b>
<b>Total cash flow from all operating activities</b>	<b>227,558</b>	<b>315,459</b>
<b>Investment activities</b>		
Profit / return received	26,908	24,214
Dividends received	-	-
Investments purchased	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - Tangible assets	(3,896)	(357)
Fixed capital expenditure - Intangible assets	-	-
Proceeds from disposal of fixed assets	904	-
Rent income received	-	-
Income received on PIBs	-	-
Income received on TFCs	-	-
<b>Total cash flow from investing activities</b>	<b>23,916</b>	<b>23,857</b>
<b>Financing activities</b>		
Dividend paid	-	-
Lease rentals paid	-	-
<b>Total cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash inflow from all activities</b>	<b>251,474</b>	<b>339,316</b>
Cash at the beginning of the year	912,048	572,732
<b>Cash at the end of the year</b>	<b>1,163,522</b>	<b>912,048</b>

## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	227,558	315,459
Depreciation expense	(3,298)	(2,467)
Provision for gratuity	(3,745)	(4,415)
Other income - bank deposits	28,699	25,070
Loss on disposal of fixed assets	(127)	-
Finance charge on lease obligations	-	-
Rental income	-	-
Increase in assets other than cash	377,303	590,250
Increase in liabilities other than running finance	(388,108)	(424,968)
	<b>238,282</b>	<b>498,929</b>
<b>Others</b>		
Profit on sale of investments	-	-
Amortization expense	-	-
Increase in unearned premium	49,317	(271,282)
Amortization of income on Government Securities - net	-	-
Increase in loans	39	2,038
Income tax (refund) / paid	-	-
Profit on PIBs	-	-
Reversal for diminution in value of investments	-	-
Dividend, investment and other income	-	-
Income on TFCs	-	-
	<b>49,356</b>	<b>(269,244)</b>
<b>Profit before taxation</b>	<b>287,638</b>	<b>229,685</b>

### Definition of cash:


Cash comprises of cash in hand, bank balances excluding Rupees Nil (2009: Rupees Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	233	230
Current and other accounts	87,805	210,820
Deposits maturing within 12 months	1,075,484	700,998
<b>Total cash and cash equivalents</b>	<b>1,163,522</b>	<b>912,048</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF PREMIUMS

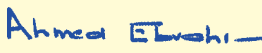
FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct an facultative</b>										
Fire and property damage	4,270,692	1,685,968	1,977,580	3,979,080	3,109,275	1,137,049	1,371,210	2,875,114	<b>1,103,966</b>	1,150,510
Marine, aviation and transport	1,134,220	42,099	57,988	1,118,331	182,432	5,155	12,199	175,388	<b>942,943</b>	974,268
Motor	3,645,796	1,900,021	1,760,996	3,784,821	410,761	197,408	175,330	432,839	<b>3,351,982</b>	3,479,904
Miscellaneous	2,506,567	777,729	1,220,871	2,063,425	659,582	142,017	215,786	585,813	<b>1,477,612</b>	1,202,130
<b>Total</b>	<b>11,557,275</b>	<b>4,405,817</b>	<b>5,017,435</b>	<b>10,945,657</b>	<b>4,362,050</b>	<b>1,481,629</b>	<b>1,774,525</b>	<b>4,069,154</b>	<b>6,876,503</b>	<b>6,806,812</b>
<b>Treaty</b>										
Proportional	6,894	-	-	6,894	-	-	-	-	<b>6,894</b>	85
<b>Total</b>	<b>6,894</b>	<b>-</b>	<b>-</b>	<b>6,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,894</b>	<b>85</b>
<b>Grand Total</b>	<b>11,564,169</b>	<b>4,405,817</b>	<b>5,017,435</b>	<b>10,952,551</b>	<b>4,362,050</b>	<b>1,481,629</b>	<b>1,774,525</b>	<b>4,069,154</b>	<b>6,883,397</b>	<b>6,806,897</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	4,186,279	1,634,259	1,928,688	3,891,850	3,043,550	1,098,221	1,330,808	2,810,963	<b>1,080,887</b>	1,104,480
Marine, aviation and transport	1,065,974	46,726	43,918	1,068,782	173,573	6,399	8,975	170,997	<b>897,785</b>	880,446
Motor	2,091,537	1,024,231	955,232	2,160,536	31,410	1,974	2,297	31,087	<b>2,129,449</b>	2,636,376
Miscellaneous	2,474,065	766,126	1,204,439	2,035,752	645,256	136,656	209,257	572,655	<b>1,463,097</b>	1,179,714
<b>Total</b>	<b>9,817,855</b>	<b>3,471,342</b>	<b>4,132,277</b>	<b>9,156,920</b>	<b>3,893,789</b>	<b>1,243,250</b>	<b>1,551,337</b>	<b>3,585,702</b>	<b>5,571,218</b>	<b>5,801,016</b>
<b>Treaty</b>										
Proportional	6,894	-	-	6,894	-	-	-	-	<b>6,894</b>	85
<b>Total</b>	<b>6,894</b>	<b>-</b>	<b>-</b>	<b>6,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,894</b>	<b>85</b>
<b>Grand Total</b>	<b>9,824,749</b>	<b>3,471,342</b>	<b>4,132,277</b>	<b>9,163,814</b>	<b>3,893,789</b>	<b>1,243,250</b>	<b>1,551,337</b>	<b>3,585,702</b>	<b>5,578,112</b>	<b>5,801,101</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2010


## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	84,413	51,709	48,892	87,230	65,725	38,828	40,402	64,151	<b>23,079</b>	46,030
Marine, aviation and transport	68,246	(4,627)	14,070	49,549	8,859	(1,244)	3,224	4,391	<b>45,158</b>	93,822
Motor	1,554,259	875,790	805,764	1,624,285	379,351	195,434	173,033	401,752	<b>1,222,533</b>	843,528
Miscellaneous	32,502	11,603	16,432	27,673	14,326	5,361	6,529	13,158	<b>14,515</b>	22,416
<b>Total</b>	<b>1,739,420</b>	<b>934,475</b>	<b>885,158</b>	<b>1,788,737</b>	<b>468,261</b>	<b>238,379</b>	<b>223,188</b>	<b>483,452</b>	<b>1,305,285</b>	<b>1,005,796</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,739,420</b>	<b>934,475</b>	<b>885,158</b>	<b>1,788,737</b>	<b>468,261</b>	<b>238,379</b>	<b>223,188</b>	<b>483,452</b>	<b>1,305,285</b>	<b>1,005,796</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
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Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	1,780,984	1,168,771	4,893,957	5,506,170	850,331	709,703	4,334,740	4,475,368	<b>1,030,802</b>	650,449
Marine, aviation and transport	465,487	359,826	426,065	531,726	3,563	183,873	166,072	(14,238)	<b>545,964</b>	418,877
Motor	2,770,733	1,471,832	1,540,738	2,839,639	283,234	705,607	995,153	572,780	<b>2,266,859</b>	2,435,542
Miscellaneous	1,165,295	552,512	1,099,317	1,712,100	236,685	362,132	856,873	731,426	<b>980,674</b>	937,313
<b>Total</b>	<b>6,182,499</b>	<b>3,552,941</b>	<b>7,960,077</b>	<b>10,589,635</b>	<b>1,373,813</b>	<b>1,961,315</b>	<b>6,352,838</b>	<b>5,765,336</b>	<b>4,824,299</b>	<b>4,442,181</b>
<b>Treaty</b>										
Proportional	11,847	22,962	20,332	9,217	-	-	-	-	<b>9,217</b>	10,658
<b>Total</b>	<b>11,847</b>	<b>22,962</b>	<b>20,332</b>	<b>9,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,217</b>	<b>10,658</b>
<b>Grand Total</b>	<b>6,194,346</b>	<b>3,575,903</b>	<b>7,980,409</b>	<b>10,598,852</b>	<b>1,373,813</b>	<b>1,961,315</b>	<b>6,352,838</b>	<b>5,765,336</b>	<b>4,833,516</b>	<b>4,452,839</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	1,776,433	1,166,655	4,888,290	5,498,068	847,641	707,867	4,329,886	4,469,660	<b>1,028,408</b>	655,688
Marine, aviation and transport	462,376	351,769	414,872	525,479	3,470	183,873	166,070	(14,333)	<b>539,812</b>	396,199
Motor	1,776,849	695,339	468,010	1,549,520	3,051	100,310	81,471	(15,788)	<b>1,565,308</b>	1,890,128
Miscellaneous	1,163,324	551,574	1,098,068	1,709,818	235,207	362,087	856,497	729,617	<b>980,201</b>	937,607
<b>Total</b>	<b>5,178,982</b>	<b>2,765,337</b>	<b>6,869,240</b>	<b>9,282,885</b>	<b>1,089,369</b>	<b>1,354,137</b>	<b>5,433,924</b>	<b>5,169,156</b>	<b>4,113,729</b>	<b>3,879,622</b>
<b>Treaty</b>										
Proportional	11,847	22,962	20,332	9,217	-	-	-	-	<b>9,217</b>	10,658
<b>Total</b>	<b>11,847</b>	<b>22,962</b>	<b>20,332</b>	<b>9,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,217</b>	<b>10,658</b>
<b>Grand Total</b>	<b>5,190,829</b>	<b>2,788,299</b>	<b>6,889,572</b>	<b>9,292,102</b>	<b>1,089,369</b>	<b>1,354,137</b>	<b>5,433,924</b>	<b>5,169,156</b>	<b>4,122,946</b>	<b>3,890,280</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2010	31 December 2009
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	4,551	2,116	5,667	8,102	2,690	1,836	4,854	5,708	<b>2,394</b>	(5,239)
Marine, aviation and transport	3,111	8,057	11,193	6,247	93	-	2	95	<b>6,152</b>	22,678
Motor	993,884	776,493	1,072,728	1,290,119	280,183	605,297	913,682	588,568	<b>701,551</b>	545,414
Miscellaneous	1,971	938	1,249	2,282	1,478	45	376	1,809	<b>473</b>	(294)
<b>Total</b>	<b>1,003,517</b>	<b>787,604</b>	<b>1,090,837</b>	<b>1,306,750</b>	<b>284,444</b>	<b>607,178</b>	<b>918,914</b>	<b>596,180</b>	<b>710,570</b>	<b>562,559</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,003,517</b>	<b>787,604</b>	<b>1,090,837</b>	<b>1,306,750</b>	<b>284,444</b>	<b>607,178</b>	<b>918,914</b>	<b>596,180</b>	<b>710,570</b>	<b>562,559</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
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S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2010	31 December 2009
(Rupees in thousand)									
<b>Direct and facultative</b>									
Fire and property damage	562,397	203,339	259,844	505,892	216,970	722,862	385,237	<b>337,625</b>	256,692
Marine, aviation and transport	188,574	7,197	11,662	184,109	183,175	367,284	3,229	<b>364,055</b>	332,202
Motor	329,843	144,778	162,226	312,395	561,512	873,907	69,292	<b>804,615</b>	852,836
Miscellaneous	159,825	44,570	78,490	125,905	291,787	417,692	159,222	<b>258,470</b>	233,017
<b>Total</b>	<b>1,240,639</b>	<b>399,884</b>	<b>512,222</b>	<b>1,128,301</b>	<b>1,253,444</b>	<b>2,381,745</b>	<b>616,980</b>	<b>1,764,765</b>	<b>1,674,747</b>
<b>Treaty</b>									
Proportional	3,243	-	-	3,243	1,367	4,610	-	<b>4,610</b>	54
<b>Total</b>	<b>3,243</b>	<b>-</b>	<b>-</b>	<b>3,243</b>	<b>1,367</b>	<b>4,610</b>	<b>-</b>	<b>4,610</b>	<b>54</b>
<b>Grand Total</b>	<b>1,243,882</b>	<b>399,884</b>	<b>512,222</b>	<b>1,131,544</b>	<b>1,254,811</b>	<b>2,386,355</b>	<b>616,980</b>	<b>1,769,375</b>	<b>1,674,801</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2010

## BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2010	31 December 2009
(Rupees in thousand)									
<b>Direct and facultative</b>									
Fire and property damage	548,157	198,639	250,919	495,877	214,341	710,218	370,509	<b>339,709</b>	247,029
Marine, aviation and transport	175,981	4,052	9,004	171,029	178,032	349,061	5,040	<b>344,021</b>	304,274
Motor	160,208	63,952	69,412	154,748	422,272	577,020	1,514	<b>575,506</b>	676,649
Miscellaneous	156,836	44,458	76,871	124,423	290,134	414,557	156,031	<b>258,526</b>	231,043
<b>Total</b>	<b>1,041,182</b>	<b>311,101</b>	<b>406,206</b>	<b>946,077</b>	<b>1,104,779</b>	<b>2,050,856</b>	<b>533,094</b>	<b>1,517,762</b>	<b>1,458,995</b>
<b>Treaty</b>									
Proportional	3,243	-	-	3,243	1,367	4,610	-	<b>4,610</b>	54
<b>Total</b>	<b>3,243</b>	<b>-</b>	<b>-</b>	<b>3,243</b>	<b>1,367</b>	<b>4,610</b>	<b>-</b>	<b>4,610</b>	<b>54</b>
<b>Grand Total</b>	<b>1,044,425</b>	<b>311,101</b>	<b>406,206</b>	<b>949,320</b>	<b>1,106,146</b>	<b>2,055,466</b>	<b>533,094</b>	<b>1,522,372</b>	<b>1,459,049</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2010


## BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2010	31 December 2009
(Rupees in thousand)									
<b>Direct and facultative</b>									
Fire and property damage	14,240	4,700	8,925	10,015	2,629	12,644	14,728	(2,084)	9,663
Marine, aviation and transport	12,593	3,145	2,658	13,080	5,143	18,223	(1,811)	20,034	27,928
Motor	169,635	80,826	92,814	157,647	139,240	296,887	67,778	229,109	176,187
Miscellaneous	2,989	112	1,619	1,482	1,653	3,135	3,191	(56)	1,974
<b>Total</b>	<b>199,457</b>	<b>88,783</b>	<b>106,016</b>	<b>182,224</b>	<b>148,665</b>	<b>330,889</b>	<b>83,886</b>	<b>247,003</b>	<b>215,752</b>
<b>Treaty</b>									
Proportional	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>199,457</b>	<b>88,783</b>	<b>106,016</b>	<b>182,224</b>	<b>148,665</b>	<b>330,889</b>	<b>83,886</b>	<b>247,003</b>	<b>215,752</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
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Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# UNCONSOLIDATED STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>Income from non-trading investments</b>			
<b>Available-for-sale</b>			
Return on fixed income securities		2,160	40,958
Return on Term Finance Certificates		24,698	28,273
Return on Pakistan Investments Bonds		15,634	12,997
Dividend income			
- associated undertakings		318,526	208,802
- others		192,870	148,771
		<b>511,396</b>	<b>357,573</b>
		<b>553,888</b>	<b>439,801</b>
Gain on sale of 'available-for-sale' investments			
- associated undertakings		75,626	195,946
- others		20,693	(29,529)
		<b>96,319</b>	<b>166,417</b>
		<b>650,207</b>	<b>606,218</b>
Reversal for impairment in value of 'available-for-sale' investment	12.2	128,882	1,873,201
Investment related expenses		-	-
<b>Net investment income</b>		<b>779,089</b>	<b>2,479,419</b>

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 1. THE COMPANY AND ITS OPERATIONS

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

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

- 1.1 The Company also operates branches in the United Arab Emirates (Dubai Branch), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in "run-off" status with effect from 01 October 2003.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these unconsolidated financial statements are set out below:

### 2.1 Basis of preparation

#### a) Statement of compliance

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

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of " investments available-for-sale" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these unconsolidated financial statements.

#### b) Basis of presentation

These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The consolidated financial statements of the group are being issued separately.

#### c) Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow information.

#### d) Critical accounting estimates and judgments

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

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

**ii) Provision for taxation including the amount relating to tax contingency**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

**iii) Provision for doubtful receivables**

The receivable balances are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

**iv) Useful lives, patterns of economic benefits and impairments - Fixed assets**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of fixed assets with a corresponding effect on the depreciation charge and impairment.

**v) Defined benefit plans**

The actuarial calculations are involved in the working of provision for defined benefit plans that are based on certain actuarial assumptions.

**vi) Classification of investments**

The Company classifies its investments into "available-for-sale". The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

**e) Functional and presentation currency**

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

**f) Standards, interpretations and amendments that are effective in current year**

Standards and amendments to published approved accounting standards that are effective in the current year and relevant to the Company have no significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

**g) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant**

There are new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2010 but are considered not to be relevant or do not have any significant impact in these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

**h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant:**

Following standard and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual accounting periods beginning on or after 01 January 2013). IFRS 9 has superseded the International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7, 'Financial Instruments: Disclosures'. The management of the Company is in the process of evaluating impacts of the aforesaid standard on these unconsolidated financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7, IAS 1 'Presentation of Financial Statements', IAS 24 'Related Party Disclosures' and IAS 36 'Impairment of Assets' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on these unconsolidated financial statements and have therefore not been analyzed in detail.

**i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant:**

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2011 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

## 2.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life time, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

### 2.2.1 Premium

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

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

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

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

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002. This liability is calculated as follows:

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

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

## 2.2.2 Reinsurance Ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

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

## 2.2.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

## 2.2.4 Reinsurance recoveries against outstanding claims

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

## 2.2.5 Commission expense and other acquisition costs

Commission expense and other acquisition costs are charged to profit and loss account at the time the policies are accepted.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 2.2.6 Premium Deficiency Reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date.

The movement in the premium deficiency reserve is recorded as an expense / income in profit or loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

Fire and property damage	70.38%
Marine, aviation and transport	50.74%
Motor	70.40%
Miscellaneous	74.55%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, 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 unconsolidated financial statements.

## 2.3 Staff retirement benefits

### 2.3.1 Defined contribution plan

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

### 2.3.2 Defined benefit plans

The Company operates the following defined benefit plans:

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

## 2.4 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 12.75 percent and assumes salary increase average 10.6% in the long term.

## 2.5 Creditors, accruals and provisions

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

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

## 2.6 Cash and cash equivalents

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

## 2.7 Investments

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

The above investments are classified as 'available-for-sale'.

### Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments. From the current year, the Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in delisted / unlisted companies. Such valuation is obtained from independent valuers. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments. Previously, the fair value of unquoted investments in delisted / unlisted companies was determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements. This change in accounting estimate has been made for more appropriate determination of the fair values of unquoted available for sale investments and has been accounted for prospectively in accordance with International Accounting Standard (IAS)-8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had this change in accounting estimate not been made:

- Impairment loss of Rupees 107.628 million would have been recognized in these unconsolidated financial statements.
- Provision for workers' welfare fund would have been lower by Rupees 2.153 million.
- Profit after tax and shareholders' equity would have been lower by Rupees 105.475 million.
- The earnings per share (basic) for the year would have been lower by Rupees 0.85 per share.

Estimation and disclosure of impact of such change in accounting estimate on future years is not presently ascertainable.

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

## 2.8 Taxation

### 2.8.1 Current

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

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 2.8.2 Deferred

Deferred tax is accounted for by using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in these unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by 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 statement of comprehensive income in which case it is included in statement of comprehensive income.

## 2.9 Fixed assets

### 2.9.1 Tangible

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

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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

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

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

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

### 2.9.2 Intangible

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

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

## 2.10 Expenses of management

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

## 2.11 Investment income

From available-for-sale investments

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

## 2.12 Foreign currencies

Transactions in foreign currencies (other than the results of foreign branches) are accounted for in Pak Rupees at the 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 reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company's net investment in foreign branches, which are taken to the capital reserves (exchange translation reserve).

## 2.13 Financial instruments

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

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

## 2.14 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized as liability in the Company's unconsolidated financial statements in the year in which these are approved.

## 2.15 Off setting

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

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 2.16 Earnings per share

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

## 2.17 Impairment

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

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

## 2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

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

## 2.19 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

## 2.20 Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

## 3. SHARE CAPITAL

### 3.1 Authorized share capital

31 December 2010	31 December 2009		31 December 2010	31 December 2009
(Number of shares)			(Rupees in thousand)	
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rupees 10 each	<u>1,500,000</u>	<u>1,500,000</u>

### 3.2 Paid-up share capital

#### Issued, subscribed and fully paid:

<b>250,000</b>	250,000	<b>Opening balance</b>	<b>2,500</b>	2,500
		Ordinary shares of Rupees 10 each fully paid in cash		
<b>112,208,676</b>	101,985,159	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	<b>1,122,086</b>	1,019,851
		<b>Issued during the year</b>		
<b>11,245,868</b>	10,223,517	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	<b>112,459</b>	102,235
<u><b>123,704,544</b></u>	<u>112,458,676</u>	<b>Closing Balance</b>	<u><b>1,237,045</b></u>	<u>1,124,586</u>

3.3 As at 31 December 2010, MCB Bank Limited, Nishat Mills Limited, Security General Insurance Company Limited, D.G Khan Cement Company Limited and Pakistan Molasses Company (Pvt.) Limited., associated undertakings, held 36,338,092 (2009: 33,034,630), 36,337 (2009: 33,034), 4,138,572 (2009: 3,762,339), 3,541,391 (2009: 3,219,447) and 55,000 (2009: 30,000) ordinary shares of Rupees 10 each, respectively.

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>4. RESERVES</b>			
<b>Capital reserves</b>			
Reserve for exceptional losses	4.1	22,859	22,859
Investment fluctuation reserve	4.2	3,764	3,764
Exchange translation reserve	4.3	200,725	173,424
		<u>227,348</u>	<u>200,047</u>
<b>Revenue reserve</b>			
General reserve		936,500	936,500
		<u>1,163,848</u>	<u>1,136,547</u>

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

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

4.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) into Pak Rupees. For the purpose of exchange translation reserve, the Dubai and Export Processing Zone branches are treated as foreign branches since these carry on their business in AED and US\$ respectively.

	31 December 2010	31 December 2009
(Rupees in thousand)		
<b>5. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)</b>		
Related parties	1,697,849	272,098
Others	6,282,560	3,303,805
	<u>7,980,409</u>	<u>3,575,903</u>

<b>6. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity</b>		
Opening balance	13,581	9,166
Charge for the year	3,382	4,111
	<u>16,963</u>	<u>13,277</u>
Exchange loss	363	304
	<u>17,326</u>	<u>13,581</u>

6.1 The above provision relates to the company's operations in Dubai Branch. Actuarial valuation has not been obtained as the liability is not material.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	—————(Rupees in thousand)—————	
<b>7. OTHER CREDITORS AND ACCRUALS</b>		
Cash margin against performance bonds	556,683	459,463
Sundry creditors	134,662	94,502
Commission payable	589,285	416,588
Workers' welfare fund	88,009	79,796
Federal insurance fee	18,889	6,990
Federal excise duty	133,204	108,948
	<u>1,520,732</u>	<u>1,166,287</u>
<b>7.1</b>	During the year an amount of Rupees 22.495 million (2009: Rupees 20.044 million) has been charged to the profit and loss account in respect of the company's contributions to the Employees' Provident Fund.	
<b>8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	<u>107,637</u>	<u>148,911</u>
<b>8.1 Minimum lease payments</b>		
Not later than 1 year	39,313	45,514
Later than 1 year and not later than 5 years	<u>98,296</u>	<u>159,314</u>
	137,609	204,828
Future finance charges on finance lease	<u>(29,972)</u>	<u>(55,917)</u>
Present value of finance lease liability	<u>107,637</u>	<u>148,911</u>
<b>8.2 Present value of finance lease liabilities</b>		
Not later than 1 year	25,502	25,167
Later than 1 year and not later than 5 years	<u>82,135</u>	<u>123,744</u>
	<u>107,637</u>	<u>148,911</u>
<b>8.3</b>	The above represents finance lease entered into with leasing companies for motor vehicles. The liability is payable by October 2014 in quarterly installments and is secured against respective vehicles and security deposits.	
<b>8.4</b>	Lease payments are bearing variable finance charges at KIBOR + 2% to 2.5% per annum. KIBOR is determined on quarterly basis.	
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
<b>9.1 Contingencies</b>		
	The income tax assessments of the company have been finalized up to and including the tax year 2010. However, the company has filed appeals in respect of certain assessment years mainly on account of following:	
(i)	The Deputy Commissioner of Income Tax (DCIT) has finalized assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIT amounted to Rupees 48.205 million against which the company has made a total provision of Rupees 44.141 million resulting in a shortfall of Rupees 4.064 million. The company filed appeals with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal (ITAT) which were decided against the company. Consequently the company has filed an appeal before the Honorable High Court of Sindh and the petition is fixed for regular hearing;	

- ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the company but the Tax Department filed an appeal before the ITAT against the order of the Additional Commissioner, which has been decided in favour of the company. However, the company again received a notice from additional commissioner for reassessment of the case. The company has filed a constitutional petition in Sindh High Court against such order.
- iii) While finalizing the assessment for the assessment year 2002-2003, DCIT has reduced the business loss for the year by Rupees 88.180 million by adjusting the dividend income against this loss. The company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the company in this respect have been rejected by the Commissioner of Income Tax (Appeals), the ITAT and the Sindh High Court. The company has now filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favor of the company and has consequently not made any provision against the additional tax liability of Rupees 26.455 million which may arise in this respect.
- iv) The Tax Authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the company has not apportioned management and general administration expenses against capital gain and dividend income. The company has filed constitution petition in the High Court of Sindh against the amendment in the assessment order. The company may be liable to pay Rupees 5.881 million in the event of decision against the company, out of which Rupees 2.727 million has been provided by the company resulting in a shortfall of Rupees 3.154 million.
- v) The Taxation Officer has passed an order in the tax year 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rupees 38.358 million. An appeal had been filed before the Commissioner of Income Tax (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before ITAT which is pending to be heard.
- vi) The Taxation Officer has passed an order under section 161/205 of the Income Tax Ordinance, 2001 in Tax year 2007 creating a demand of Rupees 1.263 million. The company filed an appeal before the Commissioner of Income Tax (Appeals) which has been decided against the company. The company is filing an appeal before the ITAT.
- vii) The company received a notice from Additional Commissioner Inland Revenue pertaining to the assessment of tax year 2008. Among others, the Additional Commissioner raised issues pertaining to avoidance of tax on capital gains on listed securities. However, the company filed a constitutional petition in Sindh High Court against such order and the court has granted stay in this regard.

Pending resolution of the above-mentioned appeals filed by the company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rupees 88.201 million (31 December 2009: 88.201 million) as the management is confident that the eventual outcome of the above matters will be in favor of the company.

## 9.2 Commitments

There were no capital or other commitments as at 31 December 2010 (31 December 2009: Nil)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>10. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash in hand		3,002	4,839
Cheques in transit		56,391	56,901
		<b>59,393</b>	61,740
<b>Current and other accounts</b>			
Current accounts		170,703	188,943
Savings accounts		889,894	497,972
		<b>1,060,597</b>	686,915
<b>Deposits maturing within 12 months</b>			
Fixed and term deposits	10.1	1,584,827	1,408,449
		<b>2,704,817</b>	2,157,104

**10.1** These include fixed deposits amounting to Rupees 158.536 million (AED 6.795 million) [2009: (Rupees 157.904 million), (AED 6.895 million)] kept in accordance with the requirements of Insurance Regulations applicable to the Dubai Branch for the purpose of carrying on business in the United Arab Emirates. These also include liens against cash deposits of Rupees 4.824 million (2009: Rupees 4.451 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed against the company.

**10.2** Cash and bank deposits include an amount of Rupees 803.040 million (2009: Rupees 844.276 million) held with related parties.

## 11. LOANS - considered good

### Secured

Executives	11.2	4,108	1,990
Employees	11.2	35,646	43,779
		<b>39,754</b>	45,769
Less: Recoverable within one year shown under sundry receivables			
Executives	18	3,684	2,368
Employees	18	13,984	15,018
		<b>17,668</b>	17,386
		<b>22,086</b>	28,383

**11.1** Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2009: 5%) per annum.

### 11.2 Reconciliation of carrying amount of loans

	2010			2009		
	Executives	Others	Total	Executives	Others	Total
(Rupees in thousand)						
Opening balance	1,990	43,779	45,769	4,604	50,299	54,903
Disbursements	6,503	25,488	31,991	5,410	37,430	42,840
Repayments	(5,434)	(32,572)	(38,006)	(8,024)	(43,950)	(51,974)
Closing balance	<b>3,059</b>	<b>36,695</b>	<b>39,754</b>	1,990	43,779	45,769

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>12. INVESTMENTS</b>			
<b>In related parties</b>			
<b>Available-for-sale</b>			
Marketable securities	12.3	5,724,324	6,029,982
Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,065	294,065
Investment in Associates			
- Lalpir Power Limited		412,796	-
- Pakgen Power Limited		412,796	-
		825,592	-
		<b>6,843,981</b>	<b>6,324,047</b>
<b>Others</b>			
<b>Available-for-sale</b>			
Marketable securities	12.3	2,973,083	3,371,193
Less: Provision for impairment in value of investments	12.2	(410,066)	(541,300)
		2,563,017	2,829,893
Fixed income investments	12.4	-	504,090
		2,563,017	3,333,983
		<b>9,406,998</b>	<b>9,658,030</b>

**12.1** At 31 December 2010, the fair value of available-for-sale securities was Rupees 10,003.082 million (2009: Rupees 10,151.908 million). As per the company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2010 would have been higher by Rupees 596.084 million (2009: higher by Rupees 493.871 million).

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>12.2 Reconciliation of provision for impairment in value of investments</b>			
Opening provision		541,300	2,414,501
(Reversal) / Charge for the year		(128,882)	(1,873,201)
Written off		(2,352)	-
Closing provision		<b>410,066</b>	<b>541,300</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010		31 December 2009
		Cost	Provision there against	Carrying Value
(Rupees in thousand)				
<b>12.3 Marketable securities - Available for sale</b>				
<b>In related parties:</b>				
- Listed shares		4,690,300	-	4,669,982
- Mutual Fund Certificates		1,034,024	-	1,360,000
- Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,065	-	294,065
- Investment in Associates Lalpir Power Limited		412,796	-	-
Pakgen Power Limited		412,796	-	-
	12.3.1	6,843,981	-	6,324,047
<b>Others:</b>				
- Listed shares	12.3.2	2,617,853	394,506	2,223,347
- Term Finance Certificates	12.3.3	162,661	1,714	177,772
- Unlisted/ delisted shares and debentures	12.3.4	-	-	120
- Mutual Fund Certificates	12.3.5	69,330	13,229	96,385
- NIT Units		161	-	161
- Pakistan Investments Bonds		123,078	617	109,290
		2,973,083	410,066	2,563,017
		9,817,064	410,066	9,406,998
				2,829,893
				9,153,940

No. of Shares/ Certificates		Face value	Company's name	31 December 2010	31 December 2009
31 December 2010	31 December 2009	Rupees		Cost	Cost
(Rupees in thousand)					
<b>12.3.1 Related parties</b>					
<b>Listed Shares</b>					
1,258,650	868,035	10	Nishat Mills Limited [Equity held 0.36% (2009: 0.36%)]	34,211	18,586
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2009: 0.01%)]	3,224	3,224
1,407,944	1,173,287	10	D.G. Khan Cement Limited [Equity held 0.39% (2009: 0.39%)]	38,878	34,185
23,263,378	21,148,526	10	MCB Bank Limited [Equity held 3.06% (2009: 3.06%)]	4,613,987	4,613,987
				<u>4,690,300</u>	<u>4,669,982</u>
<b>Unlisted Shares</b>					
29,406,493	29,406,493	10	Adamjee Life Assurance Limited [Equity held 55% (2009: 55%)]	294,065	294,065
27,624,635	-	10	Lalpir Power Limited [Equity held 8.00% (2009: Nil)]	412,796	-
29,766,527	-	10	Pakgen Power Limited [Equity held 8.00% (2009: Nil)]	412,796	-
				<u>1,119,657</u>	<u>294,065</u>

No. of Shares/ Certificates	Face value	Company's name	31 December 2010	31 December 2009
31 December 2010	31 December 2009	Rupees	— (Rupees in thousand) —	
			Cost	Cost
<b>Mutual Fund Certificates</b>				
6,393,810	-	100 MCB Dynamic Cash Fund [Units held 13% (2009: Nil)]	618,402	-
3,931,583	13,247,781	100 MCB Cash Management Optimizer Fund [Units held 5.22% (2009: 20.69%)]	400,622	1,360,000
152,790	-	100 MCB Sarmaya Mehfooz Fund [Units held 2.43% (2009: Nil)]	15,000	-
			<b>1,034,024</b>	<b>1,360,000</b>

### 12.3.2 Other - listed shares

<b>Investment Bank/ Investment Companies/ Security Companies</b>				
800,000	800,000	10 Arif Habib Securities Limited	98,981	98,981
-	34,377	10 Jahangir Siddiqui Company Limited	-	7,373
<b>Commercial Banks</b>				
1,309,570	1,008,700	10 Allied Bank Limited	67,218	56,773
1,531,134	1,275,945	10 Askari Bank Limited	71,871	71,871
6,582,322	5,485,268	10 Bank Al-Habib Limited	166,807	166,807
837,178	837,178	10 Bank Alfalah Limited	25,346	25,346
266,636	116,880	10 Habib Bank Limited	38,447	22,373
3,724,444	3,210,728	10 Habib Metropolitan Bank Limited	100,026	100,026
1,427,242	1,141,794	10 National Bank of Pakistan	164,683	164,683
284,644	237,204	10 Soneri Bank Limited	8,102	7,627
3,830,544	1,999,877	10 United Bank Limited	296,886	204,194
<b>Insurance</b>				
15,375	14,145	10 EFU General Insurance Company Limited	1,081	1,081
-	10,255	10 Habib Insurance Company Limited International Gen. Insurance Co. of Pakistan	-	22
196,579	163,817	10 Pakistan Reinsurance Company Limited	22,888	22,888
286,843	286,843	10	6,326	6,326
<b>Textile Spinning</b>				
-	57,778	10 Dewan Khalid Textile Mills Limited	-	1,142
400,000	400,000	10 Hira Textile Mills Limited	5,000	5,000
-	78,000	10 Service Industries (Textile) Limited	-	1,388
-	51,200	10 Shahzad Textile Mills Limited	-	634
<b>Textile Composite</b>				
-	14,437	10 Zahur Textile Mills Limited	-	210
<b>Jute</b>				
-	112,866	10 Crescent Jute Products Limited	-	2,183
-	109,807	10 Mehran Jute Mills Limited	-	1,150
-	12,117	10 Thal Limited	-	2,003
<b>Sugar And Allied</b>				
-	10,535	10 Crescent Sugar Mills & Distillery Limited	-	138
<b>Cement</b>				
-	75,300	10 Lucky Cement Limited	-	9,126

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

No. of Shares/ Certificates		Face value	Company's name	31 December 2010	31 December 2009
31 December 2010	31 December 2009	Rupees		— (Rupees in thousand) —	
				Cost	Cost
<b>Refinery</b>					
-	5,480	10	National Refinery Limited	-	743
-	24,887	10	Pakistan Refinery Limited	-	2,438
<b>Power Generation &amp; Distribution</b>					
85,000	85,000	10	Kot Addu Power Company Limited	3,913	3,913
-	20,000,000	10	Nishat (Chunian) Power Limited	-	200,000
<b>Oil And Gas Marketing Companies</b>					
110,000	110,000	10	Pakistan State Oil Co. Limited	48,178	48,178
157,100	207,900	10	Shell Gas LPG Pakistan Limited	1,749	2,315
174,916	328,470	10	Shell Pakistan Limited	36,607	68,743
1,916,100	1,916,100	10	Sui Northern Gas Pipelines Limited.	127,666	127,666
<b>Oil And Gas Exploration Companies</b>					
Oil and Gas Development					
790,687	1,581,669	10	Company Limited	84,376	168,784
427,171	427,171	10	Pakistan Oilfields Limited	101,084	101,082
1,483,355	1,381,129	10	Pakistan Petroleum Limited	229,779	256,732
<b>Engineering</b>					
1,398,823	1,165,686	10	International Industries Limited	77,490	77,490
<b>Automobile Assembler</b>					
301,378	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
394,544	315,635	10	Millat Tractors Limited	35,335	35,335
<b>Cables And Electrical Goods</b>					
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
171,930	171,930	10	Siemens (Pakistan) Engineering Company Limited	135,531	135,531
<b>Transport</b>					
Pan Islamic Steamship					
-	47,400	10	Company Limited	-	457
<b>Technology And Communication</b>					
Pakistan Telecommunication					
-	175,000	10	Company Limited	-	7,151
-	25,000	10	World Call Telecommunication Limited.	-	440
<b>Fertilizer</b>					
135,868	355,335	10	Engro Corporation Limited	24,223	69,686
704,078	404,078	10	Fauji Fertilizer Bin Qasim	23,760	15,375
2,083,516	1,830,516	10	Fauji Fertilizer Company Limited	151,388	122,324
168,494	-	10	Fatima Fertilizer Company Limited	1,312	-
<b>Pharmaceutical</b>					
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	151,883	151,883
707,976	707,976	10	GlaxoSmithKline Pakistan Limited	84,811	84,811
<b>Chemical</b>					
-	77,905	10	BOC Pakistan Limited	-	13,881
88,321	88,321	10	Clariant Pakistan Limited	11,762	11,762
-	1,840,330	10	Descon Oxychem Limited	-	18,403
41,400	41,400	10	ICI Pakistan Limited	8,561	8,561

No. of Shares/ Certificates		Face value	Company's name	31 December 2010	31 December 2009
31 December 2010	31 December 2009	Rupees		— (Rupees in thousand) —	
				Cost	Cost
<b>Food And Personal Care Products</b>					
642,592	535,493	10	Murree Brewery Company Limited	34,565	34,565
32,783	32,783	10	Nestle Pakistan Limited	18,980	18,980
54,870	54,870	10	Rafhan Maize Products Limited	44,644	44,644
26,336	26,336	50	Unilever Pakistan Limited	35,847	35,847
<b>Glass And Ceramics</b>					
-	26,831	10	Medi Glass Limited	-	417
<b>Miscellaneous</b>					
-	75,000	10	Pace Pakistan Limited	-	2,903
				<b>2,617,853</b>	<b>2,921,132</b>
<b>12.3.3 Others-Term Finance Certificates</b>					
3,993	3,995	5,000	Allied Bank Limited (05/11/2006)	19,968	19,976
9,981	9,985	5,000	Bank Alfalah Limited (25/11/ 2005)	49,904	49,923
2,999	3,000	5,000	Bank Alfalah Limited (02/12/ 2009)	14,994	15,000
750	1,499	5,000	IGI Investment Bank Limited (10/07/2006)	3,749	7,497
1,997	1,998	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	9,984	9,988
500	833	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	2,498	4,163
4,992	5,992	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	24,960	29,958
2,955	3,940	5,000	Royal Bank of Scotland Limited (10/02/ 2005)	14,774	19,699
375	1,125	5,000	Searle Pakistan Limited (9/03/2006)	1,874	5,623
3,991	3,993	5,000	Soneri Bank Limited (5/05/2005)	19,956	19,964
				<b>162,661</b>	<b>181,791</b>
<b>12.3.4 Others-Unlisted / delisted shares</b>					
-	12	10,000	Tariq Cotton Mills Limited (Karikot Textile)	-	120
				<b>-</b>	<b>120</b>
<b>12.3.5 Others-Mutual Fund Certificates</b>					
<b>(Open Ended) Mutual Funds</b>					
1,246,785	1,124,911	100	ABL Income Fund	10,000	10,000
6,341	5,930	500	Atlas Income Fund	2,725	2,725
65,561	113,743	100	AMZ Plus Income Fund	4,843	10,000
-	-	100	Dawood Money Market Fund	-	-
-	-	100	HBL Income Fund	-	-
227,020	208,375	100	Meezan Islamic Income Fund	10,000	10,000
1,065,013	1,000,000	100	NIT Government Bond Fund	10,000	10,000
50,708	-	100	Crosby Phoenix Fund	5,157	-
<b>(Close Ended) Mutual Funds</b>					
2,677,937	9,277,937	10	JS Growth Fund	22,605	78,317
400,000	400,000	10	Pakistan Strategic Allocation Fund	4,000	4,000
-	2,757,705	10	PICIC Investment Fund	-	33,657
				<b>69,330</b>	<b>158,699</b>
<b>12.4 Fixed Income Investments</b>					
Defence Saving Certificates				-	504,090

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>13. PREMIUMS DUE BUT UNPAID - Unsecured</b>			
Considered good		4,546,222	3,818,046
Considered doubtful		199,015	119,530
		<u>4,745,237</u>	<u>3,937,576</u>
Less: Provision for doubtful balances	13.1	<u>(199,015)</u>	<u>(119,530)</u>
		<u>4,546,222</u>	<u>3,818,046</u>
<b>13.1 Reconciliation of provision for doubtful balances</b>			
Opening provision		119,530	46,793
Exchange loss		274	90
Charge for the year		86,867	90,864
Written off during the year		(7,656)	(18,217)
Closing provision		<u>199,015</u>	<u>119,530</u>
<b>13.2</b>			
Premiums due but unpaid include an amount of Rupees 412 million (2009: Rupees 173 million) held with related parties.			
<b>14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured</b>			
Considered good		993,584	716,962
Considered doubtful		30,000	30,000
		<u>1,023,584</u>	<u>746,962</u>
Less: Provision for doubtful balances	14.1	<u>(30,000)</u>	<u>(30,000)</u>
		<u>993,584</u>	<u>716,962</u>
<b>14.1 Reconciliation of provision for doubtful balance</b>			
Opening provision		30,000	61,396
Charge for the year		-	50,390
Written off during the year		-	(81,786)
Closing provision		<u>30,000</u>	<u>30,000</u>
<b>15. ACCRUED INVESTMENT INCOME</b>			
Return accrued on Term Finance Certificates		3,402	4,268
Return accrued on Pakistan Investment Bonds		2,047	1,677
Dividend income			
- associated undertakings		-	-
- others		11,502	17,894
		<u>11,502</u>	<u>17,894</u>
Return on deposit accounts			
- associated undertakings		11,847	12,383
- others		4,647	2,718
		<u>16,494</u>	<u>15,101</u>
Others		-	2,367
		<u>33,445</u>	<u>41,307</u>
<b>16. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>			
These are unsecured and considered to be good.			

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>17. PREPAYMENTS</b>		
Prepaid reinsurance premium ceded	1,774,525	1,481,629
Others	54,587	67,293
	<u>1,829,112</u>	<u>1,548,922</u>
<b>18. SUNDRY RECEIVABLES</b>		
<b>Considered good</b>		
Current portion of long-term loans		
Executives	11	2,368
Employees	11	15,018
Other advances	104,848	86,935
Staff Gratuity Fund	18.1.1	65,282
Security deposits	17,729	11,614
Stationery in hand	4,716	5,469
Receivable from Employees' Provident Fund	1,737	716
Sundry debtors	92,568	19,491
	<u>293,084</u>	<u>206,893</u>
Miscellaneous		
Considered good	23,987	215
	<u>317,071</u>	<u>207,108</u>
<b>18.1 Staff Gratuity Fund</b>		
The company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2010.		
The following significant assumptions have been used for valuation of this scheme:		
	<b>Rate per annum</b>	
- Valuation discount rate	14.25%	
- Expected rate of increase in salary level	12.00%	
- Rate of return on plan assets	14.25%	
The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:		
Present value of defined benefit obligation at the end of the year	215,970	201,262
Fair value of plan assets at the end of the year	<u>(186,219)</u>	<u>(223,237)</u>
	29,751	(21,975)
Net unrecognized actuarial losses	<u>(83,569)</u>	<u>(43,307)</u>
Net assets	<u>(53,818)</u>	<u>(65,282)</u>
<b>18.1.1 Amounts recognized in the balance sheet</b>		
Liabilities	-	-
Assets	53,818	65,282
Net assets	<u>53,818</u>	<u>65,282</u>
<b>18.1.2 The amounts charged in profit and loss are as follows:</b>		
Current service cost	16,301	12,797
Interest on obligation	21,783	22,340
Expected return on plan assets	(29,432)	(34,862)
Actuarial losses / (gains) recognized during the year	2,812	(1,607)
Total gratuity income for the year for funded obligation	<u>11,464</u>	<u>(1,332)</u>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
<b>18.1.3 Actual return on plan assets</b>	<b>25,687</b>	17,762
<b>18.1.4 Changes in present value of the defined benefit obligation</b>		
Present value of defined benefit obligation at the beginning of the year	201,262	161,130
Current service cost	16,301	12,797
Interest cost	21,783	22,340
Actuarial losses	39,329	49,663
Benefits paid	(62,705)	(44,668)
Present value of defined benefit obligation at the end of the year	<b>215,970</b>	201,262
<b>18.1.5 Changes in the fair value of plan assets</b>		
Fair value of plan assets at the beginning of the year	223,237	250,143
Expected return	29,432	34,862
Actuarial gain / (loss)	(3,745)	(17,100)
Benefits paid	(62,705)	(44,668)
Fair value of plan assets at the end of the year	<b>186,219</b>	223,237

The Company is not expected to contribute to the gratuity fund in 2010 due to actuarial losses of Rupees 83.569 million.

	2010		2009	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>18.1.6 Fund Investment</b>				
Government Bonds	-	-	4,074	1.82
Shares and deposits	93,350	50.13	117,153	52.48
Unit Trusts	94,692	50.85	90,148	40.38
Cash	-	-	13,075	5.86
Creditors	(1,823)	(0.98)	(1,213)	(0.54)
	<b>186,219</b>	<b>100%</b>	223,237	100%

### 18.1.7 Amounts / percentages for the current and previous four periods

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

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Defined benefit obligation	(215,970)	(201,262)	(161,130)	(173,663)	(176,626)
Plan assets	186,219	223,237	250,143	282,517	256,086
(Deficit) / surplus	(29,751)	21,975	89,013	108,854	79,460
Experience adjustments on plan liabilities	18%	25%	-10%	-2%	3%
Experience adjustments on plan assets	-2%	-8%	-15%	10%	10%

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
<b>19. FIXED ASSETS</b>			
Owned assets - tangible	19.1	909,473	817,468
- intangible	19.1	48,475	38,269
		<b>957,948</b>	855,737
Leased assets	19.1	143,443	194,576
		<b>1,101,391</b>	1,050,313

## 19.1 The following is a statement of operating fixed assets:

	2010										Total fixed assets
	Owned Assets						Leased assets				
	Tangible					Total assets	Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories		Computer software	Total owned	Motor vehicles	Total leased	
(Rupees in thousand)											
<b>At 01 January 2010</b>											
Cost	204,180	67,547	319,259	601,804	177,364	1,370,154	62,741	1,432,895	204,281	204,281	<b>1,637,176</b>
Accumulated depreciation / amortisation	29,520	37,967	128,578	228,581	128,040	552,686	24,472	577,158	9,705	9,705	<b>586,863</b>
Net book value	<u>174,660</u>	<u>29,580</u>	<u>190,681</u>	<u>373,223</u>	<u>49,324</u>	<u>817,468</u>	<u>38,269</u>	<u>855,737</u>	<u>194,576</u>	<u>194,576</u>	<b>1,050,313</b>
<b>Year ended 31 December 2010</b>											
Opening net book value	174,660	29,580	190,681	373,223	49,324	817,468	38,269	855,737	194,576	194,576	<b>1,050,313</b>
Additions	116,039	39,914	80,004	34,750	21,355	292,062	23,152	315,214	-	-	<b>315,214</b>
Disposals											
Cost	1,477	1,709	57,629	3,062	301	64,178	-	64,178	27,166	27,166	<b>91,344</b>
Depreciation/ amortisation	859	1,093	17,093	1,507	178	20,730	-	20,730	4,167	4,167	<b>24,897</b>
	618	616	40,536	1,555	123	43,448	-	43,448	22,999	22,999	<b>66,447</b>
Depreciation/ amortisation charge for the year	8,609	6,589	32,897	90,228	18,286	156,609	12,946	169,555	28,134	28,134	<b>197,689</b>
Closing net book value	<u>281,472</u>	<u>62,289</u>	<u>197,252</u>	<u>316,190</u>	<u>52,270</u>	<u>909,473</u>	<u>48,475</u>	<u>957,948</u>	<u>143,443</u>	<u>143,443</u>	<b>1,101,391</b>
<b>At 31 December 2010</b>											
Cost	318,742	105,752	341,634	633,492	198,418	1,598,038	85,893	1,683,931	177,115	177,115	<b>1,861,046</b>
Accumulated depreciation / amortisation	37,270	43,463	144,382	317,302	146,148	688,565	37,418	725,983	33,672	33,672	<b>759,655</b>
Net book value	<u>281,472</u>	<u>62,289</u>	<u>197,252</u>	<u>316,190</u>	<u>52,270</u>	<u>909,473</u>	<u>48,475</u>	<u>957,948</u>	<u>143,443</u>	<u>143,443</u>	<b>1,101,391</b>
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		
2009											
(Rupees in thousand)											
	Owned Assets						Leased assets				Total fixed assets
	Tangible					Total assets	Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories		Computer software	Total owned	Motor vehicles	Total leased	
	(Rupees in thousand)										
<b>At 01 January 2009</b>											
Cost	204,076	61,437	371,543	543,865	172,755	1,353,676	58,960	1,412,636	-	-	1,412,636
Accumulated depreciation / amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	472,726
Net book value	<u>177,793</u>	<u>27,052</u>	<u>228,869</u>	<u>395,443</u>	<u>65,032</u>	<u>894,189</u>	<u>45,721</u>	<u>939,910</u>	-	-	<b>939,910</b>
<b>Year ended 31 December 2009</b>											
Opening net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	939,910
Additions	104	8,015	48,535	73,500	4,967	135,121	3,781	138,902	207,486	207,486	346,388
Disposals											
Cost	-	1,905	100,819	15,561	358	118,643	-	118,643	3,205	3,205	121,848
Depreciation/ amortisation	-	1,178	44,982	12,055	166	58,381	-	58,381	160	160	58,541
	-	727	55,837	3,506	192	60,262	-	60,262	3,045	3,045	63,307
Depreciation/ amortisation charge for the year	3,237	4,760	30,886	92,214	20,483	151,580	11,233	162,813	9,865	9,865	172,678
Closing net book value	<u>174,660</u>	<u>29,580</u>	<u>190,681</u>	<u>373,223</u>	<u>49,324</u>	<u>817,468</u>	<u>38,269</u>	<u>855,737</u>	<u>194,576</u>	<u>194,576</u>	<b>1,050,313</b>
<b>At 31 December 2009</b>											
Cost	204,180	67,547	319,259	601,804	177,364	1,370,154	62,741	1,432,895	204,281	204,281	1,637,176
Accumulated depreciation / amortisation	29,520	37,967	128,578	228,581	128,040	552,686	24,472	577,158	9,705	9,705	586,863
Net book value	<u>174,660</u>	<u>29,580</u>	<u>190,681</u>	<u>373,223</u>	<u>49,324</u>	<u>817,468</u>	<u>38,269</u>	<u>855,737</u>	<u>194,576</u>	<u>194,576</u>	<b>1,050,313</b>
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 19.1.1 Detail of tangible assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
<b>Land &amp; Buildings</b>						
Office premises at Shan Arcade	1,477	859	618	3,300	Auction	Syed Adil Gilani - Lahore
	<b>1,477</b>	<b>859</b>	<b>618</b>	<b>3,300</b>		
<b>Furniture &amp; Fixtures</b>						
Items having book value below Rupees 50,000	1,709	1,093	616	563		
	<b>1,709</b>	<b>1,093</b>	<b>616</b>	<b>563</b>		
<b>Motor Vehicles</b>						
<b>Owned</b>						
Hyundai Van-1999	400	301	99	190	Auction	Lal Mohd. Pirzada - Karachi
Suzuki Mehran 2004	339	217	122	145	Auction	Mohammad Zubair - Karachi
Suzuki Mehran 2005	345	182	163	160	Auction	Mohammad Shahid - Karachi
Honda City Idsi 2005	740	361	379	425	Auction	Mohammad Saleem - Karachi
Daihatsu Coure Model 2006	464	233	231	220	Auction	Khurram Zaffar
Honda Civic	1,288	651	637	580	Auction	Naveed Akhter - Karachi
Toyota Altis	675	269	406	435	Auction	Adil Ahmed Memon - Karachi
Honda City Dsi	250	138	112	290	Auction	Shahbaz Siddiqui - Karachi
Daihatsu Coure	464	227	237	260	Auction	Naveed Akhter - Karachi
Honda Accord 2005	1,700	610	1,090	1,200	Full & final settlement	Naeeem Anwar - Karachi
Honda City	750	356	394	500	Auction	Khalid Munir - Karachi
Suzuki Cultus 06	582	236	346	360	Auction	Naveed Akhter - Karachi
Honda City 2004	740	393	347	480	Auction	Arsalan - Karachi
Suzuki Cultus 07	600	247	353	400	Negotiation	Joozer Karimbhai - Karachi
Honda Vti 2002	900	447	453	310	Auction	Shahbaz Siddiqui - Karachi
Honda City 2006	879	362	517	600	Auction	Mohammad Shahid - Karachi
Suzuki Cultus 2002	358	164	194	180	Auction	Agha Jalal - Karachi
Toyota Corolla Lxi	901	469	432	515	Auction	Mohammad Abbas - Karachi
Toyota Corolla	500	433	67	210	Auction	Mohammad Shahid - Karachi
Suzuki Cultus	590	309	281	320	Auction	Zaheer Ahmed - Karachi
Honda City 2008	995	353	642	620	Auction	Naveed Akhter - Karachi
Suzuki Cultus	394	283	111	110	Auction	Adil Ahmed Memon - Karachi
Honda Citi Vario 2007	891	304	587	540	Auction	Aamir - Karachi
Toyota Land Cruiser 2010	25,040	1,252	23,788	26,000	Auction	MCB Bank Ltd - Karachi
Suzuki Cultus 2005	585	298	287	325	Auction	Mohammad Zubair - Karachi
Suzuki Mehran	330	179	151	125	Auction	Adil Ahmed Memon - Karachi
Hyundai Centro Club 2002	375	168	207	150	Auction	Lal Mohd. Pirzada - Karachi
Suzuki Cultus	600	272	328	410	Auction	Zakiuddin - Karachi
Honda City-2005	885	479	406	390	Auction	Ahsan Ahmed - Karachi
Suzuki Cultus	600	267	333	410	Auction	Arsalan - Karachi
Suzuki Cultus 2005	585	327	258	360	Auction	Zakiuddin - Karachi
Mehran 2005	211	60	151	190	Auction	Aamir - Karachi
Mehran 2005	330	186	144	160	Auction	Arsalan Shamim - Karachi
Suzuki Cultus 2008	600	283	317	390	Auction	Zakiuddin - Karachi
Toyota Corola Gli	969	556	413	540	Auction	Arsalan - Karachi
Suzuki Cultus Vxr	608	322	286	220	Auction	Rashid Hussain - Karachi
Daihatsu Coure	472	253	219	260	Auction	Adnan & Arsalan - Karachi
Suzuki Cultus 2000	275	153	122	160	Auction	Arsalan - Karachi
Honda-Civic	400	244	156	265	Auction	Khalid Munir - Karachi
Honda Civic Vti Oriol 2005	1,287	624	663	610	Auction	Fahimullah - Karachi
Toyota Corolla Gli 2006	969	476	493	808	Auction	Mohammad Salim Aziz - Lahore
Suzuki Cultus 2002	590	367	223	289	Auction	M. Adnah Sabir - Lahore
Suzuki Alto	300	153	147	364	Auction	Imran - Lahore
Toyota Corolla	1,050	563	487	370	Auction	Mohd Abbas
Honda City 2003	750	401	349	310	Auction	Shahbaz Siddiqui - Karachi
Suzuki Mehran	345	166	179	329	Auction	Muhammad Ajmal - Lahore
Honda City	854	306	548	681	Auction	Imran Khan - Lahore
Suzuki Mehran	255	98	157	190	Auction	Mohammad Amir Shahzad - Lahore
Daihatsu Coure	464	217	247	455	Auction	Attaur Rehman - Lahore
Daihatsu Coure	464	217	247	453	Auction	Jamshaid Mehboob Kayani - Lahore
Hyundai Accent	758	526	232	105	Negotiation	Mohammad Waseem - U.A.E.
Ford Escape	933	135	798	798	Negotiation	Helana - U.A.E.
	<b>57,629</b>	<b>17,093</b>	<b>40,536</b>	<b>45,167</b>		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
<b>Leased</b>						
Suzuki Mehran	534	83	451	480	Claim Settled	Mr. Khalid Mahmood Hussain
Suzuki Mehran	534	120	414	473	Claim Settled	Syed Javed Ahmed
Suzuki Mehran	534	89	445	489	Claim Settled	Syed Javed Ahmed
Suzuki Mehran	529	83	446	447	Claim Settled	Mr. Farrukh Shaharyar
Suzuki Mehran	541	97	444	472	Employee	Mr. Muhammad Farooq
Suzuki Mehran	536	120	416	416	Employee	Mr. Hassan Ismail Chaudhary
Suzuki Mehran	536	108	428	431	Employee	Mr. Muhammad Abdullah Atif
Suzuki Mehran	534	103	431	475	Claim Settled	Faisal Ghauri
Suzuki Mehran	534	65	469	475	Claim Settled	Syed Muhammad Tariq
Suzuki Mehran	534	103	431	449	Employee	Pervez Akhter Khan
Suzuki Mehran	529	64	465	475	Claim Settled	Syed Mobin Ahmad
Suzuki Mehran	534	84	450	467	Employee	Dr. Muhammad Masood Soomro
Suzuki Mehran	534	65	469	475	Employee	Mohammed Yousuf
Suzuki Mehran	534	103	431	475	Claim Settled	Joozer Karim Bhai
Suzuki Mehran	534	103	431	475	Claim Settled	Waseem Arif
Suzuki Mehran	534	65	469	475	Claim Settled	Mohammad Ashraf Memon
Suzuki Mehran	534	96	438	452	Full & Final Settlement	Firdous Mohammad Khan
Suzuki Mehran	534	103	431	449	Employee	Mohd. Abdul Rasheed
Suzuki Mehran	534	103	431	460	Claim Settled	Shahzad Ahmed
Suzuki Cultus	844	163	681	709	Full & Final Settlement	Owais Obaid
Suzuki Cultus	844	163	681	704	Full & Final Settlement	H. Ashraf Dhedhi
Suzuki Cultus	844	152	692	695	Claim Settled	Muneeb Habib
Suzuki Cultus	844	163	681	704	Employee	Muhammad Saleem
Suzuki Cultus	851	111	740	747	Employee	Raja Arif Ullah Khan
Suzuki Cultus	846	103	743	760	Employee	Amjad Ali Shaida
Suzuki Cultus	844	99	745	797	Employee	Ali Asghar Kayumi
Suzuki Cultus	844	138	706	716	Employee	Capt. Zubair H. Qureshi
Suzuki Cultus	844	99	745	763	Employee	Syed Ehteshamul Haque
Suzuki Cultus	844	138	706	711	Employee	Dawer Rashid Khan
Honda Civic Vti Pt Sr	1,868	320	1,548	1,300	Claim Settled	Mohammad Najeeb Anwar
Toyota Altis	1,881	299	1,582	1,679	Employee	Kh. Moazzam Rahman
Toyota Corolla Gli	1,389	170	1,219	1,245	Employee	Syed Haider Ali
Toyota Corolla Gli	1,412	173	1,239	1,268	Full & Final Settlement	Omer Gulzar
Honda City	1,365	119	1,246	1,251	Full & Final Settlement	Asma Campwala
Items having book value below Rupees 50,000	655	-	655	655		
	<b>27,166</b>	<b>4,167</b>	<b>22,999</b>	<b>23,514</b>		
<b>Machinery &amp; Equipment</b>						
Items having book value below Rupees 50,000	3,062	1,507	1,555	1,564		
	<b>3,062</b>	<b>1,507</b>	<b>1,555</b>	<b>1,564</b>		
<b>Computer</b>						
Items having book value below Rupees 50,000	301	178	123	83		
	<b>301</b>	<b>178</b>	<b>123</b>	<b>83</b>		
	<b>91,344</b>	<b>24,897</b>	<b>66,447</b>	<b>74,191</b>		

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
(Rupees in thousand)			
<b>20. EXPENSES</b>			
Salaries and wages		803,256	736,975
Rent, rates and taxes		65,252	78,518
Utilities		40,909	34,551
Communication		32,479	36,143
Printing and stationery		29,127	23,373
Traveling and entertainment		51,049	48,484
Repairs and maintenance		167,308	162,923
Advertisement and sales promotion		48,285	38,109
Amortization of intangible asset	19.1	12,946	11,233
Others		4,200	4,268
		<u>1,254,811</u>	<u>1,174,577</u>
<b>21. OTHER INCOME</b>			
Gain / (loss) on sale of fixed assets		7,744	(1,439)
Interest on loans to employees		852	790
Return on bank deposits		143,156	133,493
Miscellaneous		19,487	21,421
		<u>171,239</u>	<u>154,265</u>
<b>22. GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries and wages	22.1	143,435	158,219
Depreciation	19.1	184,743	161,445
Directors' fee		320	330
Legal and professional expenses		60,659	65,245
Auditors' remuneration	22.2	4,539	4,162
Donations	22.3	2,163	1,511
Provision for doubtful receivables		86,866	141,254
Workers' welfare fund		11,762	52,967
Others		140,435	125,671
		<u>634,922</u>	<u>710,804</u>
<b>22.1</b>	These include Rupees 38.122 million (2009: Rupees 24.155 million) in respect of staff retirement benefits.		
<b>22.2 Auditors' remuneration</b>			
Inside Pakistan:			
Audit fee		1,815	1,650
Half yearly review		350	325
Other certifications		273	315
Out of pocket expenses		360	366
		<u>2,798</u>	<u>2,656</u>
Outside Pakistan:			
Audit fee		1,159	1,112
Out of pocket expenses		582	394
		<u>1,741</u>	<u>1,506</u>
		<u>4,539</u>	<u>4,162</u>
<b>22.3</b>	None of the directors or their spouses had any interest in the donee.		

	Note	31 December 2010	31 December 2009
—————(Rupees in thousand)—————			
<b>23. PROVISION FOR TAXATION</b>			
Current			
- for the current year	23.1	77,163	116,806
- for prior years		-	(43,957)
		<u>77,163</u>	<u>72,849</u>
Deferred	23.2	(19,481)	87,834
		<u>57,682</u>	<u>160,683</u>
<b>23.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>576,598</u>	<u>2,595,166</u>
Tax at the applicable rate of 35%		201,809	908,308
Effect of income exempt from tax		(77,745)	(713,866)
Effect of income taxed at lower rate		(127,849)	(89,393)
Others		80,948	99,591
		<u>77,163</u>	<u>204,640</u>
Prior year's tax - current		-	(43,957)
		<u>77,163</u>	<u>160,683</u>
<b>23.2 Deferred tax effect due to temporary differences of:</b>			
Tax depreciation allowance		86,833	76,604
Provision for gratuity		(6,064)	(4,753)
Assets subject to finance lease		12,532	15,983
Others		(24,948)	-
		<u>68,353</u>	<u>87,834</u>
Less: opening balance		87,834	-
		<u>(19,481)</u>	<u>87,834</u>
<b>24. EARNINGS PER SHARE</b>			
There is no dilutive effect on basic earnings per share which is based on:			
Net profit after tax for the year		<u>518,916</u>	<u>2,434,483</u>
		(Number of shares)	
		(Restated)	
Weighted average number of shares		<u>123,704,544</u>	<u>123,704,544</u>
		————— Rupees —————	
Basic earnings per share		<u>4.19</u>	<u>19.68</u>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2010				2009			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	(Rupees in thousand)							
Fee	-	320	-	320	-	330	-	330
Managerial remuneration	7,720	-	152,307	160,027	7,209	-	140,303	147,512
Allowances and perquisites	3,885	-	113,998	117,883	2,894	-	88,932	91,826
	<b>11,605</b>	<b>320</b>	<b>266,305</b>	<b>278,230</b>	<b>10,103</b>	<b>330</b>	<b>229,235</b>	<b>239,668</b>
Number	<b>1</b>	<b>10</b>	<b>112</b>	<b>123</b>	<b>1</b>	<b>10</b>	<b>107</b>	<b>118</b>

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

## 26. TRANSACTIONS WITH RELATED PARTIES

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

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 11, 18 and 25 to these unconsolidated financial statements. Particulars of transactions with the company's staff retirement benefit schemes are disclosed in note 18. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant notes to the unconsolidated balance sheet. Other transactions with related parties (associated undertakings) are summarized as follows:

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Premium underwritten	1,057,855	802,481
Premium received	1,118,833	220,588
Premium ceded	1,555	14,034
Claims paid	547,722	550,746
Rent paid	13,876	11,023
Dividend received	318,526	208,820
Dividend paid	104,227	95,816
Income on deposit accounts	82,880	100,303
	Number of shares	
Bonus shares received	2,114,852	1,922,593
Bonus shares issued	4,008,442	3,640,857

## 27. SEGMENT REPORTING

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

		2010																							
		Fire and Property Damage			Marine, Aviation and Transport			Motor			Miscellaneous			Treaty			Unallocated Corporate Assets/Liabilities			Total					
		Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Aggregate					
(Rupees in thousand)																									
<b>OTHER INFORMATION</b>																									
Segment assets		7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	-	-	11,579,447	2,623,196	14,202,643									
Unallocated assets		-	-	-	-	-	-	-	-	-	-	-	-	12,377,969	1,306,123	13,684,092									
Total assets		7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	-	-	12,377,969	1,306,123	13,684,092									
Segment liabilities		7,390,948	101,729	553,040	57,001	1,606,681	2,625,138	2,571,549	33,551	20,936	-	-	-	12,143,154	2,817,419	14,960,573									
Unallocated liabilities		-	-	-	-	-	-	-	-	-	-	-	-	1,697,063	194,100	1,891,163									
Total liabilities		7,390,948	101,729	553,040	57,001	1,606,681	2,625,138	2,571,549	33,551	20,936	-	-	-	1,697,063	194,100	1,891,163									
Capital expenditure																					311,318	3,896	315,214		
2009																									
		Fire and Property Damage			Marine, Aviation and Transport			Motor			Miscellaneous			Treaty			Unallocated Corporate Assets/Liabilities			Total					
		Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Aggregate					
(Rupees in thousand)																									
<b>OTHER INFORMATION</b>																									
Segment assets		3,464,648	104,547	650,362	22,541	1,186,161	1,617,518	1,337,718	18,540	36	-	-	-	6,638,925	1,763,146	8,402,071									
Unallocated assets		-	-	-	-	-	-	-	-	-	-	-	-	12,161,778	1,048,529	13,210,307									
Total assets		3,464,648	104,547	650,362	22,541	1,186,161	1,617,518	1,337,718	18,540	36	-	-	-	12,161,778	1,048,529	13,210,307									
Segment liabilities		3,229,480	82,253	492,177	10,197	1,928,355	1,937,368	1,528,723	18,500	22,969	-	-	-	7,201,704	2,048,318	9,250,022									
Unallocated liabilities		-	-	-	-	-	-	-	-	-	-	-	-	1,464,296	116,885	1,581,181									
Total liabilities		3,229,480	82,253	492,177	10,197	1,928,355	1,937,368	1,528,723	18,500	22,969	-	-	-	1,464,296	116,885	1,581,181									
Capital expenditure																					132,194	6,708	138,902		

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below:

### 28.1 Credit risk and concentration of credit risk

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

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

The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	<b>31 December 2010</b>	31 December 2009
	—————(Rupees in thousand)—————	
Bank deposits	<b>2,645,424</b>	2,095,364
Investments	<b>9,406,998</b>	9,658,030
Premium due but unpaid	<b>4,546,222</b>	3,818,046
Amount due from other insurers / reinsurers	<b>993,584</b>	716,962
Salvage recoveries accrued	<b>99,636</b>	115,753
Loans	<b>39,754</b>	45,769
Accrued investment income	<b>33,445</b>	41,307
Reinsurance recoveries against outstanding claims	<b>6,253,202</b>	1,845,562
Sundry receivable	<b>239,132</b>	118,255
	<b><u>24,257,397</u></b>	<u>18,455,048</u>

General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rupees 86.867 million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 13.1 and 14.1.

	<b>31 December 2010</b>	31 December 2009
	—————(Rupees in thousand)—————	
The age analysis of gross receivables is as follows:		
Upto 1 year	<b>4,011,348</b>	3,433,728
1-2 year	<b>733,889</b>	503,848
	<b><u>4,745,237</u></b>	<u>3,937,576</u>

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating Agency	31 Dec.	31 Dec.
	Short term	Long term		2010	2009
				(Rupees in thousand)	
Askari Bank Limited	A-1+	AA	PACRA	45	45
Bank Alfalah Limited	A-1+	AA	PACRA	42,917	106,380
Bank Alhabib Limited	A-1+	AA+	PACRA	7,572	7,398
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	100	100
Citibank N.A.	P-1	A1	Moody's	90,284	5,486
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	15,737
Habib Bank Limited	A-1+	AA+	JCR-VIS	92,803	81,586
HSBC Bank Middle East Limited	P-1	A1	Moody's	22,480	2,157
Industrial Development Bank of Pakistan	-	-	-	776	92
KASHF Microfinance Bank Limited	-	-	-	809	-
MCB Bank Limited	A-1+	AA+	PACRA	825,796	844,276
National Bank of Pakistan	A-1+	AAA	JCR-VIS	7,732	8,827
Oman International Bank S.A.O.G.	-	-	-	2,130	2,010
Rozgar Microfinancing Bank Limited	B	BB-	JCR-VIS	1,000	1,000
Soneri Bank Limited	A-1+	AA-	PACRA	334	6,830
Standard Chartered Bank Limited	A-1+	AAA	PACRA	6,982	1,078
Tameer Micro Finance Bank Limited	A-2	A-	JCR-VIS	1,000	-
United Bank Limited	A-1+	AA+	JCR-VIS	1,024,881	812,337
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	517,783	200,025
				<b>2,645,424</b>	<b>2,095,364</b>

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amount due from other insurers/reinsurers	Reinsurance recoveries against outstanding claims	2010	2009
			(Rupees in thousand)	
A or above (including PRCL)	826,342	5,048,642	5,874,984	2,093,212
BBB	187,960	1,145,093	1,333,053	474,788
Others	9,282	59,467	68,749	24,524
Total	1,023,584	6,253,202	7,276,786	2,592,524

## 28.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2010			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees in thousand)			
<b>Financial liabilities</b>				
Provision for outstanding claims	7,980,409	7,980,409	7,980,409	-
Amount due to insurers / reinsurers	1,581,965	1,581,965	1,581,965	-
Accrued expenses	147,995	147,995	147,995	-
Unclaimed dividend	29,121	29,121	29,121	-
Other creditors and accruals	1,520,732	1,520,732	1,520,732	-
Liabilities against assets subject to finance lease	107,637	137,609	39,312	98,297
	<b>11,367,859</b>	<b>11,397,831</b>	<b>11,299,534</b>	<b>98,297</b>
	2009			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees in thousand)			
<b>Financial liabilities</b>				
Provision for outstanding claims	3,575,903	3,575,903	3,575,903	-
Amount due to insurers / reinsurers	948,716	948,716	948,716	-
Accrued expenses	139,319	139,319	139,319	-
Unclaimed dividend	25,965	25,965	25,965	-
Other creditors and accruals	970,573	970,573	970,573	-
Liabilities against assets subject to finance lease	148,911	204,828	45,514	159,314
	<b>5,809,387</b>	<b>5,865,304</b>	<b>5,705,990</b>	<b>159,314</b>

## 28.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk, price risk and currency risk.

### a) Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / markup rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest markup rate profile of the Company's significant interest / markup bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective interest rate (in%)		Carrying amounts	
	(Rupees in thousand)			
<b>Fixed rate financial instruments</b>				
<b>Financial assets</b>				
Investments-PIBs and DSCs	14% to 16%	14% to 16%	123,078	613,380
Loans	5%	5%	39,754	19,504
<b>Floating rate financial instruments</b>				
<b>Financial assets</b>				
Bank deposits	2.5%-15%	2.5%-15%	2,474,721	1,906,421
Investments -TFCs	9.3%-15.5%	9.3%-15.5%	162,661	177,772
<b>Financial liabilities</b>				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2 to 2.5 percent		107,637	148,911

### Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all variables remain constant.

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in thousand)	
<b>As at 31 December 2010</b>		
Cash flow sensitivity-variable rate financial liabilities	(1,076)	1,076
Cash flow sensitivity-variable rate financial assets	26,374	(26,374)
<b>As at 31 December 2009</b>		
Cash flow sensitivity-variable rate financial liabilities	(1,489)	1,489
Cash flow sensitivity-variable rate financial assets	20,842	(20,842)

### b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the company's investments in equity securities for which prices in the future are uncertain. The company policy is to manage price risk through selection of blue chip securities.

The Company's strategy is to hold its strategic equity investments on long term basis. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

The Company has investments in quoted equity securities amounting to Rupees 7,308.153 million (2009: Rupees 7,591.114 million) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

## Sensitivity Analysis

As the entire investment portfolio has been classified in the available-for-sale category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	—————(Rupees in thousand)—————	
<b>2010</b>		
Effect of increase in share price	<b>79,988</b>	<b>79,988</b>
Effect of decrease in share price	<b>(90,729)</b>	<b>(90,729)</b>
<b>2009</b>		
Effect of increase in share price	75,945	75,945
Effect of decrease in share price	(742,703)	(742,703)

## c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 3,929.319 million (2009: Rupees 2,811.675 million) and Rupees 3,011.519 million (2009: Rupees 2,165.203 million) respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2010	2009
	————— (Rupees) —————	
<b>Rupees per US Dollar</b>		
Average rate	<b>85.16</b>	81.72
Reporting date rate	<b>85.70</b>	84.10
<b>Rupees per AED</b>		
Average rate	<b>23.185</b>	22.24
Reporting date rate	<b>23.33</b>	22.9

## 28.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers, carefully selected and approved, or dispersed over several geographical regions.

Experience shows that larger is the portfolio of similar insurance contracts, smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance policies usually cover twelve month duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

**a) Geographical concentration of insurance risk**

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

**b) Reinsurance arrangements**

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the company.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with the Securities and Exchange Commission of Pakistan on an annual basis.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

The concentration of risk by type of contracts is summarized below by reference to liabilities:

	Gross sum insured		Reinsurance		Net	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
Fire	2,420,943,660	2,719,659,322	1,692,898,065	1,787,340,739	728,045,595	932,318,583
Marine	1,342,046,500	1,079,711,929	176,107,263	139,707,048	1,165,939,237	940,004,881
Motor	70,302,006	91,732,566	1,074,007	1,264,496	69,227,999	90,468,070
Miscellaneous	334,429,165	237,486,155	123,545,771	147,311,927	210,883,394	90,174,228
	<b>4,167,721,331</b>	<b>4,128,589,972</b>	<b>1,993,625,106</b>	<b>2,075,624,210</b>	<b>2,174,096,225</b>	<b>2,052,965,762</b>

## c) Neutral assumptions for claims estimation

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

## d) Sensitivity Analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax profit		Share holders' equity	
	2010	2009	2010	2009
	(Rupees in thousand)			
<b>10% increase in loss</b>				
<b>Net:</b>				
Fire	(103,080)	(65,045)	(67,002)	(42,279)
Marine	(54,596)	(41,888)	(35,487)	(27,227)
Motor	(226,686)	(243,554)	(147,346)	(158,310)
Miscellaneous	(98,067)	(93,731)	(63,744)	(60,925)
	<b>(482,429)</b>	<b>(444,218)</b>	<b>(313,579)</b>	<b>(288,741)</b>

	Pre tax profit		Share holders' equity	
	2010	2009	2010	2009
	(Rupees in thousand)			
<b>10% decrease in loss</b>				
<b>Net:</b>				
Fire	<b>103,080</b>	65,045	<b>67,002</b>	42,279
Marine	<b>54,596</b>	41,888	<b>35,487</b>	27,227
Motor	<b>226,686</b>	243,554	<b>147,346</b>	158,310
Miscellaneous	<b>98,067</b>	93,731	<b>63,744</b>	60,925
	<b>482,429</b>	444,218	<b>313,579</b>	288,741

**e) Claims development tables**

The following table shows the development of claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2008	2009	2010	Total
	(Rupees in thousand)			
Estimate of ultimate claims cost:				
At end of accident year	7,536,533	6,327,871	<b>10,646,502</b>	24,510,906
One year	7,122,262	6,194,680	-	13,316,942
Two years later	7,123,876	-	-	7,123,876
Estimate of cumulative claims	7,123,876	6,194,680	<b>10,646,502</b>	23,965,058
Less: Cumulative payments to date	6,753,472	5,866,061	<b>3,779,608</b>	16,399,141
<b>Liability recognized</b>	<b>370,404</b>	<b>328,619</b>	<b>6,866,894</b>	<b>7,565,917</b>

**29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements. There were no financial instruments as at the reporting date aggregately measured and stated at fair value subsequent to initial recognition. Therefore, analysis under following groups from levels 1 to 3 based on the degree to which fair value is observable is not produced:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non market observable)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 30. FINANCIAL INSTRUMENTS BY CATEGORIES

As at 31 December 2010

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
<b>Financial assets</b>			
Cash and other equivalents	59,393	-	59,393
Current and other accounts	1,060,597	-	1,060,597
Deposits maturing within 12 months	1,584,827	-	1,584,827
Loan to employees	39,754	-	39,754
Investments	-	9,406,998	9,406,998
Premiums due but unpaid	4,546,222	-	4,546,222
Amounts due from other insurers/ reinsurers	993,584	-	993,584
Salvage recoveries accrued	99,636	-	99,636
Accrued investment income	33,445	-	33,445
Reinsurance recoveries against outstanding claims	6,253,202	-	6,253,202
Sundry receivables	239,132	-	239,132
	<b>14,909,792</b>	<b>9,406,998</b>	<b>24,316,790</b>

As at 31 December 2010

	Financial liabilities at amortized cost
	(Rupees in thousand)
<b>Financial liabilities</b>	
Provision for outstanding claims (including IBNR)	7,980,409
Amounts due to other insurers / reinsurers	1,581,965
Accrued expenses	147,995
Other creditors and accruals	1,520,732
Unclaimed dividends	29,121
Liabilities against assets subject to finance lease	107,637
	<b>11,367,859</b>

As at 31 December 2009

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
<b>Financial assets</b>			
Cash and other equivalents	61,740	-	61,740
Current and other accounts	686,915	-	686,915
Deposits maturing within 12 months	1,408,449	-	1,408,449
Loan to employees	45,769	-	45,769
Investments	-	9,658,030	9,658,030
Premiums due but unpaid	3,818,046	-	3,818,046
Amounts due from other insurers/ reinsurers	716,962	-	716,962
Salvage recoveries accrued	115,753	-	115,753
Accrued investment income	41,307	-	41,307
Reinsurance recoveries against outstanding claims	1,845,562	-	1,845,562
Sundry receivables	118,255	-	118,255
	<b>8,858,758</b>	<b>9,658,030</b>	<b>18,516,788</b>

As at 31 December 2009

	<b>Financial liabilities at amortized cost</b>
	(Rupees in thousand)
<b>Financial liabilities</b>	
Provision for outstanding claims (including IBNR)	3,575,903
Amounts due to other insurers / reinsurers	948,716
Accrued expenses	139,319
Other creditors and accruals	970,573
Unclaimed dividends	25,965
Liabilities against assets subject to finance lease	148,911
	<u>5,809,387</u>

### 31. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on 22 March 2011 proposed a final cash dividend for the year ended 31 December 2010 @ 15% i.e Rupees 1.5/- per share (2009: @ 15% i.e Rupee 1.5/- per share). This is in addition to the interim dividend @ 10% i.e Rupee 1/- per share (2009: @ 15% i.e Rupees 1.5/- per share) resulting in a total dividend for the year ended 31 December 2010 of Rupees 2.5/- per share (2009: Rupees 3/- per share). For the year ended 31 December 2010 bonus shares issued were Nil (2009: @ 10%). The approval of the members for the cash dividend will be obtained at the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended 31 December 2010 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 31 December 2011.

### 32. CAPITAL RISK MANAGEMENT

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

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

	<b>2010</b>	2009
	(Number)	
<b>33. NUMBER OF EMPLOYEES AT 31 DECEMBER</b>	<u>978</u>	<u>1,088</u>

### 34. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements have been approved and authorized for issue by the Board of Directors of the company in their meeting dated 22 March 2011.

### 35. GENERAL

No significant reclassification or rearrangement of corresponding figures has been made during the year.

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

  
Umer Mansha  
Chairman

  
S.M. Jawed  
Director

  
Ahmed Ebrahim Hasham  
Director

  
Muhammad Ali Zeb  
Managing Director & Chief Executive Officer