Central Insurance Company Limited

Annual Report

For the year ended 31st December, 2009

We hold the Key to all your insurance needs

Annual Report 09

We hold the Key to all your insurance needs

Our staff is experienced, courteous and dedicated to making sure that you get the best coverage that you need at a price that fits your budget.

We at Central Insurance Company Limited are committed to providing you with quality solutions for all your Fire, Marine, Motor and other Miscellaneous insurance problems.

Contents

Vision and Mission

Vision

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

Mission

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

Company Information

BOARD OF DIRECTORS

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

BOARD AUDIT COMMITEE

Aleem A. Dani (Chairman)
Shahid Hamid Pracha (Member)
Aziz Moon (Member)
Haroon Mahenti (Member)

COMPANY SECRETARY & CFO

Ghulam Haider

EXECUTIVES AT HEAD OFFICE

Mirza Akhtar Baig (Manager)
Shehla Hashim (Dy. Manager)

AUDITORS

KPMG Taseer Hadi & Co.
(Chartered Accountants)
Shiekh Sultan Trust Building,
Beaumont Road,
Karachi.
Website: www.kpmg.com.pk

BANKERS

Barclays Bank PLC Pakistan
Bank Al Habib Limited
Meezan Bank Limited
Atlas Bank Limited
Standard Chartered Bank
Habib Bank Limited

SHARE REGISTRAR

C & K Management Associates (Pvt.) Ltd.
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel,
Karachi - 75530

TAX CONSULTANT

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

LEGAL ADVISORS

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

REGISTERED OFFICE

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

BRANCH OFFICE LAHORE

35-A, Empress Road, Lahore-54000

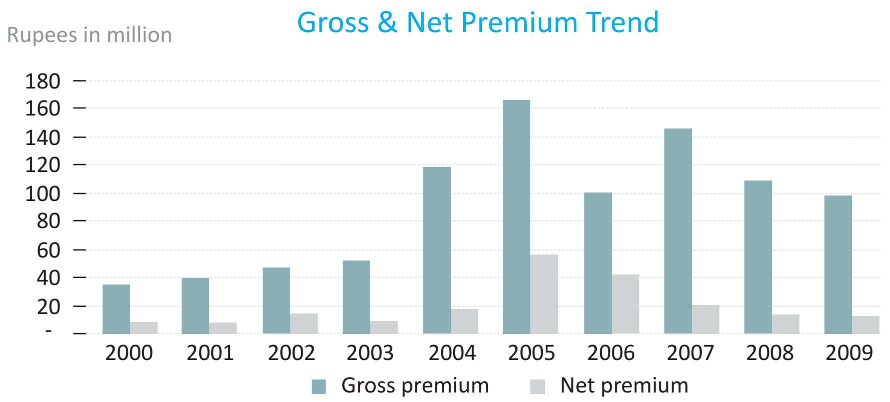
Key Financial Data

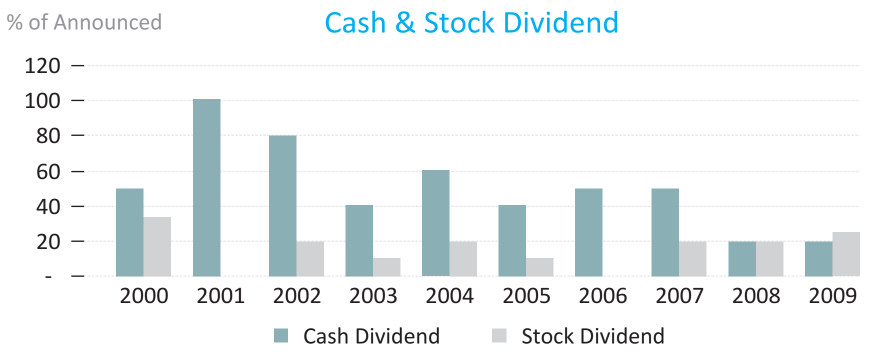
Particulars	2009	2008	2007
Earnings			
Gross premium	98,610	110,070	145,629
Net Premium	13,397	14,758	20,851
Underwriting Profit	10,774	14,993	12,612
Investments Income & provision for impairment	(849,063)	128,412	2,752,567
Profit / (loss) before taxation	(844,897)	133,687	2,764,738
Profit / (loss) after taxation	(855,118)	116,421	2,747,982
Pay Out Information %			
Cash Dividend	20	20	50
Stock Dividend	25	20	20
Balance Sheet			
Paid Up Capital	203,039	184,581	139,834
Equity	3,293,190	4,187,070	4,115,396
Investments - Book Value	3,249,876	4,124,141	4,017,496
Investments - Market Value	3,272,340	1,991,293	4,108,830
Cash & Bank Deposits	65,136	64,773	97,520
Fixed Assets	2,558	3,187	4,103
Total Assets	3,448,921	4,343,680	4,303,732
Operating Performance			
Earning Per Share Basic and Diluted (Rupees)	(42.12)	5.73	148.88
Break up Value per Share (Rupees)	162.19	227.13	294.31
Underwriting Result to Net Premium %	80.42	101.59	60.48
Return on Investments %	(26.13)	3.11	68.51

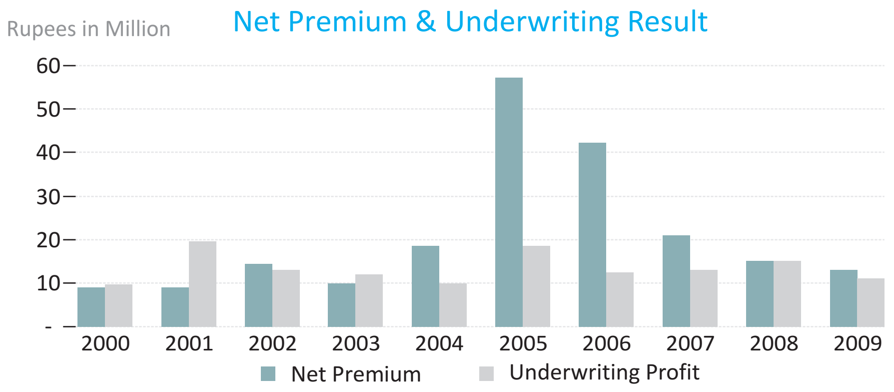
Rupees In thousand

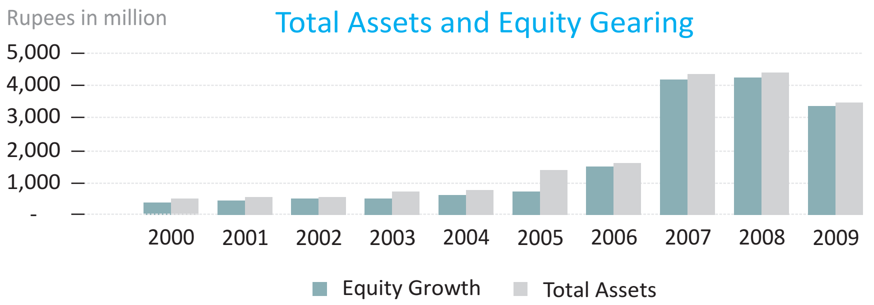
2006	2005	2004	2003	2002	2001	2000
101,327	166,022	119,033	52,763	47,174	40,419	35,120
42,073	56,969	18,590	9,987	14,512	8,990	9,020
12,453	18,405	10,008	12,012	13,182	19,672	9,736
767,673	243,127	127,560	89,391	107,117	81,347	60,590
730,310	222,449	156,116	102,555	117,925	99,055	67,080
750,090	200,640	131,621	77,369	104,817	76,855	43,870
50	40	60	40	80	100	50
-	10	20	10	20	-	33.33
139,834	127,122	105,935	96,305	80,254	80,254	60,190
1,458,306	754,615	579,399	511,340	472,493	431,879	370,045
1,146,086	1,099,115	455,708	365,150	360,175	363,698	365,809
2,769,434	3,127,928	1,831,616	1,506,640	1,009,625	484,417	530,832
307,548	87,857	109,758	154,156	135,723	119,573	81,252
5,624	6,158	4,633	2,471	492	551	534
1,585,050	1,359,547	772,550	712,644	551,992	540,939	471,330
53.64	14.35	10.35	7.30	10.88	10.69	7.29
104.29	59.36	54.69	53.09	58.88	48.94	61.48
29.60	32.31	53.84	120.28	90.84	218.82	107.94
66.98	22.12	27.99	24.48	29.74	22.37	16.56

Graphical Presentation

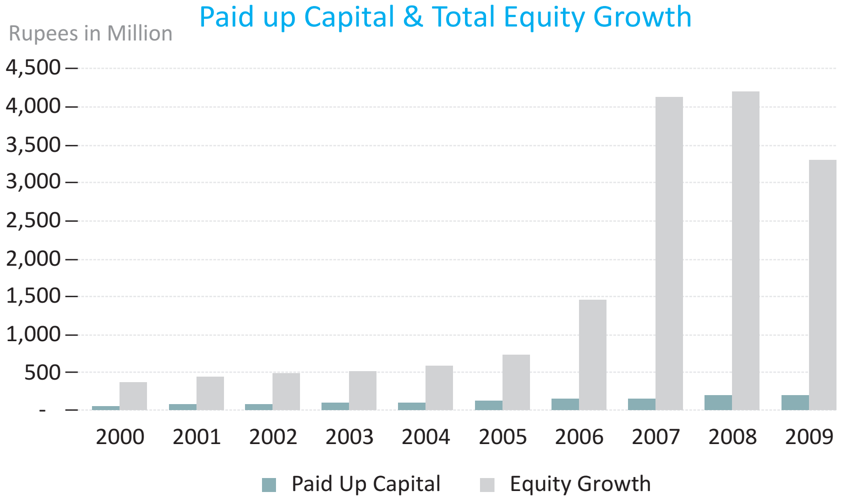






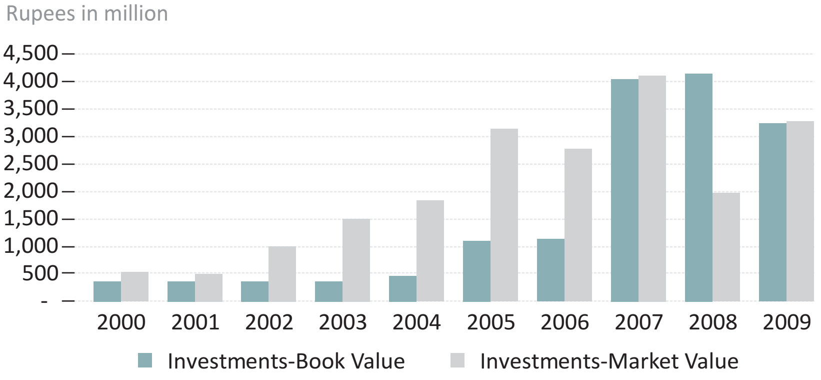


Paid up Capital & Total Equity Growth



Profit Before & After Tax

Investment Book Value & Market Value



Investments Income

Horizontal Analysis

Balance Sheet

Particulars	2005	2006
	Rupees in '000'	
Cash and bank deposits	87,857	307,548
Investments	1,099,115	1,146,086
Deferred tax	2,944	16,254
Premiums due but unpaid	20,295	9,381
Amounts due from other insurers / reinsurers	78,548	10,741
Accrued investment income	398	58
Reinsurance recoveries against outstanding claims	19,496	21,558
Prepaid reinsurance premium ceded	26,711	22,796
Deferred commission expense	10,871	7,951
Taxation - payments less provision	3,453	35,695
Sundry receivables	2,867	1,358
Fixed assets	6,158	5,624
Total Assets	**1,358,713**	**1,585,050**
Paid up share capital	127,122	139,834
Retained earnings	456,269	1,185,384
Reserves	145,800	133,088
Provision for outstanding claims [including IBNR]	33,595	43,849
Provision for unearned premium	53,558	31,442
Commission income unearned	5,198	3,950
Deferred Liabilities	1,920	1,260
Premiums received in advance	2,849	1,073
Amounts due to other insurers / reinsurers	28,847	13,320
Accrued expenses	17,156	12,124
Other creditors and accruals	21,111	12,241
Short term finance	430,581	-
Unclaimed dividend	34,707	7,485
Total Shareholders' Equity and Liabilities	**1,358,713**	**1,585,050**

2007	2008	2009	06 Over 05	07 Over 06	08 Over 07	09 Over 08
Rupees in '000'			Percentage Change			
97,520	64,773	65,136	250.06%	-68.29%	-33.58%	0.56%
4,017,496	4,124,141	3,249,876	4.27%	250.54%	2.65%	-21.20%
10,498	850	828	452.11%	-35.41%	-91.90%	-2.59%
17,006	6,528	3,983	-53.78%	81.28%	-61.61%	-38.99%
29,464	10,730	4,304	-86.33%	174.31%	-63.58%	-59.89%
1,437	1,229	386	-85.43%	2377.59%	14.47%	-68.59%
20,795	32,528	69,396	10.58%	-3.54%	56.42%	113.34%
66,933	60,413	32,415	-14.66%	193.62%	-9.74%	-46.34%
861	269	110	-26.86%	-89.17%	-68.76%	-59.11%
34,986	37,737	19,688	933.74%	-1.99%	7.86%	-47.83%
2,633	1,295	241	-52.63%	93.89%	-50.82%	-81.39%
4,103	3,187	2,558	-8.67%	-27.04%	-22.33%	-19.74%
4,303,732	**4,343,680**	**3,448,921**	**16.66%**	**171.52%**	**0.93%**	**-20.60%**
139,834	184,581	203,039	10.00%	0.00%	32.00%	10.00%
3,842,474	3,869,401	2,957,063	159.80%	224.15%	0.70%	-23.58%
133,088	133,088	133,088	-8.72%	0.00%	0.00%	0.00%
41,021	52,768	93,719	30.52%	-6.45%	28.64%	77.61%
70,993	59,914	34,633	-41.29%	125.79%	-15.61%	-42.20%
5,958	3,351	2,833	-24.01%	50.84%	-43.76%	-15.46%
780	845	923	-34.38%	-38.10%	8.33%	9.23%
13	-	-	-62.34%	-98.79%	-100.00%	0.00%
28,272	21,862	10,164	-53.83%	112.25%	-22.67%	-53.51%
2,100	2,833	2,468	-29.33%	-82.68%	34.90%	-12.88%
11,844	5,430	2,776	-42.02%	-3.24%	-54.15%	-48.88%
-	-	-	-100.00%	0.00%	0.00%	0.00%
27,355	9,607	8,215	-78.43%	265.46%	-64.88%	-14.49%
4,303,732	**4,343,680**	**3,448,921**	**16.66%**	**171.52%**	**0.93%**	**-20.60%**

Vertical Analysis

Balance Sheet

Particulars	2005	2006	2007
	Rupees in '000'		
Cash and bank deposits	87,857	307,548	97,520
Investments	1,099,115	1,146,086	4,017,496
Deferred tax	2,944	16,254	10,498
Premiums due but unpaid	20,295	9,381	17,006
Amounts due from other insurers / reinsurers	78,548	10,741	29,464
Accrued investment income	398	58	1,437
Reinsurance recoveries against outstanding claims	19,496	21,558	20,795
Prepaid reinsurance premium ceded	26,711	22,796	66,933
Deferred commission expense	10,871	7,951	861
Taxation - payments less provision	3,453	35,695	34,986
Sundry receivables	2,867	1,358	2,633
Fixed assets	6,158	5,624	4,103
Total Assets	**1,358,713**	**1,585,050**	**4,303,732**
Paid up share capital	127,122	139,834	139,834
Retained earnings	456,269	1,185,384	3,842,474
Reserves	145,800	133,088	133,088
Provision for outstanding claims [including IBNR]	33,595	43,849	41,021
Provision for unearned premium	53,558	31,442	70,993
Commission income unearned	5,198	3,950	5,958
Deferred tax	1,920	1,260	780
Premiums received in advance	2,849	1,073	13
Amounts due to other insurers / reinsurers	28,847	13,320	28,272
Accrued expenses	17,156	12,124	2,100
Other creditors and accruals	21,111	12,241	11,844
Short term finance	430,581	-	-
Unclaimed dividend	34,707	7,485	27,355
	1,358,713	**1,585,050**	**4,303,732**

2008	2009	2005	2006	2007	2008	2009
Rupees in '000'		Percentage				
64,773	65,136	6.47%	19.40%	2.27%	1.49%	1.89%
4,124,141	3,249,876	80.89%	72.31%	93.35%	94.95%	94.23%
850	828	0.22%	1.03%	0.24%	0.02%	0.02%
6,528	3,983	1.49%	0.59%	0.40%	0.15%	0.12%
10,730	4,304	5.78%	0.68%	0.68%	0.25%	0.12%
1,229	386	0.03%	0.00%	0.03%	0.03%	0.01%
32,528	69,396	1.43%	1.36%	0.48%	0.75%	2.01%
60,413	32,415	1.97%	1.44%	1.56%	1.39%	0.94%
269	110	0.80%	0.50%	0.02%	0.01%	0.00%
37,737	19,688	0.25%	2.25%	0.81%	0.87%	0.57%
1,295	241	0.21%	0.09%	0.07%	0.03%	0.01%
3,187	2,558	0.45%	0.35%	0.10%	0.07%	0.07%
4,343,680	**3,448,921**	**100%**	**100%**	**100%**	**100%**	**100%**
184,581	203,039	9.36%	8.82%	3.25%	4.25%	5.89%
3,869,401	2,957,063	33.58%	74.79%	89.28%	89.08%	85.74%
133,088	133,088	10.73%	8.40%	3.09%	3.06%	3.86%
52,768	93,719	2.47%	2.77%	0.95%	1.21%	2.72%
59,914	34,633	3.94%	1.98%	1.65%	1.38%	1.00%
3,351	2,833	0.38%	0.25%	0.14%	0.08%	0.08%
845	923	0.14%	0.08%	0.02%	0.02%	0.03%
-	-	0.21%	0.07%	0.00%	0.00%	0.00%
21,862	10,164	2.12%	0.84%	0.66%	0.50%	0.29%
2,833	2,468	1.26%	0.76%	0.05%	0.07%	0.07%
5,430	2,776	1.55%	0.77%	0.28%	0.13%	0.08%
-	-	31.69%	0.00%	0.00%	0.00%	0.00%
9,607	8,215	2.55%	0.47%	0.64%	0.22%	0.24%
4,343,680	**3,448,921**	**100%**	**100%**	**100%**	**100%**	**100%**

Horizontal Analysis

Profit and Loss Account

Particulars	2005	2006
	Rupees in '000'	
Net premium revenue	56,969	42,073
Net claims	(23,446)	(26,344)
Expenses	(7,752)	(7,228)
Net commission	(7,366)	3,952
Investment income	243,127	768,169
Provision for Impairment	-	-
Other income	2,940	843
Financial charges	(32,740)	(40,691)
General and administration expenses	(9,283)	(10,464)
Taxation	(21,809)	19,780
(Loss) / profit after tax	**200,640**	**750,090**
(Loss) / Earning per share	**15.78**	**53.64**

Vertical Analysis

Profit and Loss Account

Particulars	2005	2006	2007
	Rupees in '000'		
Net premium revenue	56,969	42,073	20,851
Net claims	(23,446)	(26,344)	(8,713)
Expenses	(7,752)	(7,228)	(7,510)
Net commission	(7,366)	3,952	7,984
Investment income	243,127	768,169	2,752,567
Provision for Impairment	-	-	-
Other income	2,940	843	12,184
Financial charges	(32,740)	(40,691)	(161)
General and administration expenses	(9,283)	(10,464)	(12,464)
Taxation	(21,809)	19,780	(16,756)
Loss / (profit) after tax	**200,640**	**750,090**	**2,747,982**

2007	2008	2009	06 Over 05	07 Over 06	08 Over 07	09 Over 08
Rupees in '000'			Percentage Change			
20,851	14,758	13,397	-26.15%	-50.44%	-29.22%	-9.22%
(8,713)	(6,562)	(7,695)	12.36%	-66.93%	-24.69%	17.27%
(7,510)	(6,263)	(10,075)	-6.76%	3.90%	-16.60%	60.87%
7,984	13,060	15,147	-153.65%	102.02%	63.58%	15.98%
2,752,567	142,741	(111,619)	215.95%	258.33%	-94.81%	-178.20%
-	(14,322)	(737,444)	0.00%	0.00%	100.00%	5049.03%
12,184	3,392	6,136	-71.33%	1345.31%	-72.10%	80.52%
(161)	(141)	(402)	24.29%	-99.60%	-12.42%	185.11%
(12,464)	(12,976)	(12,342)	12.72%	19.11%	4.11%	-4.89%
(16,756)	(17,266)	(10,221)	-190.70%	-184.71%	3.04%	-40.80%
2,747,982	**116,421**	**(855,118)**	273.85%	266.35%	-95.76%	-834.50%
196.52	**5.73**	**(42.12)**	273.80%	177.55%	-96.15%	-835.08%

2008	2009	2005	2006	2007	2008	2009
Rupees in '000'		Percentage				
14,758	13,397	28.39%	5.61%	0.76%	12.68%	-1.57%
(6,562)	(7,695)	-11.69%	-3.51%	-0.32%	-5.64%	0.90%
(6,263)	(10,075)	-3.86%	-0.96%	-0.27%	-5.38%	1.18%
13,060	15,147	-3.67%	0.53%	0.29%	11.22%	-1.77%
142,741	(111,619)	121.18%	102.41%	100.17%	122.61%	13.05%
(14,322)	(737,444)	0.00%	0.00%	0.00%	-12.30%	86.24%
3,392	6,136	1.47%	0.11%	0.44%	2.92%	-0.72%
(141)	(402)	-16.32%	-5.42%	-0.01%	-0.12%	0.05%
(12,976)	(12,342)	-4.63%	-1.40%	-0.45%	-11.15%	1.44%
(17,266)	(10,221)	-10.87%	2.64%	-0.61%	-14.83%	1.20%
116,421	**(855,118)**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Notice of Annual General Meeting

Notice is hereby given that the Fiftieth Annual General Meeting of Central Insurance Company Limited will, Insha Allah, be held on Friday April 30, 2010, at 3:30 p.m at Ambassador Hall 1, Karachi Marriott Hotel, Abdullah Haroon Road, Karachi to transact the following business after recitation from the Holy Quran.

A. ORDINARY BUSINESS:

1) To confirm the Minutes of the Annual General Meeting held on Wednesday April 22, 2009.

2) To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2009 together with the Auditors' and Directors' Reports' thereon.

3) To consider and if thought fit, approve payment of final cash dividend at the rate of 10% (Re.1 per share) for the year ended December 31, 2009 as recommended by the Board of Directors. This is in addition to the interim cash dividend of 10% (Re.1 per share) already paid during the year.

4) To appoint Auditors for the year ending December 31, 2009 and to fix their remuneration The retiring Auditors M/s. KPMG Taseer Hadi & Company, being eligible, offer themselves for re-appointment.

B. SPECIAL BUSINESS:

5) To approve the issue of Bonus Shares in the ratio of 2.5 bonus share(s) for every 10 existing Ordinary Shares held by the shareholders (25%) as recommended by the Board of Directors. To give effect to the above, the Directors have recommended to consider and, if thought fit, pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that a sum of Rs. 50,759,930 (Rupees fifty million seven hundred fifty nine thousand nine hundred thirty only) be capitalized out of the unappropriated profit of the Company and applied towards the issue of 5,075,993 Ordinary Shares of Rs.10/- each as fully paid bonus shares to be allotted to the shareholders in proportion of two and half (2.5) shares for every ten (10) existing Ordinary Shares held by the Members of the Company who are registered on the books of the Company on April 23, 2010, and that, after allotment, such new shares shall rank pari passu in all respects with the existing Ordinary Shares of the Company. These bonus shares will not be eligible for the final cash dividend of 10% for the year ended December 31, 2009.

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

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

By Order of the Board

Karachi:
March 22, 2010

(Ghulam Haider)
Company Secretary &
Chief Financial Officer

Notes:

1. Closure of Share Transfer Books.

The Share transfer books of the Company will remain closed from April 24, 2010 to April 30, 2010 (both days inclusive). Transfer received in order at the office of our Registrar, M/S. C&K Management Associates (Pvt.) Ltd. 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi-75530 by the close of business (6:00 p.m.) on Friday April 23, 2010 will be treated in time for the purpose of payment of final cash dividend and issue of bonus shares to the transferees and to attend the meeting.

2. Participation in the Annual General Meeting

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

3. Proxy

A member of the Company may appoint other member as his/her Proxy to attend and vote instead of him/her. A Corporation being a member may appoint any person, whether or not a member of the Company, as it's Proxy. In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company's Shares Registrar, M/S. C&K Management Associates (Pvt.) Ltd. 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi-75530 with the Proxy Form.

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

4. Change of Address

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

Statement of material facts under Section 160(1)(b) of the Companies Ordinance, 1984 and information required under SRO 865(1)2000.

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

Item (5) of the Agenda

The Board of Directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 50,759,930 for the issue of Bonus Shares in the ratio of 2.5 Bonus Shares for every ten Ordinary Shares held i.e. 25%. The Directors of the Company, directly or indirectly, are not personally interested in this business except to the extent of their shareholding in the Company.

Directors' Report

Assalam-o-Alaikum. The Directors of Central Insurance Company Limited are pleased to present the Annual Report and audited financial statements for the financial year ended December 31, 2009.

Overall Economic Growth in the country has continued to suffer from the fall out of the international financial crisis of 2008 though the Corporate Sector managed to sustain its growth during the calendar year 2009 despite unstable economic conditions and somewhat unstable political situation.

The tight monetary policy adopted by the State Bank of Pakistan brought the rate of inflation down from very high levels witnessed at the start of the year. The twelve months moving average rate of inflation came down to 13.6% which resulted in easing the monetary policy with the discount rate falling to 12.5% from 15% prevailing at the beginning of the year. It is expected that these reductions in rates would bode well for the economy and should help industrial output to its former levels.

As a result of the general economic conditions in the country, the growth in the Insurance Industry remained almost static. The figures released recently by the Insurance Association of Pakistan for nine months ended 30th September, 2009 in fact showed a slight downward trend as the total Gross Written Premium recorded during the nine months of 2009 stood at Rs. 27,313 million as against Rs. 27,535 million in the corresponding period 2008.

After protracted discussions, the SECP has finally promulgated the implementation of requirements of IFRS-4 in the annual financial statements of the Insurance Industry for the year ending December 31, 2009. These would mainly concern additional reporting on the various aspects of the

Accounts, especially in the Explanatory Notes.

Company Performance

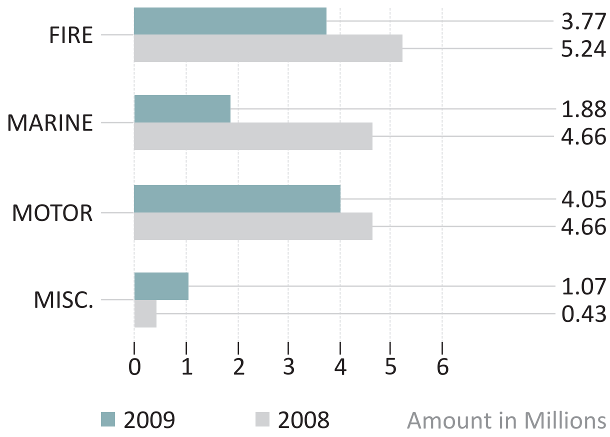
During the year under review the gross premium income of your company has been recorded at Rs. 98.61 million as against Rs. 110.07 million recorded last year, a short fall of 10%. Resultantly, the net premium stood at Rs. 13.40 million compared to Rs. 14.75 million for the corresponding period last year. The major reason for the reduction was the lower premium on oil imports. A brief summary of the operational highlights for the year is as under:

Rupees in Million

Particulars	2009	2008	Change %
Gross Premium	98.61	110.07	-10%
Net Premium	13.40	14.75	-9%
Net Claims	7.69	6.56	17%
Underwriting Result	10.77	14.99	-28%
Investment & Other income	(842.93)	131.81	-740%
Profit before tax	(844.81)	133.68	-732%
Profit after tax	(855.07)	116.42	-834%
Earnings per share (Rupees)	(42.12)	5.73	-834%

Underwriting Result

The underwriting result has gone down to Rs. 10.77 million compared to Rs. 14.99 million recorded last year which works out to a decrease by 28%.



Segments at a Glance

FIRE

Our net premium has declined by 38% to Rs.1.16 million from last year's Rs. 1.86 million and Net Claim expense has decreased to Rs. 0.53 million from Rs 0.82 million i.e. by 35%. Profitability has gone down to Rs. 3.77 million from Rs. 5.24 million last year.

MARINE, AVIATION AND TRANSPORT

The Net premium slightly decreased by 2% to Rs. 3.33 million from Rs. 3.41 million last year. Net claims have increased to Rs. 3.06 million from Rs. 1.52 million. The Profitability for this class has decreased to Rs. 1.88 million from last year's Rs.4.65 million.

MOTOR

Net premium decreased to Rs. 8.58 million from Rs. 8.91 million last year showing a 4% decline while net claims have reduced to Rs.3.62 million from the last year's Rs. 3.73 million. Profitability of this class has decreased to Rs. 4.05 million from last year's Rs. 4.66 million.

MISCELLANEOUS

Net Premium has declined to Rs. 0.32 million from Rs. 0.57 million last year. Net claims expense remained more or less the same as last year. The class has shown an overall profit of Rs 1.07 million as compared to last year's Rs. 0.43 million.

Reinsurance

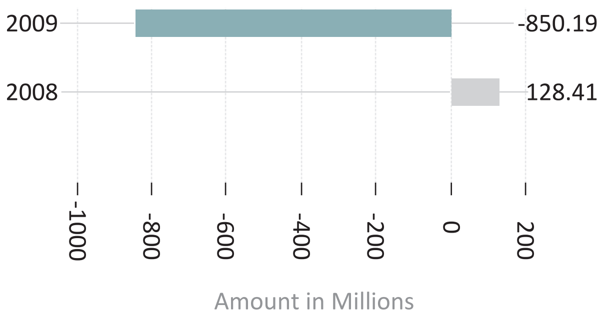
Central Insurance Company Limited follows a policy of optimizing retention of risk through a carefully designed program of reinsurance of high quality. We have structured our reinsurance program to protect the value at risk by ensuring timely and quality protection for individual's risks. A GIAS based tool is used for monitoring the company's exposure to accumulation and concentration of risk at any location.

Investment Income

There has been a marked recovery in the Stock Market. Consequently the investment position improved considerably at the end of the year 2009 as compared to what it was at the beginning of the year. Due to a timely revision in our policy concerning portfolio management, your Company has managed to arrest the drastic effect of the heavy impairment it had to face due to the previous year's debacle in the Stock Market. By realigning Company's existing equity portfolio and by making it more responsive to the perceived changes going forward, the impairment figure of Rs. 2,136 million appearing at the beginning of the year has been brought down successfully to Rs. 737 million.

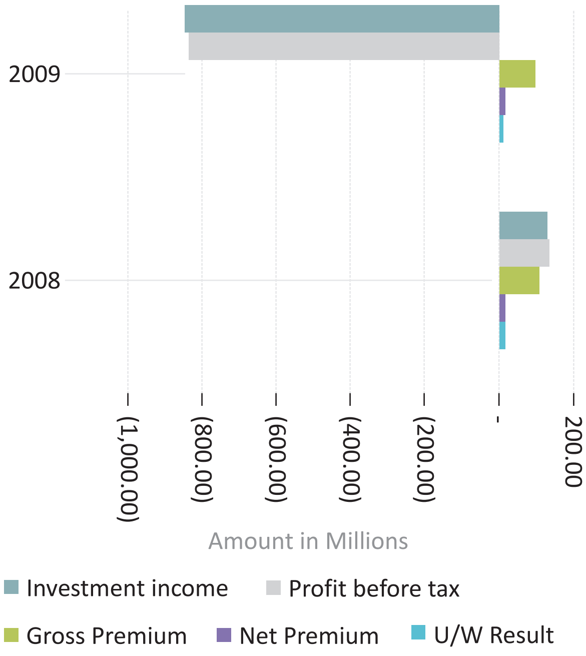
The overall position of the investment income for the year ended 2009, however still shows a negative figure of Rs. 850.19 million, compared to Rs. 128.41 million recorded last year, which is the direct result of provision for impairment in the value of available for sale investments.

Dividend income has also shown a downward trend from Rs. 101.63 million to Rs. 88.86 million, which works out to 13%.



Earning of the Company

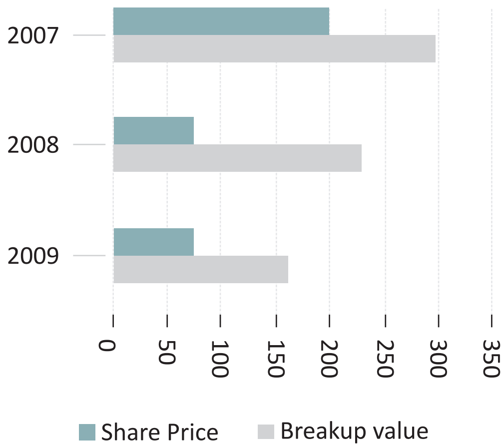
The considerable drop in the earnings of the company has been mainly due to significant decrease in the Investment Income. Both, the profit/loss before and after Tax figures reflect this trend. Profit/loss before Tax has gone down by 732% to Rs. (844.81) million compared to Rs. 133.69 million recorded last year. Likewise, the after Tax profit/loss declined to Rs. (855.06) million from profit amounting to Rs. 116.42 million, recorded last year, which works out to approximately 834%.



Paid up Capital

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

Paid up Capital as on December 31, 2009 stands at Rs. 203.04 million divided into 20.30 million shares of Rs. 10/- each, which complies with the regulatory requirement.



Appropriations

During 2009 your company declared interim cash dividend of 10% to the shareholders.

The Board now recommends a final cash dividend and bonus shares of 10% and 25% respectively, making a total of 20% cash dividend and 25% bonus shares.

Social and Corporate Responsibility

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

Responsibility to Clients

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

Responsibility to Shareholders

We are determined to continue to work for maximizing the shareholder's value, and to ensure the highest possible standard of financial management and risk assessment.

Rating

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

Listing with Financial Institution

All foreign as well as national banks have continued to accept our financial strength and net worth as sufficiently dependable to enroll the Company on their panel of acceptable insurance companies. This enables the Company to secure business from different bank branches countrywide.

Future Outlook

In spite of the rather difficult Economic conditions that the Country is currently passing through, the Company intends to continue seeking qualitative and profitable growth in its business by making extra efforts to acquire new corporate Clients wherever possible.

Statement of Ethics and Business Practices

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

Corporate Governance

a) The financial statements have been prepared by the Management which fairly represents its state of affairs (balance sheet), the results of its operations (Profit & Loss Account), cash flow and statement of changes in equity.

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

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

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

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

f) The fundamentals of the Company are strong and it has the ability to continue as a going concern free from uncertainties.

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

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

i) The face value of the investment made out of the provident fund of the permanent employees was Rs 2.55 million on the closing date.

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

k) Directors, CEO, CFO/Company Secretary and their spouses and minor children have not traded in the company shares during the year except Directors A. Samad Dawood who purchased 190,300 shares of the Company.

Board Meetings

During the financial year under review, four (4) meetings of Board of Directors were held and attendance by the respective directors was as follows:

		No of Meetings Held	Attended
A.Samad Dawood	Chairman	4	4
Viquar Siddiqui	Director & CEO	4	4
Isar Ahmad	Director	4	4
Aziz Moon	Director	4	4
Haroon Mehanti	Director	4	3
Aleem A. Dani	Director	4	1
Shahid Hamid Pracha	Director	4	4

Ownership

As at 31st December 2009, there were 718 shareholders on the record of the Company.

Pattern of shareholding

The pattern of Shareholding of the Company as at 31st December 2009, along with the necessary information is available at the end of this report along with the proxy form.

Auditors

It is proposed that KPMG Taseer Hadi & Co, Chartered Accountants be reappointed as the Company's Auditors for the year 2010.

Key Operating and Financial Data

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

Statement of Appreciation

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

On behalf of the Board

Karachi: Viquar Siddiqui
Mach 22, 2010 (Chief Executive)

Financial Statements

Statement of Compliance With the Code of Corporate Governance

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board comprises of all non-executive directors except the Chief Executive Officer.

2. The directors have confirmed that none of them is serving as a director in ten listed companies.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

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

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

6. The Board has developed a vision / mission statement, overall corporate strategy whereas formal documentation for significant policies of the Company will be developed and approved in due course.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has established a system of sound internal control and a committee for effective implementation of such controls at all levels within the Company. The documentation of said system of controls will be made in due course which shall include all necessary aspects of internal controls given in the code.

10. The Board comprises of senior corporate executives and a professional who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.

11. No new appointment of Chief Executive Officer and Chief Financial Officer/Company Secretary has been made during the year. Any changes to the remuneration, terms and conditions of employment of Chief Financial Officer/Company Secretary have been determined by the Chief Executive Officer with the approval of the Board of Directors.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed under-writing, claim settlement, reinsurance & co-insurance committees.

17. The Board has formed an Audit Committee. It comprises of four members, all of whom are non executive directors including the Chairman of the committee.

18. A meeting of Audit Committee was held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.

19. The Board has outsourced the internal audit function to M/s. Ahmed Saeed & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the company and they are involved in the internal audit function on a full time basis.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. No actuary is required to be appointed by the Company.

23. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

24. We confirm that all other material principles contained in the Code have been complied with.

Karachi
22 March 2010

Viquar Siddiqui
Chief Executive and Prinicpal Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Central Insurance Company Limited (“the Company”) to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further sub-regulation (xiii a) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2009.

Karachi
22 March 2010

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of Central Insurance Company Limited ("the Company") as at 31 December 2009 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as described in note 4.1 to the financial statements with which we concur;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009 and of the loss, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Karachi
22 March 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Balance Sheet as at 31 December 2009

	Note	2009	2008
		(Rupees in '000)	
Share Capital and Reserves			
Authorised share capital	5	300,000	300,000
Paid-up share capital	5	203,039	184,581
Retained earnings		2,957,063	3,869,401
Reserves	6	133,088	133,088
		3,293,190	4,187,070
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		93,719	52,768
Provision for unearned premium		34,633	59,914
Commission income unearned		2,833	3,351
Total underwriting provisions		131,185	116,033
Deferred Liabilities			
Staff retirement benefit	7	923	845
Creditors and Accruals			
Amounts due to other insurers/reinsurers	8	10,164	21,862
Accrued expenses		2,468	2,833
Other creditors and accruals	9	2,776	5,430
		15,408	30,125
Other Liabilities			
Unclaimed dividend		8,215	9,607
TOTAL LIABILITIES		155,731	156,610
TOTAL EQUITY AND LIABILITIES		3,448,921	4,343,680
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes 1 to 31 form an integral part of these financial statements.

A. Samad Dawood
Chairman

Viquar Siddiqui
Chief Executive & Principal Officer

Balance Sheet as at 31 December 2009

	Note	2009	2008
		(Rupees in '000)	
Cash and Bank Deposits	11		
Cash and other equivalents		187	183
Current and other accounts		62,581	61,969
Deposits maturing within 12 months		2,368	2,621
		65,136	64,773
Investments	12	3,249,876	4,124,141
Deferred Taxation	13	828	850
Others Assets			
Premiums due but unpaid	14	3,983	6,528
Taxation - payment less provision		19,688	37,737
Amounts due from other insurers / reinsurers	15	4,304	10,730
Accrued investment income		386	1,229
Reinsurance recoveries against outstanding claims		69,396	32,528
Deferred commission expense		110	269
Prepayments - prepaid reinsurance premium ceded	16	32,415	60,413
Sundry receivable	17	241	1,295
		130,523	150,729
Fixed Assets	18		
Tangible			
Furniture, fixtures and office equipment		770	948
Motor vehicles		1,770	2,212
Intangible - Computer software		18	27
		2,558	3,187
TOTAL ASSETS		3,448,921	4,343,680

Isar Ahmad
Director

Shahid Hamid Pracha
Director

Profit and Loss Account

For the year ended 31 December 2009

	Note	Fire and property	Marine, aviation and transport	Motor	Others	Aggregate 2009	Aggregate 2008
Revenue Account				(Rupees in '000)			
Net Premium Revenue		1,164	3,329	8,582	322	13,397	14,758
Net Claims		(529)	(3,057)	(3,624)	(485)	(7,695)	(6,562)
Expenses	19.2	(4,297)	(2,720)	(993)	(2,065)	(10,075)	(6,263)
Net Commission		7,437	4,326	84	3,300	15,147	13,060
Underwriting result		3,775	1,878	4,049	1,072	10,774	14,993
Investment (loss) / income						(111,619)	142,741
Provision for impairment in value of available-for-sale investments	12.2.7					(737,444)	(14,322)
Other income	20					6,136	3,392
General and administration expenses	19.2					(12,744)	(13,117)
						(855,671)	118,694
(Loss) / Profit before tax						(844,897)	133,687
Provision for Taxation	21						
Current						(10,500)	(12,000)
Prior						301	4,382
Deferred						(22)	(9,648)
						(10,221)	(17,266)
(Loss) / Profit after tax						(855,118)	116,421
(Loss) / earnings per share - basic and diluted	28			Rupees		(42.12)	5.73
Profit and Loss Appropriation Account							
Balance at commencement of year						3,869,401	3,842,474
(Loss) / profit after tax for the year						(855,118)	116,421
Issue of bonus share @ 10% (2008: 20%)						(18,458)	(27,967)
Final dividend for the year ended 31 December 2008 at Rs. 1 per share (2007: Rs.2 per share)						(18,458)	(27,967)
Issue of bonus shares NIL (2008: 10%)						-	(16,780)
Interim dividend at Re.1 per share (2008: Re.1 per share)						(20,304)	(16,780)
						(912,338)	26,927
Balance of Unappropriated Profit at end of year						2,957,063	3,869,401

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended 31 December 2009

	2009	2008
	(Rupees in '000)	
(Loss) / profit after tax	(855,118)	116,421
Other comprehensive income	-	-
Total Comprehensive income for the year	(855,118)	116,421

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital	Capital reserves			Revenue reserves		Total
	Issued, subscribed and paid-up	Reserve for exceptional losses	Reserve for bonus shares	Capital gain reserve	General reserve	Retained earnings	
	(Rupees in '000)						
Balance as at 01 January 2008	139,834	10,535	-	2,553	120,000	3,842,474	4,115,396
Total comprehensive income for the year							
Net profit for the year ended 31 December 2008	-	-	-	-	-	116,421	116,421
Transactions with owners recorded directly in equity							
Transfer to reserve for issue of bonus shares	-	-	27,967	-	-	(27,967)	-
Issue of bonus shares @ 20%	27,967	-	(27,967)	-	-	-	-
Final dividend of Rs.2 per share for the year ended 31 December 2007	-	-	-	-	-	(27,967)	(27,967)
Transfer to reserve for issue of bonus shares	-	-	16,780	-	-	(16,780)	-
Issue of bonus shares @ 10%	16,780	-	(16,780)	-	-	-	-
Interim dividend of Re.1 per share	-	-	-	-	-	(16,780)	(16,780)
	44,747	-	-	-	-	(89,494)	(44,747)
Balance as at 31 December 2008	184,581	10,535	-	2,553	120,000	3,869,401	4,187,070
Total comprehensive income for the year							
Net Loss for the year ended 31 December 2009	-	-	-	-	-	(855,118)	(855,118)
Transactions with owners recorded directly in equity							
Transfer to reserve for issue of bonus shares	-	-	18,458	-	-	(18,458)	-
Issue of bonus shares @ 10%	18,458	-	(18,458)	-	-	-	-
Final dividend of Rs.1 per share for the year ended 31 December 2008	-	-	-	-	-	(18,458)	(18,458)
Interim dividend @ Rs.1 per share	-	-	-	-	-	(20,304)	(20,304)
	18,458	-	-	-	-	(57,220)	(38,762)
Balance as at 31 December 2009	203,039	10,535	-	2,553	120,000	2,957,063	3,293,190

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

Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	(Rupees in '000)	
Operating activities		
(a) Underwriting activities		
Premiums received	101,155	119,474
Reinsurance premiums paid	(96,925)	(103,550)
Claims paid	(9,865)	(12,488)
Reinsurance and other recoveries received	12,907	24,372
Commission paid	(1,892)	(13,048)
Commission received	16,960	15,635
Other underwriting payments (management expenses)	(10,116)	(5,994)
Net cash inflow from underwriting activities	12,224	24,401
(b) Other operating activities		
Income tax paid	(9,751)	(10,369)
General management expenses paid	(11,123)	(8,673)
Other operating payments	(153)	(919)
Other operating receipts	18,322	1,300
Net cash outflow from other operating activities	(2,705)	(18,661)
Total cash inflow from all operating activities	9,519	5,740
Investment activities		
Profit / return received	6,006	2,635
Dividend received	90,092	101,287
Payments for investments	(1,815,436)	(820,341)
Proceeds from disposal of investments	1,750,449	740,522
Fixed capital expenditure	(128)	(1,255)
Proceeds from disposal of fixed assets	15	1,160
Total cash inflow from investing activities	30,998	24,008
Financing activities		
Dividends paid	(40,154)	(62,495)
Total cash (outflow) from financing activities	(40,154)	(62,495)
Net cash inflow / (outflow) from all activities	363	(32,747)
Cash at the beginning of the year	64,773	97,520
Cash at the end of the year	65,136	64,773

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

Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	(Rupees in '000)	
Reconciliation to profit and loss account		
Operating cash flows	9,519	5,740
Depreciation / amortisation expense	(741)	(1,186)
Profit on disposal of fixed assets	-	174
Decrease in assets other than cash	(20,206)	(23,387)
(Increase)/decrease in liabilities other than running finance	(513)	13,978
	(11,941)	(4,681)
Others		
Investment and other income	(105,483)	146,133
Provision for impairment in value of available for sale investments	(737,444)	(14,322)
Reversal of provision for doubtful debts	(228)	(1,061)
Deferred taxation	(22)	(9,648)
(Loss) / Profit after taxation	(855,118)	116,421
Definition of cash		
Cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purposes of the Statement of Cash Flows consists of :		
Cash and Other Equivalents		
Cash in hand	29	27
Stamps in hand	158	156
	187	183
Current and Other Accounts		
Current accounts	541	284
PLS accounts	62,040	61,685
	62,581	61,969
Deposits maturing within 12 months		
Term deposit receipts with bank	2,000	2,253
Statutory deposit with State Bank of Pakistan	368	368
	2,368	2,621
	65,136	64,773

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Premiums
For the year ended 31 December 2009

Class		Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Re-insurance ceded	Prepaid Re-insurance ceded Opening	Prepaid Re-insurance ceded Closing	Re-insurance expense	Net premium revenue 2009	Net premium revenue 2008
		(Rupees in '000)									
Direct and Facultative	1. Fire and Property Damage	42,057	17,517	18,532	41,042	40,892	17,283	18,297	39,878	1,164	1,862
	2. Marine, Aviation and Transport	26,626	8,644	3,215	32,055	23,182	8,411	2,867	28,726	3,329	3,411
	3. Motor	9,714	2,074	1,191	10,597	1,731	371	87	2,015	8,582	8,914
	4. Miscellaneous	20,213	31,679	11,695	40,197	19,422	31,617	11,164	39,875	322	571
	Total	98,610	59,914	34,633	123,891	85,227	57,682	32,415	110,494	13,397	14,758

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Claims
For the year ended 31 December 2009

Class		Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Re-insurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Re-insurance and other recoveries revenue	Net claims expense 2009	Net claims expense 2008
		(Rupees in '000)									
Direct and Facultative	1. Fire and Property Damage	3,625	35,786	30,825	(1,336)	3,234	26,814	21,715	(1,865)	529	820
	2. Marine, Aviation and Transport	2,882	5,090	24,388	22,180	2,573	1,367	17,917	19,123	3,057	1,518
	3. Motor	2,590	9,454	10,491	3,627	4	2,957	2,956	3	3,624	3,732
	4. Miscellaneous	768	2,438	28,015	26,345	442	1,390	26,808	25,860	485	492
	Total	9,865	52,768	93,719	50,816	6,253	32,528	69,396	43,121	7,695	6,562

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Expenses

For the year ended 31 December 2009

Class		Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2009	Net underwriting expense 2008
		a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
		(Rupees in '000)								
Direct and Facultative	1. Fire and Property Damage	707	149	107	749	4,297	5,046	8,186	(3,140)	(4,203)
	2. Marine, Aviation and Transport	1,460	105	-	1,565	2,720	4,285	5,891	(1,606)	(2,759)
	3. Motor	-	-	-	-	993	993	84	909	519
	4. Miscellaneous	5	15	3	17	2,065	2,082	3,317	(1,235)	(354)
Total		2,172	269	110	2,331	10,075	12,406	17,478	(5,072)	(6,797)

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Statement of Investment Income
For the year ended 31 December 2009

	2009	2008
	(Rupees in '000)	
Income from Non-Trading Investments		
Held-to-maturity		
Return on Government Securities	1,776	-
Amortisation on PIBs	1,124	7
Available-for-sale		
Dividend income:		
- Related parties	73,146	88,539
- Others	15,717	13,093
	88,863	101,632
(Loss) / gain on sale of available-for-sale investments	(200,423)	41,596
Investment related expenses	(2,959)	(494)
Net investment (loss) / income	(111,619)	142,741

The annexed notes 1 to 31 form an integral part of these financial statements.

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

1 STATUS AND NATURE OF BUSINESS

Central Insurance Company Limited, a Dawood Group Company ("the Company") is a Public Limited Company incorporated in Pakistan on 23 April, 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company is listed on the Karachi and Lahore stock exchanges. The registered office of the Company is situated at Dawood Centre, Molvi Tamizuddin Khan Road, Karachi.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for financial instruments at fair value through profit or loss and available-for-sale financial assets which are stated as per note 4.11.2.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

i) Provision for outstanding claims (including IBNR) (Note: 4.3)
ii) Provision for unearned premium (Note: 4.4)
iii) Premium deficiency reserve (Note: 4.5)
iv) Reinsurance recoveries against outstanding claims (Note: 4.14)
v) Income taxes (Note: 4.12 and 21)
vi) Classification of investment and provision for Impairment there against (Note: 4.11 and 12)
vii) Impairment of other assets (Note: 4.16)
viii) Staff retirement benefits (Note: 4.7 and 7)
ix) Fixed assets, depreciation and amortization (Note: 4.15 and 18)
x) Fair value of financial instruments (Note: 4.11.4)

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

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

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

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

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

iv) Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

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

vi) The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

vii) Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or consolidated financial statements. As the Company does not have any share based options therefore amendment is not likely to have an effect on the Company's financial statements.

viii) Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

ix) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial statements.

x) IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

xi) Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

xii) Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies

Starting 1 January 2009, the Company has changed its accounting policies in the following areas:

i) The Company has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. This standard required the Company to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

ii) The Company has adopted "IFRS 4 Insurance Contracts", which became effective for financial periods beginning on or after 1 January 2009. Although the Securities and Exchange Commission of Pakistan (SECP) through its circular no. 22/2009 dated 30 June 2009 had deferred the applicability of certain requirements of IFRS-4 for the purpose of quarterly accounts for 1st, 2nd and 3rd quarter of the year ended 2009, SECP through its circular no. 4/2010, dated 23 January 2010 has directed the insurance companies to make full compliance with the requirements of IFRS-4 in the annual financial statements for the year ended 31 December 2009 in accordance with the guidelines as well as make necessary disclosures required to be made in the financial statements as framed by the SECP. Accordingly, disclosures have been presented in these financial statements.

iii) The Company has applied "IFRS 8 Operating Segments" from January 1, 2009. As a result, additional disclosures have been made relating to financial and descriptive information with respect to individual operating segments and on an enterprise-wide basis. The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, who is the Company's chief operating decision maker which is in detail and has been aggregated in line with the format issued by the Securities and Exchange Commission of Pakistan. The new accounting policy disclosed in note 4.20 has no impact on segments previously disclosed, except for some additional disclosure in the same segments.

iv) The Company has also applied "IFRS 7 Financial Instruments: Disclosures" from 1 January 2009. As a result, disclosures have been made relating to financial instruments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. The changes in accounting policies only affects presentation of financial statements and there is no impact on earning per share.

4.2 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

The Company enters into fire and property damage, marine, motor, burglary, loss of cash in transit, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts other than those which fall under Treaty.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers. 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.

4.3 Provision for outstanding claims (including IBNR)

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.

4.3.1 Provision for outstanding claims

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is based on the best estimate of the claims intimated or assessed on or before the end of the financial year and 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 an insurance contract.

4.3.2 Claims reported but not settled

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses, and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

4.3.3 Claims incurred but not reported (IBNR)

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.

4.4 Provision for unearned premium

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

4.5 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recognised as an expense in the profit and loss account.

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

4.6 Commission

4.6.1 Commission expense

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

4.6.2 Commission income

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

4.7 Employee benefits

4.7.1 Defined contribution plan

The Company operates a recognised contributory provident fund scheme for all its eligible employees. Equal contributions are made by the Company and the employees.

4.7.2 Defined benefit plan

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

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

4.7.3 Employees' compensated absences

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

4.8 Reinsurance ceded

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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 contracts as required by Insurance Ordinance, 2000.

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

The Company assesses its reinsurance assets for impairment on balance sheet 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 the difference as impairment loss.

4.9 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 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, 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 balance sheet date and adjusted to reflect the current best estimate.

4.10 Cash and cash equivalents

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

4.11 Investments

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

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

4.11.1 Investment at fair value through profit and loss

Held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognised directly in the profit and loss account.

4.11.2 Available-for-sale

Quoted

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. After initial recognition, these are stated at lower of cost or market value, if the decline in the market value is other than temporary (i.e. impaired), in accordance with the requirements of SEC (Insurance) Rules, 2002.

A fall in market value of a security is treated as "other than temporary (i.e. impaired)", if there is a significant or prolonged decline in fair value of security below its cost. Reversals due to subsequent increase in the market value of these securities upto their original cost is recognised as income in the profit and loss account.

Unquoted

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

Fixed income securities

In case of fixed income securities where the cost is different from the redemption value, such difference is amortised uniformly between the date of acquisition and the date of maturity in determining "cost".

4.11.3 Held-to-maturity

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

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

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

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

4.11.4 Fair values

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity respectively.

4.12.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

4.12.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.13 Premiums due but unpaid

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for impairment, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes the difference as impairment loss.

4.14 Reinsurance recoveries against outstanding claims

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

4.15 Fixed assets

4.15.1 Tangible

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

Depreciation on tangible fixed assets is charged to profit and loss by applying the reducing balance method whereby the depreciable amount of an asset is written-off over its estimated useful life at the rates specified in note 18. Depreciation is charged on additions from the date asset is available for use whereas depreciation on disposals is charged till the date of disposal.

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

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end. Gain or loss on disposal of fixed assets is included in profit and loss currently.

4.15.2 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible fixed assets.

4.15.3 Intangible

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

4.16 Impairment

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

4.17 Revenue recognition

4.17.1 Premium income

Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates to its expiry as follows:

i) For direct business, evenly over the period of the policy.

ii) For proportional reinsurance business, evenly over the period of the underlying insurance policies.

iii) For non-proportional reinsurance business, in accordance with the pattern of reinsurance service.

4.17.2 Investment income

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

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

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

4.17.3 Profit on bank accounts and deposits

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

4.17.4 Administrative surcharge

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

4.18 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year. Expenses not allocable to the underwriting business are charged as administrative and investment related expenses.

4.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

4.20 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous.

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

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

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

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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

4.21 Financial instruments

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

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

4.22 Foreign currencies

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Exchange gains or losses, if any, are taken into profit and loss account.

4.23 Off-setting of financial assets and liabilities

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

4.24 Dividend declaration and reserve appropriation

Dividend distribution and reserve appropriations are recorded in the period in which the distribution and appropriations are approved.

5. SHARE CAPITAL

	Note	2009	2008
		(Rupees in '000)	
Authorised			
30,000,000 (2008: 30,000,000) Ordinary shares of Rs. 10/- each		300,000	300,000

Issued, subscribed and paid-up capital

2009	2008		2009	2008
(Number of shares)			(Rupees in '000)	
250,000	250,000	Ordinary shares of Rs. 10 each fully paid in cash	2,500	2,500
20,053,973	18,208,158	Ordinary shares of Rs. 10 each issued as bonus shares	200,539	182,081
20,303,973	18,458,158		203,039	184,581

5.1 Movement in share capital during the year

2009	2008		2009	2008
(Number of shares)			(Rupees in '000)	
18,458,158	13,983,454	At 1 January,	184,581	139,834
1,845,815	4,474,704	Ordinary shares of Rs. 10 each issued during the year ended 31 December as bonus shares	18,458	44,747
20,303,973	18,458,158		203,039	184,581

5.2 As at 31 December 2009, related parties hold 15,113,774 (2008: 13,692,902) ordinary shares of Rs. 10/- each.

6. RESERVES

	Note	2009	2008
Capital reserves			
- Reserve for exceptional losses	6.1	10,535	10,535
- Capital gain reserve		2,553	2,553
		13,088	13,088
Revenue reserve			
- General reserve		120,000	120,000
		133,088	133,088

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

7 DEFERRED LIABILITY - Staff retirement benefits

7.1 The latest actuarial valuation of the gratuity scheme was carried out as of 31 December 2008. The principal actuarial assumptions used for the purpose of the valuation were as follows:

- Valuation discount rate is 15% per annum (2008: 15%)
- Expected rate of increase in salaries is 12% (2008: 12%)
- Average expected service length of the employees is 8 years (2008: 08 years)

7.2 Reconciliation of payable to defined benefit plan

	2009	2008
	(Rupees in '000)	
Present value of defined benefit obligation	845	707
Net actuarial gains not recognised	-	27
Benefits due but not paid	78	111
Balance at the end of the year	923	845

7.3 Movement in net liability recognised in the balance sheet

	2009	2008
Balance at the beginning of the year	845	780
Charge for the year	187	112
Payments during the year	(109)	(47)
Balance at the end of the year	923	845

7.4 Amount recognised in the profit and loss account

	2009	2008
Current service cost	81	43
Interest cost	106	70
Actuarial (gains) / losses recognised	-	(1)
Amount charged to profit and loss account	187	112

7.5 Historical information

	2009	2008	2007	2006	2005
	------------------------------------(Rupees in '000)----------------------------------				
Present value of defined benefit obligation	845	707	334	820	1,533
Unrecognised actuarial (losses) / gains	78	138	446	440	387
Net liability in balance sheet	923	845	780	1,260	1,920

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

	Note	2009	2008
		(Rupees in '000)	
Foreign companies		4,843	13,587
Local companies		5,321	8,275
		10,164	21,862

9. OTHER CREDITORS AND ACCRUALS

		2009	2008
Commission payable		2,666	2,386
Trustees employees provident fund		-	31
Withholding tax payable		9	-
Workers' welfare fund		86	2,727
Premium refundable to policy holders		15	247
Sundry creditors		-	39
		2,776	5,430

10. CONTINGENCIES

	Note	2009	2008
10.1 Guarantees issued on behalf of the Company by commercial banks		5,205	5,205
10.2 Claim not acknowledged as debt	10.2.1	1,500	1,500

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

11. CASH AND BANK DEPOSITS

	Note	2009	2008
		Rupees in '000	
Cash and other equivalents			
Cash in hand		29	27
Stamps in hand		158	156
		187	183
Current and other accounts			
Current accounts		541	284
PLS accounts	11.1	62,040	61,685
		62,581	61,969
Deposits maturing within 12 months			
Term deposit receipts with banks	11.2	2,000	2,253
Statutory deposit with State Bank of Pakistan	11.3	368	368
		2,368	2,621
		65,136	64,773

11.1 These accounts carry effective mark-up rate, ranging between 4% to 17% (2008: 4% to 17%) per annum.

11.2 This includes a deposit of Rs. 2 million (2008: Rs. 2 million) under lien with National Bank of Pakistan Limited against fire claims. This deposit carries profit rate of 5.8% (2008: 5.8%) per annum.

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

12. INVESTMENTS

The investments comprise the following:

	Note	2009	2008
		(Rupees in '000)	
Held-to-maturity investments			
Defense Saving Certificate	12.1.1	41	41
Pakistan Investment Bond	12.1.2	18,908	15,784
		18,949	15,825
Available-for-sale investments	12.2	3,230,927	4,108,316
		3,249,876	4,124,141

12.1 Held-to-maturity investments

12.1.1

Number of Certificates 2009	Number of Certificates 2008	Face value per certificate	Particulars	2009	2008
1	1	9,300	Defense Saving Certificate	9	9
-	-		Accrued interest	32	32
				41	41

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

12.1.2 Face value	Profit rate %	Profit Payment	Particulars	Maturity Date	2009	2008
					Rupees in ('000)	
20,000,000	8	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	6-Oct-2013	16,876	15,784
2,000,000	11	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	18-Jun-2012	2,032	-
					18,908	15,784

Market value as at 31 December 2009 of Pakistan Investment Bond are Rs.19.311 million (2008: 16.162 million). The market value was determined on the basis of quotations obtained from reputable brokers. The PIB is placed with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2002. The Company has complied with above provision subsequent to the year end.

12.2 Available-for-sale investments

	Note	2009	2008
		Rupees in ('000)	
Quoted shares	12.2.1	377,796	374,536
Un-quoted shares	12.2.2	-	-
Mutual funds	12.2.3	51,170	37,131
Un-quoted debentures	12.2.4	-	-
Government bonds	12.2.5	54	54
Quoted shares - related parties	12.2.6	2,801,907	3,696,595
		3,230,927	4,108,316

Market value of quoted available for sale investments is Rs. 3,253.029 million (31 December 2008: Rs. 1,975.131 million).

12.2.1 Quoted shares

Number of shares 2009	Number of shares 2008	Face value per share (Rupees)	Name of investee company	Cost 2009	Cost 2008
				Rupees in ('000)	
			Fertilizer		
75,000	-	10	Fauji Fertilizer Company Limited	7,738	-
-	600,000	10	Fauji Fertilizer Bin Qasim Limited	-	26,973
			Chemical		
1,000	1,000	10	Pakistan PVC Limited	5	5
-	54,000	10	ICI Pakistan Limited	-	8,857
500,000	-	10	Descon Oxychem Limited	4,592	-
			Fuel and Energy		
43	11,001	10	Pakistan Refinery Limited	4	64

Number of shares 2009	Number of shares 2008	Face value per share (Rupees)	Name of investee company	Cost 2009 (Rupees in '000)	Cost 2008 (Rupees in '000)
			Oil and gas marketing		
-	500	10	Sui Southern Gas Company Limited	-	3
			Oil and gas exploration		
175,000	202,440	10	Pakistan Oilfields Limited	37,537	60,616
200,000	400,000	10	Oil & Gas Development Company Limited	21,910	46,456
166,160	85,800	10	Pakistan Petroleum Limited	28,997	17,585
			Technology and Communication		
1,007,600	1,533,600	10	Pakistan Telecommunication Company Limited	27,884	58,468
250,000	-	10	Telecard Limited	1,031	-
			Insurance		
300,000	-	10	Adamjee Insurance Company Limited	36,341	-
12	12	10	PICIC Insurance Limited	-	-
			Jute		
9	9	10	Crescent Jute Product Limited	-	-
			Cement		
100,000	150,000	10	Lucky Cement Limited	6,411	14,713
187,570	200,000	10	D.G Khan Cement Limited	5,571	11,114
1,000,000	-	10	Lafarage Pakistan Cement Limited	3,113	-
			Power Generation & Distillation		
-	292,800	10	Kot Addu Power Company Limited	-	14,051
3,800,000	920,500	10	The Hub Power Company Limited	110,446	26,027
375,000	-	10	Nishat Power Limited	4,709	-
			Automobiles Assemblers		
-	30,000	10	Pak Suzuki Company Limited	-	11,174
1,700	1,700	10	Ghandhara Industries Limited	16	17
			Commercial Banks		
-	300,000	10	The Bank of Punjab	-	16,081
280,537	744,300	10	Bank Alfalah Limited	4,109	34,586
30	75,300	10	MCB Bank Limited	5	22,533
4,814	1,135	10	NIB Bank Limited	28	-
242,500	-	10	United Bank Limited	14,539	-
430,579	-	10	Meezan Bank Limited	6,082	-
			Textile Composite		
325,000	204,000	10	Nishat Mills Limited	21,478	19,535
			Investment Banks/Cos./Securities		
750,000	-	10	Jahangir Siddiqui & Company Limited	25,239	-
2,000,000	-	10	JS Bank Limited	13,396	-
550,000	-	10	JS Investments Limited	9,661	-
1,000,000	-	10	IGI Investment Bank Limited	4,063	-
			MISC		
700,000	-	10	Pace (Pakistan) Limited	4,135	-
			Cost as on 31 December	399,040	388,858
			Provision for impairment in value of investment	(21,244)	(14,322)
				377,796	374,536
			Market value as on 31 December	394,414	151,924

12.2.2 Unquoted shares

Number of Certificates 2009	Number of Certificates 2008	Face value per share (Rupees)	Name of investee company	Cost 2009 (Rupees in '000)	Cost 2008 (Rupees in '000)
28,600	28,600	10	Aslo Electrical Industries Limited	162	162
1,800	1,800	10	Adamjee Paper and Boards Limited	7	7
1,700	1,700	10	Adamjee Floorings Limited	13	13
13,465	13,465	10	Bankers Equity Limited	117	117
45,900	45,900	10	Electric Lamp Manufacturers	305	305
500	500	10	Punjab Lamp Works Limited	2	2
8,900	8,900	10	Saifi Development Corporation Limited	34	34
			Cost as on 31 December	640	640
			Provision for impairment in value of investment	(640)	(640)
				-	-

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

12.2.3 Mutual Funds

2009	2008		Name of investee company	2009 (Rupees in '000)	2008 (Rupees in '000)
240,500	240,500	50	National Investment Unit Trust (NIT)	3,131	3,131
-	333,684	50	KASB Islamic Income Funds	-	34,000
4,440,335	-	50	ABL Income Fund	43,099	-
1,000,000	-	10	JS Growth Fund	4,944	-
			Cost as on 31 December	51,174	37,131
			Provision for impairment in value of investment	(4)	-
				51,170	37,131
			Market value as on 31 December	56,708	37,777

12.2.3.1 NIT units amounting to Rs. 3.131 million, are under lien against a bank guarantee issued by a commercial bank.

12.2.4 Unquoted debenture

Number of units 2009	Number of units 2008	Par value per unit (Rupees)	Name of investee company	2009 (Rupees in '000)	2008 (Rupees in '000)
240,500	240,500	10	Hyson Sugar Mills Limited	60	60
			Cost as on 31 December	60	60
			Provision for impairment in value of investment	(60)	(60)
				-	-

12.2.5 Government Bonds

Number of bonds 2009	Number of bonds 2008	Face value per bond (Rupees)	Name of investee company	2009	2008
5	5	10,000	Government Bonds	52	52
17	17	100	Government Bonds	2	2
			Cost as on 31 December	54	54

12.2.6 Quoted shares - related parties

Number of share 2009	Number of share 2008	Face value per share (Rupees)	Name of investee company	Cost 2009 (Rupees in '000)	Cost 2008 (Rupees in '000)
			Fertilizer and chemicals		
3,249,946	3,249,946	10	Dawood Hercules Chemicals Limited Equity held: 2.97% (2008: 2.97%)	857,794	857,794
10,780,229	7,700,164	10	Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) Equity held: 3.62% (2008: 3.62%)	2,239,804	2,085,801
			Textile Composite		
2,853,778	2,853,778	10	Dawood Lawrencepur Limited Equity held: 5.56% (2008: 5.56%)	245,837	245,837
			Oil and gas		
2,960,138	8,595,000	10	Sui Northern Gas Pipelines Limited Equity held: 0.54% (2008: 1.59%)	174,668	507,163
			Cost as on 31 December	3,518,103	3,696,595
			Provision for impairment in value of investment	(716,196)	-
				2,801,907	3,696,595
			Market value as on 31 December	2,801,907	1,785,430

12.2.7 Provision for impairment - net of reversals

	2009	2008
Opening provision	(15,022)	(700)
Charge for the year - net of reversals	(737,444)	(14,322)
Released on disposals	14,322	-
Closing provision	(738,144)	(15,022)

At 31 December 2008, fall in the value of investments classified as available-for-sale was Rs. 2,137 million, which was considered as temporary and accordingly not recognized in annual financial statements for the year ended 31 December 2008 in view of the exemption available under circular no.3/2009 dated 16 February 2009 issued by Securities and Exchange Commission of Pakistan (SECP). Consequently, comparative year's profit was higher by the same amount and earnings per share were higher by Rs. 115.77 per share. As per the said circular, fall in the value of available-for-sale investments as at 31 December 2008 (considered as temporary) is required to be recognized on quarterly basis (twenty five percent in each quarter) after any adjustment / effect for price movements during each quarter through profit and loss account during the calendar year ending 31 December 2009. Accordingly, the total fall in value, after adjustments / effect for the price movement, of Rs. 737.444 million has been recognized on quarterly basis in these financial statements.

13 DEFERRED TAXATION

	2009	2008
	(Rupees in '000)	
Deductible temporary differences		
Staff gratuity	323	296
Provision against amount due from other insurers / reinsurers	26	106
Others	610	609
	959	1,011
Taxable temporary differences		
Accelerated tax depreciation	(131)	(161)
	828	850

		2009	2008
		(Rupees in '000)	
13.1 Reconciliation of deferred tax asset			
Opening balance		850	10,498
(Reversal) / recognised for the year		(22)	(9,648)
Closing balance		828	850
14. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		3,983	6,528
		3,983	6,528
14.1 Premium due but unpaid comprises of the following:			
Related parties			
Dawood Corporation (Private) Limited		-	328
Dawood Lawrencepur Limited		35	5,402
Dawood Hercules Chemicals Limited		7	-
Inbox Business Technologies (Private) Limited		1,267	794
Hajaini Hanifa Bai Memorial Society		-	4
		1,309	6,528
Others		2,674	-
		3,983	6,528
15. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured			
Considered good - foreign		-	-
- local		4,304	10,730
Considered doubtful		74	302
		4,378	11,032
Provision against amounts due from other insurers/reinsurers	15.1	(74)	(302)
		4,304	10,730
15.1 Provision against amount due from other insurers / reinsurers			
Opening balance		(302)	(77)
Provision made during the year		-	(225)
Recovery during the year		228	-
Closing balance		(74)	(302)
16. PREPAYMENTS			
Prepaid reinsurance premium ceded		32,415	57,682
Others		-	2,731
		32,415	60,413
17. SUNDRY RECEIVABLES			
Profit on bank deposits			
- Saving accounts		38	418
- Term deposits		82	123
Advance and deposit		100	-
Security deposits		-	89
Others		21	665
		241	1,295

18. FIXED ASSETS

Tangible	Furniture and fixtures	Office equipment	Vehicles	Total
	(Rupees in '000)			
As at 1 January 2008				
Cost	846	2,863	5,506	9,215
Accumulated depreciation	(658)	(2,036)	(2,881)	(5,575)
Net book value as at 1 January 2008	188	827	2,625	3,640
Year ended 31 December 2008				
Opening net book value	188	827	2,625	3,640
Additions	14	204	1,038	1,256
Disposals				
- Cost	-	-	(1,683)	(1,683)
- Accumulated depreciation	-	-	698	698
	-	-	(985)	(985)
Depreciation charge	(20)	(265)	(466)	(751)
Net book value as at 31 December 2008	182	766	2,212	3,160
As at 1 January 2009				
Cost	860	3,067	4,861	8,788
Accumulated depreciation	(678)	(2,301)	(2,649)	(5,628)
Net book value as at 1 January 2009	182	766	2,212	3,160
Year ended 31 December 2009				
Opening net book value	182	766	2,212	3,160
Additions	-	106	-	106
Disposals				
- Cost	-	(20)	-	(20)
- Accumulated depreciation	-	4	-	4
	-	(16)	-	(16)
Depreciation charge	(18)	(250)	(442)	(710)
Net book value as at 31 December 2009	164	606	1,770	2,540
As at 31 December 2009				
Cost	860	3,153	4,861	8,874
Accumulated depreciation	(696)	(2,547)	(3,091)	(6,334)
Net book value	164	606	1,770	2,540
Annual rate of depreciation	10%	15% and 33.33%	20%	

18.1 Intangible

2009

	Cost			Accumulated amortisation			Written down value at 31 December 2009	Rate (%)
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year / (disposals)	At the end of the year		
	(Rupee in '000)							
Computer software	2,135	22	2,157	(2,108)	(31)	(2,139)	18	33.33%
	2,135	22	2,157	(2,108)	(31)	(2,139)	18	

2008

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

19. EXPENSES

	Note	2009	2008
		(Rupees in '000)	
Salaries, wages and other benefits	19.1	8,140	6,914
Levy, cess and insurance		793	756
Rent, rates and taxes		3,007	2,495
Depreciation	18	710	750
Amortisation	18.1	31	436
Legal and professional charges		3,848	1,003
Printing and stationery		717	656
Utilities		583	835
Vehicle running expenses		333	283
Advertisement expenses		254	187
Security guards expenses		358	363
Auditors' remuneration	19.3	450	450
Entertainment		272	318
Medical expenses		96	98
Travelling expenses		30	16
Fees and subscription		1,343	1,845
Postage and telegram		160	172
Books and periodicals		27	70
Repairs, renewal and decoration		207	534
Provision against amount due from insurers / reinsurers		-	179
Bank charges	19.4	402	141
Workers' welfare fund		86	2,727
Others		1,016	967
Service charges		(44)	(2,815)
		22,819	19,380

19.1 This include Rs. 0.211 million (2008: Rs. 0.176 million) in respect of employees' provident fund.

19.2 Expenses are allocated as under

	2009	2008
Management expenses	10,075	6,263
General and administrative expenses	12,744	13,117
	22,819	19,380

19.3 Auditors' remuneration

	2009	2008
Annual audit fee	225	225
Review and certifications	225	225
	450	450

19.4 Financial charges

	2009	2008
Bank charges	138	97
Bank guarantee charges	264	44
	402	141

20. OTHER INCOME

	2009	2008
Income from financial assets		
Profit on bank deposits	5,720	2,707
Income from non-financial assets		
Gain on sale of fixed assets	-	174
Others	416	511
	6,136	3,392

21 TAXATION

Tax Returns have been filed up to Tax year 2009 (Accounting year 2008) which are deemed as assessment completed in terms of section 120(1) of the Income Tax Ordinance 2001. The only pending appeal filed by the Income tax department against appeal order in respect of Tax year 2003 has been decided in favour of the Company by Income Tax Appellate Tribunal, in which deletion by CIT Appeals, of excess management expenses amounting to rupees 4.364 million with reference to Income Tax Rules has been confirmed. Return for the Tax year 2007 has been selected for audit under section 177 by Commissioner of Income Tax. The audit proceedings have been kept pending and the outcome of the audit can not be predicted.

21.1 Provision for taxation

	2009	2008
	(Rupees in '000)	
Current		
- for the year	(10,500)	(12,000)
- for prior years	301	4,382
Deferred	(22)	(9,648)
	(10,221)	(17,266)

21.2 Relationship between tax expense and accounting profit

	2009	2008
(Loss) / Profit for the year before taxation	(844,897)	133,687
Tax at the applicable rate of 35% (2008: 35%)	(295,714)	46,790
Tax effect of capital loss / (gain) exempt from tax	70,148	(14,559)
Tax effect of dividend income taxed at a lower rate	(22,216)	(25,408)
Reversal of prior year provision	(301)	(4,382)
Tax effect of expenses that are not allowable in determining taxable income	258,107	5,013
Absorption of unused tax losses	-	9,055
Others	197	757
	10,221	17,266

22 REMUNERATION OF EXECUTIVES

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

	Chief Executive		Executives		Total	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Managerial remuneration	1,104	1,104	812	708	1,916	1,812
House rent, conveyance, gratuity etc.	709	709	748	680	1,457	1,389
Medical expenses	110	110	82	71	192	181
Bonus for the year	360	360	244	212	604	572
	2,283	2,283	1,886	1,671	4,169	3,954

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

22.2 Chief Executive and other executives are provided with free use of Company vehicle for official and personal use.

23 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies with common directors, group companies, staff retirement fund, directors and key management personnel. Transactions with related parties were carried on agreed terms except for remuneration to key management personnels which were carried as per their terms of employment. Transactions with related parties other than those which have been disclosed elsewhere in the Financial statements are as follows:

	2009	2008
	(Rupees in '000)	
Premium under-written	70,939	75,693
Premium collected	115,201	93,144
Claims paid	4,738	2,161
Rent paid	3,007	2,168
Dividend received	73,146	88,539
Dividend paid	28,010	24,453
Bonus shares received	-	10,472
Bonus shares issued	12,809	24,453
Investment made	154,003	132,718
Investment sold	177,585	84,388
Purchase of fixed assets	11	91
Contribution to provident fund	144	176
Key management personnel and close family members		
Dividend paid	1,377	1,603
Bonus shares issued	657	1,603
Remuneration of key management personnel	4,169	3,954

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

24 Segment information

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2009 and December 2008, unallocated capital expenditures and non-cash expenses during the year.

	Fire and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in '000)									
Segment assets	47,025	55,848	41,456	30,409	49,835	56,874	39,710	36,592	178,026	179,723
Unallocated corporate assets									3,270,895	4,163,957
Consolidated corporate assets									3,448,921	4,343,680
Segment liabilities	52,468	58,834	32,005	21,602	22,097	30,142	40,946	36,425	147,516	147,003
Unallocated corporate liabilities									8,215	9,607
Consolidated corporate liabilities									155,731	156,610
Capital expenditure	12	163	32	289	81	753	3	50	128	1,255
Depreciation / amortisation	67	154	186	273	475	712	13	48	741	1,187

Major policy holders

Revenues from three customers of the Company's "Fire and Property", "Marine / Aviation and Transport", "Motor" and "Miscellaneous" segments represent Rs. 75.029 million (2008: Rs. 70.534 million) of the its total revenues.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, liquidity risk and market risk (including interest/ mark-up rate risk and price risk). The Company's overall risk management focuses on the unpredicability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Company actively monitors the key factors that affect stock market. The Company consistently manages its exposure to financial risk in the manner described in notes below.

25.1 Credit risk

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

25.1.1 Exposure to credit risk

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

Financial assets - unsecured	Note	2009	2008
		(Rupees in '000)	
Deposits with Banks	11	62,581	61,969
Premiums due but unpaid	14	3,983	6,528
Amounts due from other insurers / reinsurers	15	4,378	11,032
Reinsurance recovery against outstanding claims		69,396	32,528
Prepaid reinsurance premium ceded		32,415	60,413
Sundry receivable		159	1,172
		172,912	173,642
Not past due		170,816	140,987
Past due but not impaired		2,022	32,353
Past due and impaired		74	302
		172,912	173,642

Age analysis of financial assets are follows:

Not past due and past due but not impaired:

2009	Upto 1 year	1 - 2 years	2-3 years	Over 3 years	Total
	------------------(Rupees in '000) ------------------				
Deposits with Banks	62,581	-	-	-	62,581
Premiums due but unpaid	3,983	-	-	-	3,983
Amounts due from other insurers / reinsurers	2,439	1,865	-	-	4,304
Reinsurance recovery against outstanding claims	16,644	6,929	32,431	13,392	69,396
Prepaid reinsurance premium ceded	25,837	907	5,658	13	32,415
Sundry receivable	159	-	-	-	159
	111,643	9,701	38,089	13,405	172,838

2008	Upto 1 year	1 - 2 years	2-3 years	Over 3 years	Total
	------------------(Rupees in '000) ------------------				
Deposits with Banks	61,969	-	-	-	61,969
Premiums due but unpaid	6,506	22	-	-	6,528
Amounts due from other insurers / reinsurers	10,730	-	-	-	10,730
Reinsurance recovery against outstanding claims	197	18,922	574	12,835	32,528
Prepaid reinsurance premium ceded	23,763	13,860	22,739	51	60,413
Sundry receivable	1,172	-	-	-	1,172
	104,337	32,804	23,313	12,886	173,340

Past due and impaired:

2009	Upto 1 year	1 - 2 years	1-3 years	Over 3 years	Total
	------------------(Rupees in '000) ------------------				
Amounts due from other insurers / reinsurers	-	74	-	-	74

2008	Upto 1 year	1 - 2 years	1-3 years	Over 3 years	Total
	------------------(Rupees in '000) ------------------				
Amounts due from other insurers / reinsurers	-	302	-	-	302

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

2009	Rating		Rating Agency	(Rupees in'000)
	Short term	Long term		
Barclays Bank PLC	A-1+	AA-	Standard & Poor's	46,145
Bank AL Habib Limited	A1+	AA+	PACRA	12,076
Atlas Bank Limited	A2	A-	PACRA	3,732
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	278
MCB Bank Limited	A1+	AA+	PACRA	263
Meezan Bank Limited	A-1	A+	JCR-VIS	87
Habib Bank Limited	A-1+	AA+	JCR-VIS	-
				62,581

2008	Rating		Rating Agency	(Rupees in'000)
	Short term	Long term		
Barclays Bank PLC	A-1+	AA-	Standard & Poor's	55,069
Bank AL Habib Limited	A1+	AA	PACRA	842
Atlas Bank Limited	A2	A-	PACRA	3,660
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	13
MCB Bank Limited	A1+	AA+	PACRA	263
Meezan Bank Limited	A-1	A+	JCR-VIS	1,859
Habib Bank Limited	A-1+	AA+	JCR-VIS	263
				61,969

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

2009

Ratings	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	Total
	(Rupees in '000)			
AA	324	32,301	9,725	42,350
AA-	2,424	-	-	2,424
A	305	16,687	11,346	28,338
A+	-	765	-	765
A-	945	9,400	3,242	13,587
BBB	354	4,516	4,862	9,732
BB+	-	2,717	-	2,717
B+	-	3,010	3,240	6,250
Others	26	-	-	26
	4,378	69,396	32,415	106,189

2008

Ratings	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	Total
	(Rupees in '000)			
AA	9,392	2,754	17,305	29,451
AA-	915	-	-	915
A	262	9,715	20,189	30,166
A+	-	202	-	202
A-	210	8,957	11,536	20,703
BBB	-	10,833	11,383	21,347
BB+	-	-	-	-
B+	176	67	-	243
Others	77	-	-	77
	11,032	32,528	60,413	103,104

Premium due but unpaid

Premium due but unpaid is mostly recoverable from group companies and are considered good.

25.1.2 Concentration of credit risk

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 effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid, amounts due from other insurers / reinsurers, reinsurance recovery against outstanding claims and prepaid reinsurance premium ceded at the reporting date was:

Industry sector	**2009**		2008	
	Rs. '000'	%	Rs. '000'	%
Textile composite	35	0.03%	5,402	4.89%
Fertilizer	7	0.01%	-	0.00%
Fuel and energy	2,668	2.42%	-	0.00%
Insurance (Re / co-insurance)	106,190	96.39%	103,973	94.09%
Miscellaneous	1,272	1.15%	1,126	1.02%
	110,172	100%	110,501	100%

25.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives to guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are contractual maturities of financial liabilities:

2009

Financial liabilities	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	----------	----------	----------	(Rupees in '000)	----------	----------
Provision for outstanding claims	93,719	93,719	89,392	-	4,327	-
Staff retirement benefits	923	923	-	-	-	923
Amount due to other insurers / reinsurers	10,164	10,164	10,164	-	-	-
Accrued expenses	2,468	2,468	2,468	-	-	-
Other creditors and accruals	2,776	2,776	2,776	-	-	-
Unclaimed dividend	8,215	8,215	8,215	-	-	-
	118,265	118,265	113,015	-	4,327	923

2008

Financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	----------	----------	----------	(Rupees in '000)	----------	----------
Provision for outstanding claims	52,768	52,768	48,441	-	4,327	-
Staff retirement benefits	845	845	-	-	-	845
Amount due to other insurers / reinsurers	21,862	21,862	21,862	-	-	-
Accrued expenses	2,833	2,833	2,833	-	-	-
Other creditors and accruals	5,430	5,430	5,430	-	-	-
Unclaimed dividend	9,607	9,607	9,607	-	-	-
	93,345	93,345	88,173	-	4,327	845

25.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The market risks associated with the Company's business activities are interest rate risk and price risk. The Company is not exposed to material currency risk.

25.3.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	2009	2008	2009	2008
	Carrying amounts (Rupees in '000)		Effective interest rate in %	
Fixed rate instruments				
-Government Securities	18,908	15,784	8% to 11%	8%
Variable rate instruments				
-PLS accounts	62,040	61,685	4% to 17%	4% to 17%
-Term deposits	2,000	2,253	5.80%	5.80%

Sensitivity analysis for fixed rate instruments

The Company does not account fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs. 0.02 million (2008: Rs 0.09 million).

25.3.1.1 Maturity profile of financial assets and liabilities

	Profit rate % per annum	2009						
		Interest / markup bearing			Non-interest / non-markup bearing			
		Maturity up to 1 year	Maturity after 1 Year	Sub Total	Maturity up to 1 year	Maturity after 1 Year	Sub Total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	4% to 17%	64,040	-	64,040	1,096	-	1,096	65,136
Investment	8% to 11%	-	18,949	18,949	-	3,230,927	3,230,927	3,249,876
Premium due but unpaid		-	-	-	3,983	-	3,983	3,983
Amounts due from other insurers / reinsurers		-	-	-	4,304	-	4,304	4,304
Accrued investment income	8% to 11%	386	-	386	-	-	-	386
Reinsurance recoveries against outstanding claims		-	-	-	67,822	1,574	69,396	69,396
Sundry receivables	4% to 17%	120	-	120	21	100	121	241
		64,546	18,949	83,495	77,226	3,232,601	3,309,827	3,393,322
Financial Liabilities								
Provision for outstanding claims (IBNR)		-	-	-	89,392	4,327	93,719	93,719
Amount due to other insurers / reinsurers		-	-	-	10,164	-	10,164	10,164
Accured expenses		-	-	-	2,468	-	2,468	2,468
Other creditors and accruals		-	-	-	2,776	-	2,776	2,776
Unclaimed dividend		-	-	-	8,215	-	8,215	8,215
		-	-	-	113,015	4,327	117,342	117,342
31 December 2009		64,546	18,949	83,495	(35,789)	3,228,274	3,192,485	3,275,980

	Profit rate % per annum	2008						
		Interest / markup bearing			Non-interest / non-markup bearing			
		Maturity up to 1 year	Maturity after 1 Year	Sub Total	Maturity up to 1 year	Maturity after 1 Year	Sub Total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	4% to 17%	63,938	-	63,938	835	-	835	64,773
Investment	8%	-	15,825	15,825	-	4,108,316	4,108,316	4,124,141
Premium due but unpaid		-	-	-	6,528	-	6,528	6,528
Amounts due from other insurers / reinsurers		-	-	-	10,730	-	10,730	10,730
Accrued investment income	8%	1,229	-	1,229	-	-	-	1,229
Reinsurance recoveries against outstanding claims		-	-	-	30,954	1,574	32,528	32,528
Sundry receivables	4% to 17%	541	-	541	665	89	754	1,295
		65,708	15,825	81,533	49,712	4,109,979	4,159,691	4,241,224
Financial Liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	48,441	4,327	52,768	52,768
Amount due to other insurers / reinsurers		-	-	-	21,862	-	21,862	21,862
Accured expenses		-	-	-	2,833	-	2,833	2,833
Other creditors and accruals		-	-	-	5,430	-	5,430	5,430
Unclaimed dividend		-	-	-	9,607	-	9,607	9,607
		-	-	-	88,173	4,327	92,500	92,500
31 December 2008		65,708	15,825	81,533	(38,461)	4,105,652	4,067,191	4,148,724

25.3.2 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 rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted securities amounting to Rs.3,231 million (2008 Rs.4,108 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long term. Thus 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 strict descipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirement of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation, consequently, the amount realized by the sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2009 and 2008 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase/ (decrease) in shareholders equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	(Rupees in '000)				
31 December 2009	3,196,321	10% increase	3,515,953	207,761	319,632
		10% decrease	2,876,689	(207,761)	(319,632)
31 December 2008	1,937,354	* 10% increase	2,131,089	-	-
		10% decrease	1,743,619	(125,928)	(193,735)

*An increase of 10% in equity prices at the reporting date is restricted to the amount of cost of investment of such securities as per the Company's policy.

25.3.3 Foreign currency risk

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

25.4 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses , engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputtable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under 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 Securities and Exchange Commission of Pakistan (SECP) on an annual basis.

The Company has a claim department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

b) Sources of uncertainty in the estimation of future claims payment

Claims reported and otherwise are analysed separately. The development of large losses/catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-to-case basis separately.

c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company’s monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

d) Changes in assumptions

The Company has not changed its assumptions for the insurance contracts as disclosed in above (b) and (c).

e) **Sensitivity analysis**

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will 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		Shareholders' equity	
	2009	2008	2009	2008
10% increase in loss	--------------------------------(Rupees in '000)		---------------------------------	
Fire	(53)	(82)	(34)	(53)
Marine	(306)	(152)	(199)	(99)
Motor	(362)	(373)	(236)	(243)
Miscellaneous	(49)	(49)	(32)	(32)
	(770)	(656)	(501)	(427)
10% decrease in loss				
Fire	53	82	34	53
Marine	306	152	199	99
Motor	362	373	236	243
Miscellaneous	49	49	32	32
	770	656	501	427

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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.

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
	--		(Rupees in '000)		---	
Fire	25,075,717	23,376,798	24,717,737	23,045,754	357,980	331,044
Marine	16,276,574	15,321,923	14,873,226	14,651,580	1,403,348	670,343
Motor	315,839	265,701	10,027	15,520	305,812	250,181
Miscellaneous.	16,085,554	4,009,747	15,315,381	3,947,291	770,173	62,456
	57,753,684	42,974,169	54,916,371	41,660,145	2,837,313	1,314,024

Claims development tables

The following table shows the development of claims over the period. 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. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2009.

Analysis on gross basis

Accident year	2005	2006	2007	2008	2009	Total
	(Rupees in '000)					
Estimate of ultimate claims cost:						
At the end of accident year	49,780	49,609	21,948	24,777	70,195	216,309
One year later	47,819	47,477	20,771	14,085	-	130,152
Two years later	46,796	47,617	21,065	-	-	115,478
Three years later	46,578	47,754	-	-	-	94,332
Four years later	46,722	-	-	-	-	46,722
Current estimate of cumulative claims	46,722	47,754	21,065	14,085	70,195	199,821
Cumulative payments to date	(42,528)	(39,175)	(19,375)	(7,462)	(5,446)	(113,986)
Liability recognised in the balance sheet	4,194	8,579	1,690	6,623	64,749	85,835
Liability in respect of prior years						7,884
Total liability recognised in balance sheet						93,719

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments, fair value of which have been stated in note 13.

27 CAPITAL RISK MANAGEMENT

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

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

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

	2009	2010	2011
	(Rupee in '000)		
Minimum paid up capital	200,000	250,000	300,000

The Company currently meets the externally imposed capital limit.

28 (LOSS) / EARNINGS PER SHARE – basic and diluted

		2009	2008
		(Rupees in '000)	
Net (loss) / profit for the year attributable to ordinary shareholders		(855,118)	116,421
			(Restated)
Weighted average number of ordinary shares outstanding during the year	Number	20,303,973	20,303,973
			(Restated)
Basic (loss) / earnings per share	Rupees	(42.12)	5.73

29 SUBSEQUENT EVENT - Non adjusting

The Board of Directors in its meeting held on March 22, 2010 has announced a final cash dividend of Rs. 1 per share (2008:Rs. 1 per share) and bonus shares in the proportion of 2.5 shares for every 10 shares held (2008: 1 shares for every 10 shares held) in respect of the year ended 31 December 2009 amounting to Rs. 20.30 million (2008: Rs 18.46 million) and Rs. 50.76 million (2008: Rs. 18.46 million) respectively. These financial statements for the year ended 31 December 2009 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

30 COMPARATIVE

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made in the comparative figures which are not disclosed in the relevant notes are as follows:

Reclassification from	Reclassification to	Reason for	Rupees in ('000)
Investment income	Provision for impairment in value of available-for-sale investments	Comparative amounts have been reclassified to conform with current year's presentation	142,741
Other income	Investment income	Comparative amounts have been reclassified to conform with current year's presentation	7

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on March 22, 2010 by the Board of Directors of the Company.

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

PATTERRN OF SHAREHOLDING

AS AT 31 DECEMBER 2009

Disclosure Requirement Under the Code of Corporate Governance

S.NO	Categories of Shareholders	Shares held
1	Assocaited companies, Undertakings & Related Parties	
	Dawood Corporation (Pvt) Ltd.	10,050,441
	Dawood Industries (Pvt) Ltd.	1,190
	Sach International (Pvt) Ltd.	1,824,760
	Patek (Pvt) Ltd.	1,117,057
	Pebbles (Pvt) Limited	1,029,624
2	**NIT & ICP**	
	Investment Corporation of Pakistan	38
3	**Directors & CEO (Including holding of their spousese & minor childern)**	
	Mr. Samad Dawood - Chairman	898,777
	Mr. Viquar Hassan Siddiqui - Chief Executive, Director	3,630
	Mr. Aleem Ahmed Dani - Director	1
	Mr. Aziz Moon - Director	4,119
	Mr. Haroon Mehanti - Director	6,398
4	Executives	-
5	Public Sector Companies and Corporations	-
6	Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds	75,094
7	Others	
	Cooperative Societies	177,777
	General Public	5,115,067
	TOTAL	20,303,973
8	**Shareholders holding 10% or more shares**	
	Dawood Corporation (Pvt) Ltd.	10,050,441
	Mr. Husain Dawood	3,439,203

PATTERN OF SHAREHOLDING

As At 31 December 2009

Number of Shareholders	Shareholding Range		Total Shares Held
	From	To	
179	1	100	5,293
199	101	500	52,274
90	501	1,000	68,065
160	1,001	5,000	354,944
43	5,001	10,000	306,162
15	10,001	15,000	177,525
7	15,001	20,000	115,390
5	20,001	25,000	108,202
2	25,001	30,000	55,329
2	35,001	40,000	64,047
2	40,001	45,000	77,608
1	55,001	60,000	59,592
1	115,001	120,000	118,772
1	175,001	180,000	177,777
2	190,001	195,000	383,169
1	200,001	205,000	203,131
1	250,001	255,000	250,374
1	640,001	645,000	708,477
1	1,025,001	1,030,000	1,029,624
1	1,115,001	1,120,000	1,117,057
1	1,290,001	1,295,000	1,292,678
1	1,700,001	1,705,000	1,703,282
1	1,820,001	1,825,000	1,824,760
1	10,050,001	10,055,000	10,050,441
718			**20,303,973**

S. No	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
1	Individuals	679	6,027,992	29.69
2	Financial Institutions	26	21,911	0.11
3	Joint Stock Companies	12	14,253,655	70.20
4	Mutual Fund	1	415	0.00
		718	**20,303,973**	**100**

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(Empress Road), Lahore.
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