

58th Annual Report 2009



PREMIER INSURANCE



Contents

Company Information	3
Vision / Mission Statement	4
Notice of Annual General Meeting	6
Key Operating and Financial Data	8
Performance at a Glance	9
Report of the Directors to the Members	11
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	16
Independent Auditors' Report to the Members	17
Balance Sheet	18
Profit and Loss Account	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Statement of Premium	24
Statement of Claims	25
Statement of Expenses	26
Statement of Investment Income	27
Notes to the Financial Statements	28
Pattern of Shareholding	59
Locations	61
Proxy Form	



Company Information

Board of Directors

Syed Arshad Ali
Khalid Bashir
Zahid Bashir (Chairman)
Imran Maqbool
Nadeem Maqbool
Khurram Mazhar
Shams Rafi
Fakhir Rahman (Chief Executive)

Company Secretary

Afroz Quraishi

Audit Committee

Khalid Bashir (Chairman)
Imran Maqbool
Nadeem Maqbool

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisors

Arfin & Company
Advocates

Registered & Head Office

5th Floor, State Life Building No. 2A
Wallace Road, Karachi-74000, Pakistan
Phones : (21) 32416331-4
Fax : (21) 32416572
Email : info@pil.com.pk
Website : www.pil.com.pk

Registrar

FAMCO Associates (Pvt) Limited
1st Floor, State Life Building No. 1A
I. I. Chundrigar Road
Karachi-74000, Pakistan



Vision Statement

Our vision is to provide the highest level of service in general insurance and strive to become a market leader with a prestigious profile.

Mission Statement

Our Business

We are a company underwriting general insurance business including underwriting fire, property, marine, motor and other risks of our clients.

We are committed to become the leading organization in the insurance sector building an excellent reputation among our clients with the objective of maximizing returns for all the stakeholders.

Our Strengths

Financial viability and security we provide our clients and reinsurers in order to safeguard their interests.

Our Strategy

To enhance our corporate image by providing high quality products and services to our policy holders.

To provide an excellent working environment to our employees affording them every opportunity to growth and career development.

Our Values

We take pride in adhering to ethical business practices and in being a good corporate citizen.

We respect our people and endeavor to provide them opportunities to realize their full potential.

We recognize our responsibility to our stakeholders and to society.



Because we care.....

Our commitment to serve extends beyond our stakeholders to the society where our collective present and future is at stake. Being a socially responsible corporate citizen is one of our core values and our assistance to various causes that alleviate human misery and uplift the quality of life, healthcare and education for our less privileged compatriots is routed through the following:

The Citizens Foundation (TCF)

Towards provision of quality education to more than 80,000 children in 600 plus schools in the economically deprived urban and rural neighborhoods across Pakistan.

Layton Rahmatulla Benevolent Trust (LRBT)

For free, state of the art eye care accounting for about one in three of all eye OPD and surgeries across the country; operating 16 hospitals and 39 primary eye care clinics.

Sindh Institute of Urology and Transplantation (SIUT) and The Kidney Centre

Towards free, modern urology, nephrology, transplantation and liver diseases treatment and care.

Marie Adelaide Leprosy Centre (MALC)

For rehabilitation and care of leprosy, tuberculosis and blindness sufferers.

**Patient's Aid Foundation (PAF) - JPMC; Poor Patient Aid Society - Civil Hospital;
The Aga Khan Hospital & Medical College Foundation**

Towards assisting treatment of millions of less privileged patients at general hospitals.

**Shaukat Khanum Memorial Cancer Hospital; Shalimar Hospital; Indus Hospital;
Bakhtawar Amin Memorial Trust; Dowites '78' Operation Theatre Centre**

To help specialized and general hospitals in our major cities provide high quality medical care to those who cannot pay or need subsidies.

Old Grammarians' Society (OGS) and Old Associates of Kinnaird Society (OAKS)

Towards assisting students who are unable to fully bear education expenses at prestigious institutions and to fund a variety of worthy causes through other organizations.

We are grateful to our business associates for making these humble contributions possible and allowing us to be a company with a heart.



Notice of Annual General Meeting

Notice is hereby given that the 58th Annual General Meeting of the company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP) at Chartered Accountants Avenue, Clifton, Karachi, on Thursday, April 29, 2010 at 09:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on April 27, 2009;
2. To receive, consider and adopt the audited financial statements of the company for the year ended December 31, 2009, the report of the Auditors thereon and the report of the Directors;
3. To approve the payment of a cash dividend @ 20% i.e. Re. 1 per ordinary share of Rs 5 each, out of the profit for the year ended December 31, 2009, as recommended by the Directors;
4. To appoint Auditors of the company and fix their remuneration. The present Auditors, M/s. Anjum Asim Shahid Rahman, Chartered Accountants, being eligible, have offered themselves for re-appointment;

B. SPECIAL BUSINESS

5. To approve the issuance of bonus shares @ 15% i.e. 3 ordinary shares for every 20 ordinary shares held, out of the profit for the year ended December 31, 2009, as recommended by the Directors by passing the following Ordinary Resolution:

"RESOLVED THAT a sum of Rs 39,498,435 out of the free reserves of the company be capitalized and applied to the issue of 7,899,687 Ordinary Shares of Rs 5 each and allotted as fully paid up Bonus Shares to the Members, who are registered in the Books of the company at the close of business on April 19, 2010 in the proportion of three new shares for every twenty existing Ordinary Shares held and that such new shares shall rank *pari passu* with the existing Ordinary Shares of the company.

That for the purpose of giving effect to the foregoing, the Chief Executive, Chief Financial Officer and Company Secretary be and are hereby singly authorized to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares."

6. To transact any other business with the permission of the Chair.

By Order of the Board

Afroz Quraishi
Company Secretary

Karachi, April 2, 2010



NOTES

- i) The Share Transfer Books of the company shall remain closed from April 20, 2010 to April 29, 2010 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, State Life Building No. 1-A, 1st Floor, I. I. Chundrigar Road, Karachi, Pakistan by the close of business on April 19, 2010 will be treated in time for this purpose.
- ii) As per the Articles of Association of the company, any fractional entitlements to bonus shares shall be consolidated and disposal proceeds distributed to the shareholders according to their fractional entitlements.
- iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.
- iv) Shareholders whose shares are deposited with the Central Depository Company (CDC) are requested to bring their original National Identity Card and account number in CDC for verification.
- v) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- vi) Shareholders are requested to notify our Registrar immediately of any change in their addresses.

Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business:

1. This statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the company to be held on April 29, 2010
2. Item 5 regarding Bonus issue:

Your Directors have recommended the issue of Bonus Shares in the proportion of 3 new shares for every 20 existing Ordinary Shares held at the close of business on April 19, 2010. The Directors are interested in this business to the extent of their entitlement to Bonus Shares as Members.



Key Operating and Financial Data

(Amounts in Rupees '000)

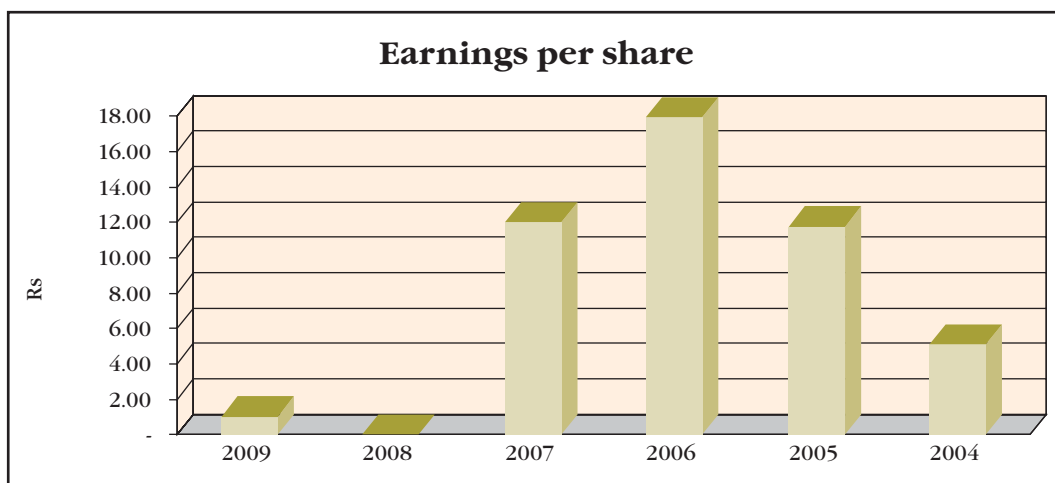
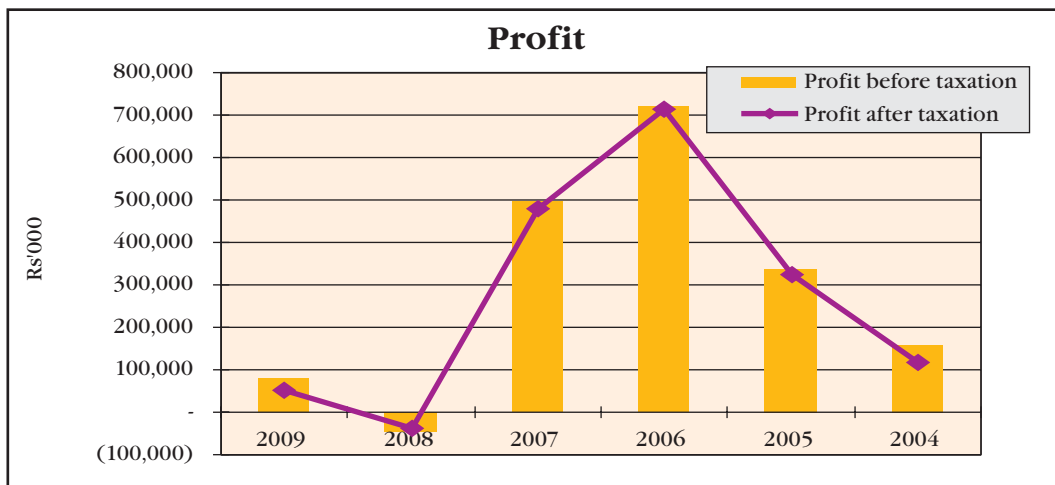
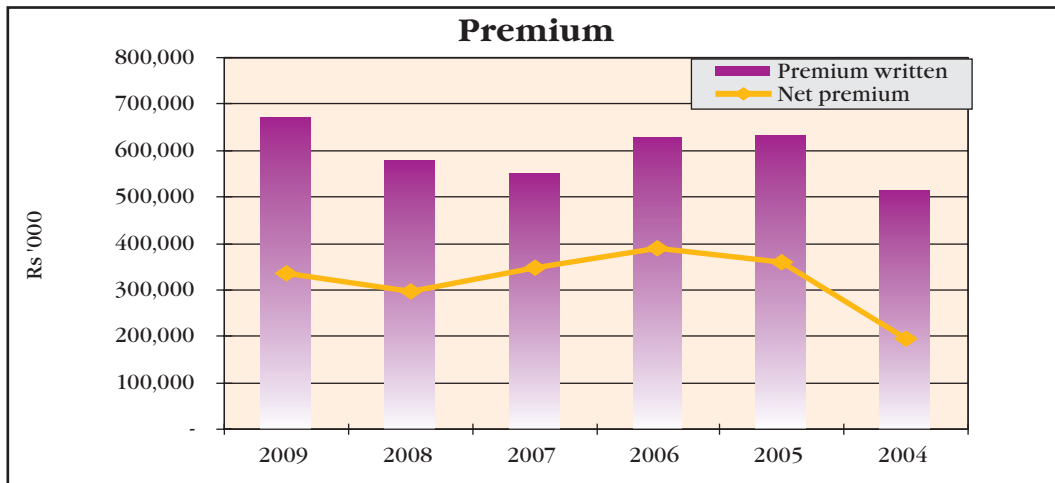
	2009	2008	2007	2006	2005	2004
Paid-up capital	263,323	239,385	199,488	166,240	138,533	115,444
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,491,342	1,509,814	1,627,043	1,214,600	554,587	275,327
Total reserves	1,511,017	1,529,489	1,646,718	1,234,275	574,262	295,002
Total equity	1,774,340	1,768,874	1,846,206	1,400,515	712,795	410,446
Total assets	2,788,719	2,701,366	2,943,197	2,393,943	1,738,274	1,486,848
Premium written	670,430	577,114	551,699	630,395	631,393	515,851
Net premium	335,456	295,834	346,832	389,232	360,164	194,601
Investment income	222,181	185,627	542,582	798,115	341,996	165,462
Impairment in investments	(126,161)	(213,216)	-	-	-	-
Profit / (loss) before taxation	79,653	(44,911)	495,685	719,721	339,438	158,437
Profit / (loss) after taxation	53,343	(37,435)	478,939	715,427	325,438	117,437
Return on equity* (%)	3.01%	(2.07%)	29.50%	67.71%	57.95%	32.07%
Book value per share** (Rs)	33.69	36.95	46.27	42.12	25.73	17.78
Earnings per share** (Rs)	1.01	(0.78)	12.00	17.93	11.75	5.09
Cash dividend (%)	20%	20%	20%	20%	20%	20%
Stock dividend (Bonus - %)	15%	10%	20%	20%	20%	20%

*Return based on average equity for the year

**Book value / earnings based on shares in issue at year end

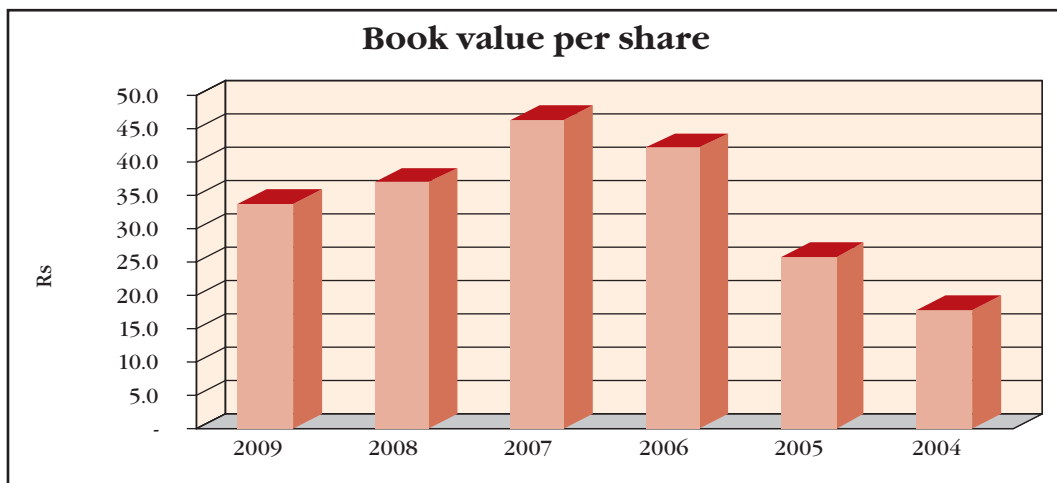
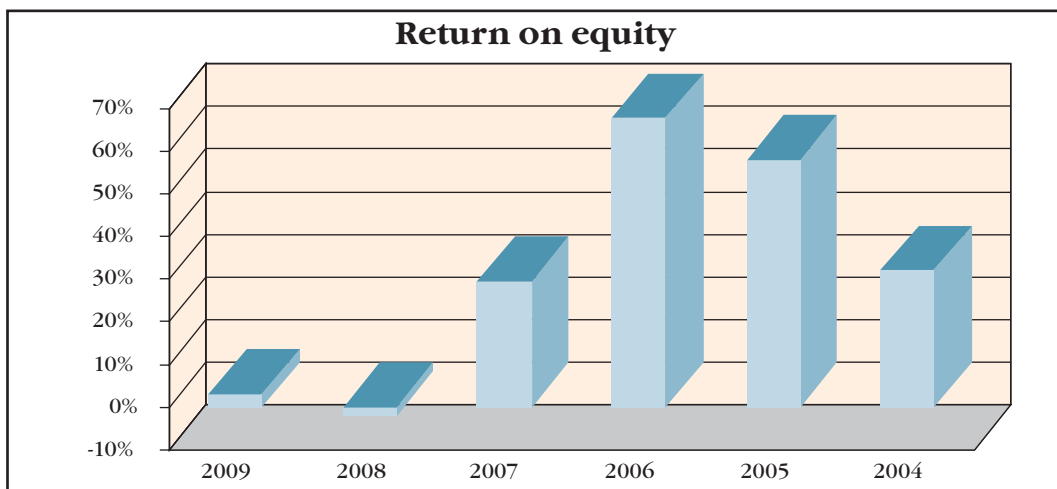
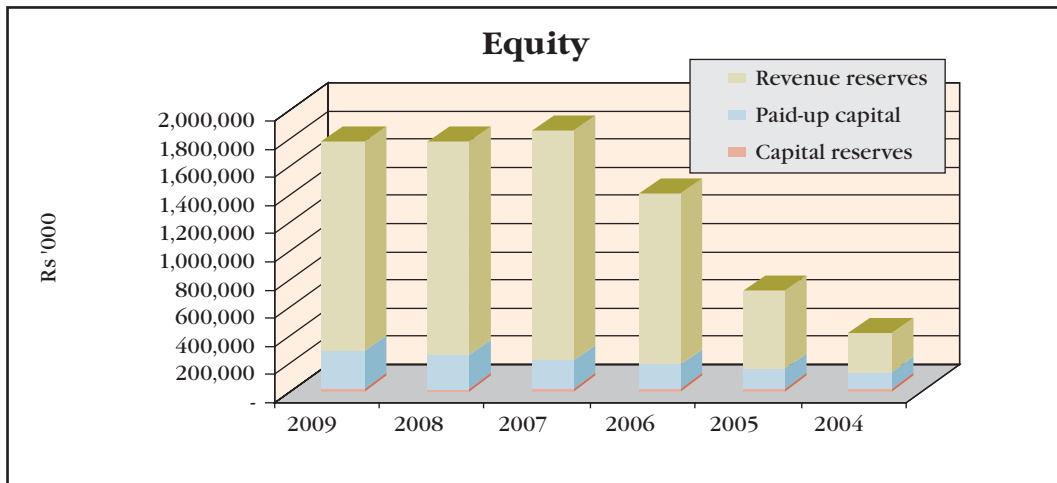


Performance at a Glance





Performance at a Glance





Report of the Directors to the Members

The directors are pleased to present the 58th Annual Report of the company together with the audited financial statements for the year ended December 31, 2009.

Review

(Amounts in Rupees '000)

	2009	2008
Premium written	670,430	577,114
Net premium	335,456	295,834
Underwriting result	20,952	8,393
Investment income	222,181	185,627
Impairment in value of available for sale investments	(126,161)	(213,216)
Profit / (loss) before taxation	79,653	(44,911)
Profit / (loss) after taxation	53,343	(37,435)

In terms of premium written our business growth in excess of 16% came from all business classes. The miscellaneous category, comprising a variety of covers, increased 71% to provide greater diversification to the underwriting portfolio. Net premium increased by about 14% reflecting the timing, business class and retention mix of the written premium. A reduction in the claims ratio and cost containment produced an underwriting result of Rs 21 million (2008: Rs 8.4 million).

Despite an uncertain political, economic and security situation, investment and treasury income grew a healthy 20%. The higher return on bank deposits and the lower dividend income was due to the year over year timing differences in allocations between asset classes to actively ensure the safety of our investments.

The balance of Rs 187.9 million impairment in value of "available for sale" investments at December 31, 2008 was reduced by Rs 61.7 million, a full 33%, to Rs 126.2 million recognized in 2009, with precise, deliberate action.

Consistent with prior years and using various measures,

our equity and overall investment returns have well exceeded the related benchmarks.

Net of all expenses, including certain discretionary and prudence based estimates, the profit before taxation amounted to Rs 79.7 million (2008: loss Rs 44.9 million). Profit after taxation of Rs 53.3 million equates an earning of Rs 1.01 per ordinary share of Rs 5 each.

Appropriation of Profit

(Amounts in Rupees '000)

Profit after taxation for the year	53,343
Unappropriated profit brought forward	109,464
	<u>162,807</u>
Appropriations:	
- Payment of cash dividend @ 20% (2008)	(47,877)
- Issue of bonus shares @ 10% (2008)	(23,938)
	<u>90,992</u>
- Transfer from general reserve (2009)	150,000
Unappropriated profit carried forward	<u>240,992</u>

Appropriated as follows:

- Proposed cash dividend @ 20% (2009)
- Proposed bonus issue @ 15% (2009)

Outlook for the Current Year

With many constants and variables, business planning is more art than science. Planning with no constants and ever shifting variables, however, is our reality. Our country is effectively at war; our exports stagnant, imports inelastic; inflation, fiscal, current account deficits, exchange rates stable at best and likely moving negatively. In a basically zero growth economy, business retention takes priority though acquisition remains an objective. Therefore, even as we consolidate and streamline our portfolios and infrastructure, we intend to capture opportunities that we develop or that appear on our radar.



Your company is solidly capitalized with Rs 1.8 billion of equity giving net asset value of Rs 33.7 per share of Rs 5 each. Our Insurer Financial Strength (IFS) Rating has been reaffirmed at A (Single A) with Stable Outlook. The rating by JCR - VIS denotes a "high capacity to meet policyholder and contract obligations".

Therefore, with our more than obvious financial strength, our professional expertise and commitment to client satisfaction, we believe our cautious optimism in our future to be well founded.

Corporate Financial Reporting

The Board has taken all necessary steps to comply with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years is annexed with the report.
- The value of investments based on the audited accounts of the Provident Fund as at December 31, 2008 was Rs 26.3 million.
- During 2009 five meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Syed Arshad Ali	2
Mr Khalid Bashir	3
Mr Zahid Bashir (Chairman)	5
Mr Imran Maqbool	4
Mr Nadeem Maqbool	5
Mr Khurram Mazhar	1
Mr Shams Rafi	5

Leave of absence was granted to directors unable to attend a meeting.

The directors, CEO, CFO, Company Secretary, executives and their spouses and minor children, had no transactions in the shares of the company.

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2009, have been duly complied with. A statement to this effect is annexed with the report.



Statement of Ethics and Business Practices

The Board has adopted a Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Board Committees

The audit committee, comprising non-executive members of the Board, held seven meetings during the year. The committee's terms of reference were determined by the Board in accordance with the guidelines provided in the listing regulations.

The Board constituted underwriting, claims settlement, reinsurance and co-insurance and investment committees met as required during the year.

Appointment of Auditors

As recommended by the audit committee, the directors propose that Anjum Asim Shahid Rahman, Chartered Accountants, be re-appointed auditors of the company for the year ending December 31, 2010.

Categories of Members / Pattern of Shareholding

A statement of categories of members and a pattern of shareholding of the company is annexed.

The directors, CEO, CFO, Company Secretary and their spouses and minor children have no holding other than reported.

Acknowledgement

The directors acknowledge the dedication of the company's employees, thank all our business associates and shareholders for their confidence in the company, and our regulators for their guidance and support.

On behalf of the Board

Zahid Bashir
Chairman

Karachi: April 2, 2010



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board. Except the Chief Executive, the Board comprises non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policy guidelines, which are in the process of formal documentation. Such guidelines, amendments and approvals are recorded.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were duly circulated. The minutes of the meetings were appropriately recorded and circulated.
8. The directors of the company are experienced in various businesses, including insurance and are well aware of their duties and responsibilities. However, all directors continue to be encouraged to attend specialized orientation course at company expense.
9. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the company were duly endorsed by the CEO and the CFO before approval of the Board.



11. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the categories of members.
12. The company has complied with all the financial reporting requirements of the Code.
13. The Board has formed an audit committee which comprised at least three members during the year, all of whom are non-executive directors including the Chairman of the committee.
14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has also formed underwriting, claims, reinsurance and co-insurance and investment committees.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed the IFAC guidelines in this regards.
18. We confirm that all other material principles contained in the Code have been complied with.

Zahid Bashir
Chairman

Karachi, April 2, 2010



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2009 prepared by the Board of Directors of **Premier Insurance Limited** to comply with the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Anjum Asim Shahid Rahman
Chartered Accountants

Date: April 2, 2010
Karachi.



Independent Auditors' Report to the Members of Premier Insurance Limited

We have audited the annexed financial statements comprising:

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

of **Premier Insurance Limited** as at **December 31, 2009** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2009 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under Section 7 of that Ordinance.

Anjum Asim Shahid Rahman
Chartered accountants
Shahzada Saleem Chughtai

Date: April 2, 2010
Karachi



PREMIER INSURANCE LIMITED

Balance Sheet

As at December 31, 2009

(Amounts in Rupees '000)

	Note	2009	2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 100,000,000 ordinary shares of Rs 5 each		<u>500,000</u>	<u>500,000</u>
Issued subscribed and paid-up capital			
52,664,582 (2008: 47,876,893) ordinary shares of Rs.5 each	6	263,323	239,385
Retained earnings		240,992	109,464
Reserves	7	1,270,025	1,420,025
Shareholders' equity		1,774,340	1,768,874
Underwriting provisions			
Provision for outstanding claims (including IBNR)		251,112	326,555
Provision for unearned premium		314,524	264,823
Commission income unearned		37,206	28,165
Total underwriting provisions		602,842	619,543
Deferred liability			
Staff retirement benefits	8	21,068	17,094
Creditors and accruals			
Current maturity of lease finance		-	595
Amounts due to other insurers / reinsurers		84,239	55,510
Accrued expenses		13,620	11,528
Taxation - provision less payments		104,434	87,674
Other creditors and accruals	9	181,677	135,318
		383,970	290,625
Other liabilities			
Unclaimed and dividend payable		6,499	5,230
TOTAL EQUITY AND LIABILITIES		<u>2,788,719</u>	<u>2,701,366</u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 32 form an integral part of these financial statements.



(Amounts in Rupees '000)

	Note	2009	2008
ASSETS			
Cash and bank deposits	11		
Cash and other equivalents		302	294
Current and other accounts		211,533	50,500
Deposits maturing within 12 months		3,497	825,777
Deposits maturing after 12 months		5,246	8,743
		220,578	885,314
Loans to employees	12	2,412	3,118
Investments	13	1,245,694	607,161
Investment properties	14	56,393	25,583
Other assets			
Premium due but unpaid	15	276,503	152,469
Amounts due from other insurers / reinsurers - unsecured, considered good		362,988	355,372
Accrued investment income	16	2,690	20,387
Accrued salvage recoveries		9,350	-
Reinsurance recoveries against outstanding claims		138,774	218,625
Deferred commission expense		43,941	36,763
Prepayments	17	173,245	143,080
Sundry receivables	18	29,467	6,635
		1,036,958	933,331
Fixed assets	19		
Tangible			
Land and buildings		146,465	146,781
Furniture, fixtures and office equipment		16,956	17,312
Motor vehicles		31,050	30,357
Capital work in progress	20	30,072	50,965
Intangible			
Computer software		2,141	1,444
		226,684	246,859
TOTAL ASSETS		<u>2,788,719</u>	<u>2,701,366</u>

Zahid Bashir
ChairmanNadeem Maqbool
DirectorShams Rafi
DirectorFakhir Rahman
Chief Executive



PREMIER INSURANCE LIMITED

Profit and Loss Account

For the year ended December 31, 2009

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2009 Aggregate	2008 Aggregate
Revenue accounts								
Net premium revenue		125,162	39,974	150,959	19,375	(14)	335,456	295,834
Net claims		(16,756)	(9,714)	(113,301)	(9,442)	(185)	(149,398)	(138,807)
Expenses	21	(51,054)	(16,305)	(61,576)	(7,904)	6	(136,833)	(126,306)
Net commission		(15,373)	(3,665)	(14,819)	5,578	6	(28,273)	(22,328)
Underwriting result		<u>41,979</u>	<u>10,290</u>	<u>(38,737)</u>	<u>7,607</u>	<u>(187)</u>	<u>20,952</u>	<u>8,393</u>
Investment income							222,181	185,627
Gain on disposal of fixed assets							2,632	964
Rental income							2,104	1,614
Other income							1,530	-
General and administration expenses	21						(43,585)	(28,293)
Impairment in value of available for sale investments	13.7						(126,161)	(213,216)
Profit / (loss) before tax							<u>79,653</u>	<u>(44,911)</u>
Provision for taxation	22						(26,310)	7,476
Profit / (loss) after tax							<u>53,343</u>	<u>(37,435)</u>
Profit and loss appropriation account								
Balance at commencement of year							109,464	626,693
Profit / (loss) after tax for the year							53,343	(37,435)
Cash dividend for 2008 at Re. 1 per share (2007: Re. 1 per share)							(47,877)	(39,897)
Bonus shares for 2008 at 10% (2007: 20%)							(23,938)	(39,897)
Transfer from / (to) general reserve							150,000	(400,000)
Balance unappropriated profit at the end of the year							<u>240,992</u>	<u>109,464</u>
Earnings / (loss) per share								
- basic and diluted (in Rupees)	23						<u>1.01</u>	<u>(0.71)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Shams Rafi
Director

Fakhir Rahman
Chief Executive



Statement of Changes in Equity

For the year ended December 31, 2009

(Amounts in Rupees '000)

	Share capital Issued, subscribed and paid-up	Reserves							Total reserves	Total equity
		Capital reserves			Revenue reserves					
		Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts	Unappro- priated profit			
Balance as at January 1, 2008	199,488	19,490	185	-	1,000,000	350	626,693	1,646,718	1,846,206	
Loss after tax for the year ended December 31, 2008	-	-	-	-	-	-	(37,435)	(37,435)	(37,435)	
Cash dividend for the year ended December 31, 2007 declared subsequent to the year end	-	-	-	-	-	-	(39,897)	(39,897)	(39,897)	
Bonus shares for the year ended December 31, 2007 declared subsequent to the year end	-	-	-	39,897	-	-	(39,897)	-	-	
Bonus shares issued	39,897	-	-	(39,897)	-	-	-	(39,897)	-	
Transfer to general reserve	-	-	-	-	400,000	-	(400,000)	-	-	
Balance as at December 31, 2008	239,385	19,490	185	-	1,400,000	350	109,464	1,529,489	1,768,874	
Profit after tax for the year ended December 31, 2009	-	-	-	-	-	-	53,343	53,343	53,343	
Cash dividend for the year ended December 31, 2008 declared subsequent to the year end	-	-	-	-	-	-	(47,877)	(47,877)	(47,877)	
Bonus shares for the year ended December 31, 2008 declared subsequent to the year end	-	-	-	23,938	-	-	(23,938)	-	-	
Bonus shares issued	23,938	-	-	(23,938)	-	-	-	(23,938)	-	
Transfer from general reserve	-	-	-	-	(150,000)	-	150,000	-	-	
Balance as at December 31, 2009	263,323	19,490	185	-	1,250,000	350	240,992	1,511,017	1,774,340	

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Fakhir Rahman
Chief Executive



Statement of Cash Flows

For the year ended December 31, 2009

(Amounts in Rupees '000)

	2009	2008
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	538,780	489,321
Reinsurance premium paid	(284,442)	(324,116)
Claims paid	(442,838)	(458,758)
Reinsurance and other recoveries received	297,848	277,914
Commissions paid	(63,992)	(65,728)
Commissions received	70,042	57,323
Net cash flow from / (used in) underwriting activities	115,398	(24,044)
b) Other operating activities		
Income tax paid	(9,551)	(9,003)
General management expenses paid	(136,833)	(126,306)
Other operating payments	(25,735)	(14,348)
Advances, deposits and sundry receivables	(12,353)	1,123
Other liabilities and accruals	12,272	1,171
Net cash used in other operating activities	(172,200)	(147,363)
Total cash used in operating activities	(56,802)	(171,407)
INVESTMENT ACTIVITIES		
Investment income received	88,018	82,750
Payments for investments	(2,887,288)	(2,070,204)
Proceeds from disposal of investments	2,253,065	2,896,160
Fixed capital expenditure	(22,384)	(50,723)
Proceeds from disposal of fixed assets	3,909	3,142
Rentals received	2,419	1,672
Other income received	1,530	-
Deposits matured	3,497	-
Total cash (used in) / flow from investing activities	(557,234)	862,797
FINANCING ACTIVITIES		
Dividends paid	(46,608)	(39,791)
Payment against finance lease	(595)	(1,214)
Total cash used in financing activities	(47,203)	(41,005)
Total cash (used in) / flow from all activities	(661,239)	650,385
Cash and cash equivalents at beginning of the year	876,571	226,186
Cash and cash equivalents at end of the year	215,332	876,571

**(Amounts in Rupees '000)**

	2009	2008
Reconciliation to profit and loss account		
Operating cash flows	(56,802)	(171,407)
Depreciation expense	(10,158)	(7,077)
Investment income	222,181	185,627
Profit on disposal of fixed assets	2,632	964
Rental income	2,104	1,614
Other income	1,530	-
Impairment in value of available for sale investments	(126,161)	(213,216)
Increase in assets other than cash	99,229	2,668
(Increase) / decrease in liabilities	(81,212)	163,392
Profit / (Loss) after taxation	<u>53,343</u>	<u>(37,435)</u>

Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits. Cash for the purpose of the statement of cash flows consists of:

Cash and other equivalents

Cash	3	65
Stamps in hand	299	229
	302	294

Current and other accounts

Current accounts	10,752	7,292
Savings accounts	200,781	42,838
Statutory deposit with State Bank of Pakistan	-	370
	211,533	50,500

Deposits maturing within 12 months	3,497	825,777
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Total cash and cash equivalents	<u>215,332</u>	<u>876,571</u>
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The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Director

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Chief Executive



PREMIER INSURANCE LIMITED

Statement of Premium

For the year ended December 31, 2009

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2009	2008
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative										
1 Fire and property damage	312,903	143,788	154,578	302,113	185,585	96,308	104,942	176,951	125,162	74,967
2 Marine, aviation and transport	82,318	7,409	11,193	78,534	41,742	6,997	10,179	38,560	39,974	49,809
3 Motor	171,163	78,050	91,813	157,400	7,032	3,588	4,179	6,441	150,959	162,429
4 Miscellaneous	104,064	35,576	56,944	82,696	78,812	33,347	48,838	63,321	19,375	8,616
Total	<u>670,448</u>	<u>264,823</u>	<u>314,528</u>	<u>620,743</u>	<u>313,171</u>	<u>140,240</u>	<u>168,138</u>	<u>285,273</u>	<u>335,470</u>	<u>295,821</u>
Treaty										
5 Proportional	(18)	-	(4)	(14)	-	-	-	-	(14)	13
Grand Total	<u>670,430</u>	<u>264,823</u>	<u>314,524</u>	<u>620,729</u>	<u>313,171</u>	<u>140,240</u>	<u>168,138</u>	<u>285,273</u>	<u>335,456</u>	<u>295,834</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Director

Fakhir Rahman
Chief Executive



Statement of Claims

For the year ended December 31, 2009

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2009	2008
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative										
1 Fire and property damage	229,769	143,655	79,142	165,256	209,322	113,783	52,961	148,500	16,756	17,227
2 Marine, aviation and transport	58,161	84,593	55,240	28,808	45,213	64,426	38,307	19,094	9,714	17,062
3 Motor	104,207	40,886	50,839	114,160	1,261	838	436	859	113,301	99,765
4 Miscellaneous	50,516	52,364	60,834	58,986	42,052	39,578	47,070	49,544	9,442	3,951
Total	<u>442,653</u>	<u>321,498</u>	<u>246,055</u>	<u>367,210</u>	<u>297,848</u>	<u>218,625</u>	<u>138,774</u>	<u>217,997</u>	<u>149,213</u>	<u>138,005</u>
Treaty										
5 Proportional	185	5,057	5,057	185	-	-	-	-	185	802
Grand Total	<u>442,838</u>	<u>326,555</u>	<u>251,112</u>	<u>367,395</u>	<u>297,848</u>	<u>218,625</u>	<u>138,774</u>	<u>217,997</u>	<u>149,398</u>	<u>138,807</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Director

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Director

Fakhir Rahman
Chief Executive



PREMIER INSURANCE LIMITED

Statement of Expenses

For the year ended December 31, 2009

(Amounts in Rupees '000)

Business underwritten inside Pakistan

							2009	2008		
Class		Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and										
Facultative	1 Fire and property damage	55,261	24,564	27,299	52,526	51,054	103,580	37,153	66,427	39,639
	2 Marine, aviation and transport	13,904	1,240	1,891	13,253	16,305	29,558	9,588	19,970	24,462
	3 Motor	16,875	7,489	9,051	15,313	61,576	76,889	494	76,395	85,128
	4 Miscellaneous	10,419	3,470	5,701	8,188	7,904	16,092	13,766	2,326	(781)
	Total	96,459	36,763	43,942	89,280	136,839	226,119	61,001	165,118	148,448
Treaty	5 Proportional	(7)	-	(1)	(6)	(6)	(12)	-	(12)	186
	Grand Total	96,452	36,763	43,941	89,274	136,833	226,107	61,001	165,106	148,634

Note: Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Director

Shams Rafi
Director

Fakhir Rahman
Chief Executive



Statement of Investment Income

For the year ended December 31, 2009

(Amounts in Rupees '000)

	2009	2008
Income from non-trading investments		
Held to maturity		
Return on bank deposits	49,849	35,218
Available for sale		
Dividend income	20,616	65,238
Gain on sale of investments	151,860	85,352
	172,476	150,590
Investment management expenses	(144)	(181)
Investment income	222,181	185,627

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Shams Rafi
Director

Fakhir Rahman
Chief Executive



Notes to the Financial Statements

for the year ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the company) was incorporated as a public limited company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the company are listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Karachi.

2. BASIS OF PRESENTATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 the insurance companies to defer the application of International Accounting Standard - 39 (IAS-39), Financial Instruments: Recognition and Measurement, in respect of valuation of "available for sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by the SECP as aforesaid, have not been considered in the preparation of these financial statements.

3.2 Adoption of new standards, amendments and interpretations of existing standards and forthcoming requirements

3.2.1 Adoption of new and amended standards and interpretations

The following standards, amendments and interpretations of approved standards became effective during the year. Adoption of these revised standards did not have any material effect on the financial performance or position of the company. They did however, give rise to additional disclosures.

IAS 1 (revised): Presentation of Financial Statements - As the company follows the format of financial statements prescribed by the SECP through SEC (Insurance) Rules, 2002 vide its Circular No.7 of 2003 dated August 27, 2003, the changes introduced through IAS 1 (revised) have not been taken into consideration in preparation of these financial statements.

IAS 23 (revised): Borrowing Costs - This standard does not affect the company's financial statements.

IAS 27: Consolidated and Separate Financial Statements - The standard is not relevant to the company's financial statements.



Notes to the Financial Statements

for the year ended December 31, 2009

IFRS 4: Insurance Contracts - The IFRS requires a company to assess at each reporting date adequacy of its insurance liabilities by objective evidence. Further, it requires additional disclosure relating to identification and explanations of amounts in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The required information has been disclosed in notes to these financial statements.

IFRS 7: Financial Instruments - The standard requires disclosures relating to financial instruments that enable the user of the financial statements to evaluate their significance for the company and the nature and extent of risks arising from such financial instruments. The application of the standard did not have significant impact on the company's financial statements other than increased disclosures.

IFRS 8: Operating Segments - IFRS 8 replaced IAS 14: Segment Reporting, upon its effective date. The company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 32 (amendments): Financial Instruments Presentation and IAS I: Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments, which required retrospective application, had no impact on the company's financial statements.

IFRS 2 (amendments): Share-based Payments - The application of this standard did not have any effect on the company's financial statements.

IFRS 7 (amendments): Improving Disclosures About Financial Instruments - The amendment did not affect the company's financial statements.

IAS 39 (amendments) and IFRIC 9: Embedded Derivatives - The amendments are not relevant to the company's financial statements.

IFRIC 16: Hedge of Net Investment in a Foreign Operation - The interpretation is not relevant to the company's operations.

IFRIC 18: Transfers of Assets from Customers - The interpretation is not relevant to the company's operations.

The IASB made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments did not have an impact on the company's financial statements.

3.2.2 Forthcoming requirements

The following standards, amendments and interpretations to approved standards, effective for annual accounting periods beginning on or after the dates specified below, are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than enhanced disclosures in certain cases:

IFRS 3 (revised): Business Combinations	July 1, 2009
IAS 27 (amended): Consolidated and Separate Financial Statements	July 1, 2009
IAS 24: Related Party Disclosures (revised 2009)	January 1, 2011
IAS 39 (amendments): Financial Instruments:	
Recognition and Measurement - Eligible Hedged Items	July 1, 2009
IFRS 2 (amendments): Share-based Payments -	
Group Cash-settled Share-based Payment Transactions	January 1, 2010



Notes to the Financial Statements

for the year ended December 31, 2009

IAS 32 (amendments): Financial Instruments Presentation - Classification of Right Issues	February 1, 2010
IFRIC 14 IAS 19 (amendments): Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1, 2011
IFRIC 15: Agreements for the Construction of Real Estate	October 1, 2009
IFRIC 17: Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The IASB made certain amendments to existing standards as part of its second annual improvements project. These are generally effective for accounting periods beginning on or after January 1, 2010, and are unlikely to have an impact on the company's financial statements.

IFRS 2008 (improvements): Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.	July 1, 2009
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4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention, except that obligations under employee benefits are measured at present value.

These financials have been prepared following accrual basis of accounting except for cash flow information.

4.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Useful life of depreciable / amortizable assets (Notes 14 and 19)
- b. Impairment of assets
- c. Provision for outstanding claims including claims incurred but not reported (IBNR)
- d. Provision for premium deficiency reserves
- e. Reinsurance recoveries against outstanding claims
- f. Provision against premium due but unpaid (Note 15)
- g. Staff retirement benefits (Note 8)
- h. Provision for income taxes (Note 22)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.



Notes to the Financial Statements

for the year ended December 31, 2009

5.1 Insurance contracts

Insurance contracts are those contracts under which the company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

Fire and property
Marine, aviation and transport
Motor
Miscellaneous

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

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

5.2 Premium income

Premium written, including administrative surcharge, under a policy is recognized from the date of issuance of the policy to which it relates. Premium on facultative reinsurance accepted is reflected in the financial statements along with direct premium.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

5.3 Unexpired risk and premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

The related deferred portion of reinsurance premium is recognized as a prepayment calculated by using the 1/24 method.

5.4 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium due but unpaid and claims payable to insurance contract holders.



Notes to the Financial Statements

for the year ended December 31, 2009

If there is objective evidence that any premium due but unpaid is impaired, the company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

5.5 Reinsurance contracts held

The company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premium is accounted for in the same period as the related premium 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 contracts.

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

5.6 Claims

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

The company recognizes liability in respect of all claims incurred up to the balance sheet 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 an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

5.7 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers 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.

5.8 Commissions

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized on a quarterly basis as per terms and conditions agreed with the reinsurers. These are deferred and brought to account as expense or income in accordance with the pattern of recognition of the premium to which they relate.



Notes to the Financial Statements

for the year ended December 31, 2009

5.9 Premium deficiency reserve

The SEC (Insurance) Rules, 2002 require a premium deficiency reserve to be maintained, if required.

The management considers that no additional reserve is required to be maintained to meet expected future liability, after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies, in all classes of business, in force at the balance sheet date. In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

The company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims is taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

5.10 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 goods and services received, whether or not billed to the company.

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

5.11 Staff retirement benefits

Defined benefits plan

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2009 in accordance with IAS-19, Employee Benefits.

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

Defined contribution plan

The company contributes to a recognized provident fund scheme which covers all eligible employees. Equal contributions are made to the fund by the company and the eligible employees under the scheme.

5.12 Taxation

Current

Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.



Notes to the Financial Statements

for the year ended December 31, 2009

Deferred

Provision for deferred tax is made using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.13 Investments

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

5.13.1 At fair value through profit or loss

- a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.13.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.



Notes to the Financial Statements

for the year ended December 31, 2009

5.13.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognized at cost inclusive of transaction costs.

Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938 issued by the SECP dated December 12, 2002. This treatment, in contravention to requirements of IAS 39, Financial Instruments: Recognition and Measurement, is in line with the Rules.

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the company would have been higher by Rs 1.8 million (2008: lower by Rs 187.9 million) and the corresponding amount would have been reflected in the profit and loss account and revaluation reserve by the same amount.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Impairment of investments is recognized in the profit and loss account when there is a permanent diminution in their value.

Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

5.14 Investment properties

Investment properties are accounted for under the cost model in accordance with IAS 40: Investment Property and S.R.O. 938 issued by the SECP on December 12, 2002.

- Land is stated at cost.
- Buildings are depreciated to their estimated salvage value over their useful life.

Depreciation is charged to income applying the reducing balance method from the dates of purchase to disposal. Subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as for tangible fixed assets.



Notes to the Financial Statements

for the year ended December 31, 2009

5.15 Fixed assets

These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation / amortization is charged to income applying the reducing balance method from the dates of purchase to disposal.

Normal repairs and maintenance are charged to income as and when incurred; major renewals and replacements are capitalized.

Gain or loss on disposal of fixed assets is taken to profit and loss account.

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to income.

5.16 Revenue recognition

Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

Dividend income

Dividend income is recognized when the right to receive such dividend is established.

Gain / loss on disposal of investments

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

Return on bank accounts and term finances

Return on bank accounts, Term Finance Certificates and government securities are accounted for on accrual basis.

Income from investment properties

Rental income from investment properties is recognized on time proportion basis.



Notes to the Financial Statements

for the year ended December 31, 2009

5.17 Proposed dividend

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

5.18 Expenses of management

Expenses of management are allocated to classes of business as appear equitable to management.

5.19 Transactions with related parties and transfer pricing

The majority of the transactions with associated undertakings / related parties represent insurance transactions. These transactions are on arm's length basis using "comparable uncontrolled price method".

5.20 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchanges rates that existed when the values were determined. Exchange differences are included in the income currently.

5.21 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 consist of cash in hand, stamps in hand, current and saving accounts and short term deposits.

5.22 Segment reporting

A business segment is a distinguishable component of the company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The company accounts for segment reporting of operating results using the classes of business as specified under the insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

The company's business segments are reported according to the nature of cover provided.

The perils covered under fire and property insurance include losses caused by fire, riot and strike, explosion, earthquake, atmospheric disturbance, aircraft damage, flood, electric fluctuation and impact.

Marine insurance covers cargo risk, war risk and damages occurring in inland transit.

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

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

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

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

5.23 Financial instruments

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost. These financial assets and liabilities are subsequently measured at fair value or cost, as the case may be. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

5.24 Offsetting of financial assets and financial liabilities

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

5.25 Zakat

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

5.26 Capital management

The company's objective is to maintain a strong capital base to support sustained development of its businesses so as to provide reasonable rewards and protection to all its stakeholders, without compromising its ability to continue as a going concern.

The company is financed by internal sources and exceeds the minimum capital regulatory requirements.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009	2008
Number of shares				
400,000	400,000	Ordinary shares of Rs. 5 each fully paid in cash	2,000	2,000
		Ordinary shares of Rs. 5 each issued as fully paid bonus shares		
47,476,893	39,497,411	As at January, 01	237,385	197,488
4,787,689	7,979,482	Issued during the year	23,938	39,897
52,264,582	47,476,893		261,323	237,385
52,664,582	47,876,893		263,323	239,385

Associates held 6,478,012 (2008: 5,984,586) shares of the company.



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	Note	2009	2008
7. RESERVES			
Capital reserves			
Reserve for exceptional losses	7.1	19,490	19,490
Devaluation reserve	7.2	185	185
		<u>19,675</u>	<u>19,675</u>
Revenue reserves			
General reserve	7.3	1,250,000	1,400,000
Reserves for bad and doubtful debts		350	350
		<u>1,250,350</u>	<u>1,400,350</u>
		<u>1,270,025</u>	<u>1,420,025</u>
7.1 Reserve for exceptional losses			
This was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax Act, 1922.			
7.2 Devaluation reserve			
Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in the year 1973.			
7.3 General reserve			
Balance at the beginning of the year		1,400,000	1,000,000
Transfer (from) / to profit and loss account		(150,000)	400,000
Balance at the end of the year		<u>1,250,000</u>	<u>1,400,000</u>
8. STAFF RETIREMENT BENEFITS			
Gratuity	8.1	9,131	7,383
Employees compensated absences	8.4	11,937	9,711
		<u>21,068</u>	<u>17,094</u>
8.1 Movement in the net liability recognized in the balance sheet			
Opening net liability		7,383	5,481
Expense for the year	8.2	2,038	2,542
		9,421	8,023
Payments during the year		(290)	(640)
Closing net liability		<u>9,131</u>	<u>7,383</u>
8.2 Expense recognized in the profit and loss account			
Current service cost		985	1,124
Interest cost		1,032	1,032
Net actuarial loss / (gain) recognized in the year		21	386
		<u>2,038</u>	<u>2,542</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

8.3 Historical data of gratuity scheme

	2009	2008	2007	2006	2005
Present value of defined benefit obligations	8,229	6,882	3,116	2,803	2,848
Experience adjustment arising on plan liabilities	(381)	(115)	380	48	303

8.4 Movement in the net liability recognized in the balance sheet

	Note	2009	2008
Opening net liability		9,711	5,928
Expense for the year	8.5	2,507	4,995
		12,218	10,923
Payment during the year		(281)	(1,212)
Closing net liability		11,937	9,711

8.5 Expense recognized in the profit and loss account

Current service cost	1,152	3,102
Interest cost	1,454	578
Net actuarial (gain) / loss recognized in the year	(99)	1,315
	2,507	4,995

8.6 Historical data of leave encashment scheme

	2009	2008	2007	2006	2005
Present value of defined benefit obligations	11,936	9,696	5,781	4,200	3,571
Experience adjustment arising on plan liabilities	(100)	1,306	860	586	(287)

8.7 Principal actuarial assumptions

	2009	2008
Following are a few important actuarial assumptions used in the benefits' valuation		
Discount rate	12%	15%
Expected rate of increase in salary	11%	14%
Average expected remaining working life of employees	10 years	10 years

9. OTHER CREDITORS AND ACCRUALS

Commissions payable	146,722	114,261
Federal excise duty	9,494	4,129
Federal insurance fee	661	435
Tax deducted at source	-	26
Advance recoveries	297	451
Others	24,503	16,016
	181,677	135,318



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

10. CONTINGENCIES AND COMMITMENTS

CONTINGENCY

A departmental order has been received for payment of income tax amounting to Rs 37.7 million for the tax year 2005, against which a writ was filed in the Honorable High Court of Sindh. A restraint order has been passed by the Honorable High Court. The management does not consider any additional provisioning to be required in this regard.

COMMITMENTS

	2009	2008
Commitments for capital expenditure.	<u>21,298</u>	<u>30,688</u>

11. CASH AND BANK DEPOSITS

Cash and other equivalents

Cash	3	65
Stamps in hand	<u>299</u>	<u>229</u>
	<u>302</u>	<u>294</u>

Current and other accounts

Current accounts	10,752	7,292
Savings accounts	200,781	42,838
Statutory deposit with State Bank of Pakistan	-	370
	<u>211,533</u>	<u>50,500</u>

Deposits maturing within 12 months	3,497	825,777
Deposits maturing after 12 months	<u>5,246</u>	<u>8,743</u>
	<u>220,578</u>	<u>885,314</u>

12. LOANS TO EMPLOYEES

Secured - considered good

Employees - housing loan	<u>2,412</u>	<u>3,118</u>
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12.1 The loan has been granted in accordance with the terms of employment and the SEC (Insurance) Rules, 2002 for the purchase of house. The loan is recoverable in monthly installments and carries mark-up at the rate of 6% (2008: 6%) per annum. The loan is secured against the respective property documents.

13. INVESTMENTS

Available for sale

Related Parties

Quoted shares (market value Rs.33,211 [2008: Rs 50,404])	13.1	32,536	62,467
Unquoted shares	13.2	<u>4,000</u>	<u>4,000</u>
		<u>36,536</u>	<u>66,467</u>

Others

Quoted shares (market value Rs.102,729 [2008: Rs 225,791])	13.3	108,579	401,047
Unquoted shares	13.4	115,203	115,628
Mutual funds (market value Rs.992,393 [2008: Rs 23,467])	13.5	985,376	24,019
		<u>1,209,158</u>	<u>540,694</u>
		<u>1,245,694</u>	<u>607,161</u>

All investments have a face value of Rs.10 per share / certificate unless stated otherwise.



PREMIER INSURANCE LIMITED

Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	Number of shares / certificates / units		Name of entity	% of Equity held	2009	2008
	2009	2008				
Related parties						
13.1 Quoted						
	333	333	Crescent Jute Products Limited	-	1	1
	-	30,140	Crescent Steel & Allied Products Limited	-	-	1,269
	200,000	200,000	Crescent Sugar Mills & Distillery Limited	1.70%	1,050	2,478
	262,000	264,000	Crescent Textile Mills Limited	1.20%	8,616	16,347
	-	334,000	First Equity Modaraba	-	-	840
	-	292	Jubilee Spinning & Weaving Mills Limited	-	-	1
	53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.10%	526	531
	399,000	400,000	Shams Textile Mills Limited	1.00%	6,694	13,172
	599,900	605,000	Suraj Cotton Mills Limited	4.30%	15,649	27,828
					<u>32,536</u>	<u>62,467</u>
			Market value as at December 31		<u>33,211</u>	<u>50,404</u>
13.2 Unquoted						
	400,000	400,000	Crescent Powertec Limited Break-up value 2009: Rs68.39 (2008: Rs 162.93) per audited financial statements for the year ended June 30, 2009 Equity held : 1.1% Chief Executive : Mr Ahsan Bashir		4,000	4,000
					<u>4,000</u>	<u>4,000</u>
Others						
13.3 Quoted						
	-	10,000	Abbot Laboratories (Pakistan) Limited	-	-	1,492
	-	9,000	Adamjee Insurance Company Limited	-	-	1,850
	-	26,000	Al-Ghazi Tractors Limited (Face value Rs.5 per share)	-	-	7,325
	718,990	759,500	Al-Meezan Mutual Fund		4,397	5,795
	-	33,750	Askari Bank Limited	-	-	1,277
	35,794	83,280	Attock Petroleum Limited		12,851	23,703
	-	46,680	Attock Refinery Limited	-	-	5,952
	50,000	50,000	Bahawalpur Textile Mills Limited		250	150
	-	50,000	Bank Alfalah Limited	-	-	1,684
	100	100	Bawany Sugar Mills Limited	-	-	1
	-	15,000	BOC Pakistan Limited	-	-	2,939
	-	17,980	Central Insurance Company Limited	-	-	2,211
	-	10,000	D.G.Khan Cement Company Limited	-	-	572
	-	82,529	Dawood Hercules Chemicals Limited	-	-	26,030
	70,000	-	Engro Polymer & Chemicals Limited		1,732	-
	-	5,000	E.F.U.Life Assurance Limited	-	-	2,647
	13,302	154,376	Engro Corporation Limited		1,872	29,356



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity	2009	2008
-	50,000	Fauji Cement Company Limited	-	566
-	300,500	Fauji Fertilizer Bin Qasim Limited	-	7,683
46,323	204,264	Fauji Fertilizer Company Limited	3,719	20,468
372	372	First Investec Modaraba	1	1
200,157	206,157	Glaxo SmithKline Pakistan Limited	23,981	28,293
15,101	19,800	Hinopak Motors Limited	2,318	11,760
-	82,500	ICI Pakistan Limited	-	10,357
-	10,360	Indus Motor Company Limited	-	2,413
-	5,500	J.O.V. & Company Limited	-	268
-	3,437	Jahangir Siddiqui & Company Limited	-	410
7,935	198,800	Kot Addu Power Company Limited	322	9,321
-	4,400	KSB Pumps Company Limited	-	18
100,000	-	Karachi Electricity Supply Company Limited (Face value Rs.3.50 per share)	394	-
25,000	-	Lotte Pakistan PTA Limited	173	-
-	35,000	Maple Leaf Cement Factory Limited	-	390
-	12,000	Maple Leaf Cement Factory Limited (Preference Shares)	-	120
10,000	30,000	MCB Bank Limited	2,273	7,452
-	241	Mirza Sugar Mills Limited	-	1
75,000	68,092	National Bank of Pakistan	5,644	8,011
60,120	135,400	National Refinery Limited	13,115	27,670
-	64,800	Netsol Technologies Limited	-	3,730
-	6,240	New Jubilee Life Insurance Company Limited	-	83
5,623	152,952	Oil & Gas Development Company Limited	439	13,512
45,432	80,932	Packages Limited	7,135	14,986
500,000	500,000	Pak Oman Advantage Fund	5,023	5,000
140,000	35,000	Pakistan Telecommunication Company Limited	2,617	1,170
-	75,000	Pakistan Cement Company Limited	-	580
-	67,047	Pakistan Oilfields Limited	-	12,793
1,686	81,405	Pakistan Petroleum Limited	303	14,055
262,799	402,799	Pakistan Reinsurance Company Limited	9,206	19,043
935	98,200	Pakistan State Oil Company Limited	245	29,521
166,500	226,340	PICIC Energy Fund	749	1,197
268,977	433,779	PICIC Growth Fund	3,809	7,438
-	743	PICIC Insurance Limited	-	10
48,717	88,717	PICIC Investment Fund	186	677
-	86,000	SAMBA Bank Limited	-	943
10,611	10,611	Security Papers Limited	530	636
-	9,500	Service Textile Limited	-	18
69,186	69,186	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	969	2,200
9,210	9,210	Shaheen Cotton Mills Limited	21	64
10,651	30,651	Shell Pakistan Limited	2,420	11,720
-	162,500	The Hub Power Company Limited	-	3,859
-	11,000	Sitara Chemical Industries Limited	-	3,429
60,000	50,000	Sui Northern Gas Pipelines Limited	1,885	2,103
300	300	Taj Textile Mills Limited	-	1
-	200,000	TRG Pakistan Limited	-	1,280
-	36,257	United Bank Limited	-	2,813
			<u>108,579</u>	<u>401,047</u>
		Market value as at December 31	<u>102,729</u>	<u>225,791</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	Number of		Name of entity	2009	2008
	shares /	certificates /				units
13.4 Unquoted					
	9,407,275	9,407,275	Novelty Enterprises Limited Break-up value of Rs. 10 as per financial statements for the year ended June 30, 2009, Equity held: 16.66% Chief Executive : Mr. Maqbool Sadiq	114,983	114,983
	517	517	Burma Soap & Oil Industries Limited	5	5
	101,572	101,572	Central Cotton Mills Limited	214	214
	113	113	H.M. Silk Mills Limited	1	1
	-	6,745	Investment Corporation of Pakistan	-	425
				<u>115,203</u>	<u>115,628</u>
13.5 Mutual funds (unit trusts)					
	246	246	Askari Income Fund	25	25
	593	-	First Habib Income Fund	58	-
	268	248	HBL Income Fund	25	25
	950,737	242	IGI Income Fund	100,025	25
	1,025,957	249	MCB Dynamic Cash Fund	105,819	25
	2,443,646	-	MCB Cash Management Optimizer Fund	250,000	-
	9,946	2,481	NAFA Cash Fund	97	25
	24,490,324	-	NAFA Government Security Liquid Fund	250,767	-
	1,155	1,155	Pakistan Capital Market Fund	10	10
	623,598	482,699	Pakistan Income Fund	27,534	23,834
	-	249	United Growth & Income Fund	-	25
	2,452,457	-	UBL Liquidity Plus Fund	251,016	-
	-	242	United Money Market Fund	-	25
				<u>985,376</u>	<u>24,019</u>
			Market value as at December 31	<u>992,393</u>	<u>23,467</u>

13.6 Mutual funds include statutory deposit of Rs 28 million (2008: Rs 24 million) with the State Bank of Pakistan.

13.7 The quoted market values, as at December 31, 2008, of certain securities classified as "available for sale" were significantly below their cost. In accordance with Circular 3 dated February 16, 2009, Rs 213.2 million was recognized as impairment in 2008, leaving Rs 187.9 million to be recognized during 2009. This balance, after price adjustments and disposals stood at Rs 126.1 million on June 30, 2009, which was fully recognized through the Profit and Loss Account for the six month period ended June 30, 2009. Accordingly, the full difference between the cost and market values of "available for sale" investments at December 31, 2008 has been adjusted through the profit and loss account in 2008 and 2009.



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

14. INVESTMENT PROPERTIES

	2009							
	Cost			Depreciation				
	As at Jan 1, 2009	Additions/ (disposals)/ adjustments	As at Dec 31, 2009	Accumulated as at Jan 1, 2009	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2009	Written down value as at Dec 31, 2009	Depreciation rate on written down value % per annum
Land	24,475	20,557	45,032	-	-	-	45,032	-
Building	1,360	10,568	11,928	252	315	567	11,361	5
2009	25,835	31,125	56,960	252	315	567	56,393	

The fair value of the investment properties at December 31, 2009 as per valuation carried out by professional valuers in February 2010 is Rs 102.1 million.

	2008							
	Cost			Depreciation				
	As at Jan 1, 2008	Additions/ (disposals)/ adjustments	As at Dec 31, 2008	Accumulated as at Jan 1, 2008	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2008	Written down value as at Dec 31, 2008	Depreciation rate on written down value % per annum
Land	24,475	-	24,475	-	-	-	24,475	-
Building	1,360	-	1,360	194	58	252	1,108	5
2008	25,835	-	25,835	194	58	252	25,583	

The fair value of the investment properties at December 31, 2008 as per valuation carried out by professional valuers in January 2009 is Rs 63.9 million.

15. PREMIUM DUE BUT UNPAID - unsecured

	2009	2008
Considered good	276,503	152,469
Considered doubtful	200,000	200,000
	476,503	352,469
Provision for doubtful balances	200,000	200,000
	<u>276,503</u>	<u>152,469</u>

16. ACCRUED INVESTMENT INCOME

Return on bank deposits	1,839	19,674
Dividends receivable	290	713
Other income	561	-
	<u>2,690</u>	<u>20,387</u>

17. PREPAYMENTS

Prepaid premium to insurers / reinsurers	168,138	140,240
Others	5,107	2,840
	<u>173,245</u>	<u>143,080</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

19.1 Disposal of fixed assets

Description		Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain/(Loss)	Mode of disposal	Disposal to
Honda M/Cycle CD-70	KBA-9629	59	39	20	59	39	HR policy	Abid Hussain
Honda M/Cycle CD-70	LRL-8399	69	49	20	68	48	HR policy	Shabbir Ahmed
Honda M/Cycle CD-70	LRL-8405	68	49	19	68	49	HR policy	Imran Shahzad
Toyota Corolla	AEX-463	1,169	818	351	750	399	Insurance claim	
Split Airconditioner		25	7	18	10	(8)	Negotiation	Cool Comfort
Computer Accessories		104	98	6	7	1	Negotiation	Cool Comfort
Toyota Corolla	W-4992	528	512	16	430	414	Negotiation	Fareed Khan
Suzuki Khyber	LXM-3930	434	394	40	265	225	Negotiation	Muhammad Asif
Toyota Corolla	LOM-393	325	319	6	265	259	Negotiation	Muhammad Asif
Honda Civic	FDR-9925	438	376	62	320	258	Negotiation	Rehmatullah
Suzuki Khyber	LOU-4543	250	242	8	170	162	Negotiation	Farooq Ahmed
Suzuki Khyber	LXL-8603	434	395	39	305	266	Negotiation	Tariq Munir
Toyota Corolla	LRS-3037	1,004	681	323	695	372	Negotiation	Shabbir Ahmed
Daihatsu Couré	APU-260	521	172	349	497	148	Insurance claim	
2009		5,428	4,151	1,277	3,909	2,632		
2008		6,311	4,131	2,178	3,142	964		

20. CAPITAL WORK IN PROGRESS

This represents property acquisition and renovation costs

Note	2009	2008
	30,072	50,965

21. MANAGEMENT EXPENSES

Underwriting expenses

Salaries, wages and benefits	84,078	74,235
Rent, taxes etc.	6,430	5,318
Communication	4,186	4,172
Printing and stationery	2,927	2,995
Travelling and entertainment	5,783	4,442
Repairs and maintenance	2,873	3,382
Legal and professional	1,496	2,699
Advertisement	971	571
Lease finance charges	7	98
Others	28,082	28,394
	136,833	126,306

General and administration expenses

Depreciation and amortization	20	10,158	7,077
Bonus, retirement and other benefits		17,845	16,037
Others		15,582	5,179
		43,585	28,293
Total		180,418	154,599

21.1 DONATIONS

Charitable donations paid during the year amounted to Rs 4.8 million (2008: Rs 3.3 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.5 million to the Patient Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	2009	2008
22. TAXATION		
Current	20,110	6,524
Prior year	6,200	(14,000)
	<u>26,310</u>	<u>(7,476)</u>
There are no significant timing differences at the balance sheet date.		
22.1 Tax charge reconciliation	%	%
Applicable tax rate	35.00	35.00
Effect of amounts that may not be allowable, net of exemptions / rebates	(3.28)	(85.84)
Effect of amounts taxed at a different rate	7.78	36.32
	4.50	(49.52)
Effect of prior year adjustment	(6.47)	31.17
Effective tax rate	<u>33.03</u>	<u>16.65</u>
23. EARNINGS PER SHARE		
Profit / (loss) after tax for the year	53,343	(37,435)
Weighted average number of shares	52,664,582	52,664,582
Basic earnings per share of Rs 5 each - Rupees	<u>1.01</u>	<u>(0.71)</u>

The company has not issued any instrument which would dilute its basic earnings per share when exercised.

Earnings per share for the corresponding period have been adjusted for the effect of subsequent issue of bonus shares during 2009.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Managerial remuneration	9,949	8,651	6,943	5,793	7,125	5,428	24,017	19,872
Retirement benefits	1,582	1,772	-	-	594	452	2,176	2,224
Housing and utilities	1,572	1,822	1,041	869	4,202	3,310	6,815	6,001
Bonus	-	-	-	-	3,070	2,033	3,070	2,033
Meeting fees	-	-	215	235	-	-	215	235
Others	329	330	3,349	2,180	-	-	3,678	2,510
	<u>13,432</u>	<u>12,575</u>	<u>11,548</u>	<u>9,077</u>	<u>14,991</u>	<u>11,223</u>	<u>39,971</u>	<u>32,875</u>
Number of persons	1	1	7	7	6	5		

The chief executive, a director and executives have the free use of company cars and residential telephones for business purposes. Except for one director, all other directors are only paid meeting fees



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

25. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2009 and December 31, 2008 and estimated information regarding certain assets and liabilities as at December 31, 2009 and December 31, 2008.

	Fire and property		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
Premium earned	<u>302,113</u>	<u>257,565</u>	<u>78,534</u>	<u>105,444</u>	<u>157,400</u>	<u>168,790</u>	<u>82,682</u>	<u>58,420</u>	<u>620,729</u>	<u>590,219</u>
Segment results	<u>41,979</u>	<u>18,101</u>	<u>10,290</u>	<u>8,285</u>	<u>(38,737)</u>	<u>(22,464)</u>	<u>7,420</u>	<u>4,471</u>	<u>20,952</u>	<u>8,393</u>
Investment income									<u>222,181</u>	<u>185,627</u>
Gain on disposal of fixed assets									<u>2,632</u>	<u>964</u>
Rental income									<u>2,104</u>	<u>1,614</u>
Other income									<u>1,530</u>	<u>-</u>
General and administration expenses									<u>(43,585)</u>	<u>(28,293)</u>
Impairment in value of available for sale investments									<u>(126,161)</u>	<u>(213,216)</u>
									<u>58,701</u>	<u>(53,304)</u>
Profit / (loss) before tax									<u>79,653</u>	<u>(44,911)</u>
Provision for taxation									<u>(26,310)</u>	<u>7,476</u>
Profit / (loss) after tax									<u>53,343</u>	<u>(37,435)</u>
Other information										
Segment assets	<u>483,666</u>	<u>482,842</u>	<u>128,896</u>	<u>138,745</u>	<u>186,250</u>	<u>151,928</u>	<u>200,882</u>	<u>129,954</u>	<u>999,694</u>	<u>903,469</u>
Unallocated corporate assets									<u>1,789,025</u>	<u>1,797,897</u>
Consolidated total assets									<u>2,788,719</u>	<u>2,701,366</u>
Segment liabilities	<u>300,879</u>	<u>336,957</u>	<u>80,036</u>	<u>101,755</u>	<u>164,864</u>	<u>134,834</u>	<u>141,302</u>	<u>101,506</u>	<u>687,081</u>	<u>675,052</u>
Unallocated corporate liabilities									<u>327,298</u>	<u>257,440</u>
Consolidated total liabilities									<u>1,014,379</u>	<u>932,492</u>
Capital expenditure	<u>10,447</u>	<u>24,789</u>	<u>2,748</u>	<u>6,600</u>	<u>5,715</u>	<u>13,984</u>	<u>3,474</u>	<u>5,350</u>	<u>22,384</u>	<u>50,723</u>
Depreciation / Amortization	<u>4,741</u>	<u>3,459</u>	<u>1,248</u>	<u>921</u>	<u>2,593</u>	<u>1,951</u>	<u>1,576</u>	<u>746</u>	<u>10,158</u>	<u>7,077</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Financial risk management objectives and policies

The company is exposed to a variety of financial risks: market risk, yield/mark-up rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the company's net assets or a reduction in the profits available for dividends. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the company's risk management framework and is responsible for developing risk management policies and its monitoring.

26.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The company manages the market risk by monitoring exposure on related securities by following internal risk management policies.

Primarily, the company's equity investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets.

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
December 31, 2009	135,941	10% increase	149,535	13,594	13,594
		10% decrease	122,347	(13,594)	(13,594)
December 31, 2008	276,195	10% increase	303,814	27,619	27,619
		10% decrease	248,575	(27,619)	(27,619)



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

26.1.2 Yield / mark-up rate risk

Yield / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market yield / mark-up. The company invests in securities and has deposits that are subject to yield / mark-up rate risk. The company limits yield / mark-up rate risk by monitoring changes in yield / mark-up rates in the currencies in which its cash and investments are denominated.

	2009							Total
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			
		Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	5 - 10	204,278	5,246	209,524	11,054	-	11,054	220,578
Loans to employees	6.00	706	1,706	2,412	-	-	-	2,412
Investments	....	985,376	-	985,376	260,318	-	260,318	1,245,694
Premium due but unpaid	....	-	-	-	276,503	-	276,503	276,503
Amount due from other insurers / reinsurers	....	-	-	-	362,988	-	362,988	362,988
Accrued investment income	....	-	-	-	2,690	-	2,690	2,690
Accrued salvage recoveries	....	-	-	-	9,350	-	9,350	9,350
Reinsurance recoveries	....	-	-	-	138,774	-	138,774	138,774
Sundry receivables	....	-	-	22,547	6,920	29,467	29,467	29,467
		<u>1,190,360</u>	<u>6,952</u>	<u>1,197,312</u>	<u>1,084,224</u>	<u>6,920</u>	<u>1,091,144</u>	<u>2,288,456</u>
Financial liabilities								
Provision for outstanding claims	....	-	-	-	251,112	-	251,112	251,112
Amount due to other insurers / reinsurers	....	-	-	-	84,239	-	84,239	84,239
Accrued expenses	....	-	-	-	13,620	-	13,620	13,620
Other creditors and accruals	....	-	-	-	181,677	-	181,677	181,677
Dividend payable	....	-	-	-	6,499	-	6,499	6,499
		<u>-</u>	<u>-</u>	<u>-</u>	<u>537,147</u>	<u>-</u>	<u>537,147</u>	<u>537,147</u>
Total yield / mark-up rate risk sensitivity gap 2009		<u>1,190,360</u>	<u>6,952</u>	<u>1,197,312</u>	<u>547,077</u>	<u>6,920</u>	<u>553,997</u>	<u>1,751,309</u>

	2008							Total
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			
		Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	5 - 17.75	868,615	8,743	877,358	7,956	-	7,956	885,314
Loans to employees	6.00	-	3,118	3,118	-	-	-	3,118
Investments	....	24,019	-	24,019	583,142	-	583,142	607,161
Premium due but unpaid	....	-	-	-	152,469	-	152,469	152,469
Amount due from other insurers / reinsurers	....	-	-	-	355,372	-	355,372	355,372
Accrued investment income	....	-	-	-	20,387	-	20,387	20,387
Reinsurance recoveries	....	-	-	-	218,625	-	218,625	218,625
Sundry receivables	....	-	-	-	415	6,220	6,635	6,635
		<u>892,634</u>	<u>11,861</u>	<u>904,495</u>	<u>1,338,366</u>	<u>6,220</u>	<u>1,344,586</u>	<u>2,249,081</u>
Financial liabilities								
Provision for outstanding claims	....	-	-	-	326,555	-	326,555	326,555
Liabilities against assets subject to finance lease	7.42 - 8.55	595	-	595	-	-	-	595
Amount due to other insurers / reinsurers	....	-	-	-	55,510	-	55,510	55,510
Accrued expenses	....	-	-	-	11,528	-	11,528	11,528
Other creditors and accruals	....	-	-	-	135,318	-	135,318	135,318
Dividend payable	....	-	-	-	5,230	-	5,230	5,230
		<u>595</u>	<u>-</u>	<u>595</u>	<u>534,141</u>	<u>-</u>	<u>534,141</u>	<u>534,736</u>
Total yield / mark-up rate risk sensitivity gap 2008		<u>892,039</u>	<u>11,861</u>	<u>903,900</u>	<u>804,225</u>	<u>6,220</u>	<u>810,445</u>	<u>1,714,345</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
December 31, 2009	100	10,690	6,948
	(100)	(10,690)	(6,948)
December 31, 2008	100	9,890	6,428
	(100)	(9,890)	(6,428)

26.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

26.1.4 Credit risk and concentration of credit risk

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

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

	2009	2008
Bank deposits	220,276	885,020
Investments	985,376	24,019
Premium due but unpaid	276,503	152,469
Amount due from other insurers / reinsurers	362,988	355,372
Accrued investment income	2,690	20,387
Reinsurance recoveries against outstanding claims	138,774	218,625
Sundry receivables	29,467	6,635

General provision is made for receivables according to the company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

The age analysis of receivables is as follows:

Upto 1 year	208,147	129,229
1 -2 years	61,261	63,469
2 - 3 years	56,314	40,706
Over 3 years	150,781	119,065
	<u>476,503</u>	<u>352,469</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

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

	Rating Short term	Rating Long term	Rating Agency	2009	2008
United Bank Limited	A1+	AA+	JCR-VIS	25,380	36,350
Allied Bank Limited	A1+	AA	PACRA	2,975	2,802
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	171,994	6,422
NIB Bank Limited	A1+	AA-	PACRA	7,551	986
Habib Bank Limited	A1+	AA+	JCR-VIS	941	270
Samba Bank Limited	A-1	A	JCR-VIS	85	10
MCB Bank Limited	A1+	AA+	PACRA	1,365	1,618
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,097	869
Standard Chartered Bank (Pakistan) Limited	A1+	AA+	JCR-VIS	137	794
Zarai Taraqati Bank Limited	A1+	AAA	JCR-VIS	7	7
State Bank of Pakistan				-	370
IDBP				1	2
				<u>211,533</u>	<u>50,500</u>

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsuranc e recoveries against outstanding claims	Other reinsurance asset	2009	2008
A or above (including PRCL)	342,646	95,845	112,672	551,163	593,571
BBB	17,538	8,044	11,731	37,313	26,475
Others	2,804	34,885	43,735	81,424	94,191
Total	<u>362,988</u>	<u>138,774</u>	<u>168,138</u>	<u>669,900</u>	<u>714,237</u>

26.1.5 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting payment obligations when they fall due under normal circumstances. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2009			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	251,112	-	-	251,112
Staff retirement benefits	-	21,068	-	21,068
Amount due to other insurers / reinsurers	84,239	-	-	84,239
Accrued expense	13,620	-	-	13,620
Unclaimed dividend	6,499	-	-	6,499
Other creditors and accruals	181,677	-	-	181,677
	<u>537,147</u>	<u>21,068</u>	<u>-</u>	<u>558,215</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	2008			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	326,555	-	-	326,555
Staff retirement benefits	-	17,094	-	17,094
Current maturity of lease finance	595	-	-	595
Amount due to other insurers / reinsurers	55,510	-	-	55,510
Accrued expense	11,528	-	-	11,528
Unclaimed dividend	5,230	-	-	5,230
Other creditors and accruals	<u>135,318</u>	-	-	<u>135,318</u>
	<u>534,736</u>	<u>17,094</u>	-	<u>551,830</u>

26.2 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes.

The company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the company from individual to large or catastrophic insured events. Further, the company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The company's class wise major risk exposure is as follows:

	2009 Maximum Gross Risk Exposure	2008 Maximum Gross Risk Exposure
Fire and property	1,363,500	3,378,515
Marine, aviation and transport	110,097	285,367
Motor	11,173	15,750
Miscellaneous	1,363,009	831,170



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on company's net retentions.

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business is as follows:

Class	Assumed Net Loss Ratio 2009	Assumed Net Loss Ratio 2008
Fire and property	23%	34%
Marine, aviation and transport	34%	32%
Motor	66%	65%
Miscellaneous	50%	36%



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The company makes various assumptions and uses techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

	Pre tax profit		Shareholders' equity	
	2009	2008	2009	2008
10% increase in loss	(14,940)	(13,881)	(9,711)	(9,023)
10% decrease in loss	14,940	13,881	9,711	9,023

Claims development

The development of claims against insurance contracts issued is not disclosed, as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

26.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, both proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a catastrophe. Apart from the adequate event limit, any loss over and above the said limit would be recovered from the non-proportional treaty which is considered adequate by the company. In compliance with the regulatory requirements, the reinsurance arrangements are duly submitted to the SECP.

The risk by type of contract is summarised below:

	Gross exposure		Net exposure	
	2009	2008	2009	2008
Fire and property	179,639,162	147,770,664	73,095,175	51,985,719
Marine, aviation and transport	76,224,432	69,850,584	37,571,022	33,416,519
Motor	6,234,981	5,633,863	5,978,723	5,377,522
Miscellaneous	19,643,674	24,909,191	4,767,520	4,072,652
	<u>281,742,249</u>	<u>248,164,302</u>	<u>121,412,440</u>	<u>94,852,412</u>

26.4 Geographical concentration of insurance risk

To optimize benefits from the principle of averages 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. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insureds.



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, we have utilised precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. It provides a way to better visualize the risk exposures so the company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

27. Fair value of financial instruments

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

The carrying value of the financial instruments reported in the financial statements approximates their fair value except that investments have a higher market value as stated in note 13.

	2009	2008
28. AUDITORS' REMUNERATION		
Audit fee	250	200
Fee for review of financial statements	60	45
Certification fee	85	75
Out of pocket expenses	49	35
	<u>444</u>	<u>355</u>

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Transactions and balances with related parties, other than remuneration to the chief executive, directors and executives under the terms of employment and employee retirement benefits, disclosed in notes 8, 12 and 24, are as follows:

Associated undertakings

Premium written	<u>77,990</u>	<u>66,639</u>
Claims paid	<u>33,301</u>	<u>56,872</u>
Commission paid	<u>8,372</u>	<u>10,624</u>
Dividend received	<u>953</u>	<u>1,752</u>
Dividend paid	<u>5,387</u>	<u>3,159</u>
Claims outstanding	<u>15,114</u>	<u>1,328</u>
Premium receivable	<u>111,241</u>	<u>97,587</u>



Notes to the Financial Statements

for the year ended December 31, 2009

(Amounts in Rupees '000)

	2009	2008
Others		
Premium written	<u>52</u>	<u>142</u>
Dividend paid	<u>1,641</u>	<u>1,047</u>
Premium receivable	<u>61</u>	<u>466</u>
Rent received	<u>438</u>	<u>-</u>
Other payables	<u>1,285</u>	<u>101</u>

Transactions with related parties are in the normal course of business at rates and terms consistent with the market. Other related party transactions such as those relating to key management personnel and retirement plans are in accordance with terms of employment and company policy.

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 2, 2010 has proposed a cash dividend of 20% (2008: 20%). In addition, the directors have also announced a bonus issue of 15% (2008: 10%), which will be issued out of the unappropriated profit. These distributions will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of the following appropriations which will be accounted for in the financial statements for the year ended December 31, 2010 as follows:

Transfer from unappropriated profit to proposed dividend	52,665
Transfer from unappropriated profit for issue of bonus shares	39,498

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 2, 2010 by the directors of the company.

32. GENERAL

All amounts have been rounded to the nearest thousand Rupees.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Shams Rafi
Director

Fakhir Rahman
Chief Executive



Pattern of Shareholding

as at December 31, 2009

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
583	1	100	16,457
547	101	500	148,208
332	501	1000	238,138
651	1001	5000	1,536,681
179	5001	10000	1,263,252
101	10001	15000	1,250,268
44	15001	20000	782,579
29	20001	25000	640,086
24	25001	30000	655,436
20	30001	35000	647,981
22	35001	40000	837,030
7	40001	45000	288,597
9	45001	50000	426,737
15	50001	55000	793,978
6	60001	65000	374,782
8	65001	70000	539,269
11	70001	75000	797,463
7	75001	80000	549,776
1	80001	85000	83,655
3	90001	95000	272,822
7	95001	100000	690,891
4	100001	105000	410,683
2	105001	110000	215,249
1	110001	115000	110,963
1	115001	120000	116,954
1	120001	125000	121,803
1	125001	130000	127,176
2	130001	135000	266,047
2	135001	140000	275,765
2	140001	145000	285,017
2	145001	150000	297,455
7	155001	160000	1,115,575
2	160001	165000	327,250
1	165001	170000	166,988
1	175001	180000	179,662
2	185001	190000	376,213
1	190001	195000	193,620
1	195001	200000	199,100
1	200001	205000	203,584
2	205001	210000	415,376
2	210001	215000	424,727
2	220001	225000	442,371
1	225001	230000	228,096
1	245001	250000	249,418
1	250001	255000	251,011
1	260001	265000	263,318
1	265001	270000	265,782
1	285001	290000	288,598
1	295001	300000	297,696
3	315001	320000	951,920
2	325001	330000	658,066
2	340001	345000	684,288
1	365001	370000	366,093
1	370001	375000	371,982
1	375001	380000	375,284
1	400001	405000	401,640
1	410001	415000	414,550
1	425001	430000	427,224
1	430001	435000	431,589
1	495001	500000	498,603
1	505001	510000	507,100
1	510001	515000	513,362
2	515001	520000	1,032,453
1	525001	530000	526,641
1	545001	550000	548,845
1	555001	560000	555,500
1	590001	595000	592,067
1	625001	630000	627,264
1	670001	675000	673,621
1	680001	685000	681,446
1	730001	735000	730,378
1	765001	770000	769,758
1	775001	780000	779,460
1	885001	890000	887,191
1	950001	955000	952,031
1	960001	965000	962,900
1	1230001	1235000	1,232,177
1	1300001	1305000	1,303,494
1	1380001	1385000	1,382,324
1	1515001	1520000	1,515,032
1	3655001	3660000	3,659,003
1	5700001	5705000	5,701,713
2,691			52,664,582



Pattern of Shareholding

as at December 31, 2009

Additional Information

Categories of Shareholders	Shares Held	Percentage
Associated companies, undertakings & related parties		
Crescent Fibres Ltd.	73,459	0.14
Crescent Powertec	3,659,003	6.95
Crescent Sugar Mills & Distillery Ltd.	315,983	0.60
Equity Textiles Limited	853,160	1.62
Jubilee Spinning & Weaving Mills Ltd.	19,714	0.04
Muhammad Amin Muhammad Bashir Ltd.	12,216	0.02
Shams Textile Mills Ltd.	769,758	1.46
Suraj Cotton Mills Limited	627,264	1.19
The Crescent Textile Mills Ltd.	147,455	0.28
Directors, CEO and their spouses & minor Children		
Mr. Zahid Bashir (Director)	6,405	0.01
Mr. Khalid Bashir (Director)	31,436	0.06
Mr. Shams Rafi (Director)	375,284	0.71
Mr. Khurram Mazhar (Director)	71,375	0.14
Mr. Nadeem Maqbool (Director)	498,603	0.95
Mr. Imran Maqbool (Director)	516,226	0.98
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	21,668	0.04
Mrs.Tanveer Khalid (w/o. Mr.Khalid Bashir)	166,988	0.32
Mrs.Nazia Maqbool (w/o.Mr.Nadeem Maqbool)	210,652	0.40
Mrs.Asma Imran Maqbool (w/o.Mr.Imran Maqbool)	159,667	0.30
Others		
Individuals	33,790,768	64.15
Investment Companies	299,481	0.57
Insurance Companies	859,022	1.62
Joint Stock Companies	1,877,970	3.57
Modaraba Companies	65,990	0.12
Financial Institutions	907,836	1.71
Administrator Abandoned Properties, Government of Pakistan	288,598	0.55
Dawood Foundation	20,948	0.04
Muhammad Amin Wakf Estate	205,883	0.38
Trustees Crescent Steel & Allied Products Ltd.	13,200	0.03
Saeeda Amin Wakf	13,500	0.03
Rashid Latif Jamal Trust	2,640	0.01
Aziz Latif Jamal Trust	2,640	0.01
Trustees DGKC Employees P.F. Trust	13,464	0.03
Ali Trust	48	-
Australasia Bank Ltd.	3,122	0.01
Habib Bank Limited	1,419	0.01
National Bank of Pakistan	48,760	0.09
Investment Corporation of Pakistan	1,526	0.01
Islamabad Stock Exchange (G) Limited	9,438	0.02
State Life Insurance Corporation of Pakistan	5,702,013	10.83
	52,664,582	100.00



Locations

KARACHI

Head Office:
State Life Building No. 2A
5th Floor, Wallace Road
Phones: (021) 32416331-3
Fax: (021) 32416572

QUETTA

43-Regal Plaza
2nd Floor, Circular Road
Phones: (081) 2842883

PESHAWAR

Rehman Building
Saddar Road Cantt
Phones: (091) 5273757
Fax: (091) 5277809

ISLAMABAD

Masco Plaza
64-E, Blue Area
Jinnah Avenue
Phones: (051) 2270134, 2270135, 2876967
Fax: (051) 2829654

RAWALPINDI

32, Service Plaza
The Mall
Phones: (051) 5562113, 5568907
Fax: (051) 5566900

SIALKOT

Fazal Market
Mujahid Road
Phones: (052) 4586268
Fax: (052) 4588526

GUJRANWALA

Block "L" Trust Plaza G.T. Road
Phones: (055) 3859718-19
Fax: (055) 3256432

SAHIWAL

Room No.1, Sattar Complex
Stadium Road
Phones: (040) 4220918
Fax: (040) 4220790

LAHORE

North Zone Office:
163-A, Shadman II
Phones: (042) 37563160-63
Fax: (042) 37579334

Hafeez Centre, Gulberg
Phones: (042) 35874271/35873636
Fax: (042) 35750749

23, Shahrah-e-Quaid-e-Azam
P. O. Box No. 355
Phones: (042) 37230602-5
Fax: (042) 37235557

FAISALABAD

Regency Arcade, 949, Mall Road
P. O. Box No. 105
Phones: (041) 2632211-13
Fax: (041) 2617802

2nd Floor, 18-S.M. Plaza
Chenab Market
Susan Road, Madina Town
Ph: (041) 8503541-42

DERA GHAZI KHAN

House No. 60, St. No.1, Block "B"
P. O. Box No. 12
Phones: (064) 2471233

MULTAN

Hasan Arcade, Nusrat Road
Multan Cantt.
Phones: (061) 4515007 - 4515009 - 4585006
Fax: (061) 4587143

BHAWALPUR

1/A, Model Town "B"
Saraiki Chowk
Phones: (0621) 2875468
Fax: (0621) 2875458

RAHIM YAR KHAN

17, Shahi Road
Phones: (068) 5870751



PROXY FORM

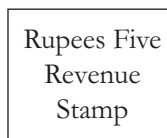
Annual General Meeting

I/We.....
of..... being a member of Premier Insurance Limited and holder of
..... Ordinary shares as per Registered Folio No.....
and/or CDC Participant I.D.No..... Sub-Account No.....
CNIC No..... or Passport No.....
hereby appoint..... ofwho
is also a member of the Company, Folio No..... or failing him/her.....
of..... as my/our Proxy in my / our absence to attend, speak and vote
for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday,
April 29, 2010 at 09:00 a.m. at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP)
at Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this.....day of..... 2010

1. Witness:

Signature.....
Name.....
Address.....
.....
CNIC or Passport No.....



Signature of Shareholder

2. Witness:

Signature.....
Name.....
Address.....
.....
CNIC or Passport No.....

Note:

- 1. Proxies in order to be effective must be received at the Registered Office of the Company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.
- 2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
- 3. The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

