

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED 30 JUNE 2010 (UNAUDITED)

1. THE GROUP AND ITS OPERATIONS

The group consists of:

Holding company

Adamjee Insurance Company Limited

Subsidiary company

Percentage holding of Adamjee Insurance Company Limited

Adamjee Life Assurance Company Limited 55%

Adamjee Insurance Company Limited (holding company)

Adamjee Insurance Company Limited (holding company) is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the 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.

The Company also operates branches in the United Arab Emirates (UAE), 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.

Adamjee Life Assurance Company Limited (subsidiary company)

Adamjee Life Assurance Company Limited (Subsidiary Company) was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Ordinance, 1984 and started its operations from 24 April 2009. The registered office of the Company is located at MCB Building, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at Third Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is an associate of IVM Intersurer B.V. 45% in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited (HLA), a subsidiary of IVM Intersurer B.V., to act on its behalf. HLA is South Africa's largest private sector insurance company.

The Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of its each class of life assurance business:

- Conventional Business
- Accident and Health
- Non-unitized Investment Linked Business

2. BASIS OF PREPARATION

a) Statement of Compliance

This consolidated condensed interim financial report of the company for the six months period ended 30 June 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case where requirements differ, the provisions or directives of 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 "Investment available-for-sale" until suitable amendments have been made in the law. Accordingly, the requirements of IAS - 39, to the extent allowed by SECP, have not been considered in the preparation of this consolidated condensed financial information.

b) Basis of presentation

This consolidated condensed interim financial information comprises the consolidated financial information of Adamjee Insurance Company Limited and its subsidiary company, Adamjee Life Assurance Company Limited, as at 30 June 2010. The condensed interim financial information of the subsidiary companies has been consolidated on line by line basis. All inter company balances and transaction have been eliminated.

3. BASIS OF MEASUREMENT

This consolidated condensed interim financial information has been prepared under the historical cost convention except that obligations under certain employee benefits are measured at present value.

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2009.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgments and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those applied to the preceding annual published financial statements of the company for the year ended 31 December 2009.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

The income tax assessments of the company have been finalized up to and including the tax year 2009. 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 had filed an appeal before the ITAT against the order of the Additional Commissioner, which has been decided in favour of the company. However, during the period the company received a notice from additional commissioner for reassessment of the case. However, 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 Ordinance 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 Income Tax Appellate Tribunal.
- vii) During the period 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 this consolidated condensed interim financial information 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.

6.2 Commitments

There were no capital or other commitments as at 30 June 2010 (31 December 2009: Nil).

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FOR THE HALF YEAR ENDED 30 JUNE 2010 (UNAUDITED)

7. INVESTMENTS	Note	30 June 2010	31 December 2009
(Rupees in thousand)			
Held to maturity			
1 year treasury bills		195,159	96,523
Available-for-sale In related parties			
Marketable securities		5,688,704	6,223,534
Less: Provision for impairment in value of investments		-	-
		5,688,704	6,223,534
Others			
Marketable securities		4,195,053	3,530,982
Less: Provision for impairment in value of investments		(668,464)	(541,300)
		3,526,589	2,989,682
Fixed income investments		-	504,090
		3,526,589	3,493,772
At fair value through profit or loss			
Marketable securities		1,480	1,615
		9,411,932	9,815,444
8. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		3,844,538	3,841,755
Considered doubtful		121,670	119,530
		3,966,208	3,961,285
Less: Provision for doubtful balances	6.1	(121,670)	(119,530)
		3,844,538	3,841,755
8.1 Reconciliation of provision for doubtful balances			
Opening provision		119,530	46,793
Exchange loss		48	90
Charge for the period		7,500	90,864
Written off during the period		(5,408)	(18,217)
Closing provision		121,670	119,530
9. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured			
Considered good		759,267	716,962
Considered doubtful		30,000	30,000
		789,267	746,962
Less: Provision for doubtful balances	9.1	(30,000)	(30,000)
		759,267	716,962
9.1 Reconciliation of provision for doubtful balances			
Opening provision		30,000	61,396
Charge for the period		-	50,390
Written off during the period		-	(81,786)
Closing provision		30,000	30,000
10. FIXED ASSETS		Half year ended 30 June 2010	Half year ended 30 June 2009
10.1 The following capital expenditure was incurred during the period:		(Rupees in thousand)	
Owned			
Building		26,310	-
Furniture and fixtures		3,215	11,448
Motor vehicles		21,913	27,075
Machinery and equipment		9,287	44,557
Computer and related accessories		19,083	4,283
Intangible Assets		533	18,037
		80,341	105,400
Leased			
Motor vehicles		-	42,781
		80,341	148,181

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FOR THE HALF YEAR ENDED 30 JUNE 2010 (UNAUDITED)

Half year ended
30 June 2010

Half year ended
30 June 2009

(Rupees in thousand)

10.2 The following are the written down values of fixed assets disposed off during the period:

Furniture and fixtures	352	435
Motor vehicles	11,896	15,327
Machinery and equipment	289	2,821
Computer and related accessories	70	662
	<u>12,607</u>	<u>19,245</u>
Leased		
Motor vehicles	6,979	-
	<u>19,586</u>	<u>19,245</u>

11. TRANSACTIONS WITH RELATED PARTIES

Subsidiary company

Associated undertakings

Claims expense	15,504	-
Commission expense in respect of Bancassurance	22,039	-
Technical support fee	7,184	2,920

Holding Company

Premium underwritten	590,509	491,486
Premium received	520,358	530,939
Premium ceded	541	11,836
Claims paid	248,939	313,417
Rent paid	5,289	4,508
Dividend received	132,467	101,110
Dividend paid	60,126	36,155
Remuneration of directors and key management personnel	38,883	33,291

Number of shares

Bonus shares received	2,114,852	1,922,593
Bonus shares issued	4,008,442	-

12. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding company in their meeting held on 25 August 2010 proposed an interim cash dividend for the half year ended 30 June 2010 @ 10% Rupee 1.00/- share (2009: @ 15% Rupee 1.5/- share). The consolidated condensed interim financial information for the half year ended 30 June 2010 do not include the effect of this appropriations which will be accounted for in the consolidated financial statements for the year ending 31 December 2010.

13. SEGMENT REPORTING

For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Segment wise revenue and results have been disclosed in the profit and loss account. Following is a schedule of segment wise assets and liabilities:

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FOR THE HALF YEAR ENDED 30 JUNE 2010 (UNAUDITED)

	30 June, 2010		
	Segment assets	Segment liabilities	Net assets
	(Rupees in thousand)		
General Insurance			
Fire and Property Damage	4,111,270	3,760,728	350,542
Marine, Aviation and Transport	679,281	544,594	134,687
Motor	2,818,941	3,894,927	(1,075,986)
Miscellaneous	1,720,765	1,881,541	(160,776)
Treaty	-	22,962	(22,962)
Life Insurance			
Conventional Business	46,609	46,609	-
Non-unitized Investment Linked Business	27,688	27,688	-
Accident and Health Business	169	169	-
	Segment assets Unallocated assets	Segment liabilities Unallocated liabilities	Net assets
	(Rupees in thousand)		
Unallocated corporate assets / liabilities	13,729,312	1,858,822	11,870,490
Total			11,095,995
Capital expenditure			80,341
	31 December, 2009		
	Segment assets	Segment liabilities	Net assets
	(Rupees in thousand)		
General Insurance			
Fire and Property Damage	3,618,471	3,351,127	267,344
Marine, Aviation and Transport	688,623	514,526	174,097
Motor	2,707,357	3,789,672	(1,082,315)
Miscellaneous	1,387,620	1,571,735	(184,115)
Treaty	-	22,962	(22,962)
Life Insurance			
Conventional Business	41,398	41,398	-
Accident and Health Business	9	9	-
Unallocated corporate assets / liabilities	13,420,137	1,593,066	11,827,071
Total			10,979,120
Capital expenditure			180,434

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14. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

15. AUTHORISATION FOR ISSUE

These condensed interim consolidated financial information have been authorized for issue on 25 August 2010 by the Board of Directors of the Company.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive





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