Consolidated Financial Statements
For the year ended 31 December 2010

THE POWER OF ACCURACY

At Adamjee Insurance we dont make mistakes, we cant afford to. In a business that prides itself in numbers, accuracy becomes the name of the game. Each number each value is checked and vetted on multiple levels and thats what defines our quest of excellence.

ANNUAL
REPORT
2010

DIRECTORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors, I am pleased to present second report on the consolidated financial statements of Adamjee Insurance Company Limited for the year ended 31 December 2010.

The following appropriation of profit has been recommended by Board of Directors:

	2010	2009
	(Rupees in thousand)	
Profit before tax	**687,677**	2,608,348
Taxation	**(62,993)**	(161,328)
Profit after tax	**624,684**	2,447,020
Profit attributable to minority interest	**(5,679)**	(5,642)
Profit attributable to ordinary share holders	**619,005**	2,441,378
Un-appropriated profit brought forward	**8,522,098**	6,453,878
Profit available for appropriation	**9,141,103**	8,895,256
Appropriations		
Final dividend for the year ended 31 December 2009 Rupees 1.5/- per share (2008: Rupee 1/- per share)	**(168,688)**	(102,235)
Issue of bonus shares for the year ended 31 December 2009 @ 10% (2008: 10%)	**(112,459)**	(102,235)
Interim dividend @ 10% (Rupee 1/- per share) (2009: Rupees 1.5/- per share)	**(123,705)**	(168,688)
Total appropriation	**(404,852)**	(373,158)
	8,736,251	8,522,098
	Rupees	Rupees Restated
Earnings per share	**5.00**	19.74

On behalf of Directors

Karachi: 22, March 2011

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of ADAMJEE INSURANCE COMPANY LIMITED ("the Holding Company") and its subsidiary company (together referred to as "Group") as at 31 December 2010 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, consolidated Statement of Premiums, consolidated Statement of Claims, consolidated Statement of Expenses and consolidated Statement of Investment Income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Adamjee Insurance Company Limited. The financial statements of subsidiary company Adamjee Life Assurance Company Limited were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of ADAMJEE INSURANCE COMPANY LIMITED and its subsidiary company as at 31 December 2010 and the results of their operations for the year then ended.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Karachi: 22 March 2011

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
Share capital and reserves			
Authorised share capital	3.1	**1,500,000**	1,500,000
Paid-up share capital	3.2	**1,237,045**	1,124,586
Retained earnings		**8,736,251**	8,522,098
Reserves	4	**1,047,106**	1,104,707
		9,783,357	9,626,805
Equity attributable to equity holders of the parent		**11,020,402**	10,751,391
Non-controlling interest	5	**152,444**	216,230
Total equity		**11,172,846**	10,967,621
Balance of statutory funds	6	**99,479**	11,499
Underwriting provisions			
Provision for outstanding claims (including IBNR)	7	**7,989,823**	3,584,772
Provision for unearned premium		**5,017,435**	4,405,817
Commission income unearned		**305,434**	228,439
Total underwriting provisions		**13,312,692**	8,219,028
Deferred liabilities			
Deferred taxation		**58,375**	74,270
Staff retirement benefits	8	**19,585**	14,298
Creditors and Accruals			
Premiums received in advance		**77,174**	91,169
Amounts due to other insurers / reinsurers		**1,599,650**	960,748
Accrued expenses		**151,051**	156,626
Taxation - provision less payments		**-**	5,455
Other creditors and accruals	9	**1,564,460**	1,188,741
		3,392,335	2,402,739
Borrowings			
Liabilities against assets subject to finance lease	10	**107,637**	148,911
Other liabilities			
Unclaimed dividends		**29,121**	25,965
TOTAL LIABILITIES		**16,919,745**	10,885,211
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**28,192,070**	21,864,331

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
Cash and bank deposits	12		
Cash and other equivalents		**59,453**	61,796
Current and other accounts		**1,098,285**	702,913
Deposits maturing within 12 months		**1,584,827**	1,408,449
		2,742,565	2,173,158
Loans			
To employees	13	**22,086**	28,383
Investments	14	**9,607,857**	9,815,444
Current assets - others			
Premiums due but unpaid	15	**4,554,824**	3,841,755
Amounts due from other insurers / reinsurers	16	**993,584**	716,962
Salvage recoveries accrued		**99,636**	115,753
Premium and claim reserves retained by cedants		**23,252**	24,235
Accrued investment income	17	**41,389**	47,304
Reinsurance recoveries against outstanding claims	18	**6,253,202**	1,845,562
Taxation - payments less provision		**45,873**	-
Deferred commission expense		**512,222**	399,884
Prepayments	19	**1,835,054**	1,555,207
Sundry receivables	20	**316,635**	201,194
		14,675,671	8,747,856
Fixed Assets - Tangible & Intangible	21		
Owned			
Land and buildings		**281,472**	174,660
Furniture and fixtures		**70,212**	38,843
Motor vehicle		**203,650**	220,253
Capital work-in-progress		**-**	22,575
Machinery and equipment		**318,224**	375,731
Computers and related accessories		**60,455**	54,583
Intangible asset - computer software		**66,435**	38,269
		1,000,448	904,914
Leased			
Motor vehicles		**143,443**	194,576
TOTAL ASSETS		**28,192,070**	21,864,331

Umer Mansha
Chairman

S.M. Jawed
Director

Ahmed Ebrahim Hasham
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	General Insurance					Life Insurance			Total	
		Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitized Investment Linked Business	**31 December 2010**	31 December 2009
		(Rupees in thousand)									
Revenue account											
Net premium revenue		1,103,966	942,943	3,351,982	1,477,612	6,894	41,661	160	173,669	**7,098,887**	6,830,998
Net claims		(1,030,802)	(545,964)	(2,266,859)	(980,674)	(9,217)	(16,173)	-	(5)	**(4,849,694)**	(4,456,506)
Expenses	22	(216,970)	(183,175)	(561,512)	(291,787)	(1,367)	(53,250)	(324)	(91,970)	**(1,400,355)**	(1,239,780)
Net commission		(120,655)	(180,880)	(243,103)	33,317	(3,243)	(10,979)	(86)	(115,252)	**(640,881)**	(501,964)
Net Investment income - statutory fund		-	-	-	-	-	3,292	5	2,865	**6,162**	116
Add: Policyholders' liabilities at beginning of the year		-	-	-	-	-	11,498	1	-	**11,499**	-
Less: Policyholders' liabilities at end of the year		-	-	-	-	-	(20,034)	(59)	(79,386)	**(99,479)**	(11,498)
Capital contribution from shareholders' fund		-	-	-	-	-	43,985	303	110,079	**154,367**	57,891
Underwriting result		(264,461)	32,924	280,508	238,468	(6,933)	-	-	-	**280,506**	679,257
Investment income - other										**765,396**	2,533,500
Rental income										**1,048**	476
Other income	23									**171,239**	154,262
										1,218,189	3,367,495
General and administration expenses	24									**(646,338)**	(751,700)
Exchange (loss) / gain										**(1,396)**	4,188
Finance charge on lease liabilities										**(18,966)**	(11,635)
Share of profit from associated companies										**136,188**	-
Profit before tax										**687,677**	2,608,348
Provision for taxation	25									**(62,993)**	(161,328)
Profit after tax										**624,684**	2,447,020
Profit attributable to:											
Equity holders of the parent										**619,005**	2,441,378
Non-controlling interest										**5,679**	5,642
										624,684	2,447,020
Profit and loss appropriation account - Parent Company											
Balance at the commencement of the year										**8,522,098**	6,453,878
Profit after tax for the year attributable to equity holders of the parent										**619,005**	2,441,378
Final dividend for the year ended 31 December 2009 Rupees 1.5/- per share (2008: Rupee 1/- per share)										**(168,688)**	(102,235)
Issue of bonus shares for the year ended 31 December 2009 @ 10 % (2008:10%)										**(112,459)**	(102,235)
Interim dividend @ 10% (Rupee 1/- per share) [2009: Rupees 1.5/- per share]										**(123,705)**	(168,688)
Balance unappropriated profit at the end of the year										**8,736,251**	8,522,098
											Restated
										Rupees	Rupees
Earnings per share - basic and diluted (Note 26)										**5.00**	19.74

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ahmed Ebrahim Hasham**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Profit for the year	**624,684**	2,447,020
Other comprehensive income:		
Effect of translation of net investment in foreign branches	**27,301**	58,316
Capital contribution to statutory funds	**(154,367)**	(57,891)
Total comprehensive income for the year	**497,618**	2,447,445
Total comprehensive income attributable to:		
Equity holders of the parent	**561,404**	2,467,854
Non-controlling interest	**(63,786)**	(20,409)
	497,618	2,447,445

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ahmed Ebrahim Hasham
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Capital reserves					Revenue reserves				
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Capital contribution to statutory funds	Exchange translation reserve	General reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	**Total Equity**
	(Rupees in thousand)										
Balance as at 01 January 2009	1,022,351	-	22,859	3,764	-	115,108	936,500	6,453,878	8,554,460	236,639	**8,791,099**
Total comprehensive income for the year 31 December 2009	-	-	-	-	(31,840)	58,316	-	2,441,378	2,467,854	(20,409)	**2,447,445**
Final dividend for the year ended 31 December 2008 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	-	(102,235)	(102,235)	-	**(102,235)**
Transferred to reserve for issue of bonus shares	-	102,235	-	-	-	-	-	(102,235)	-	-	**-**
Issue of bonus shares for the year ended 31 December 2008 @ 10 %	102,235	(102,235)	-	-	-	-	-	-	-	-	**-**
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	-	(168,688)	(168,688)	-	**(168,688)**
Balance as at 31 December 2009	1,124,586	-	22,859	3,764	(31,840)	173,424	936,500	8,522,098	10,751,391	216,230	**10,967,621**
Total comprehensive income for the year 31 December 2010	-	-	-	-	(84,902)	27,301	-	619,005	561,404	(63,786)	**497,618**
Final dividend for the year ended 31 December 2009 @ 15 % (Rupees 1.5/- per share)	-	-	-	-	-	-	-	(168,688)	(168,688)	-	**(168,688)**
Transferred to reserve for issue of bonus shares	-	112,459	-	-	-	-	-	(112,459)	-	-	**-**
Issue of bonus shares for the year ended 31 December 2009 @ 10 %	112,459	(112,459)	-	-	-	-	-	-	-	-	**-**
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	-	(123,705)	(123,705)	-	**(123,705)**
Balance as at 31 December 2010	**1,237,045**	**-**	**22,859**	**3,764**	**(116,742)**	**200,725**	**936,500**	**8,736,251**	**11,020,402**	**152,444**	**11,172,846**

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ahmed Ebrahim Hasham
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	**11,189,830**	10,050,556
Reinsurance premiums paid	**(3,812,319)**	(3,254,612)
Claims paid	**(6,248,557)**	(6,629,827)
Surrenders paid	**(85,589)**	(79,776)
Reinsurance and other recoveries received	**1,174,620**	1,922,877
Commissions paid	**(1,182,671)**	(928,529)
Commissions received	**693,974**	522,486
Other underwriting payments	**(1,069,698)**	(784,074)
Net cash flow from underwriting activities	**659,590**	819,101
b) Other operating activities		
Income tax (paid) / refund	**(130,217)**	55,645
General and other expenses paid	**(661,238)**	(615,222)
Loans disbursed	**(31,991)**	(42,840)
Loan repayments received	**38,006**	51,974
Other receipts	**22,482**	22,897
Net cash used in other operating activities	**(762,958)**	(527,546)
Total cash (used in) / flow from all operating activities	**(103,368)**	291,555
Investment Activities		
Profit / return received	**161,049**	181,532
Preoperating expense	**-**	(52,322)
Dividends received	**518,567**	348,327
Investments purchased	**(5,253,522)**	(7,603,778)
Proceeds from disposal of investments	**5,799,124**	7,222,289
Fixed capital expenditure - Tangible assets	**(299,828)**	(176,653)
Fixed capital expenditure - Intangible assets	**(23,152)**	(3,781)
Proceeds from disposal of fixed assets	**75,476**	61,897
Rent income received	**3,335**	184
Income received on PIBs	**15,264**	11,320
Income received on TFCs	**25,565**	28,767
Total cash flow from investing activities	**1,021,878**	17,782
Financing Activities		
Lease rentals paid	**(60,239)**	(73,619)
Dividends paid	**(289,237)**	(270,013)
Total cash used in financing activities	**(349,476)**	(343,632)
Net cash flow from / (used in) all activities	**569,034**	(34,295)
Cash at the beginning of the year	**2,168,707**	2,203,002
Cash at the end of the year	**2,737,741**	2,168,707

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Reconciliation to Profit and Loss Account		
Operating cash flows	**(103,368)**	305,231
Depreciation expense	**(192,980)**	(165,876)
Provision for gratuity	**(3,745)**	(4,415)
Other income - bank deposits	**143,156**	128,103
Gain / (loss) on disposal of fixed assets	**7,314**	(1,470)
Finance charge on lease liability	**(18,966)**	(11,635)
Rental income	**1,048**	476
Share of profit from associated companies	**136,188**	-
Decrease in assets other than cash	**5,823,722**	194,050
(Decrease) / increase in liabilities other than running finance	**(5,525,765)**	36,893
	266,604	481,357
Others		
Profit on sale of investments	**104,414**	166,415
Amortization expense	**(17,436)**	(11,233)
Capital contribution from shareholders fund	**154,367**	57,891
Increase in unearned premium	**(611,618)**	(390,995)
Amortization of income on Government Securities - net	**2,160**	40,958
Decrease in loans	**(6,015)**	(9,134)
Income tax paid / (refund)	**130,217**	(58,542)
Profit on PIBs	**15,634**	12,997
Reversal of provision for diminution in value of investments	**127,643**	1,873,200
Dividend, investment and other income	**497,009**	417,161
Income on TFCs	**24,698**	28,273
	421,073	2,126,991
Profit before taxation	**687,677**	2,608,348

Definition of cash:

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

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	**59,453**	61,796
Current and other accounts	**1,098,285**	702,913
Deposits maturing within 12 months	**1,580,003**	1,403,998
Total cash and cash equivalents	**2,737,741**	2,168,707

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ahmed Ebrahim Hasham**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		**31 December 2010**	31 December 2009
	(Rupees in thousand)									
General insurance:										
Direct and facultative										
Fire and Property Damage	4,270,692	1,685,968	1,977,580	3,979,080	3,109,275	1,137,049	1,371,210	2,875,114	**1,103,966**	1,150,510
Marine, Aviation and Transport	1,134,220	42,099	57,988	1,118,331	182,432	5,155	12,199	175,388	**942,943**	974,268
Motor	3,645,796	1,900,021	1,760,996	3,784,821	410,761	197,408	175,330	432,839	**3,351,982**	3,479,904
Miscellaneous	2,506,567	777,729	1,220,871	2,063,425	659,582	142,017	215,786	585,813	**1,477,612**	1,202,130
	11,557,275	4,405,817	5,017,435	10,945,657	4,362,050	1,481,629	1,774,525	4,069,154	**6,876,503**	6,806,812
Treaty										
Proportional	6,894	-	-	6,894	-	-	-	-	**6,894**	85
Total	6,894	-	-	6,894	-	-	-	-	**6,894**	85
	11,564,169	4,405,817	5,017,435	10,952,551	4,362,050	1,481,629	1,774,525	4,069,154	**6,883,397**	6,806,897
Life insurance:										
Conventional Business	91,051	-	-	91,051	49,390	-	-	49,390	**41,661**	24,099
Accident and Health Business	207	-	-	207	47	-	-	47	**160**	2
Non-unitised Investment Link Business	175,879	-	-	175,879	2,210	-	-	2,210	**173,669**	-
Total	267,137	-	-	267,137	51,647	-	-	51,647	**215,490**	24,101
Grand Total	11,831,306	4,405,817	5,017,435	11,219,688	4,413,697	1,481,629	1,774,525	4,120,801	**7,098,887**	6,830,998

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ahmed Ebrahim Hasham
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Total claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claims expense 31 December 2010	Net claims expense 31 December 2009
	(Rupees in thousand)									
General insurance:										
Direct and facultative										
Fire and Property Damage	1,780,984	1,168,771	4,893,957	5,506,170	850,331	709,703	4,334,740	4,475,368	**1,030,802**	650,449
Marine, Aviation and Transport	465,487	359,826	426,065	531,726	3,563	183,873	166,072	(14,238)	**545,964**	418,877
Motor	2,770,733	1,471,832	1,540,738	2,839,639	283,234	705,607	995,153	572,780	**2,266,859**	2,435,542
Miscellaneous	1,165,295	552,512	1,099,317	1,712,100	236,685	362,132	856,873	731,426	**980,674**	937,313
	6,182,499	3,552,941	7,960,077	10,589,635	1,373,813	1,961,315	6,352,838	5,765,336	**4,824,299**	4,442,181
Treaty										
Proportional	11,847	22,962	20,332	9,217	-	-	-	-	**9,217**	10,658
	11,847	22,962	20,332	9,217	-	-	-	-	**9,217**	10,658
Total	6,194,346	3,575,903	7,980,409	10,598,852	1,373,813	1,961,315	6,352,838	5,765,336	**4,833,516**	4,452,839
Life insurance:										
Conventional business	55,721	-	-	55,721	39,548	-	-	39,548	**16,173**	3,667
Accident and Health Business	-	-	-	-	-	-	-	-	**-**	-
Non-unitised Investment Link Business	19	-	-	19	14	-	-	14	**5**	-
Total	55,740	-	-	55,740	39,562	-	-	39,562	**16,178**	3,667
Grand Total	6,250,086	3,575,903	7,980,409	10,654,592	1,413,375	1,961,315	6,352,838	5,804,898	**4,849,694**	4,456,506

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ahmed Ebrahim Hasham**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2010

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					**31 December 2010**	31 December 2009
	(Rupees in thousand)								
General insurance:									
Direct and facultative									
Fire and Property Damage	562,397	203,339	259,844	505,892	216,970	722,862	385,237	**337,625**	256,692
Marine, Aviation and Transport	188,574	7,197	11,662	184,109	183,175	367,284	3,229	**364,055**	332,202
Motor	329,843	144,778	162,226	312,395	561,512	873,907	69,292	**804,615**	852,836
Miscellaneous	159,825	44,570	78,490	125,905	291,787	417,692	159,222	**258,470**	233,017
	1,240,639	399,884	512,222	1,128,301	1,253,444	2,381,745	616,980	**1,764,765**	1,674,747
Treaty									
Proportional	3,243	-	-	3,243	1,367	4,610	-	**4,610**	54
	3,243	-	-	3,243	1,367	4,610	-	**4,610**	54
Total	1,243,882	399,884	512,222	1,131,544	1,254,811	2,386,355	616,980	**1,769,375**	1,674,801
Life insurance:									
Conventional business	11,098	-	-	11,098	53,250	64,348	119	**64,229**	66,036
Accident and health business	86	-	-	86	324	410	-	**410**	907
Non-unitised Investment Link Business	115,481	-	-	115,481	91,970	207,451	229	**207,222**	-
Total	126,665	-	-	126,665	145,544	272,209	348	**271,861**	66,943
Grand Total	1,370,547	399,884	512,222	1,258,209	1,400,355	2,658,564	617,328	**2,041,236**	1,741,744

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ahmed Ebrahim Hasham
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
General insurance:			
Income from non-trading investments			
Available-for-sale			
Return on fixed income securities		2,160	40,958
Return on Term Finance Certificates		24,698	28,273
Return on Pakistan Investments Bonds		15,634	12,997
Dividend income			
- associated undertakings		275,483	208,802
- others		192,870	148,771
		468,353	357,573
		510,845	439,801
Gain on sale of 'available-for-sale' investments			
- associated undertakings		75,626	195,946
- others		20,693	(29,529)
		96,319	166,417
		607,164	606,218
Reversal of impairment in value of 'available-for-sale' investment	14.2	128,882	1,873,201
Investment related expenses		-	-
		736,046	2,479,419
Life insurance:			
Share holders' fund			
Unrealized (diminution) / appreciation in value of quoted equity securities		(762)	65
Return on Government Securities		23,839	23,206
Return on bank deposit		717	21,218
Dividend income		719	60
Gain on sale of non trading investments		7,170	9,532
Provision for impairment in value of available for sale investments		(2,333)	-
		29,350	54,081
Statutory Funds			
Conventional Business			
Return on Government Securities		2,361	-
Investment income on bank deposits		515	96
Gain on sale of units of open end mutual funds		948	20
Provision for impairment in value of available for sale investments		(532)	-
		3,292	116
Accident and Health Business			
Investment income on bank deposits		5	-
Gain on sale of units of open end mutual funds		-	-
		5	-
Non-unitised Investment Link Business			
Unrealized diminution in value of Government securities		(70)	-
Return on Government Securities		2,092	-
Investment income on bank deposits		866	-
Loss on sale of government securities		(23)	-
		2,865	-
Net investment income		771,558	2,533,616
Net investment income - statutory funds		6,162	116
Net investment income - other		765,396	2,553,500
		771,558	2,553,616

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ahmed Ebrahim Hasham**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

1. THE GROUP AND ITS OPERATIONS

The group consists of:

Holding company
Adamjee Insurance Company Limited

Subsidiary company	Percentage holding of Adamjee Insurance Company Limited
Adamjee Life Assurance Company Limited	55%

Adamjee Insurance Company Limited (holding company)

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

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

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

Adamjee Life Assurance Company Limited (subsidiary company)

Adamjee Life Assurance Company Limited (subsidiary company) was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Ordinance, 1984 and started its operations from 24 April 2009. The registered office of the Company is located at MCB Building, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at third floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V. who have a holding of 55% and 45% respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited (HLA), a subsidiary of IVM Intersurer B.V., to act on its behalf. HLA is South Africa's largest private sector insurance company.

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

- Conventional Business
- Accident and Health
- Non-Unitized Investment Link Business

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

b) Consolidation

i) Subsidiary Company

Subsidiary company is the entity in which holding company directly or indirectly controls beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and carrying value of investments held by the holding company is eliminated against holding company's share in paid up capital of the subsidiary company.

Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of subsidiary company attributable to interest which are not owned by the holding company. Non-controlling interests are presented as separate item in the consolidated financial statements.

ii) Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other factors e.g. group's representation on the board of directors of investee Company, the Group can exercise significant influence.

Group's investment in "Lalpir Power Limited" and "Pakgen Power Limited" have been considered as investment in associates as the holding company has two directors each, in common, at the board of directors of each of such associated companies besides holding 8% shareholding each in the voting shares.

Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

c) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments which are stated at lower of cost and market value and valuation of policy holders liability and employees' retirement benefits which are carried on the basis of actuarial valuation. Accrual basis of accounting has been used except for cash flow information.

d) Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Provision for doubtful receivables

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

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

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

v) Actuarial valuation of liabilities

The actuarial calculations are involved in determination of policy holders' liability arising from life insurance business and the working of provision for defined benefit plans that are based on certain actuarial assumptions.

vi) Classification of investments

The Group classifies its investments into "available-for-sale", "held to maturity" and "at fair value through profit or loss". The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

vii) Others

Other significant estimates include valuation discount rate, mortality assumptions, surrenders and impairment pertaining to subsidiary company.

e) Functional and presentation currency

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

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

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

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

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

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

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

Following standard and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2010 or later periods:

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

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

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

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

2.2 Insurance contracts

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

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

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

2.2.1 Premium

Holding company

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

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

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

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

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the company. This liability is calculated as follows:

- for marine cargo business and for motor business in Dubai, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and

- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

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

Subsidiary company

Premiums are recognized once the related policies have been issued and the premiums have been received. Single premiums are recognized once the related policies are issued against the receipt of premium. Group life premiums are recognized when due.

A provision for unearned premiums is included in the policyholders' liabilities.

Premium due but unpaid is recognized at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

2.2.2 Reinsurance Ceded

Holding company

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

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

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

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

Reinsurance assets are assessed for impairment on each reporting date. If there is an objective evidence that the reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and impairment loss is recognized in the profit and loss account.

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

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

Subsidiary company

Reinsurance expense is recognized as a liability in accordance with the pattern of recognition of related premium and is measured in line with the terms and conditions of the reinsurance treaty.

2.2.3 Claims expense

Holding company

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

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

Subsidiary company

Claims are recognized on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received except for accident and health claims which are recognized as soon as a reliable estimate of the claim amount can be made.

Claims liability includes amounts in relation to unpaid reported claims and estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet.

2.2.4 Reinsurance recoveries against outstanding claims

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

2.2.5 Commission expense and other acquisition costs

Holding company

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

Subsidiary company

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commission and other expenses are recognized as expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

2.2.6 Premium Deficiency Reserve

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

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

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

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

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

Due to initial years of operations, subsidiary company has not calculated such loss ratios as any such amounts are at present not likely to be material.

2.3 Staff retirement benefits

Holding company

2.3.1 Defined contribution plan

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

2.3.2 Defined benefit plans

The holding company following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to the schemes on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are amortized over the expected future service of the current members. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

(b) unfunded gratuity schemes covering the employees in the Dubai as per the requirements of the applicable regulations. Provision is made in the financial statements based on the management's best estimate of the liability in respect of these schemes.

Subsidiary company

Defined benefit scheme

The Company operates an unfunded gratuity scheme covering eligible employees whose period of employment with the Company is six months or more. The liability recognized in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses. The defined benefit obligation is determined annually by the appointed actuary using projected unit credit method.

Actuarial gains / losses in excess of ten percent of the higher of actuarial liabilities at the end of last reporting year are recognized over the average lives of employees.

2.4 Employees' compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

2.5 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the group. Provisions are recognized when there is a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.6 Cash and cash equivalents

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

2.7 Investments

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

The above investments are classified into the following categories:

2.7.1 Held-to-maturity

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

Subsequent to initial recognition at cost, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

2.7.2 Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The holding company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments. From the current year, the holding company uses appropriate valuation techniques to estimate the fair value of unquoted investments in delisted / unlisted companies. Such valuation is obtained from independent valuers. Previously, the fair value of unquoted investments in delisted / unlisted companies was determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements. The holding company changed the accounting estimate for more appropriate determination of the fair values of unquoted available for sale investments. This change has no impact on the consolidated financial statements.

However, in case of Government securities the market value is determined using rates announced by the Financial Market Association.

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

2.7.3 At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management. Subsequently, these are measured at fair value and gains and losses arising from change in fair value are included in the profit and loss account / revenue account.

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is taken to statement of comprehensive income.

2.9 Fixed assets

2.9.1 Tangible

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

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

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

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

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

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

2.9.2 Intangible

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

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

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

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

2.10 Expenses of management

Holding company

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

Subsidiary company

Expenses of management have been allocated to various classes of business as deemed equitable by the management. Allocation to each segment is based on the nature of the expense and its correlation to each segment.

2.11 Investment income

2.11.1 Income from available-for-sale investments

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

2.11.2 Income from held-to-maturity investments

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

2.11.3 At fair value through profit or loss

Gain or loss on sale of investment is included in profit and loss account or respective revenue account of the fund in the period in which disposal has been made.

2.11.4 Share of profit from associated companies

This is recognized as per policy stated in note 2.1 b (ii).

2.12 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

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

2.13 Financial instruments

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

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

2.14 Dividend and appropriation to reserves

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

2.15 Off setting

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

2.16 Earnings per share

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

2.17 Share Capital

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

2.18 Impairment

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

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

2.19 Segment reporting

Holding company

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

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

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

Subsidiary company

The Company operates in Pakistan only. The subsidiary company has three primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business and Non-unitized Investment Linked Business. The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

The Conventional Business segment includes Individual Life and Group Life. The Individual Life business provides life assurance coverage to individuals under conventional policies issued by the Company. The Group Life business provides life assurance coverage to members of business enterprises and corporate entities under group life insurance schemes issued by the Company and insurance coverage to a group of members or subscribers registered under a common platform.

Accident and Health business segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.

Non-unitized Investment Link provides life assurance coverage to individuals under universal life policies issued by the company, whereby the benefit are expressed in terms of account value of the policy holder value of which is related to the market value of the underlying assets of the statutory fund.

2.20 Borrowing cost

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

2.21 Statutory funds

Subsidiary company

The Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the subsidiary company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Company. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by section 50 of the Insurance Ordinance, 2000.

3. SHARE CAPITAL

3.1 Authorized share capital

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

3.2 Paid-up share capital

Issued, subscribed and fully paid:

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

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

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
4. RESERVES			
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**200,725**	173,424
Capital contribution to statutory funds	4.4	**(116,742)**	(31,840)
		110,606	168,207
Revenue reserve			
General reserve		**936,500**	936,500
		1,047,106	1,104,707

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

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

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

4.4 This represents the share of equity holders of the parent in the capital contribution made by share holders' fund of subsidiary to its statutory funds.

		31 December 2010	31 December 2009
		(Rupees in thousand)	
5.	**NON-CONTROLLING INTEREST**		
	Share capital	**240,599**	240,599
	Profit for the year	**5,679**	5,642
	Contribution to statutory funds	**(95,516)**	(26,051)
	Opening retained earnings	**1,682**	(3,960)
		152,444	216,230

		Statutory Funds				
6.	**POLICY HOLDERS' LIABILITIES**	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	**31 December 2010**	31 December 2009
	Life insurance:	(Rupees in thousand				
6.1	**Gross of reinsurance**					
	Actuarial liability relating to future events	49,616	59	82,523	**132,198**	27,331
6.2	**Net of reinsurance**					
	Actuarial liability relating to future events	20,034	59	79,386	**99,479**	11,499

6.3 Conventional Business

6.3.1 Individual life

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using EFU (61-66) mortality table and a discounting factor interest rate of 3.75%. This table reflects the mortality expectations in Pakistan. In the opinion of a appointed actuary, the table give the closest match to the underlying mortality of the concerned population. This is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and provide margins for adverse deviation. Policy reserves for both waiver of premium and accidental death riders have been based on net unearned premiums.

6.3.2 Group life and group credit

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium reserve and profit commission. The reserve also comprises allowance for "Incurred But Not Reported" (IBNR) claims in accordance with the advice of the appointed actuary.

6.4 Accident and health business

Policy reserves for this plan have been based on net unearned premiums with allowance for mortality pertaining to accident only.

6.5 Non-unitised investment linked business

Policyholders' liabilities constitute the account value of investment link contracts as well as non-investment reserves of these contracts. Non-investment reserves constitute liability kept to account for risks such as death and non-investment riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for death are based on risk charges deducted for, while reserves for the attached riders are based on of net unearned premiums.

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	

7. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)

General insurance			
Related parties		**1,697,849**	272,098
Others		**6,282,560**	3,303,805
		7,980,409	3,575,903
Life insurance		**9,414**	8,869
		7,989,823	3,584,772

8. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity

	Note		
Opening balance		**14,298**	9,166
Charge for the year - holding company	8.1	**3,382**	4,111
Charge for the year - subsidiary company	8.2.3	**1,880**	717
Benefits paid - subsidiary company		**(338)**	-
		19,222	13,994
Exchange loss - holding company		**363**	304
		19,585	14,298

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

8.2 The subsidiary company operates an unfunded gratuity scheme for all permanent employees. An actuarial valuation is carried out at 31 December 2010 to determine the liability of the Company in respect of the scheme. The information provided in notes 8.2.1 to 8.2.5 is based upon the actuarial valuation carried out as at 31 December 2010. The following significant assumptions have been used for valuation of this scheme:

	2010 Percent per annum	2009 Percent per annum
Discount rate	**14.25**	13
Expected rate of increase in salaries	**11**	11

	31 December 2010	31 December 2009
	(Rupees in thousand)	

8.2.1 Amounts recognised in the balance sheet

Present value of the obligation	**3,071**	1,465
Fair value of plan assets	**-**	-
Unrecognised actuarial loss	**(812)**	(748)
Gratuity liability as at 31 December 2010	**2,259**	717

8.2.2 Movement in the present value of the defined benefit obligation

Obligation at the beginning of the year	**1,465**	-
Current service cost	**1,528**	595
Interest cost	**322**	122
Actuarial loss	**94**	748
Benefits paid	**(338)**	-
Obligation at the end of the year	**3,071**	1,465

		31 December 2010	31 December 2009
		(Rupees in thousand)	
8.2.3	**Amounts recognised in the profit and loss account**		
	Current service cost	**1,528**	595
	Interest cost	**322**	122
	Expected return on plan assets	**-**	-
	Recognised actuarial loss	**30**	-
		1,880	717
8.2.4	**Reconciliation of liability**		
	Opening net liability	**717**	-
	Charge for the year	**1,880**	717
	Benefits paid	**(338)**	-
	Closing net liability	**2,259**	717

8.2.5 Actual return on plan assets

The subsidiary company does not have any plan assets as at 31December 2010 in respect of its unfunded gratuity scheme.

		31 December 2010	31 December 2009
9.	**OTHER CREDITORS AND ACCRUALS**		
	Cash margin against performance bonds	**556,683**	459,463
	Sundry creditors	**168,237**	114,495
	Commission payable	**589,285**	416,733
	Workers' welfare fund	**88,375**	80,401
	Federal insurance fee	**18,889**	6,990
	Federal excise duty	**133,204**	108,948
	Others	**9,787**	1,711
		1,564,460	1,188,741

9.1 During the year an amount of Rupees 22.495 million (2009: Rupees 20.044 million) has been charged to the profit and loss account in respect of the company's contributions to the Employees' Provident Fund.

		31 December 2010	31 December 2009
10	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**		
	Present value of minimum lease payments	**107,637**	148,911
10.1	**Minimum lease payments**		
	Not later than 1 year	**39,313**	45,514
	Later than 1 year and not later than 5 years	**98,296**	159,314
		137,609	204,828
	Future finance charges on finance lease	**(29,972)**	(55,917)
	Present value of finance lease liability	**107,637**	148,911
10.2	**Present value of finance lease liabilities**		
	Not later than 1 year	**25,502**	25,167
	Later than 1 year and not later than 5 years	**82,135**	123,744
		107,637	148,911

10.3 The above represents finance lease entered into with leasing companies for motor vehicles. The liability is payable by October 2014 in quarterly installments and is secured against respective vehicles and security deposits.

10.4 Lease payments are bearing variable markup rates include finance charges at KIBOR + 2% to 2.5% per annum. KIBOR is determined on quarterly basis.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies:

The income tax assessments of the holding company have been finalized up to and including the tax year 2009. However, the holding company has filed appeals in respect of certain assessment years mainly on account of following:

(i) The Deputy Commissioner of Income Tax (DCIT) has finalized assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIT amounted to Rupees 48.205 million against which the holding company has made a total provision of Rupees 44.141 million resulting in a shortfall of Rupees 4.064 million. The holding company filed appeals with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal (ITAT) which were decided against the holding company. Consequently the holding company has filed an appeal before the Honorable High Court of Sindh and the petition is fixed for regular hearing;

ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the holding company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the holding company but the Tax Department had filed an appeal before the ITAT against the order of the Additional Commissioner, which has been decided in favour of the holding company. However, during the period the holding company received a notice from additional commissioner for reassessment of the case. However, the holding company has filed a constitutional petition in Sindh High Court against such order.

iii) While finalizing the assessment for the assessment year 2002-2003, DCIT has reduced the business loss for the year by Rupees 88.180 million by adjusting the dividend income against this loss. The holding company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the holding company in this respect have been rejected by the Commissioner of Income Tax (Appeals), the ITAT and the Sindh High Court. The holding company has now filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favor of the holding company and has consequently not made any provision against the additional tax liability of Rupees 26.455 million which may arise in this respect.

iv) The Tax Authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the holding company has not apportioned management and general administration expenses against capital gain and dividend income. The holding company has filed constitution petition in the High Court of Sindh against the amendment in the assessment order. The holding company may be liable to pay Rupees 5.881 million in the event of decision against the holding company, out of which Rupees 2.727 million has been provided by the holding company resulting in a shortfall of Rupees 3.154 million.

v) The Taxation Officer has passed an order in the tax year 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rupees 38.358 million. An appeal had been filed before the Commissioner of Income Tax (Appeals) who upheld the order of the Taxation Officer. The holding company has filed an appeal before ITAT which is pending to be heard.

vi) The Taxation Officer has passed an order under section 161/205 of the Ordinance in Tax year 2007 creating a demand of Rupees 1.263 million. The holding company filed an appeal before the Commissioner of Income Tax (Appeals) which has been decided against the holding company. The holding company is filing an appeal before the Income Tax Appellate Tribunal.

vii) During the period the holding company received a notice from additional commissioner Inland Revenue pertaining to the assessment of tax year 2008. Among others, the additional commissioner raised issues pertaining to avoidance of tax on capital gains on listed securities. However, the holding company filed a constitutional petition in Sindh High Court against such order and the court has granted stay in this regard.

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

11.2 Commitments:

Holding company

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

Subsidiary company

Commitments in respect of leased assets - not later than one year is Rupees 2.996 million (31December 2009:4.069) and intangible assets not later than one year is Rupees 2.550 million (31 December 2009: Nil).

		Note	31 December 2010	31 December 2009
			(Rupees in thousand)	
12.	**CASH AND BANK DEPOSITS**			
	Cash and other equivalents			
	Cash in hand		**3,062**	4,895
	Cheques in transit		**56,391**	56,901
			59,453	61,796
	Current and other accounts			
	Current accounts		**170,902**	204,941
	Savings accounts		**927,383**	497,972
			1,098,285	702,913
	Deposits maturing within 12 months			
	Fixed and term deposits	12.1	**1,584,827**	1,408,449
			2,742,565	2,173,158

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

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

		Note	31 December 2010	31 December 2009
13.	**LOANS - considered good**			
	Secured			
	Executives	13.2	**4,108**	1,990
	Employees	13.2	**35,646**	43,779
			39,754	45,769
	Less: Recoverable within one year shown under sundry receivables			
	Executives	20	**3,684**	2,368
	Employees	20	**13,984**	15,018
			17,668	17,386
			22,086	28,383

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

13.2 Reconciliation of carrying amount of loans

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

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
14. INVESTMENTS			
Held to maturity			
1 year treasury bills		**-**	96,523
Available-for-sale			
In related parties			
Marketable securities	14.3	**6,699,828**	6,223,534
Less: Provision for impairment in value of investments		**-**	-
		6,699,828	6,223,534
Others			
Marketable securities	14.3	**3,264,744**	3,530,982
Less: Provision for impairment in value of investments	14.2	**(412,931)**	(541,300)
		2,851,813	2,989,682
Fixed income investments	14.4	**-**	504,090
		2,851,813	3,493,772
At fair value through profit or loss	14.5		
Listed equity securities		**853**	1,615
Government securities		**55,363**	-
		56,216	1,615
		9,607,857	9,815,444

14.1 At 31 December 2010, the fair value of available-for-sale securities was Rupees 10,099.074 million (2009: Rupees 10,154.872 million). As per the group's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2010 would have been higher by Rupees 611.581 million (2009: higher by Rupees 496.835 million).

	31 December 2010	31 December 2009
	(Rupees in thousand)	
14.2 Reconciliation of provision for impairment in value of investments		
Opening provision	**541,300**	2,414,501
Reversal for the year	**(126,017)**	(1,873,201)
Written off	**(2,352)**	-
Closing provision	**412,931**	541,300

	Note	31 December 2010 Cost	31 December 2010 Provision there against	31 December 2010 Carrying Value	31 December 2009 Carrying Value
		(Rupees in thousand)			
14.3 Marketable securities - Available for sale					
In related parties:					
- Listed shares		4,690,300	-	4,690,300	4,669,982
- Mutual Fund Certificates		1,090,791	-	1,090,791	1,553,552
Investment in Associate - with significant influence					
Lalpir Power Limited		459,523	-	459,523	-
Pakgen Power Limited		459,214	-	459,214	-
	14.3.1	6,699,828	-	6,699,828	6,223,534
Others:					
- Listed shares	14.3.2	2,626,056	394,506	2,231,550	2,454,368
- Term Finance Certificates	14.3.3	162,661	1,714	160,947	177,772
- Unlisted / delisted shares and debentures	14.3.4	-	-	-	120
- Mutual Fund Certificates	14.3.5	149,330	13,229	136,101	96,385
- NIT Units		161	-	161	161
- Pakistan Investments Bonds		123,078	617	122,461	260,876
- Pakistan Investments Bonds (5 years)		203,458	2,865	200,593	-
		3,264,744	412,931	2,851,813	2,989,682
		9,964,572	412,931	9,551,641	9,213,216

No. of Shares/ Certificates 31 December 2010	No. of Shares/ Certificates 31 December 2009	Face value Rupees	Company's name		31 December 2010 Cost	31 December 2009 Cost
					(Rupees in thousand)	
14.3.1 Related parties						
Listed shares						
1,258,650	868,035	10	Nishat Mills Limited [Equity held 0.36% (2009: 0.36%)]		34,211	18,586
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2009: 0.01%)]		3,224	3,224
1,407,944	1,173,287	10	D.G. Khan Cement Company Limited [Equity held 0.39% (2009:0.39%)]		38,878	34,185
23,263,378	21,148,526	10	MCB Bank Limited [Equity held 3.06% (2009: 3.06%)]		4,613,987	4,613,987
					4,690,300	4,669,982
Investment in associate						
27,624,635	-	10	Lalpir Power Limited [Equity held 8.00% (2009: Nil)]	14.3.1.1	412,796	-
			Share in after tax profit		67,445	-
			Dividend income		(20,718)	-
					459,523	-
			Pakgen Power Limited [Equity held 8.00% (2009: Nil)]	14.3.1.2	412,796	-
29,766,527	-	10	Share in after tax profit		68,743	-
			Dividend income		(22,325)	-
					459,214	-
					918,737	-

	31 December 2010	31 December 2009
	(Rupees in thousand)	

14.3.1.1 Lalpir Power Limited

(a) The movement is as follows:

	2010	2009
Opening balance of investment	**-**	-
Cost of investment	**412,796**	-
Share of profit from associate for the year	**67,445**	-
Dividend income	**(20,718)**	-
Closing balance as at 31 December 2010	**459,523**	-

(b) Summarized financial position of Lalpir Power Limited

	2010	2009
Total assets	**17,491,582**	15,825,321
Total Liabilities	**5,229,722**	4,775,303
Net Assets	**12,261,860**	11,050,018
Profit after tax	**1,508,420**	1,828,519
Cost of investment	**412,796**	-
Ownership interest	**8%**	Nil

Number of ordinary shares held 27,624,635 (2009: Nil) of Rupees 10 each. These shares were acquired on 11th June 2010.

14.3.1.2 Pakgen Power Limited

(a) The movement is as follows:

	2010	2009
Opening balance of investment	**-**	-
Cost of investment	**412,796**	-
Share of profit from associate for the year	**68,743**	-
Dividend income	**(22,325)**	-
Closing balance as at 31 December 2010	**459,214**	-

(b) Summarized financial position of Pakgen Power Limited

	2010	2009
Total assets	**19,320,771**	17,358,450
Total Liabilities	**5,568,680**	3,765,996
Net Assets	**13,752,091**	13,592,454
Profit after tax	**1,537,444**	2,633,625
Cost of investment	**412,796**	-
Ownership interest	**8%**	Nil

Number of ordinary shares held 29,766,527 (2009: Nil) of Rupees 10 each. These shares were acquired on 11th June 2010.

No. of Shares/ Certificates 31 December 2010	31 December 2009	Face value Rupees	Company's name	31 December 2010 Cost (Rupees in thousand)	31 December 2009 Cost
Mutual Fund Certificates					
6,813,142	-	100	MCB Dynamic Cash Fund [Units held 12.05% (2009: Nil)]	**658,403**	-
4,098,524	15,137,773	100	MCB Cash Management Optimizer Fund [Units held 29.36% (2009: 29.36%)]	**417,388**	1,553,552
152,790	-	100	MCB Sarmaya Mehfooz Fund 1	**15,000**	-
				1,090,791	1,553,552

14.3.2 Other - listed shares

No. of Shares 31 December 2010	31 December 2009	Face value Rupees	Company's name	31 December 2010 Cost	31 December 2009 Cost
			Investment Bank/ Investment Companies/ Security Companies		
800,000	800,000	10	Arif Habib Securities Limited	**98,981**	98,981
-	34,377	10	Jahangir Siddiqui Co. Limited	**-**	7,373
			Commercial Banks		
1,309,570	1,008,700	10	Allied Bank Limited	**67,218**	56,773
1,531,134	1,275,945	10	Askari Bank Limited	**71,871**	71,871
6,582,322	5,485,268	10	Bank Al-Habib Limited	**166,807**	166,807
837,178	837,178	10	Bank Alfalah Limited	**25,346**	25,346
266,636	116,880	10	Habib Bank Limited	**38,447**	22,373
3,724,444	3,210,728	10	Habib Metropolitan Bank Limited	**100,026**	100,026
1,477,242	1,181,794	10	National Bank of Pakistan	**167,673**	167,673
284,644	237,204	10	Soneri Bank Limited	**8,102**	7,627
3,830,544	1,999,877	10	United Bank Limited	**296,886**	204,194
			Insurance		
15,375	14,145	10	EFU General Insurance Co. Limited	**1,081**	1,081
-	10,255	10	Habib Insurance Co. Limited	**-**	22
196,579	163,817	10	International Gen. Ins Co. of Pakistan	**22,888**	22,888
286,843	286,843	10	Pakistan Reinsurance Co. Limited	**6,326**	6,326
			Textile Spinning		
-	57,778	10	Dewan Khalid Textile Mills Limited	**-**	1,142
400,000	400,000	10	Hira Textile Mills Limited	**5,000**	5,000
-	78,000	10	Service Industries (Textile) Limited	**-**	1,388
-	51,200	10	Shahzad Textile Mills Limited	**-**	634
			Textile Composite		
-	14,437	10	Zahur Textile Mills Limited	**-**	210
			Jute		
-	112,866	10	Crescent Jute Products Limited	**-**	2,183
-	109,807	10	Mehran Jute Mills Limited	**-**	1,150
-	12,117	10	Thal Limited.	**-**	2,003
			Sugar and Allied		
-	10,535	10	Crescent Sugar Mills & Distillery Limited	**-**	138
			Cement		
-	75,300	10	Lucky Cement Limited	**-**	9,126
			Refinery		
-	5,480	10	National Refinery Limited	**-**	743
-	24,887	10	Pakistan Refinery Limited	**-**	2,438

No. of Shares/ Certificates		Face value	Company's name	**31 December 2010**	31 December 2009
31 December 2010	31 December 2009	Rupees		(Rupees in thousand)	
				Cost	Cost
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited.	**3,913**	3,913
-	20,000,000	10	Nishat (Chunian) Power Limited	**-**	200,000
			Oil and Gas Marketing Companies		
110,000	110,000	10	Pakistan State Oil Co. Limited	**48,178**	48,178
157,100	207,900	10	Shell Gas LPG Pakistan Limited	**1,749**	2,315
174,916	328,470	10	Shell Pakistan Limited	**36,607**	68,743
1,916,100	1,916,100	10	Sui Northern Gas Pipelines Limited.	**127,666**	127,666
			Oil and Gas Exploration Companies		
			Oil and Gas Development		
790,687	1,581,669	10	Company Limited	**84,376**	168,784
427,171	427,171	10	Pakistan Oilfields Limited	**101,084**	101,082
1,505,195	1,399,329	10	Pakistan Petroleum Limited	**232,943**	259,896
			Engineering		
1,398,823	1,165,686	10	International Industries Limited	**77,490**	77,490
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	**43,030**	43,030
394,544	315,635	10	Millat Tractors Limited	**35,335**	35,335
			Cables and Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	**27,717**	27,717
			Siemens (Pakistan) Engineering		
171,930	171,930	10	Company Limited	**135,531**	135,531
			Transport		
-	47,400	10	Pan Islamic Steamship Company Limited	**-**	457
			Technology and Communication		
			Pakistan Telecommunication		
-	175,000	10	Company Limited	**-**	7,151
-	25,000	10	World Call Telecommunication Limited.	**-**	440
			Fertilizer		
135,868	355,335	10	Engro Corporation Limited	**24,223**	69,686
704,078	404,078	10	Fauji Fertilizer Bin Qasim	**23,760**	15,375
2,103,516	1,850,516	10	Fauji Fertilizer Company Limited	**153,437**	124,373
177,494	-	10	Fatima Fertilizer Company Limited	**1,312**	-
			Pharmaceutical		
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	**151,883**	151,883
707,976	707,976	10	GlaxoSmithKline Pakistan Limited	**84,811**	84,811
			Chemical		
-	77,905	10	BOC Pakistan Limited	**-**	13,881
88,321	88,321	10	Clariant Pakistan Limited	**11,762**	11,762
-	1,840,330	10	Descon Oxychem Limited.	**-**	18,403
41,400	41,400	10	ICI Pakistan Limited	**8,561**	8,561
			Food and Personal Care Products		
642,592	535,493	10	Murree Brewery Company Limited	**34,565**	34,565
32,783	32,783	10	Nestle Pakistan Ltd.	**18,980**	18,980
54,870	54,870	10	Rafhan Maize Products Limited	**44,644**	44,644
26,336	26,336	50	Unilever Pakistan Limited	**35,847**	35,847

No. of Shares/ Certificates 31 December 2010	31 December 2009	Face value Rupees	Company's name	31 December 2010 Cost	31 December 2009 Cost
				(Rupees in thousand)	
			Glass and Ceramics		
-	26,831	10	Medi Glass Limited	-	417
			Miscellaneous		
-	75,000	10	Pace Pakistan Limited.	-	2,903
				2,626,056	2,929,335

14.3.3 Others-Term Finance Certificates

3,993	3,995	5,000	Allied Bank Limited. (05/11/2006)	**19,968**	19,976
9,981	9,985	5,000	Bank Alfalah Limited. (25/11/ 2005)	**49,904**	49,923
2,999	3,000	5,000	Bank Alfalah Limited. (02/12/ 2009)	**14,994**	15,000
750	1,499	5,000	IGI Investment Bank Limited. (10/07/2006)	**3,749**	7,497
1,997	1,998	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	**9,984**	9,988
500	833	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	**2,498**	4,163
4,992	5,992	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	**24,960**	29,958
2,955	3,940	5,000	Royal Bank of Scotland Limited. (10/02/ 2005)	**14,774**	19,699
375	1,125	5,000	Searle Pakistan Limited (9/03/2006)	**1,874**	5,623
3,991	3,993	5,000	Soneri Bank Limited.(5/05/2005)	**19,956**	19,964
				162,661	181,791

14.3.4 Others-Unlisted / delisted shares

-	12	10,000	Tariq Cotton Mills Limited (Karikot Textile)	-	120
				-	120

14.3.5 Others-Mutual Fund Certificates

(Open Ended) Mutual Funds					
1,246,785	1,124,911	100	ABL Income Fund	**10,000**	10,000
6,341	5,930	500	Atlas Income Fund	**2,725**	2,725
65,561	113,743	100	AMZ Plus Income Fund	**4,843**	10,000
-	-	100	Dawood Money Market Fund	**-**	-
-	-	100	HBL Income Fund	**-**	-
227,020	208,375	100	Meezan Islamic Income Fund	**10,000**	10,000
1,065,013	1,000,000	100	NIT Government Bond Fund	**10,000**	10,000
50,708	-	100	Crosby Phoenix Fund	**5,157**	-
271,305	-	100	IGI Income Fund	**25,000**	-
1,165,653	-	100	Arif Habib Pakistan Income Enhancement Fund	**55,000**	-
(Close Ended) Mutual Funds					
2,677,937	9,277,937	10	JS Growth Fund	**22,605**	78,317
400,000	400,000	10	Pakistan Strategic Allocation Fund	**4,000**	4,000
-	2,757,705	10	PICIC Investment Fund	**-**	33,657
				149,330	158,699

14.4 Fixed Income Investments

Defence Saving Certificates	**-**	504,090

No. of Shares/ Certificates 31 December 2010	31 December 2009	Face value Rupees	Company's name	31 December 2010 Cost	31 December 2009 Cost
				(Rupees in thousand)	
14.5 Investment at fair value through profit or loss					
14.5.1 Listed shares					
			Commercial Banks		
6,000	5,000	10	Askari Bank Limited	**106**	137
			Investment Bank/ Investment Companies / Security Companies		
30,000	30,000	10	Arif Habib Corporation Limited (formerly Arif Habib Securities)	**747**	1,478
				853	1,615
14.5.2 Government securities					
			10 Year Pakistan Investment Bond	**17,734**	-
			3 Month Treasury Bill	**37,629**	-
				55,363	-

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
15. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		**4,554,824**	3,841,755
Considered doubtful		**199,015**	119,530
		4,753,839	3,961,285
Less: Provision for doubtful balances	15.1	**(199,015)**	(119,530)
		4,554,824	3,841,755
15.1 Reconciliation of provision for doubtful balances			
Opening provision		**119,530**	46,793
Exchange loss		**274**	90
Charge for the year		**86,867**	90,864
Written off during the year		**(7,656)**	(18,217)
Closing provision		**199,015**	119,530

15.2 Premiums due but unpaid include an amount of Rupees 412.308 million (2009: Rupees 192.961 million) held with related parties.

	Note	31 December 2010	31 December 2009
16. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured			
Considered good		**993,584**	716,962
Considered doubtful		**30,000**	30,000
		1,023,584	746,962
Less: Provision for doubtful balances	16.1	**(30,000)**	(30,000)
		993,584	716,962
16.1 Reconciliation of provision for doubtful balance			
Opening provision		**30,000**	61,396
Charge for the year		**-**	50,390
Written off during the year		**-**	(81,786)
Closing provision		**30,000**	30,000

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	

17. ACCRUED INVESTMENT INCOME

	Note	31 December 2010	31 December 2009
Return accrued on Term Finance Certificates		**3,402**	4,268
Return accrued on Pakistan Investment Bonds		**9,973**	7,614
Dividend income			
- associated undertakings		**-**	-
- others		**11,502**	17,894
		11,502	17,894
Return on deposit accounts			
- associated undertakings		**11,847**	12,383
- others		**4,665**	2,718
		16,512	15,101
Others		**-**	2,427
		41,389	47,304

18. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered to be good.

19. PREPAYMENTS

	Note	31 December 2010	31 December 2009
Prepaid reinsurance premium ceded		**1,774,525**	1,481,629
Others		**60,529**	73,578
		1,835,054	1,555,207

20. SUNDRY RECEIVABLES

	Note	31 December 2010	31 December 2009
Considered good			
Current portion of long-term loans			
Executives	13	**3,684**	2,368
Employees	13	**13,984**	15,018
Other advances		**108,583**	86,935
Staff Gratuity Fund - Holding company	20.1.1	**53,818**	65,282
Security deposits		**17,729**	13,906
Receivable from Employees' Provident Fund	9.1	**1,737**	716
Stationery in hand		**4,716**	5,469
Sundry debtors		**88,397**	11,285
		292,648	200,979
Miscellaneous			
Considered good		**23,987**	215
		316,635	201,194

20.1 Staff Gratuity Fund

The holding company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2010.

The following significant assumptions have been used for valuation of this scheme:

	Rate per annum
- Valuation discount rate	14.25%
- Expected rate of increase in salary level	12.00%
- Rate of return on plan assets	14.25%

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Present value of defined benefit obligation at the end of the year	**215,970**	201,262
Fair value of plan assets at the end of the year	**(186,219)**	(223,237)
	29,751	(21,975)
Net unrecognized actuarial (losses) / gains	**(83,569)**	(43,307)
Net assets	**(53,818)**	(65,282)
20.1.1 Amounts recognized in the balance sheet		
Liabilities	**-**	-
Assets	**53,818**	65,282
Net assets	**53,818**	65,282
20.1.2 The amounts charged in profit and loss are as follows:		
Current service cost	**16,301**	12,797
Interest on obligation	**21,783**	22,340
Expected return on plan assets	**(29,432)**	(34,862)
Actuarial gains recognized during the year	**2,812**	(1,607)
Total gratuity income for the year for funded obligation	**11,464**	(1,332)
20.1.3 Actual return on plan assets	**25,687**	17,762
20.1.4 Changes in present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	**201,262**	161,130
Current service cost	**16,301**	12,797
Interest cost	**21,783**	22,340
Actuarial loss / (gain)	**39,329**	49,663
Benefits paid	**(62,705)**	(44,668)
Present value of defined benefit obligation at the end of the year	**215,970**	201,262
20.1.5 Changes in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	**223,237**	250,143
Expected return	**29,432**	34,862
Actuarial loss	**(3,745)**	(17,100)
Benefits paid	**(62,705)**	(44,668)
Fair value of plan assets at the end of the year	**186,219**	223,237

The holding company is not expected to contribute to the gratuity fund in 2010.

	2010		2009	
	(Rupees in thousand)	**%**	(Rupees in thousand)	%
20.1.6 Fund Investment				
Government Bonds	**-**	**-**	4,074	1.8
Shares and deposits	**93,350**	**50.1**	117,153	52.5
Unit Trusts	**94,692**	**50.9**	90,148	40.4
Cash	**-**	**-**	13,075	5.9
Creditors	**(1,823)**	**(1.0)**	(1,213)	(0.5)
	186,219	**100**	223,237	100

20.1.7 Amounts / percentages for the current and previous four periods

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

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

	Note	**31 December 2010**	31 December 2009
		(Rupees in thousand)	
21. FIXED ASSETS			
Owned assets - tangible	21.1	**934,013**	844,070
Owned assets - intangible	21.1	**66,435**	38,269
Capital work-in-progress		**-**	22,575
		1,000,448	904,914
Leased assets	21.1	**143,443**	194,576
		1,143,891	1,099,490

21.1 The following is a statement of operating fixed assets:

	2010										
	Owned Assets								Leased assets		**Total fixed assets**
	Tangible						Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total assets	Computer software	Total owned	Motor vehicles	Total leased	
	(Rupees in thousand)										
At 01 January 2010											
Cost	204,180	77,525	331,043	604,936	183,486	1,401,170	62,741	1,463,911	204,281	204,281	**1,668,192**
Accumulated depreciation / amortisation	29,520	38,682	130,790	229,205	128,903	557,100	24,472	581,572	9,705	9,705	**591,277**
Net book value	174,660	38,843	200,253	375,731	54,583	844,070	38,269	882,339	194,576	194,576	**1,076,915**
Year ended 31 December 2010											
Opening net book value	174,660	38,843	200,253	375,731	54,583	844,070	38,269	882,339	194,576	194,576	**1,076,915**
Additions	116,039	40,014	80,085	34,917	28,773	299,828	45,602	345,430	-	-	**345,430**
Disposals											
Cost	1,477	1,709	58,985	3,062	1,237	66,470	-	66,470	27,166	27,166	**93,636**
Depreciation/ amortisation	859	1,093	17,432	1,507	542	21,433	-	21,433	4,167	4,167	**25,600**
	618	616	41,553	1,555	695	45,037	-	45,037	22,999	22,999	**68,036**
Depreciation/ amortisation charge for the year	8,609	8,029	35,135	90,869	22,206	164,848	17,436	182,284	28,134	28,134	**210,418**
Closing net book value	281,472	70,212	203,650	318,224	60,455	934,013	66,435	1,000,448	143,443	143,443	**1,143,891**
At 31 December 2010											
Cost	318,742	115,830	352,143	636,791	211,022	1,634,528	108,343	1,742,871	177,115	177,115	**1,919,986**
Accumulated depreciation / amortisation	37,270	45,618	148,493	318,567	150,567	700,515	41,908	742,423	33,672	33,672	**776,095**
Net book value	281,472	70,212	203,650	318,224	60,455	934,013	66,435	1,000,448	143,443	143,443	**1,143,891**
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

	2009										
	Owned Assets								Leased assets		Total fixed assets
	Tangible						Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total assets	Computer software	Total owned	Motor vehicles	Total leased	
	(Rupees in thousand)										
At 01 January 2009											
Cost	204,076	62,556	378,917	545,068	172,998	1,363,615	58,960	1,422,575	-	-	1,422,575
Accumulated depreciation / amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	472,726
Net book value	177,793	28,171	236,243	396,646	65,275	904,128	45,721	949,849	-	-	949,849
Year ended 31 December 2009											
Opening net book value	177,793	28,171	236,243	396,646	65,275	904,128	45,721	949,849	-	-	949,849
Additions	104	16,874	52,945	75,451	10,903	156,277	3,781	160,058	207,486	207,486	367,544
Disposals											
Cost	-	1,905	100,819	15,583	415	118,722	-	118,722	3,205	3,205	121,927
Depreciation/ amortisation	-	1,178	44,982	12,053	183	58,396	-	58,396	160	160	58,556
	-	727	55,837	3,530	232	60,326	-	60,326	3,045	3,045	63,371
Depreciation/ amortisation charge for the year	3,237	5,475	33,098	92,836	21,363	156,009	11,233	167,242	9,865	9,865	177,107
Closing net book value	174,660	38,843	200,253	375,731	54,583	844,070	38,269	882,339	194,576	194,576	1,076,915
At 31 December 2009											
Cost	204,180	77,525	331,043	604,936	183,486	1,401,170	62,741	1,463,911	204,281	204,281	1,668,192
Accumulated depreciation / amortisation	29,520	38,682	130,790	229,205	128,903	557,100	24,472	581,572	9,705	9,705	591,277
Net book value	174,660	38,843	200,253	375,731	54,583	844,070	38,269	882,339	194,576	194,576	1,076,915
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

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

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Leased						
Suzuki Mehran	534	83	451	480	Claim Settled	Mr. Khalid Mahmood Hussain
Suzuki Mehran	534	120	414	473	Claim Settled	Syed Javed Ahmed
Suzuki Mehran	534	89	445	489	Claim Settled	Syed Javed Ahmed
Suzuki Mehran	529	83	446	447	Claim Settled	Mr. Farrukh Shaharyar
Suzuki Mehran	541	97	444	472	Employee	Mr. Muhammad Farooq
Suzuki Mehran	536	120	416	416	Employee	Mr. Hassan Ismail Chaudhary
Suzuki Mehran	536	108	428	431	Employee	Mr. Muhammad Abdullah Atif
Suzuki Mehran	534	103	431	475	Claim Settled	Faisal Ghauri
Suzuki Mehran	534	65	469	475	Claim Settled	Syed Muhammad Tariq
Suzuki Mehran	534	103	431	449	Employee	Pervez Akhter Khan
Suzuki Mehran	529	64	465	475	Claim Settled	Syed Mobin Ahmad
Suzuki Mehran	534	84	450	467	Employee	Dr.Muhammad Masood Soomro
Suzuki Mehran	534	65	469	475	Employee	Mohammed Yousuf
Suzuki Mehran	534	103	431	475	Claim Settled	Joozer Karim Bhai
Suzuki Mehran	534	103	431	475	Claim Settled	Waseem Arif
Suzuki Mehran	534	65	469	475	Claim Settled	Mohammad Ashraf Memon
Suzuki Mehran	534	96	438	452	Full & Final Settlement	Firdous Mohammad Khan
Suzuki Mehran	534	103	431	449	Employee	Mohd. Abdul Rasheed
Suzuki Mehran	534	103	431	460	Claim Settled	Shahzad Ahmed
Suzuki Cultus	844	163	681	709	Full & Final Settlement	Owais Obaid
Suzuki Cultus	844	163	681	704	Full & Final Settlement	H. Ashraf Dhedhi
Suzuki Cultus	844	152	692	695	Claim Settled	Muneeb Habib
Suzuki Cultus	844	163	681	704	Employee	Muhammad Saleem
Suzuki Cultus	851	111	740	747	Employee	Raja Arif Ullah Khan
Suzuki Cultus	846	103	743	760	Employee	Amjad Ali Shaida
Suzuki Cultus	844	99	745	797	Employee	Ali Asghar Kayumi
Suzuki Cultus	844	138	706	716	Employee	Capt.Zubair H.Qureshi
Suzuki Cultus	844	99	745	763	Employee	Syed Ehteshamul Haque
Suzuki Cultus	844	138	706	711	Employee	Dawer Rashid Khan
Honda Civic Vti	1,868	320	1,548	1,300	Claim Settled	Mohammad Najeeb Anwar
Toyota Altis	1,881	299	1,582	1,679	Employee	Kh. Moazzam Rahman
Toyota Corolla Gli	1,389	170	1,219	1,245	Employee	Syed Haider Ali
Toyota Corolla Gli	1,412	173	1,239	1,268	Full & Final Settlement	Omer Gulzar
Honda City	1,365	119	1,246	1,251	Full & Final Settlement	Asma Campwala
Items having book value below Rupees 50,000	655	-	655	655		
	27,166	**4,167**	**22,999**	**23,514**		
Machinery & Equipment						
Items having book value below Rupees 50,000	3,062	1,507	1,555	1,564		
	3,062	**1,507**	**1,555**	**1,564**		
Computer						
Items having book value below Rupees 50,000	301	178	123	83		
	301	178	123	83		
Total	**91,344**	**24,897**	**66,447**	**74,191**		
Subsidiary Company						
Vehicles and computers	2,292	703	1,589	1,160		
Total	**2,292**	**703**	**1,589**	**1,160**		
Grand Total	**93,636**	**25,600**	**68,036**	**75,351**		

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
22. EXPENSES			
Salaries and wages		**866,052**	736,975
Rent, rates and taxes		**74,255**	78,518
Utilities		**43,349**	34,551
Communication		**45,695**	36,143
Printing and stationery		**30,119**	23,373
Traveling and entertainment		**53,510**	48,484
Repairs and maintenance		**172,302**	162,923
Advertisement and sales promotion		**57,790**	38,109
Amortization of intangible asset	21.1	**16,987**	11,233
Others		**40,296**	69,471
		1,400,355	1,239,780
23. OTHER INCOME			
Gain / (loss) on sale of fixed assets		**7,744**	(1,442)
Interest on loans to employees		**852**	790
Return on bank deposits		**143,156**	133,493
Miscellaneous		**19,487**	21,421
		171,239	154,262
24. GENERAL AND ADMINISTRATION EXPENSES			
Salaries and wages	24.1	**149,284**	177,891
Depreciation	21.1	**185,665**	165,874
Directors' fee		**320**	330
Legal and professional expenses		**61,100**	68,186
Auditors' remuneration	24.2	**4,614**	4,229
Donations	24.3	**2,163**	1,511
Provision for doubtful receivables		**86,866**	141,255
Workers' welfare fund		**11,890**	52,967
Others	24.4	**144,436**	139,457
		646,338	751,700

24.1 These include Rupees 38.122 million (2009: Rupees 24.155 million) in respect of staff retirement benefits.

24.2 Auditors' remuneration

	Note	31 December 2010	31 December 2009
Holding company			
Audit fee		**2,974**	2,762
Half yearly review		**350**	325
Other certifications and tax advisory services		**273**	315
Out of pocket expenses		**942**	760
		4,539	4,162
Subsidiary company			
Audit fee	24.2.1	**75**	67
		4,614	4,229

24.2.1 In addition, subsidiary company charged audit fee amounting to Rupees 0.675 (2009: Rupees 0.605) million to its statutory funds.

24.3 None of the directors or their spouses had any interest in the donee.

24.4 This includes loss on sale of fixed assets of subsidiary company amounting to Rupees 0.429 million.

	Note	31 December 2010	31 December 2009
		(Rupees in thousand)	
25. PROVISION FOR TAXATION			
Current			
-for the current year		**78,888**	127,182
-for prior years		**-**	(43,957)
		78,888	83,225
Deferred	25.2	**(15,895)**	78,103
		62,993	161,328
25.1 Relationship between tax expense and accounting profit			
Profit before taxation		**687,677**	2,608,348
Tax at the applicable rate of 35%		**240,687**	912,922
Effect of income exempt from tax		**(78,688)**	(717,202)
Effect of income taxed at lower rate		**(128,029)**	(89,414)
Others		**29,854**	98,979
		63,824	205,285
Prior year's tax - current		**-**	(43,957)
		63,824	161,328
25.2 Deferred tax effect due to temporary differences of:			
Tax depreciation allowance		**86,966**	76,757
Provision for gratuity		**(6,145)**	(4,778)
Pre commencement expenses of subsidiary company		**(10,030)**	(13,692)
Assets subject to finance lease		**12,532**	15,983
Others		**(24,948)**	-
		58,375	74,270
Less: opening balance		**(74,270)**	3,832
		(15,895)	78,102

26. EARNINGS PER SHARE - BASIC & DILUTED

There is no dilutive effect on basic earnings per share which is based on:

	31 December 2010	31 December 2009
Net profit after tax for the year attributable to owners of the parent	**619,005**	2,441,378
	(Number of shares)	(Restated)
Weighted average number of shares	**123,704,544**	123,704,544
	Rupees	
Basic earnings per share	**5.00**	19.74

27. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged for the year for remuneration including all benefits to chief executive officer, directors and executive of the holding company is as follows:

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

In addition, the chief executive officer and executives of holding company are also provided with free use of the company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the company.

28. TRANSACTIONS WITH RELATED PARTIES

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

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 8 and 27 to the consolidated financial statements. Particulars of transactions with the holding company's staff retirement benefit schemes are disclosed in note 20. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant consolidated balance sheet notes. Other transactions with related parties (associated undertakings) are summarized as follows:

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Holding company		
Premium underwritten	1,057,855	802,481
Premium received	1,118,833	770,588
Premium ceded	1,555	14,034
Claims paid	547,722	550,746
Rent paid	13,876	11,023
Dividend received	318,526	208,820
Dividend paid	104,227	95,816
Income on bank deposits	82,880	100,303
	Number of shares	
Bonus shares received	2,114,852	1,922,593
Bonus shares issued	4,008,442	3,640,857

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Subsidiary company		
Premium written	39,171	39,245
Profit on bank deposits	918	20,969
Claims expense	28,695	9,456
Travelling expenses	-	5
Commission expense in respect of Bancassurance	123,692	1,384
Technical support fee	13,348	9,720
Travelling expenses of directors	1,010	4,769
Investment purchased	260,910	193,552
Investment sold	406,112	-

29. SEGMENT REPORTING

29.1 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise assets and liabilities:

	2010																			
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance	Life Insurance			Aggregate Life Insurance	Grand Total
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		Conventional Business	Accident and Health Business	Non-unitised investment link business		
	(Rupees in thousand)																			
OTHER INFORMATION																				
Segment assets	7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	-	-	11,579,447	2,623,196	14,202,643	83,220	645	119,235	203,100	14,405,743
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,105,976	1,306,123	12,105,976	1,306,123	13,412,099	-	-	-	374,228	13,786,327
Total assets	7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	12,105,976	1,306,123	23,685,423	3,929,319	27,614,742	83,220	645	119,235	577,328	28,192,070
Segment liabilities	7,390,948	101,729	553,040	57,001	1,606,681	2,625,138	2,571,549	33,551	20,936	-	-	-	12,143,154	2,817,419	14,960,573	83,220	645	119,235	203,100	15,163,673
Unallocated liabilities	-	-	-		-	-	-	-	-	-	1,526,644	194,100	1,526,644	194,100	1,720,744	-	-	-	35,328	1,756,072
Total liabilities	7,390,948	101,729	553,040	57,001	1,606,681	2,625,138	2,571,549	33,551	20,936	-	1,526,644	194,100	13,669,798	3,011,519	16,681,317	83,220	645	119,235	238,428	16,919,745
Capital expenditure													311,318	3,896	315,214				30,216	345,430

	2009																			
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance	Life Insurance			Aggregate Life Insurance	Grand Total
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		Conventional Business	Accident and Health Business	Non-unitised investment link business		
	(Rupees in thousand)																			
OTHER INFORMATION																				
Segment assets	3,464,648	104,547	650,362	22,541	1,186,161	1,617,518	1,337,718	18,540	36	-	-	-	6,638,925	1,763,146	8,402,071	41,398	9	-	41,407	8,443,478
Unallocated assets	-	-	-	-	-	-	-	-	-	-	11,837,726	1,048,529	11,837,726	1,048,529	12,886,255	-	-	-	534,598	13,420,853
Total assets	3,464,648	104,547	650,362	22,541	1,186,161	1,617,518	1,337,718	18,540	36	-	11,837,726	1,048,529	18,476,651	2,811,675	21,288,326	41,398	9	-	576,005	21,864,331
Segment liabilities	3,229,480	82,253	492,177	10,197	1,928,355	1,937,368	1,528,723	18,500	22,969	-	-	-	7,201,704	2,048,318	9,250,022	41,398	9	-	41,407	9,291,429
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,422,810	116,885	1,422,810	116,885	1,539,695	-	-	-	54,087	1,593,782
Total liabilities	3,229,480	82,253	492,177	10,197	1,928,355	1,937,368	1,528,723	18,500	22,969	-	1,422,810	116,885	8,624,514	2,165,203	10,789,717	41,398	9	-	95,494	10,885,211
Capital expenditure													132,194	6,708	138,902				41,532	180,434

29.2 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise revenue and results:

(Rupees in thousand)

BUSINESS UNDERWRITTEN INSIDE PAKISTAN	General Insurance					Life Insurance			Total	
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	31 December 2010	31 December 2009
Revenue account										
Net premium revenue	1,080,887	897,785	2,129,449	1,463,097	6,894	41,661	160	173,669	5,793,602	5,825,202
Net claims	(1,028,408)	(539,812)	(1,565,308)	(980,201)	(9,217)	(16,173)	-	(5)	(4,139,124)	(3,893,947)
Expenses	(214,341)	(178,032)	(422,272)	(290,134)	(1,367)	(53,250)	(324)	(91,970)	(1,251,690)	(1,123,759)
Net commission	(125,368)	(165,989)	(153,234)	31,608	(3,243)	(10,979)	(86)	(115,252)	(542,543)	(402,233)
Net Investment income - statutory fund	-	-	-	-	-	3,292	5	2,865	6,162	116
Add: Policyholder's liabilities at beginning of the year	-	-	-	-	-	11,498	1	-	11,499	-
Less: Policyholder's liabilities at end of the year	-	-	-	-	-	(20,034)	(59)	(79,386)	(99,479)	(11,498)
Capital contribution from shareholder's fund	-	-	-	-	-	43,985	303	110,079	154,367	57,891
Underwriting result	(287,230)	13,952	(11,365)	224,370	(6,933)	-	-	-	(67,206)	451,772
Investment income - other									765,396	2,533,500
Rental income									1,048	476
Other income									139,239	116,381
									838,477	3,102,129
General and administration expenses									(554,856)	(715,852)
Exchange (loss) / gain									(804)	4,021
Finance charge on lease liabilities									(18,966)	(11,635)
Share of profit of associated companies									136,188	-
Profit before tax									400,039	2,378,663
Provision for taxation									(62,993)	(161,328)
Profit after tax									337,046	2,217,335

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN	General Insurance					Life Insurance			Total		Aggregate	
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Revenue account												
Net premium revenue	23,079	45,158	1,222,533	14,515	-	-	-	-	1,305,285	1,005,796	7,098,887	6,830,998
Net claims	(2,394)	(6,152)	(701,551)	(473)	-	-	-	-	(710,570)	(562,559)	(4,849,694)	(4,456,506)
Expenses	(2,629)	(5,143)	(139,240)	(1,653)	-	-	-	-	(148,665)	(116,021)	(1,400,355)	(1,239,780)
Net commission	4,713	(14,891)	(89,869)	1,709	-	-	-	-	(98,338)	(99,731)	(640,881)	(501,964)
Net Investment income - statutory fund	-	-	-	-	-	-	-	-	-	-	6,162	116
Add: Policyholder's liabilities at beginning of the year	-	-	-	-	-	-	-	-	-	-	11,499	-
Less: Policyholder's liabilities at end of the year	-	-	-	-	-	-	-	-	-	-	(99,479)	(11,498)
Capital contribution from shareholder's fund	-	-	-	-	-	-	-	-	-	-	154,367	57,891
Underwriting result	22,769	18,972	291,873	14,098	-	-	-	-	347,712	227,485	280,506	679,257
Investment income - other									-	-	765,396	2,533,500
Rental income									-	-	1,048	476
Other income									32,000	37,881	171,239	154,262
									379,712	265,366	1,218,189	3,367,495
General and administration expenses									(91,482)	(35,848)	(646,338)	(751,700)
Exchange (loss) / gain									(592)	167	(1,396)	4,188
Finance charge on lease liabilities									-	-	(18,966)	(11,635)
Share of profit of associated companies									-	-	136,188	-
Profit before tax									287,638	229,685	687,677	2,608,348
Provision for taxation											(62,993)	(161,328)
Profit after tax									287,638	229,685	624,684	2,447,020

30. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

30.1 Credit risk and concentration of credit risk

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

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

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

	31 December 2010	31 December 2009
	(Rupees in thousand)	
Bank deposits	**2,683,112**	2,111,362
Investments	**9,514,712**	9,815,444
Premium due but unpaid	**4,554,824**	3,841,755
Amount due from other insurers / reinsurers	**993,584**	716,962
Salvage recoveries accrued	**99,636**	115,753
Loans	**39,754**	45,769
Accrued investment income	**41,389**	47,304
Reinsurance recoveries against outstanding claims	**6,253,202**	1,845,562
Sundry receivable	**240,433**	112,341
	24,420,646	18,652,252

General provision is made for receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. During the year receivables of Rupees 87.141 million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 15.1 and 16.1.

	31 December 2010	31 December 2009
	(Rupees in thousand)	
The age analysis of gross receivables as follows:		
Upto 1 year	**4,019,950**	3,457,437
1-2 year	**733,889**	503,848
	4,753,839	3,961,285

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

	Rating Short term	Rating Long term	Rating Agency	2010	2009
				(Rupees in thousand)	
Askari Bank Limited	A-1+	AA	PACRA	**45**	45
Bank Alfalah Limited	A-1+	AA	PACRA	**43,808**	106,380
Bank Al-Habib Limited	A-1+	AA+	PACRA	**7,572**	7,398
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	**100**	100
Citibank N.A.	P-1	A1	Moody's	**90,343**	5,486
Faysal Bank Limited	A-1+	AA	JCR-VIS	**-**	15,737
Habib Bank Limited	A-1+	AA+	JCR-VIS	**92,803**	81,586
HSBC Bank Middle East Limited	P-1	A1	Moody's	**22,480**	2,157
Industrial Development Bank of Pakistan	-	-	-	**776**	92
KASB Bank Limited	A-2	A-	PACRA	**1,164**	-
MCB Bank Limited	A-1+	AA+	PACRA	**851,104**	851,739
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**7,732**	8,827
Oman International Bank S.A.O.G.	-	-	-	**2,130**	-
Rozgar Microfinanceing Bank Limited	B	BB-	JCR-VIS	**1,000**	200,025
Soneri Bank Limited	A-1+	AA-	PACRA	**334**	2,010
Standard Chartered Bank Limited	A-1+	AAA	PACRA	**18,057**	6,830
Tameer Micro Finance Bank Limited	A-2	A-	JCR-VIS	**1,000**	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	**1,024,881**	9,613
Zarai Taraqiati Bank Limited	-	-	-	**517,783**	812,337
				2,683,112	2,111,362

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

	Amount due from other insurers/ reinsurers	Reinsurance recoveries against outstanding claims	31 December 2010	31 December 2009
	(Rupees in thousand)			
A or above (including PRCL)	826,342	5,048,642	**5,874,984**	2,093,211
BBB	187,960	1,145,093	**1,333,053**	474,788
Others	9,282	59,467	**68,749**	24,524
Total	1,023,584	6,253,202	**7,276,786**	2,592,523

Subsidiary company's receivable from reinsurers was Nil as at 31 December 2010. Therefore, the above stated amounts are of Holding company.

30.2 Liquidity risk

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

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

	31 December 2010			
	Carrying amount	**Contractual cash flow**	**Up to one year**	**More than one year**
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	**7,989,823**	**7,989,823**	**7,989,823**	**-**
Amount due to insurers / reinsurers	**1,599,650**	**1,599,650**	**1,599,650**	**-**
Accrued expenses	**151,051**	**151,051**	**151,051**	**-**
Unclaimed dividend	**29,121**	**29,121**	**29,121**	**-**
Other creditors and accruals	**1,564,460**	**1,564,460**	**1,564,460**	**-**
Liabilities against assets subject to finance lease	**107,637**	**137,609**	**39,312**	**98,297**
	11,441,742	**11,471,714**	**11,373,417**	**98,297**

	31 December 2009			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	3,584,772	3,584,772	3,584,772	-
Amount due to insurers / reinsurers	960,748	960,748	960,748	-
Accrued expenses	156,626	156,626	156,626	-
Unclaimed dividend	25,965	25,965	25,965	-
Other creditors and accruals	1,188,741	1,188,741	1,188,741	-
Liabilities against assets subject to finance lease	148,911	204,828	45,514	159,314
	6,065,763	6,121,680	5,962,366	159,314

30.3 Market risk

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

a) Interest / mark up rate risk

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

	2010	2009	2010	2009
	Effective interest rate (in%)		Carrying amounts	
			(Rupees in thousand)	
Fixed rate financial instruments				
Financial assets				
Investments-PIBs and DSCs	**14% to 16%**	14% to 16%	**378,417**	861,489
Loans	**5%**	5%	**14,407**	19,504
Floating rate financial instruments				
Financial assets				
Bank deposits	**2.5%-15%**	2.5%-15%	**2,512,210**	1,906,421
Investments -TFCs	**9.3%-15.5%**	9.3%-15.5%	**162,661**	177,772
Financial liabilities				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2 to 2.5 percent		**107,637**	148,911

Sensitivity analysis

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

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in thousand)	
As at 31 December 2010		
Cash flow sensitivity-variable rate financial liabilities	**(1,076)**	**1,076**
Cash flow sensitivity-variable rate financial assets	**26,749**	**(26,749)**
As at 31 December 2009		
Cash flow sensitivity-variable rate financial liabilities	1,489	(1,489)
Cash flow sensitivity-variable rate financial assets	23,329	(23,329)

b) Price risk

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

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

The Company has investments in quoted equity securities amounting to Rupees 8,149.756 million (2009: Rupees 7,794.483 million) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity Analysis

Group's investment portfolio has been classified in the available-for-sale and fair value through profit or loss categories, a 10% increase / decrease in redemption value and share prices at year end would have increased/ decreased impairment loss of investment recognized in profit and loss account or in revenue account of both statutory funds of life insurance business as follows:

	Impact on profit before tax	Impact on equity
	(Rupees in thousand)	
2010		
Effect of increase in share price		
Available for sale	**79,988**	**79,988**
Through profit or loss	**78**	**78**
Effect of decrease in share price		
Available for sale	**(104,049)**	**(104,049)**
Through profit or loss	**(78)**	**(78)**
2009		
Effect of increase in share price		
Available for sale	96,282	96,282
Through profit or loss	162	162
Effect of decrease in share price		
Available for sale	(763,040)	(763,040)
Through profit or loss	(162)	(162)

c) Currency risk

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

The following significant exchange rates were applied during the year:

	2010	2009
	Rupees	
Rupees per US Dollar		
Average rate	**85.16**	81.72
Reporting date rate	**85.70**	84.10
Rupees per AED		
Average rate	**23.185**	22.24
Reporting date rate	**23.33**	22.9

30.4 Insurance risk

30.4.1 Holding Company

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

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

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

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

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

a) Geographical concentration of insurance risk

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

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

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

b) Reinsurance arrangements

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

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

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

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

c) Neutral assumptions for claims estimation

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

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

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

d) Sensitivity Analysis

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

As the holding 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.

	Revenue account		Pre tax profit		Share holders' equity	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in thousand)					
10% increase in loss						
Net:						
Fire - General Insurance	**-**	-	**(103,080)**	(65,045)	**(67,002)**	(42,279)
Marine - General Insurance	**-**	-	**(54,596)**	(41,888)	**(35,487)**	(27,227)
Motor - General Insurance	**-**	-	**(226,686)**	(243,554)	**(147,346)**	(158,310)
Miscellaneous - General Insurance	**-**	-	**(98,067)**	(93,731)	**(63,744)**	(60,925)
Conventional business - Life Insurance	**(1,617)**	(367)	**(40)**	(9)	**(26)**	(6)
Accident and health business - Life Insurance	**-**	-	**-**	-	**-**	-
Non-unitised investment link business	**(1)**	-	**-**	-	**-**	-
	(1,618)	(367)	**(482,469)**	(444,227)	**(313,605)**	(288,747)
10% decrease in loss						
Net:						
Fire - General Insurance	**-**	-	**103,080**	65,045	**67,002**	42,279
Marine - General Insurance	-	-	**54,596**	41,888	**35,487**	27,227
Motor - General Insurance	**-**	-	**226,686**	243,554	**147,346**	158,310
Miscellaneous - General Insurance	**-**	-	**98,067**	93,731	**63,744**	60,925
Conventional business - Life Insurance	**1,617**	367	**40**	9	**26**	6
Accident and health business - Life Insurance	**-**	-	**-**	-	**-**	-
Non-unitised investment link business	**1**	-	**-**	-	**-**	-
	1,618	367	**482,469**	444,227	**313,605**	288,747

e) Claims development tables

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

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

30.4.2 Subsidiary Company

30.4.2.1 Conventional business

a) Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The subsidiary company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The subsidiary company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The subsidiary company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the subsidiary company being unable to recover expenses incurred at policy acquisition.

The subsidiary company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The subsidiary company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the subsidiary company to limit the maximum exposure on any one insured person. The subsidiary company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the subsidiary company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the subsidiary company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further all payments on account of claims are made after necessary approval of the Chief Executive Officer of the subsidiary company. The subsidiary company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

i) Frequency and severity of claims

The subsidiary company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the subsidiary company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2010			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	**7,867**	**2.4**	**2,360**	**3.0**
200,000 - 400,000	**33,471**	**10.2**	**10,040**	**12.6**
400,001 - 800,000	**82,257**	**25.0**	**24,677**	**31.0**
800,001 - 1,000,000	**7,671**	**2.3**	**2,016**	**2.5**
More than 1,000,000	**197,465**	**60.1**	**40,449**	**50.9**
Total	**328,731**		**79,542**	

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The subsidiary company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

iii) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the subsidiary company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.

Persistency: Since the subsidiary company has recently started business, it has no own experience to which it refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the subsidiary company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the subsidiary company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

iv) Changes in assumptions

There has been no change in assumptions.

v) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 4% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

b) Group Life

The main risk written by the subsidiary company is mortality. The subsidiary company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The subsidiary company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The subsidiary company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The subsidiary company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the subsidiary company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the appointed actuary for large groups having a group assurance policy with annual premium of Rs 1 million or above in accordance with the requirements of Circular 9 of 2005 dated August 1, 2005. The subsidiary company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the subsidiary company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas of high probability of terrorism. The subsidiary company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the subsidiary company ensures that payment of any fraudulent claims is avoided. For this, Manager Claims and Head of Operations reviews all large claims for verification. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

i) Frequency and severity of claims

The subsidiary company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the subsidiary company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the subsidiary company including exposure in respect of riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2010**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in thousand)	**%**	**(Rupees in thousand)**	**%**
0-200,000	**-**		**-**	
200,000 - 400,000	**37,500**	**0.03**	**26,250**	**0.08**
400,001 - 800,000	**103,500**	**0.08**	**51,750**	**0.15**
800,001 - 1,000,000	**-**	**0.00**	**-**	**0.00**
More than 1,000,000	**123,088,742**	**99.89**	**33,417,042**	**99.77**
Total	**123,229,742**		**33,495,042**	

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

iii) Process used to decide on assumptions

The business is too new for any meaningful investigation into group’s past experience. However industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the EFU (61-66) table.

iv) Changes in assumptions

There has been no change in assumptions.

v) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 10% of the total policyholder liability. This liability will be on the subsidiary company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.4.2.2 Accident & Health

The main risk written by the subsidiary company is hospitalisation and death by accidental means. The subsidiary company may be exposed to the risk of unexpected claim frequency. This can be a result of high exposure in a particular geographical area, fraudulent claims and catastrophic event.

The subsidiary company manages these risks through its underwriting, reinsurance and claims handling policy. On the claims handling side, the subsidiary company ensures that payment of any fraudulent claims is avoided.

i) Frequency and severity of claims

Currently, only one product is being sold in this segment effectively which offers a fixed sum assured on hospitalisation or death due to accident. The subsidiary company therefore has a limited exposure to claim severity. Since this product is marketed on an individual basis, the risk of unexpected high frequency in claims due to accumulation is also expected to be low.

The table below presents the concentration of assured benefits across five bands of insured benefits per individual life assured.

The amounts presented are showing total exposure of the subsidiary company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2010			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	-	-	-	-
200,000 - 400,000	14,746	78.5	4,424	78.5
400,001 - 800,000	3,030	16.1	909	16.1
800,001 - 1,000,000	-	-	-	-
More than 1,000,000	1,010	5.4	303	5.4
Total	18,786		5,636	

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than the hazard of fraudulent claims, there is no need to estimate accident rates for future years because of the short duration of the product offered under this business.

iii) Process used to decide on assumptions

Experience data is not sufficient to be statistically credible, so industry and reinsurer data has been used to fix assumptions.

iv) Changes in assumptions

There has been no change in assumptions.

v) Sensitivity analysis

The net unearned premium reserve for this business stands at less than 0.1% of the total (net of reinsurance) policyholder liability. This liability will be on the subsidiary company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.4.2.3 Non Unitised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The subsidiary company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The subsidiary company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The subsidiary company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the subsidiary company being unable to recover expenses incurred at policy acquisition.

The subsidiary company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The subsidiary company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the subsidiary company to limit the maximum exposure on any one insured person. The subsidiary company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the subsidiary company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the subsidiary company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The subsidiary company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further all payments on account of claims are made after necessary approval of Chief Executive Officer of the subsidiary company. The subsidiary company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

i) Frequency and severity of claims

The subsidiary company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The subsidiary company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The subsidiary company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the subsidiary company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2010			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	132,070	6.2	38,269	7.8
200,000 - 400,000	147,791	6.9	41,842	8.5
400,001 - 800,000	413,647	19.4	118,409	24.1
800,001 - 1,000,000	637,992	29.9	186,448	38.0
More than 1,000,000	803,152	37.6	106,200	21.6
Total	2,134,652		491,168	

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Link assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The subsidiary company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: The business is developing and actual first year persistency rates will only be measurable next year. Eventually the subsidiary company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

iii) Process used to decide on assumptions

For long-term Non-unitised Investment Link assurance contracts, assumptions are made in two stages. At inception of the contract, the subsidiary company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: Since the subsidiary company has recently started business, it has no own experience to which it refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the subsidiary company’s recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the subsidiary company’s current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

iv) Changes in assumptions

The subsidiary company has launched Non-unitised Investment Link Business during the current year as a result changes in assumptions does not apply.

v) Sensitivity analysis

The subsidiary company has recently commenced operations and sensitivity tests were carried out at the time of pricing products to try and ensure robust pricing. Periodic sensitivity analyses of the subsidiary company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

32. FINANCIAL INSTRUMENTS BY CATEGORIES

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	(Rupees in thousand)			
As at 31 December 2010				
Financial assets				
Cash and other equivalents	59,453	-	-	59,453
Current and other accounts	1,098,285	-	-	1,098,285
Deposits maturing within 12 months	1,584,827	-	-	1,584,827
Loan to employees	39,754	-	-	39,754
Investments	-	56,216	9,458,496	9,514,712
Premiums due but unpaid	4,554,824	-	-	4,554,824
Amounts due from other insurers/ reinsurers	993,584	-	-	993,584
Salvage recoveries accrued	99,636	-	-	99,636
Accrued investment income	41,389	-	-	41,389
Reinsurance recoveries against outstanding claims	6,253,202	-	-	6,253,202
Sundry receivables	240,433	-	-	240,433
	14,965,387	56,216	9,458,496	24,480,099

	Financial liabilities at amortized cost
	(Rupees in thousand)
As at 31 December 2010	
Financial liabilities	
Provision for outstanding claims (including IBNR)	**7,989,823**
Amounts due to other insurers / reinsurers	**1,599,650**
Accrued expenses	**151,051**
Other creditors and accruals	**1,564,460**
Unclaimed dividends	**29,121**
Liabilities against assets subject to finance lease	**107,637**
	11,441,742

	Loans and receivables	Held to maturity	Available for sale	At fair value through profit or loss	Total
	(Rupees in thousand)				
As at 31 December 2009					
Financial assets					
Cash and other equivalents	61,796	-	-	-	61,796
Current and other accounts	702,913	-	-	-	702,913
Deposits maturing within 12 months	1,408,449	-	-	-	1,408,449
Loan to employees	45,769	-	-	-	45,769
Investments	-	96,523	9,717,306	1,615	9,815,444
Premiums due but unpaid	3,841,755	-	-	-	3,841,755
Amounts due from other insurers/ reinsurers	716,962	-	-	-	716,962
Salvage recoveries accrued	115,753	-	-	-	115,753
Accrued investment income	47,304	-	-	-	47,304
Reinsurance recoveries against outstanding claims	1,845,562	-	-	-	1,845,562
Sundry receivables	112,341	-	-	-	112,341
	8,898,604	96,523	9,717,306	1,615	18,714,048

	Financial liabilities at amortized cost
	(Rupees in thousand)
As at 31 December 2009	
Financial liabilities	
Provision for outstanding claims (including IBNR)	3,584,772
Amounts due to other insurers / reinsurers	960,748
Accrued expenses	156,626
Other creditors and accruals	1,188,741
Unclaimed dividends	25,965
Liabilities against assets subject to finance lease	148,911
	6,065,763

33. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding Company in their meeting held on 22 March 2011 proposed a final cash dividend for the year ended 31 December 2010 @ 15% i.e Rupees 1.5/- per share (2009: @ 15% i.e Rupees 1.5/- per share). This is in addition to the interim dividend @ 10% i.e Rupee 1.0/- per share (2009: @ 15% i.e Rupees 1.5/- per share) resulting in a total dividend for the year ended 31 December 2010 of Rupees 2.5/- per share (2009: Rupees 3/- per share). For the year ended 31 December 2010 bonus shares issued were Nil (2009: @ 10%). The approval of the members of holding company for the cash dividend will be obtained at the forthcoming Annual General Meeting. The consolidated financial statements for the year ended 31 December 2010 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 31 December 2011.

34. CAPITAL RISK MANAGEMENT

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

- to be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is raised to Rupees 300 million. while for life insurance it is raised to Rupees 500 million. The Group is well in excess of the limit prescribed by the SECP and is also complying other solvency requirements prescribed by SECP;

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

- to provide an adequate return to shareholders by pricing insurance contracts and policies commensurately with the level of risk;

  maintain strong ratings and to protect the company against unexpected events/ losses; and

- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

35. NUMBER OF EMPLOYEES AT 31 DECEMBER

	2010	2009
	(Number)	
Holding company	**978**	1,088
Subsidiary company	**55**	33
	1,033	1,121

36. DATE OF AUTHORIZATION FOR ISSUE

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

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

37. GENERAL

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

Umer Mansha	**S.M. Jawed**	**Ahmed Ebrahim Hasham**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2010

No. of shareholders	Shareholdings					Total Shares held
1,806	Holding from	1	to	100	shares	6 0,485
1,595	-do-	101	"	500	"	4 30,409
834	-do-	501	"	1000	"	6 39,701
1,205	-do-	1001	"	5000	"	2,794,048
277	-do-	5001	"	10000	"	1,994,217
126	-do-	10001	"	15000	"	1,581,203
60	-do-	15001	"	20000	"	1,075,427
51	-do-	20001	"	25000	"	1,160,782
23	-do-	25001	"	30000	"	644,496
28	-do-	30001	"	35000	"	896,210
20	-do-	35001	"	40000	"	748,323
14	-do-	40001	"	45000	"	600,231
7	-do-	45001	"	50000	"	331,964
11	-do-	50001	"	55000	"	591,584
4	-do-	55001	"	60000	"	224,856
3	-do-	60001	"	65000	"	187,948
5	-do-	65001	"	70000	"	332,071
5	-do-	70001	"	75000	"	365,021
5	-do-	75001	"	80000	"	386,636
4	-do-	80001	"	85000	"	327,267
3	-do-	85001	"	90000	"	259,407
2	-do-	90001	"	95000	"	185,724
7	-do-	95001	"	100000	"	680,443
2	-do-	100001	"	105000	"	203,167
4	-do-	105001	"	110000	"	433,699
3	-do-	115001	"	120000	"	352,100
3	-do-	120001	"	125000	"	364,733
3	-do-	125001	"	130000	"	380,727
1	-do-	140001	"	145000	"	142,005
3	-do-	145001	"	150000	"	443,741
2	-do-	150001	"	155000	"	301,021
1	-do-	155001	"	160000	"	155,095
1	-do-	160001	"	165000	"	162,708
1	-do-	165001	"	170000	"	169,702
1	-do-	170001	"	175000	"	172,500
1	-do-	180001	"	185000	"	184,173
4	-do-	195001	"	200000	"	784,678
2	-do-	200001	"	205000	"	404,203
1	-do-	205001	"	210000	"	208,992
2	-do-	215001	"	220000	"	440,000
2	-do-	220001	"	225000	"	441,705
2	-do-	240001	"	245000	"	484,685
1	-do-	280001	"	285000	"	284,350
1	-do	285001	"	290000	"	289,915
1	-do-	295001	"	300000	"	297,000
1	-do-	300001	"	305000	"	302,500
1	-do-	335001	"	340000	"	337,476
2	-do-	340001	"	345000	"	684,443

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2010

No. of shareholders	Shareholdings					Total Shares held
1	-do-	355001	"	360000	"	357,172
2	-do-	370001	"	375000	"	743,470
2	-do-	395001	"	400000	"	797,075
2	-do-	400001	"	405000	"	801,688
1	-do-	405001	"	410000	"	408,320
1	-do-	420001	"	425000	"	423,041
1	-do-	425001	"	430000	"	429,550
2	-do-	450001	"	455000	"	909,525
1	-do-	465001	"	470000	"	469,500
1	-do-	490001	"	495000	"	494,301
1	-do-	540001	"	545000	"	542,223
1	-do-	560001	"	565000	"	560,102
1	-do-	565001	"	570000	"	565,600
1	-do-	595001	"	600000	"	597,949
1	-do-	610001	"	615000	"	614,081
1	-do-	680001	"	685000	"	684,233
1	-do-	770001	"	775000	"	771,934
1	-do-	785001	"	790000	"	787,180
1	-do-	995001	"	1000000	"	1,000,000
1	-do-	1320001	"	1325000	"	1,321,980
1	-do-	1390001	"	1395000	"	1,394,231
1	-do-	1525001	"	1530000	"	1,526,052
1	-do-	1530001	"	1535000	"	1,533,330
1	-do-	1560001	"	1565000	"	1,564,093
1	-do-	1595001	"	1600000	"	1,599,483
1	-do-	2005001	"	2010000	"	2,006,000
1	-do-	3235001	"	3240000	"	3,238,747
1	-do-	3540001	"	3545000	"	3,541,391
1	-do-	4135001	"	4140000	"	4,138,572
1	-do-	5725001	"	5730000	"	5,729,781
1	-do-	5775001	"	5780000	"	5,777,663
1	-do-	7320001	"	7325000	"	7,324,503
1	-do-	9785001	"	9790000	"	9,789,910
1	-do-	36335001	"	36340000	"	36,338,092
6 ,179						**123,704,543**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2010

Categories of Shareholders	Shares held	Percentage
Directors		
Umer Mansha	21,325	0.017
Ahmed Ebrahim Hasham	3,025	0.002
Ali Munir	5,691	0.005
Alman Aslam	3,742	0.003
Hassan Mansha	21,325	0.017
Ibrahim Shamsi	5,937	0.005
Khalid Qadeer Qureshi	3,025	0.002
S.M. Jawed	6,050	0.005
Chief Executive Officer		
Muhammad Ali Zeb	3,025	0.002
Directors / CEO's spouse	-	-
Executives / Executives' spouse	81,822	0.066
Associated Companies, undertakings & related parties		
MCB Bank Ltd.,	36,338,092 *	29.375
Nishat Mills Ltd.	36,337	0.029
Security General Insurance Co., Ltd.	4,138,572	3.346
D.G. Khan Cement Co., Ltd.	3,541,391	2.863
Pakistan Molasses Company (Pvt.) Limited	55,000	0.045
NIT and ICP	-	-
Banks, DFIs and NBFIs	6,680,212	5.400
Public sector companies and corporations	98,583	0.080
Insurance Companies	2,496,415	2.018
Modaraba and Mutual Funds	3,592,479	2.904
General Public		
a) Local (Individuals)	36,532,567	29.532
b) Foreign Companies/ organizations/ Individuals (on repatriable basis)	5,003,812	4.045
Others - See below	25,036,116 **	20.239
	123,704,543	100.000
Shareholders holding 10% or more voting interest	36,338,092 *	

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2010

Categories of Shareholders		Shares held
Others:		
1	Trustee Adamjee Foundation	9,789,910
2	Adamjee Services (Pvt) Ltd.	3
3	The Administrator Abandoned Properties Organisation	121
4	Mobarak Begum Charitable Trust	11,709
5	Pakistan Human Development fund	125,000
6	Trustee KASB Funds Limited Employees Provident Fund	4,000
7	Trustee Karachi Sheraton Hotel Employees Provident Fund	11
8	Trustees D.G.Khan Cement Co. Ltd. Employees Provident Fund	19,580
9	Trustee-MCB Employees Pension Fund	5,777,663
10	Trustee - MCB Provident Fund Pak Staff	5,729,781
11	Pakistan Memon Educational & Welfare Society	54,862
12	Trustee Cherat Cement Co.Ltd.Employee Provident Fund	11,000
13	Trustees Saeeda Amin Wakf	24,200
14	Trustees Mohamad Amin Wakf Estate	30,250
15	Ismailia Youth Services	3,958
16	Trustees Nishat Mills Ltd.Employee Provident.Fund	02,523
17	Trustees D.G.Khan Cement Co.Ltd.Employee Provident Fund	99
18	Trustees Nestle Pakistan Ltd Employees Provident Fund	86,845
19	Trustees Nestle Pakistan Ltd Employees Gratuity Fund	55,000
20	Trustee-Ebrahim Bawany Foundation	38
21	Trustee- Khyber Pakhtunkhwa -Pension Fund	95,590
22	Trustees Of Overseas Pakistani Pension Trust	3,850
23	Trustee-Kohinoor Mills Ltd. Staff Provident Fund	12,100
24	Trustee, Nishat (Chunian) Limited Employees Provident Fund	6,050
25	Managing Committee Mobarak Begum Charitable Trust	34
26	Joint Stock Companies	2,991,939
		25,036,116 **

Karachi: 22, March 2011

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

PROXY FORM

I/We ……………………….....…...………... of …..….......………………...………. being a member of Adamjee Insurance Company Limited hereby appoint Mr.…………………….................................. of……………………….......…....………. or failing him Mr.……………….............……………………….. of …………………………………….. as my/our Proxy to vote for me/us and on my/our behalf at the fiftieth Annual General Meeting of the Company to be held on Wednesday, April 27, 2011 at 10.00 a.m. at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8, Kehkashan, Clifton, Karachi and at any adjournment thereof.

Signed this …………………......……..….. day of……….……………………………….2011

WITNESSES:

1- Signature …………………………….
Name ………………………………..
Address.……………………………...
……………………………………….
NIC No. ……………………………

Rupees Five
Revenue
Stamp

2- Signature ………………….……….
Name ………………………………..
Address.……………………………...
……………………………………….
NIC No. ……………………………

Signature ……………………………………….
Holder of ……………………..... Ordinary Shares
Share Register Folio No.………………………….
"CDC" Participant's ID No……..….A/c. No.…….

(Please See Notes on reverse)

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her. A corporation or a company being a member of the Company may appoint any of its officers, though not a member of the Company.

2. Proxies must be received at the Office of our Registrar M/s Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi not less than 48 hours before the time appointed for the Meeting.

3. The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.

4. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting

i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original National Identity Card or original Passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing Proxies

i) In case of individuals, the account holder or sub-account holder, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

iii) Attested copies of NIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original NIC or original passport at the time of the Meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.