

NJI
Annual Report
2009



Charming the Challenges

**New Jubilee Insurance
Company Limited**



Charming the Challenges



Contents

02	Corporate Information
03	Board of Directors
06	Vision
07	Mission
08	Strategic Objectives
09	Core Values
10	Company Profile
12	Insurance Products
14	Management Team
17	Organisation Structure
18	Statement of Ethics and Business Practices
19	Notice of Annual General Meeting
21	The Director' Report
26	Business Risks and Business Process Re-Engineering
27	Board and Management Committees
30	Pattern of Shareholding
32	Key Financial Data
34	Performance at a Glance
38	Vertical and Horizontal Analysis
40	Statement of Value Added
41	Financial Calendar
42	Statement of Compliance with the Code of Corporate Governance
44	Auditors' Review Report
45	Auditors' Report to the Members
46	Financial Statements
93	Executives
94	Branch Network
	Proxy Form



Corporate Information

Charming the Challenges

Chairman of the Board of Directors	Towfiq H. Chinoy	(Non-Executive Director)
Directors	Akbarali Hashwani Sadruddin Hashwani Masood Noorani Akbarali Pesnani John Joseph Metcalf R. Zakir Mahmood Aly Noormahomed Rattansey	(Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
President & Managing Director (Chief Executive)	Tahir Ahmed	(Executive Director)
Company Secretary	Atiq Anwar Mahmudi	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder	
Legal Advisor	SurrIDGE & Beecheno	
Medical Advisor	Dr. Tajuddin Manji	
Actuarial Advisor	Nauman Associates	
Bankers	Habib Bank Limited Standard Chartered Bank (Pakistan) Ltd. United Bank Limited Soneri Bank Limited Faysal Bank Limited Bank Alfalah Limited	
Share Registrar	THK Associates (Pvt) Ltd Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi. Tel: 35689021, 35686658	
Head Office/Registered Office	2nd Floor, Jubilee Insurance House I. I. Chundrigar Road, Karachi, Pakistan UAN : (92-21) 111 - 654 - 111 Tel : (92-21) 32416022-26 Fax : (92-21) 32416728 , 32438738 E-Mail : nji@nji.com.pk Website : www.nji.com.pk	



Towfiq H. Chinoy

Chairman

Director since: 27-08-1997

Other engagements:

Chairman

Pakistan Cables Limited
Packages Limited

Managing Director/Chief Executive

International Industries Limited
International Steel Limited

Director/ Trustee

BOC Pakistan Ltd
New Jubilee Life Insurance
Company Ltd
IGI Investment Bank Ltd
Continental Furnishing Co. (Pvt) Ltd
HBL Asset Management Ltd
Pakistan Centre for Philanthropy
Mohatta Palace Gallery Trust



Tahir Ahmed

Managing Director &
Chief Executive

Director since: 09-07-2005

Other engagements:

Director

NEC Consultants (Pvt) Ltd
Pakistan Institute of Corporate
Governance (IAP Nominee)



Akbarali Hashwani

Director

Director since: 17-11-1979

Other engagements:

Chief Executive / Proprietor

Landmark Spinning Industries Ltd
Syndicate Trading Company

Director

Regent Textile Industries Ltd
Ittehad Cement Industries Ltd
Hassan Ali & Co. Cotton (Pvt) Ltd
Coronet Enterprises (Pvt) Ltd
Hashwani Construction Company
(Pvt) Ltd
Beaumont Enterprises (Pvt) Ltd
Marvel Enterprises (Pvt) Ltd
Stonyx (Pvt) Ltd
Periclase (Pvt) Ltd



Board of Directors



Sadruddin Hashwani
Director

Director since: 17-11-1979

Other engagements:

Chairman & Chief Executive

Hashwani Hotels Ltd
Zaver Petroleum Corporation Ltd
Orient Petroleum Int. Inc

Chairman

Gelcaps (Pakistan) Ltd
Hassan Ali & Co. (Pvt) Ltd
Hassan Ali (Grains) (Pvt) Ltd
Hashoo Properties Limited
Hashoo Limited
Hashoo Holdings (Pvt) Ltd
Hashoo International (Pvt) Ltd
Noor Properties (Pvt) Ltd
Zaver Chemicals Ltd
Zaver Mining Coy (Pvt) Ltd
Pakistan Services Ltd
Pearl Continental Hotels (Pvt) Ltd
Trans Air Travels (Pvt) Ltd
Pearl Tours & Travels (Pvt) Ltd
Bhurban Resorts (Pvt) Ltd
Zaver Power (Pvt) Ltd
O P I Gas (Pvt) Ltd
Zaver Oils Ltd
Pakistan Services Azad Kashmir Ltd



Masood Noorani
Director

Director since: 28-01-1982

Other engagements:

Chairman

New Jubilee Life Insurance
Company Ltd

Sole Proprietor

Noorani Associates



Akbarali Pesnani
Director

Director since: 15-08-2002

Other engagements:

Chairman

Aga Khan Cultural Services
Pakistan Ltd
Greentech Solution (Pakistan) Ltd
The First Micro Finance Bank Ltd

Director

Cherat Cement Co. Ltd
Cherat Papersack Ltd
Mirpurkhas Sugar Mills Ltd
Greaves Pakistan (Private) Ltd
Greaves CNG (Private) Ltd
Air Asia Ltd
Air Safira Ltd
Industrial Promotion Services
(Pakistan) Ltd



John Joseph Metcalf
Director

Director since: 28-02-2007

Other engagements:

Director

New Jubilee Life Insurance
Company Ltd
Jubilee Holding, Kenya
Jubilee Insurance Company, Kenya
Jubilee Insurance, Tanzania
Jubilee Insurance, Uganda



R. Zakir Mahmood
Director

Director since: 25-06-2008

Other engagements:

President & Chief Executive

Habib Bank Limited

Chairman

Habib Bank Financial Services
(Pvt) Ltd
HBL Assets Management Limited
Habib Allied International Bank Plc,
UK
Habib Finance International Limited,
Hong Kong

Director

Platinum Habib Bank Plc., Nigeria
First Women Bank Limited
Khushhali Bank



Aly Noormahomed Rattansey
Director

Director since: 25-06-2008

Other engagements:

Chairman

Aga Khan Rural Support Programme

Director

Rural Support Programme Network
Askari Bank Limited
NRSP Micro Finance Bank Limited
New Jubilee Life Insurance Company Ltd



Vision

To be acknowledged as the strongest and best insurance company of Pakistan and to enjoy the highest level of trust and confidence.





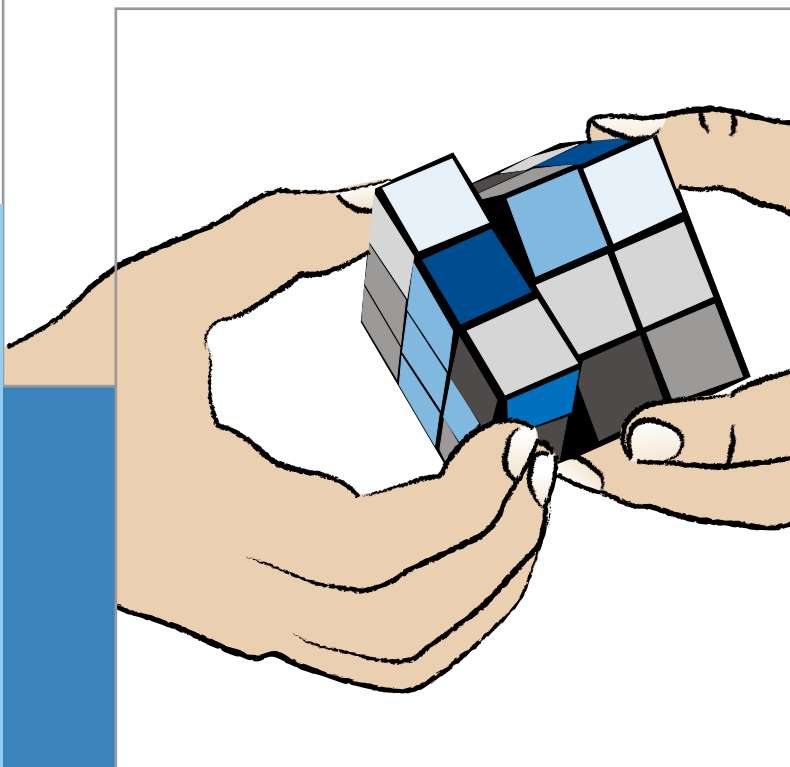
Mission

To provide our policyholders the highest degree of financial security, prompt and fair settlement of their insured losses, and professional and friendly service at all times.

To provide our employees a fair reward for their services, good working conditions, stable employment; and the opportunity for training, self development, long term professional growth and prosperity with the company.

To earn a steady and satisfactory return for the shareholders on the company's capital and to strive for the growth and prosperity of the company.

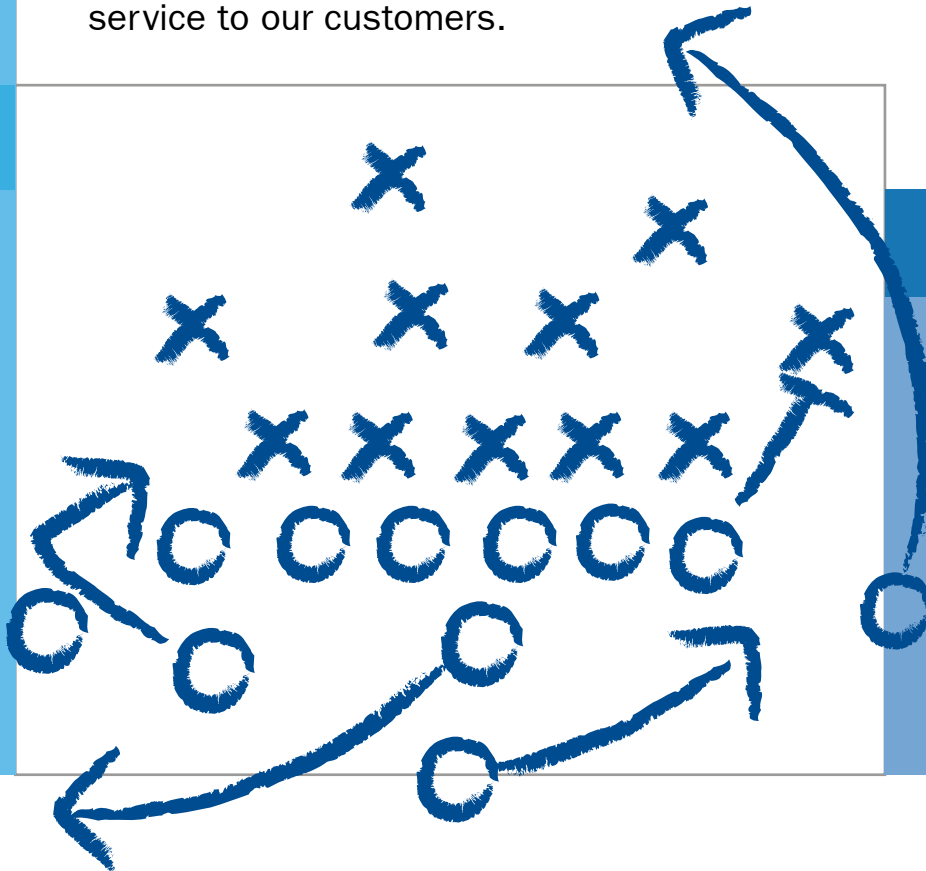
To be a good corporate citizen and contribute to the uplift and welfare of the community we live in.





Strategic Objectives

NJI is a growth-oriented leading insurance company of Pakistan. Our strategic objective is to increase our market share without compromising on level of service to our customers and profitability. We aim to achieve our objective by diversifying our portfolios, relying on niche areas by developing new products, sustaining profitable growth through employee training and continuously improving service to our customers.





Core Values

Customer Satisfaction

We believe that we can achieve our strategic objective only by providing the best of service to our customers. This means providing product according to the requirement of our customers, assisting them in maintaining and improving their risks and finally settling their claims (if any) promptly and judiciously.

Employee Growth & Development

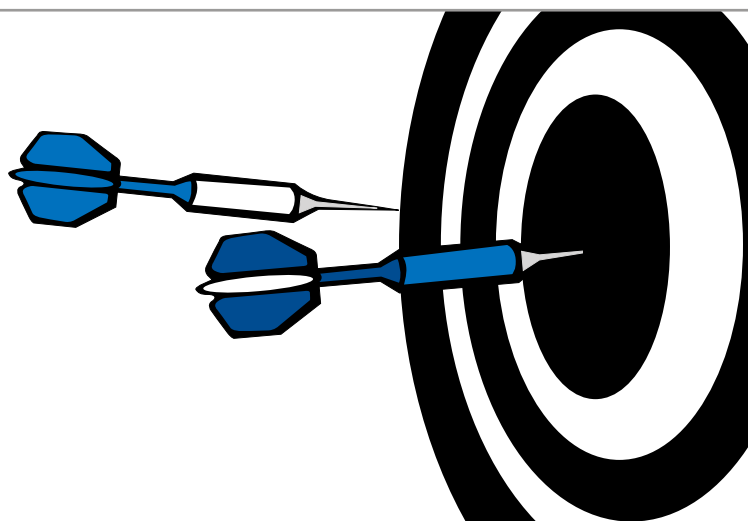
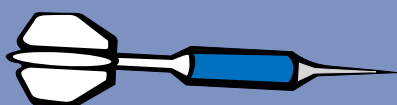
We believe in the sustainable growth of the Company through employee training, development and personal growth.

Innovation

We are committed to change the way of business through introduction of new products related to needs of our society and innovate e-based distribution channels.

Profitability

We believe in maximising the returns to our shareholders by application of best practices.





Company Profile



NJI Head Office, Karachi

Established in 1953, New Jubilee is one of the most reputable and brightest names in the insurance sector. Sustained growth over half a century has secured NJI a place among the “Big Three” Pakistani insurers in terms of gross direct premium and financial base. NJI is listed on the Karachi and Lahore Stock Exchanges. Major shareholders include, Aga Khan Development Network and Hashoo Group. NJI, with its Head Office in Karachi, has an extensive branch network in all major cities of Pakistan to provide prompt service to the clients.

NJI is the only company to secure and sustain an Insurer Financial Strength Rating of “AA” both by PACRA and JCR-VIS for the last nine years. During the last four years NJI has grown at double the industry average growth rate.

In 2003, NJI became the first Pakistani insurance company to acquire the non-life operations of Commercial General Union Insurance in Pakistan.

The company prides itself in its long-standing reinsurance arrangements and relationships with internationally renowned reinsurers such as Swiss Re, Munich Re, Lloyds, Hannover Re and Mitsui Sumitomo Re. The company is also supported by internationally acclaimed reinsurance brokers including AON Group, Willis, Marsh and UIB.

With a broad spectrum of services available, NJI's client-base comprises prominent national and multinational corporations operating in Pharmaceutical, Chemical, Textile, Cement, Services (Hospitals & Hotels), Oil & Energy, Manufacturing, FMCG, Engineering, Banking and Financial sectors.



At NJI, diversity is maintained through underwriting all classes of general insurance including fire, marine, motor, engineering, health and general accidents. NJI not only offers wide risk coverage, but also provides related risk management services delivered by highly qualified and experienced risk managers. NJI has developed unique and innovative insurance solutions to meet the growing consumer financing trends of the economy. From auto financing to personal loans, mortgages to plastic cards, and trade finance to capital investment finance, NJI has the customized solutions to secure entire operations, product range and transactions of all financial institutions. With the stream of upcoming power, engineering and infrastructure development projects on the national level, our Engineering & Bonds Department, comprising of the most experienced engineers in the industry, is all geared up to provide technical and financial security to this vital sector. Furthermore, NJI has also introduced many consumer insurance products in the areas of SME's and Personal lines.

As pioneers in Group Health Insurance, NJI continues to develop new, flexible and customised plans to suit the diverse needs of our many blue chip Pakistani companies and multinational clients. NJI has recently modified its health insurance products with better coverage and scalable limits.

NJI continues to innovate in terms of product development and distribution channels and customer services which is the corner stone of our business

philosophy. In this regard, during the last couple of years NJI has introduced numerous value added services, including,

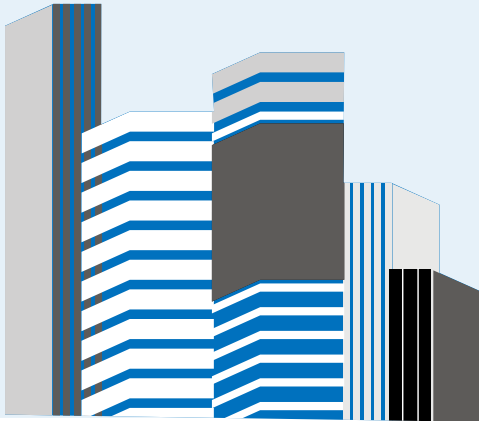
- **Comprehensive Free tracker package for Auto Insurance Customers**
- **SMSCare - Claims Alerts Service**
- **Online Claim Intimation Services**
- **Online Complaint Handling and Feedback Service**
- **Online Premium Calculators**
- **Online Proposal Forms**

The true test of the soundness of insurance coverage is the duration of client relationships. This is proven by the fact that many valued clients have been with NJI for over 40 years. Clients are satisfied knowing that NJI is their best security.

NJI's business philosophy can be summed up as Customer Protection, Customer Satisfaction and Customer Trust. This is acquired largely by the ability to handle claims effectively. The customer focus and pro-active management approach in all areas of business, allows NJI to underwrite and handle claims in an expeditious and judicious manner.



Insurance Products



Property Insurance

- Fire & Allied Perils
- Burglary
- Business Interruption following Fire & Allied Perils

Marine Insurance

- Marine Cargo Import
- Marine Cargo Export
- Marine Cargo Inland Transit
- Marine Umbrella Liability
- Marine Advance Loss of Profit
- Seller's Contingency
- Marine Hull
- Pleasure Craft Policy
- Sports Craft Policy



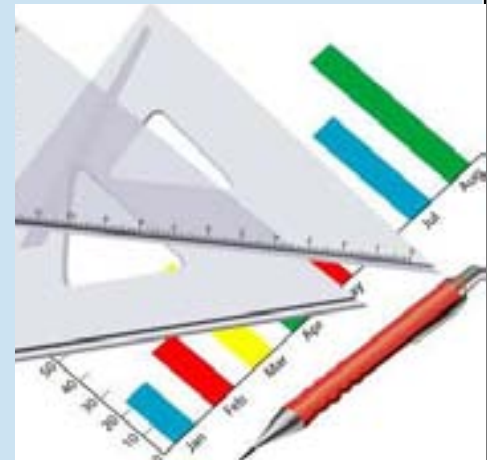
Motor Insurance



- Private Car Comprehensive
- Commercial Vehicle Comprehensive
- Motorcycle Comprehensive
- Motor Third Party Liability

Engineering Insurance

- Contractor's All Risks
- Erection All Risks
- Comprehensive Project Insurance
- Advance Loss of Profit following CAR/EAR
- Comprehensive Machinery Insurance
- Machinery Breakdown (MBD)
- Boiler & Pressure Vessel
- Business interruption following MBD
- Computer & Electronic Equipment
- Contractor's Plant & Machinery



Bonds

- Bid Bond
- Mobilisation Advance Bond
- Performance Bond
- Maintenance Bond
- Customs Bond
- Excise Bond
- Supply Bond
- Retention Money Bond
- Utility Bond



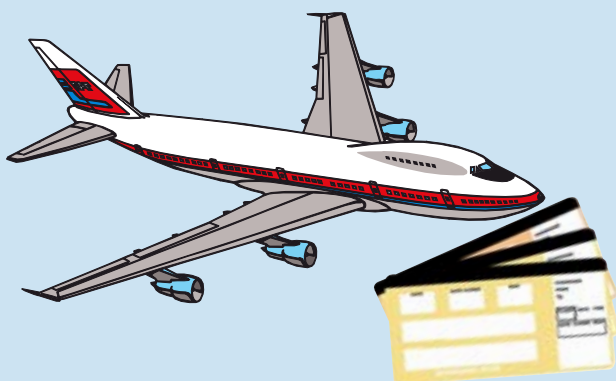
Group Health Insurance

- Comprehensive Dread Disease Expense Benefit
- Comprehensive Hospitalisation Expense Benefit
- Maternity Expenses Benefit
- Out-Patient Expenses Benefit

Personal Lines Insurance



- SelfCare
- SelfCare Plus
- HomeCare
- ShopCare
- ShopCare Plus
- EduCare
- AllCare
- ViaCare
- SehatCare



Miscellaneous Insurance

- | | | |
|-------------------|---------------------------------|--------------------------------|
| • Cash in Safe | • Workmen's Compensation | • Golfer's Policy |
| • Cash in Transit | • General Public Liability | • Aviation Insurance |
| • Cash on Counter | • Product Liability | • Travel Insurance |
| • Neon Sign | • Employer's Residual Liability | • All Risks Insurance |
| • Plate Glass | • Fidelity Guarantee | • Commercial General Liability |

Specialised Insurance Policies

- | | |
|------------------------------------|------------------------------------|
| • Banker's Blanket Bond | • Professional Indemnity |
| • Computer Crime | • Directors' & Officers' Liability |
| • Plastic Card | • Residual Value Insurance |
| • Safe Deposit Box | • Energy Risk |
| • Foreign Currency Exchange | • Protection & Indemnity Insurance |
| • Comprehensive Security Guard Co. | • Prize Money Insurance |
| • Kidnap & Ransom | • Event Cancellation Insurance |
| • Terrorism Insurance | • Network Operator's Policy |
| • Crop Insurance | • Submarine Cable Policy |
| • Hotel Owner's All Risks | • Off Shore Construction Project |
| | • Control of Well Policy |
| | • Life Stock Insurance |





Management Team

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Standing left to right

Syed Wiqar Hyder Taqvi	Vice President
Sanaullah Chaudhary	Vice President
Rai Zahoor Ali Khan	Assistant Vice President
Bashir Ahmed Khan	Vice President
Syed Zamin Zafar	Senior Vice President
Syed Noman Kadri	Senior Vice President
Syed Sohail Ahmed	Joint Executive Vice President
Munir ul Haq	Joint Senior Vice President
Rizwan Ehsan Puri	Vice President
Asif Ali	Joint Senior Vice President
Azam Sultan Ahmed	Vice President
Imran Mughal	Senior Vice President
Karim Merchant	Joint Executive Vice President
Ejaz Mehmood	Senior Vice President
Syed Ather Abbas	Joint Executive Vice President
Ilyas Mohammed	Senior Vice President
Muhammad Amin Haroon	Joint Senior Vice President
Syed Hamid Hussain Zaidi	Joint Senior Vice President
Nawaid Jamal	Joint Executive Vice President
Syed Abid Waseem	Senior Vice President
Captain Shahid Ahmed	Joint Senior Vice President
Syed Muhammad Tariq Ziauddin	Vice President
Saeed Jan Awan	Advisor
Syed Arsalan Sadiq	Senior Vice President

Sitting left to right

Chaudhary Sardar Ali	Senior Vice President
Mahboob Parvez	Senior Vice President
Haji Muhammad Ramzan	Senior Vice President
Akbar Habib Rajan	Joint Senior Vice President
Syed Imran Rabbani	Senior Vice President
Muhammad Uzair Mirza	Joint Executive Vice President
Azfar Arshad	Joint Executive Vice President
Atiq Anwar Mahmudi	Executive Director
Tahir Ahmed	Managing Director
Mian Faisal Usman	Joint Executive Vice President
Mirza Ali Mahmood	Advisor
Brendan Thomas D' Lima	Joint Executive Vice President
Mohammed Safdar	Joint Executive Vice President
Zahoor A Shaheen,	Senior Vice President
Muhammad Afzaluddin	Joint Executive Vice President
Muhammad Razzak Chaudhary	Senior Vice President

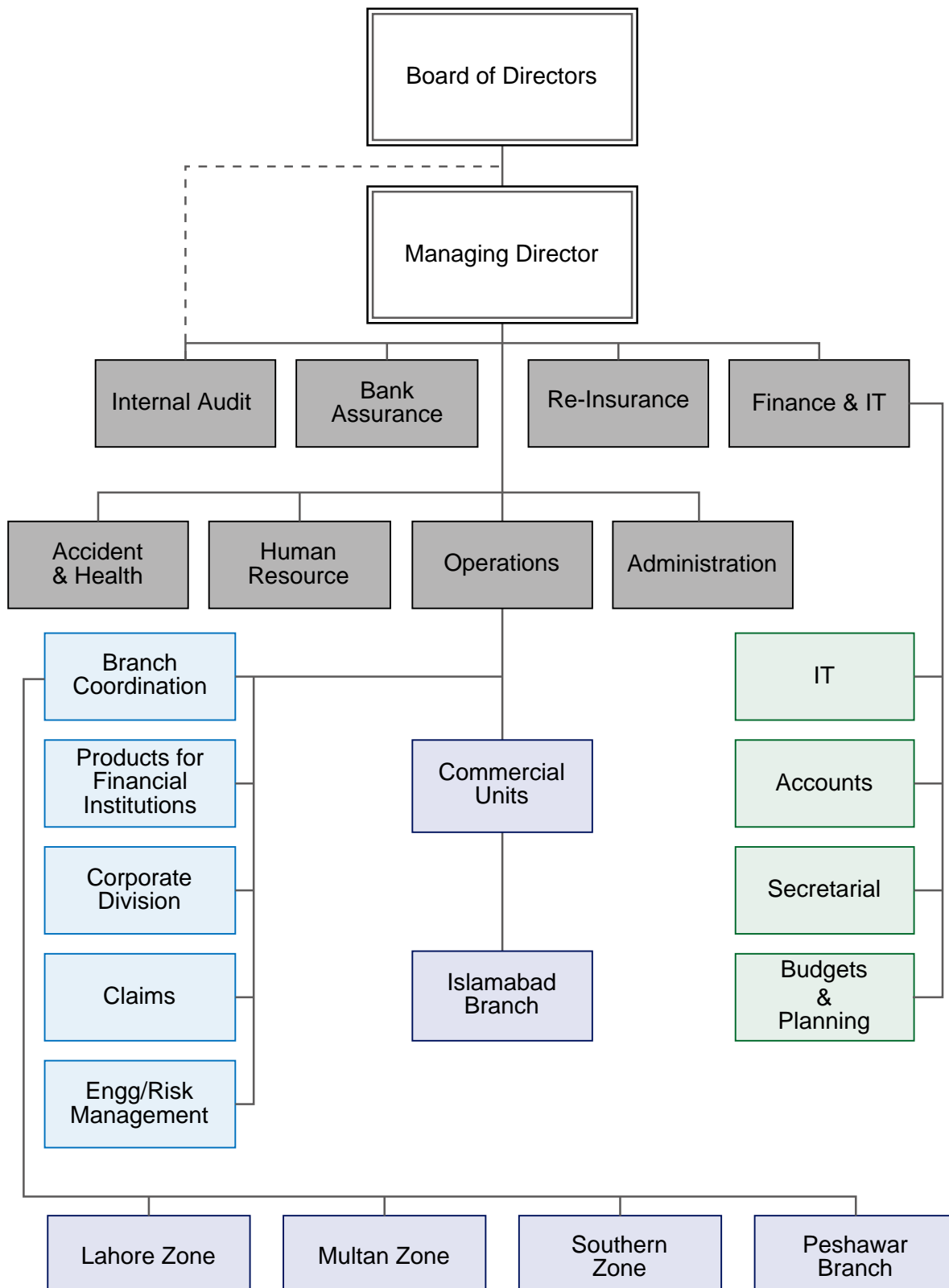






Organisation Structure

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Statement of Ethics & Business Practices

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- The Company's policy is to conduct its business with integrity and be ethical in all its dealings.
- The Company will conduct its business in accordance with all applicable laws and regulations. The Board and the Management should familiarise themselves with laws and regulations governing their areas of responsibility.
- The Company is committed to preservation of the environment.
- The Company recognizes its social responsibility and will contribute to community activities as a good corporate citizen.
- The Company is committed to reliability of financial reporting.
- The Company will recruit and promote employees on merit and shall provide safe and healthy working conditions for its employees.
- The Directors, Executives and all other employees shall observe and maintain the confidentiality of Company's information, and not misuse such information and the Company's assets. Conflicts of interest should be avoided and disclosed where they exist.
- The Board shall to the best of their ability ensure compliances with the above practice.

Notice of Annual General Meeting



Charming the Challenges

Notice is hereby given that the 57th Annual General Meeting of New Jubilee Insurance Company Ltd will be held on Friday, April 23, 2010 at 10:30 a.m. at the registered office of the company situated at Jubilee Insurance House, I.I.Chundrigar Road, Karachi to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2009 together with the Auditors' and Directors' Report thereon.
2. To consider and approve the payment of final cash dividend of 30% (that is Rs.3.00 per ordinary shares of Rs.10/- each) for the year ended December 31, 2009 as recommended by the Directors of the Company.
3. To appoint Auditors of the Company for the year ending December 31, 2010 and fix their remuneration. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for reappointment.

SPECIAL BUSINESS

4. To consider and if thought fit to capitalize a sum of Rs.131,829,510 out of the unappropriated profits/reserves of the Company for the issuance of 13,182,951 bonus shares in the proportion of 1 (One) ordinary share for every 5 (Five) ordinary shares held by the Members of the Company as at the close of business on April 15, 2010.

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance 1984 setting forth:

- (a) All material facts concerning the resolutions contained in item no. 4 of the notice which will be considered for adoption at the Meeting.
- (b) Status of previous approvals of investments in associated companies.

By order of the Board

Atiq A. Mahmudi
Company Secretary

Karachi: March 01, 2010

NOTES:

1. The Share Transfer Books of the Company will be closed for the purpose of determining the entitlement for the payment of final cash dividend and for the issuance of bonus shares from April 16, 2010 to April 23, 2010 (both days inclusive). Transfer received at THK Associates (Pvt.) Ltd, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on April 15, 2010 will be treated in time for the purpose of Cash Dividend and Bonus Shares entitlement to the transferees.
2. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend, speak and vote at the Meeting on his/her behalf. The proxy forms must be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.
3. For attending the Meeting and Appointing Proxies, CDC Account Holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Members are requested to immediately inform the Company of any change in their addresses.



Statement under Section 160(1)(b) of the Companies Ordinance, 1984

Charming the Challenges

(a) Capitalization out of the company's unappropriated profit/reserves - Item # 4

This statement sets out the material facts concerning "Special Business" to be transacted at the 57th Annual General Meeting of the Company to be held on Friday, April 23, 2010.

The Directors of the Company are of the view that the Company's financial position justifies the capitalization of a sum of Rs.131,829,510 out of the Company's unappropriated profits/reserves enabling the issuance of 13,182,951 fully paid bonus shares of Rs.10 each. These shares shall be issued to those Members whose names appear in the Register of Members at the close of business on April 15, 2010. The bonus shares shall be issued in the proportion of 1 (One) share for every 5 (Five) shares held by a Member. After the issuance of these bonus shares, the paid up capital of the Company would increase from Rs.659,147,560 to Rs.790,977,070. Accordingly, it is proposed to pass the following resolutions, namely:

RESOLVED THAT a sum of Rs.131,829,510 out of the unappropriated profits/reserves of the Company be capitalized and applied for the issue of 13,182,951 ordinary shares of Rs.10 each and that the said shares be allotted as fully paid bonus shares to those Members of the Company whose names appear in the Register of Members of the Company as at the close of business on April 15, 2010 in the proportion of 1 (One) bonus share for every 5 (Five) shares held by the entitled Members, and that such bonus shares shall rank pari passu as regards future dividends and in all other respects with the existing ordinary shares of the Company.

RESOLVED FURTHER THAT in the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorized to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the net proceeds thereof to a charitable organization designated by the Directors.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Managing Director be and is hereby authorized to take all necessary actions and do all acts, deeds and things and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said bonus shares as he thinks fit.

The Directors of the Company are not directly or indirectly, personally interested in this business except to the extent of their respective shareholdings in the Company.

(b) Status of previous approvals for investments in associated companies

As required under the SRO No. 865(1)/2000 dated 6 December, 2000, the status of the following investments in associated companies against approvals obtained by the Company in Extraordinary General Meeting of January 04, 2008 is as under:

(i) International Industries Limited

As regards the approval granted by the shareholders in respect of investment of Rs.200 million in the ordinary shares of the above company, against which the company has only invested a sum of Rs.0.20 million due to the extreme volatility which prevailed in the Stock market from June 2008 up to the 3rd quarter of 2009 as well as the economic recession in the country during the same period. The economic situation now shows signs of recovery and the Stock market also appears to have stabilized. The company will consider making further investment at a suitable time.

(ii) Habib Bank Limited

As regards the approval granted by the shareholders in respect of investment of Rs.200 million, the Company has to date invested Rs.180.86 million. The company will consider making further investment at a suitable time.

Up to date financial position of the respective investee companies are as under:

Name of the Investee company	Average market price of the shares intended to be purchased during preceeding six months (Oct. 2009 to March 2010)	Break up value of shares intended to be purchased on the basis of last published financial statements	Basic earning per share of investee company in the last three years	
International Industries Limited	Rs. 61.36	Rs. 42.40	2007	Rs.10.80
			2008	Rs. 8.50
			2009	Rs. 3.80
			2010 (HY)	Rs. 4.23
Habib Bank limited	Rs. 122.99	Rs. 86.84	2007	Rs. 11.65
			2008	Rs. 13.18
			2009	Rs. 13.50

The Directors' Report

for the year ended December 31, 2009



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The Directors are pleased to present the annual report and the audited accounts for the year ended December 31 2009.

Industry Review

The global recession and the stagnant domestic economy during 2009 had an impact on the non-life insurance industry of Pakistan. The written premium of entire sector is expected to grow by less than 5% in 2009 (3.5% in 2008). The stagnant premium growth is mainly due to a substantial slow down in the motor business, contraction of the Large Scale Manufacturing sector, international trade and low investment specially in infra-structure projects. However due to the significant recovery on the stock exchange, the investment income of the Industry has increased substantially.

On the regulatory side, the International Financial Reporting Standard-4 "Insurance Contracts" has been made applicable on the insurance companies which is expected to bring more transparency and lead to further strengthening of individual companies.

Performance Highlights

The Directors are pleased to report that the Company has achieved a healthy growth of 14% in the written premium to cross the Rs. 4 billion mark with a balanced product mix. As evident from the key numbers summarised below, significant increases have also been recorded in underwriting profit, investment income, pretax and after tax profit.

	2009	2008
	(Rupees '000)	
Gross Premium	4,030,643	3,526,397
Net Premium Revenue	2,297,720	2,186,443
Underwriting Result	114,121	108,115
Investment Income including Capital Gain and Rent	673,537	366,030
Impairment in value of available for sale securities	-	(651,142)
Profit / (loss) before tax	771,898	(179,153)
Profit / (loss) after tax	656,464	(267,249)
Earning / (loss) per share of Rs. 10 each	9.96	(4.05)

Fire & Property

The Fire & Property portfolio contributed gross premium of Rs. 1,025 million which equals 25% of the total gross premium written by the Company. It is slightly below the premium of Rs. 1,041 million written in the previous year due to our selective underwriting.

The underwriting profit of this class of business is Rs. 17.60 million as compared with Rs. 38.80 million in the previous year. The decline is due to increase in claims as a result of heavy rainfall in July 2009 in Karachi.

Marine, Aviation & Transport

This portfolio constituted 11% of our business in 2009, with a written premium of Rs. 438 million (2008: Rs. 497 million). The decline in the underwritten premium is primarily due to a steep fall in the international prices of oil,



metals and some other commodities as well as contraction in international trade. However, it has contributed Rs. 68.6 million to Company's underwriting profit as compared with Rs. 61.49 million in the previous year.

Motor

Motor portfolio constituted 16% of our business with a written premium of Rs. 641 million during 2009 as compared to Rs. 691 million in 2008. The decline in the underwritten premium is due to lower sale of motor vehicles in 2009 mainly due to reduction in financing by banks and other financing institutions. This class has contributed Rs. 51.0 million to Company's underwriting profit which represents a tremendous improvement over the underwriting profit of Rs. 2.38 million in the previous year.

Liability

The liability portfolio constituted 9% of our business and has grown robustly by 83% to achieve a written premium of Rs. 358 million (2008: Rs. 196 million). This growth has been achieved due to expansion in the industrial/commercial activities of our clients. It has also contributed Rs. 27 million to the Company's underwriting profit as against the underwriting loss of Rs. 1.65 million recorded in the previous year.

Accident & Health

The Accident & Health portfolio contributed 10% of our business in 2009. During the year under review, this portfolio has increased marginally by 2% to reach written premium of Rs. 410 million (2008: Rs. 401 million). This portfolio has resulted in a loss of Rs. 20.47 million (2008: Profit of Rs. 19.40 million) mainly due to competitive pressure on premium rates, increase in hospitalisation cost and higher claims ratios of some large accounts.

Other Classes

This represents miscellaneous classes of business including engineering, financial products, crop insurance, etc. The written premium of Rs. 1,159 million is 66% higher than the premium of Rs. 700 million written in the previous year. This account also resulted in an underwriting loss of Rs. 26.24 million in the current year (2008: Rs. 12.06 million).

Investment Income

The investment income of the Company from all sources including realised capital gain on equities and rental income from real estate holdings recorded strong growth during the year, rising to Rs. 673.5 million as compared with Rs. 366.0 million in the year 2008. The most significant increase was recorded in realised Capital gains, which contributed Rs. 355.8 million in 2009, whereas in the previous year we had only realised a capital gain of Rs. 99.7 million on our stock portfolio due to a very sharp decline in share values on the Karachi Stock Exchange.

By the Grace of Allah, even after booking a capital gain of Rs. 355.8 million during the year, our investment portfolio as on December 31, 2009 shows an unrealised appreciation of Rs. 1,755.5 million inclusive of an appreciation of Rs. 1,258.5 million on our prime real estate holdings.

Dividend and Appropriations of profit:

	(Rupees in '000)
The amount available for appropriation is:	
Amount brought forward from previous years	50,062
Profit after tax for the year	656,464
Un-appropriated amount available for appropriation	706,526



The Directors recommend that this amount be appropriated in the following manner:

(Rupees in '000)

Appropriation

Transfer to General Reserve	320,000
Proposed final cash dividend @ 30% (2008: 15%)	197,744
Proposed issue of bonus shares @ 20% (2008: nil)	131,830
Carry forward to next year	56,952
	<hr/>
	706,526

Reinsurance

The overall economic slow down, the high claim ratios specially in Fire & Property portfolio and the poor law and order situation in general does not make Pakistan an attractive market for international re-insurers. However, the Company's adequate capital base and reserves coupled with sound underwriting strategies continue to attract higher capacities and relatively competitive terms.

Insurer Financial Strength Rating:

NJI has maintained its unique distinction of being the only Pakistan insurer with "AA" rating from both agencies operating in Pakistan. Both Pakistan Credit Rating Agency (PACRA) and JCR-VIS have once again reaffirmed the "AA" rating of NJI's financial strength. The "AA" rating denotes a very strong capacity to meet policy holder and contract obligations.

Market Share

NJI's market share has increased from 7.6% in 2005 to 10.4% in 2008. We expect to see further improvement for 2009 when the statistics for all the companies are compiled by the Insurance Association of Pakistan.

Contribution to the National Exchequer

The company has contributed Rs. 596 million (2008: Rs. 361 million) to the National Exchequer during the year in the form of direct and indirect taxes and other mandatory contributions.

Corporate Social Responsibility

NJI plays its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of our people, and make our country a better place to live in.

During the year 2009, the company has donated Rs.1.20 million to welfare institutions in the health, education and environment sectors.

In addition to above, we have also contributed Rs. One million for the welfare of Internally Displaced Persons of Swat and Tribal Areas along-with the employees who have also contributed one-day salary reflecting CSR spirit at large in the Company.

Human Resource Development

Human capital development is critical especially in knowledge-based companies in order to gain competitive advantage and deliver consistent results. At NJI, our training and development programmes both in-house and external play an important role in upgrading the required skills and knowledge of our workforce.

Business Risks and Business Process Re-Engineering (BRP)

Details of business risks and BRP are annexed to this report (Page 26)



Board Meetings

The Board of Directors held five (5) meetings in 2009. Attendance of Directors is indicated below:

Name of Director	Meetings attend
Towfiq H. Chinoy	05
Akbarali Hashwani	05
Masood Noorani	05
Akbarali Pesnani	04
John Joseph Metcalf	05
R. Zakir Mahmood	04
Aly Noormahomed Rattansey	05
Vazir Ali F. Mohammad (Alternate Director to Sadruddin Hashwani)	04
Tahir Ahmed	05

Board Committees

During the year the Board Audit Committee, Human Resource & Remuneration Committee and Finance & Investment Committee held four (4), three (3) and six (6) meetings respectively. The names of the members of the Board Committees and terms of reference are given in the annexure to this report (Page 27). Except for the Managing Director, all others are non-executive Directors.

Management Committees

The Company has three management committees which cover the core areas of business; these are Underwriting Committee, Claims Settlement Committee and Re-insurance & Co-insurance Committee. During the year four meetings were held by each committee. The names of members and the terms of references of these committees are given in the annexure to this report (Page 29).

Statement of Directors Responsibilities

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance the Directors confirm the following:

- the Financial Statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- proper books of accounts of the Company have been maintained.
- appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.



- International Financial Reporting Standard as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- the system of internal control is sound in design and has been effectively implemented and monitored.
- there are no significant doubts upon the Company's ability to continue as a going concern.
- there is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Pattern of Shareholding and trading in the shares

The pattern of shareholding and the information regarding trading in the shares of the Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary are annexed to this report (Page 30).

Key Financial Data

Key financial data for the last ten years is annexed to this report (Page 32).

Value of investments in Provident Fund and Gratuity Fund

The values of investments in employees retirement funds based on audited accounts for the year ended December 31, 2008 are as follows:

	(Rupees in '000)
Staff Provident Fund	74,880
Employees' Gratuity Fund	38,341

Auditors

Messrs Ernst & Young Ford Rhodes Sidat Hyder have audited the accounts for the year 2009, and have offered themselves for re-appointment. The Board Audit Committee recommends that they be re-appointed as the statutory auditors for a further term of one year, and the Board endorses this recommendation.

Future Outlook

The global economic situation is expected to improve in 2010. However, the domestic economic scenario is uncertain as GDP growth of only 3% is projected. The private business sector is faced with various constraints such as energy shortages, high interest rates, and all-round inflationary pressures. However, the management is committed to maintaining the good pace of growth of business and profitability.

Acknowledgement

We thank our valued clients and shareholders of the Company for their support which enabled us to achieve healthy growth. We also thank our brokers and reinsurers for their excellent services and would like to record our appreciation for the cooperation of Securities & Exchange Commission of Pakistan. We acknowledge the hard work and dedication of our development officers, staff members and executives without whom we could not have achieved our goals.

On behalf of the Board.

Towfiq H. Chinoy
Chairman

Karachi: March 01, 2010



Business Risks and Business Process Re-engineering

Charming the Challenges

Business Risk

The Board is committed to effectively manage its risk through the formulation of risk management policy and system. The Company is in a continuous process to monitor and control risk to the business. The following are the major risks faced by the Company:

- **Economic and Political Risk**
Volatile economic and financial market conditions resulting from economic and political instability may prove to be an impediment in the plans of the Company to achieve its business objectives. The Company has cautious approach to deal with such risks and develops niche products to maintain and increase its market share without compromising its profitability.
- **Market Risk**
The Company faces increased competition due to existing players and new entrants including Takaful companies in insurance market. The Company relies on its personalized service and customized products to retain its customer base and increase its market share.
- **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'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.

- **Reinsurance Risk**
Reinsurance ceded do not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured. To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance from a number of reinsurers, representing first class security and spread over several geographical regions. The Company also ensures that 80% of all reinsurance treaties are backed by atleast "A" rated reinsurers including Pakistan Reinsurance Company Limited and remaining by "BBB" rated.
- **Credit Risk**
The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.
- **Investment Risk**
The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs) markets. In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.
- **IT Risk**
The Company has state of the art ERP system which is managed by able officers and regulated by formal IT policy complete with disaster management system.

Business Process Re-engineering (BPR)

To meet the challenges of ever changing business environment, the Company is moving towards e-based products and distribution channels to improve productivity. The Company also invests in knowledge based products and continues training of its man-power which makes it more agile in implementing strategies in a competitive and fast moving environment.



AUDIT COMMITTEE

The Audit Committee comprises of four members, including the Chairman, all of them are non-executive directors. The terms of reference of the Audit Committee includes the following:

- Determination of appropriate measures to safeguard the Company's assets.
- Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas.
 - significant adjustments resulting from the audit.
 - any changes in accounting policies and practices.
 - compliance with applicable accounting standards
 - compliance with listing regulations and other statutory or regulatory requirements.
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review of management letter issued by external auditors and management's response thereto.
- Ensuring coordination between the internal and external auditors of the company.
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- Consideration of major findings of internal investigations and management's response thereto.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Review of the company's statement of internal control system prior to endorsement by the board of directors.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of any significant violations thereof and;
- Consideration of any other issue or matter as may be assigned by the board of directors.

During the year four meetings of Audit Committee were held and the attendance of meeting is as follows:

Name of Members	Meetings attended
Akbarali Pesnani - Chairman	04
Akbarali Hashwani	04
John Joseph Metcalf	04
Aly Noormahomed Rattansey	04

HUMAN RESOURCE & REMUNERATION COMMITTEE

The Human Resources & Remuneration Committee of the Board has five members including Chairman of the Committee which include four non-executive directors and one executive director.

The terms of reference of the Committee include the following:

- Review the HR policies and make appropriate amendments if needed.
- Review and approve manpower development plan and budget.
- Review and recommend annual appraisal and salary revision of senior executives of the Company.
- Review and approve any changes required in perquisites and benefits of senior executives and employees.
- Approve terminations and acceptance of resignations for senior executives.



The Human Resource & Remuneration Committee held 3 meetings during the year and the attendance of meeting is as follows:

Name of Members	Meetings attended
Towfiq H. Chinoy - Chairman	03
Akbarali Hashwani	02
Masood Noorani	03
John Joseph Metcalf	03
Tahir Ahmed	03

FINANCE & INVESTMENT COMMITTEE

The Finance & Investment Committee has six members, including the Chairman of the Committee. This Committee consists of four non-executive directors, one executive director and the Chief Financial Officer.

The terms of reference of the Finance and Investment Committee broadly comprises:

Planning & Budgeting:

- Review the annual operating & capital expenditures budget and recommending the same to the Board.
- Review and approve the long term plan and recommend three years budget of the Company.
- Review and approve proposals for opening of Branch Offices inside and outside Pakistan.

Operating Review:

- Review and recommend the monthly, quarterly, half yearly and annual results of the Company for approval of the Board.
- Review and monitor the capital expenditures incurred in accordance with the budget.

Investments

- Define the strategic objectives of the Investment Policy.
- Allocate funds for investment in the different sectors and sub-sectors.
- Establish the basic parameters governing the investment in the various sectors.
- Review and approve the annual investment plan and budget.
- Review each quarter, the overall investment portfolio with particular reference to purchase and sale of investments made during the quarter, the income accruing from each sector vis-à-vis the budget, and to consider the reasons for variances.
- Review the economic, political and law & order outlook for the foreseeable future and to issue guidance for further investment / disinvestment activity, sectoral reallocation of investment portfolio etc.
- Establish the benchmarks against which the performance of the overall investment portfolio and its sectors are to be assessed.

Other Matters:

- Review and recommend the financial policies and controls of the Company, including the policies required under the Code of Corporate Governance to the Board.
- Recommend to the Board the appropriation of the annual profits.

The Finance & Investment Committee held 6 meetings in 2009 and the attendance of the meetings is indicated below:

Name of Members	Meetings attended
Masood Noorani - Chairman	06
John Joseph Metcalf	05
Aly Noormahomed Rattansey	05
Tahir Ahmed	06
Towfiq H.Chinoy	01 (Appointed on 28-10-2009)
Atiq Anwar Mahmudi	01 (Appointed on 28-10-2009)



The following are management committees, which cover the core areas of business, and their terms of references are as follows:

UNDERWRITING COMMITTEE

The underwriting committee's function is to formulate the underwriting policy of the company and to set out the criteria for assessing various types of insurance risks and determines the premium of different insurance covers. The committee shall regularly review the underwriting and premium policies with due regard to relevant factors such as business portfolio and the market development.

The Underwriting committee has following members:

Tahir Ahmed - Chairman
Mian Faisal Usman
Mohammad Safdar
Azfar Arshad

CLAIMS COMMITTEE

The function of this committee is to devise the claim settling policy of the Company and to oversee the claim position of the company and ensure that adequate claims reserves are made. The committee shall pay particular attention to significant claims cases or events, which will give rise to a series of claims. The Claim Settlement Committee shall determine the circumstances under which the claims dispute shall be brought to its attention and decide how to deal with such claims disputes. It shall also oversee the implementation of the measures for combating fraudulent claims cases.

The Claim settlement committee comprises of the following members:

Tahir Ahmed - Chairman
Mohammad Safdar
Syed Imran Rabbani

RE-INSURANCE & CO-INSURANCE COMMITTEE

This committee is to ensure that adequate reinsurance arrangements are made for the company. The committee to pursue the proposed reinsurance's arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers makes appropriate adjustments to those arrangements in the light of the market development. The committee will also assess the effectiveness of the reinsurance program for the future reference.

The Re-insurance & Co-insurance committee consists of the following members:

Tahir Ahmed - Chairman
Mirza Ali Mahmood
Brendan Thomas D' Lima
Karim Merchant



Pattern of Share-Holding

Charming the Challenges

As at 31 December 2009

NO. OF SHAREHOLDERS	SHAREHOLDINGS		SHARES HELD
	FROM	TO	
447	1	100	15732
251	101	500	69642
181	501	1000	134373
284	1001	5000	673163
75	5001	10000	547329
10	10001	15000	119564
22	15001	20000	371269
11	20001	25000	249733
2	25001	30000	54846
7	30001	35000	225318
6	35001	40000	222376
2	40001	45000	82337
3	50001	55000	155862
3	55001	60000	170329
3	60001	65000	190345
2	65001	70000	132618
4	70001	75000	291797
2	75001	80000	158164
4	80001	85000	330172
2	90001	95000	182053
1	95001	100000	100000
1	100001	105000	103250
2	105001	110000	213450
1	110001	115000	111111
2	120001	125000	244413
1	130001	135000	132562
1	140001	145000	144285
1	150001	155000	151142
2	155001	160000	312165
2	170001	175000	344548
2	175001	180000	356262
1	180001	185000	180600
3	205001	210000	624965
1	240001	245000	242190
1	245001	250000	245193
1	275001	280000	276804
1	285001	290000	286239
1	350001	355000	351900
1	395001	400000	395224
1	445001	450000	449189
2	495001	500000	999443
1	530001	535000	530142
1	535001	540000	535194
1	540001	545000	544537
1	565001	570000	567007
2	610001	615000	1226063
1	655001	660000	659043
1	685001	690000	689456
1	745001	750000	745809
1	755001	760000	759901
1	765001	770000	765019
1	820001	825000	823600
1	830001	835000	831175
1	2420001	2425000	2424978
1	3620001	3625000	3623358
1	4995001	5000000	5000000
2	6355001	6360000	12712078
1	9255001	9260000	9259430
1	13575001	13580000	13576009
1370			65914756

Pattern of Share-Holding

Additional Information as at 31 December 2009



Charming the Challenges

Categories of Shareholders	Number of Shareholders	Shares held	Percentage of Total
Associated Companies, Undertakings and Related Parties:	13	42,524,657	64.52
Pakistan Cables Limited		500,000	
Hassanali & Company (Pvt) Ltd		205,557	
Hashoo Limited		70,796	
Hashoo Holdings (Pvt) Ltd		111,111	
Hashwani Hotels Limited		3,623,358	
Habib Bank Limited		6,356,720	
Aga Khan Fund for Economic Development		9,259,430	
Aga Khan Hospital and Medical College Foundation		13,576,009	
Trustee Pakistan Services - Employees Provident Fund		689,456	
Trustee Hashwani Hotels - Employees Provident Fund		535,194	
New Jubilee Life Insurance Co. Ltd.		172,048	
Aga Khan University Foundation		2,424,978	
Pakistan Services Limited		5,000,000	
NIT and ICP			
Investment Corporation of Pakistan	1	28	–
Directors, CEO & their Spouse and Minor Children	9	2,401,309	3.64
Mr. Tawfiq H. Chinoy		519,408	
Mr. Akbarali Hashwani		917,950	
Mr. Sadruddin Hashwani		286,239	
Mr. Masood Noorani		613,175	
Mr. Akbarali Pesnani		37,573	
Mr. R. Zakir Mahmood		100	
Mr. Aly Noormahomed Rattansey		100	
Mr. Tahir Ahmed		24,764	
Mrs. Sakina Pesnani		2,000	
Executives			
Atiq Anwar Mahmudi	1	31,633	0.05
Public Sector Companies and Corporations	–	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and ICP Mutual Funds	11	290,194	0.44
Shareholders holding 10 percent or more share in the Company (other than those reported above)	–	–	–
Individuals	1,300	19,788,850	30.02
Others	35	878,085	1.33
Total	1,370	65,914,756	100.00

Trading in shares by Directors, CEO, CFO & Company Secretary during the year 2009

Name	Designation	Transaction	No. of Shares
Mr. Tahir Ahmed	CEO / Managing Director	Acquired	8,373
Mr. Atiq Anwar Mahmudi	CFO / Company Secretary	Acquired	4,000

Categories of Shareholders	No. of Shareholders	Shares held	Percentage of Total
Individual	1,299	15,798,903	23.97
Insurance Companies	4	434,638	0.66
Joint Stock Companies	35	9,620,600	14.59
Financial Institutions	7	6,377,641	9.68
Modarabas & Mutual Funds	3	6,683	0.01
Non Resident Shareholders	11	15,682,319	23.79
Others - see below	11	17,993,972	27.30
	1,370	65,914,756	100.00

- I. Administrator of Abandoned Properties Organisation Government of Pakistan.
- II. Aga Khan Hospital & Medical College Foundation
- III. Aga Khan Foundation
- IV. The Aga Khan University Foundation
- V. Trustees Pak Services Ltd, Employees Provident Fund
- VI. Trustees Hashwani Hotels Ltd, Employees Provident Fund
- VII. Trustees International Industries Ltd, Employees Provident Fund
- VIII. Trustees Pakistan Cables Ltd, Employees Provident Fund
- IX. Trustees International Industries Ltd, Employees Gratuity Fund
- X. The Aga Khan University - Employees Provident Fund
- XI. The Aga Khan University - Employees Gratuity Fund



Key Financial Data

Charming the Challenges

Ten Years at a Glance

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
	(Rupees in Million)									
FINANCIAL DATA										
Paid-up Capital	659	659	549	439	366	318	277	241	209	174
General & Capital Reserves	1,962	1,402	1,862	1,640	937	429	362	249	234	229
Equity	2,621	2,061	2,411	2,079	1,350	893	721	490	443	403
Investment - at Cost	1,753	1,430	1,956	1,262	1,072	857	644	369	420	404
Investment Properties- (at book value)	150	124	76	73	74	76	72	7	7	10
Cash and Bank Deposits	2,028	1,670	1,681	1,687	862	608	491	390	259	255
Total assets (book value)	6,420	5,425	5,933	4,447	2,858	2,512	2,011	1,537	1,254	913
OPERATING DATA										
Gross Premium Revenue	4,031	3,526	3,430	2,572	1,737	1,404	1,263	1,012	800	688
Net Premium Revenue	2,298	2,186	1,819	1,486	917	640	639	451	366	320
Underwriting Results	114	108	(207)	100	70	68	35	42	24	73
Investment Income	674	366	780	815	545	200	154	148	116	108
Profit / (Loss) before Taxation	772	(179)	575	934	614	272	329	162	131	159
Taxation - Net	(115)	(88)	13	(94)	(58)	(66)	(97)	(44)	(41)	(59)
Profit / (Loss) After Taxation	656	(267)	588	840	556	206	232	118	90	100
Cash flow Summary										
Operating Activities	217	(103)	58	427	106	214	228	8	(18)	28
Investing Activities	213	173	189	594	228	(28)	(61)	175	67	35
Financing Activities	(97)	(81)	(253)	(196)	(80)	(69)	(65)	(52)	(43)	(37)
Cash & Cash Equivalents at the year end	2,003	1,670	1,681	1,687	862	608	491	390	259	255

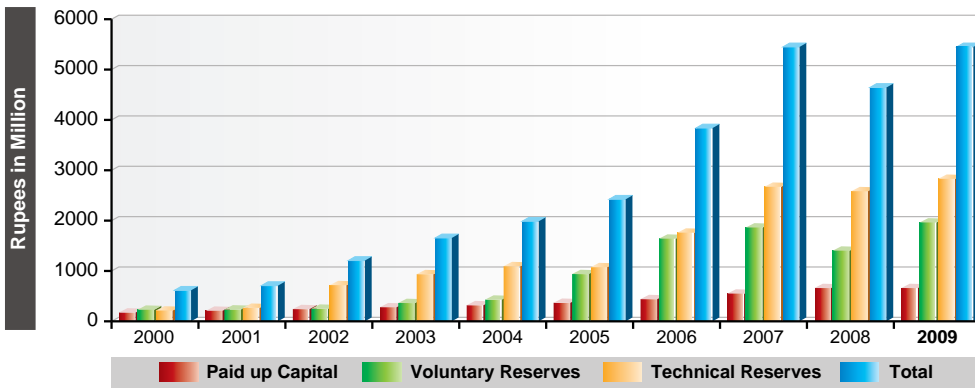


		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
FINANCIAL RATIOS											
Profitability											
Profit / (Loss) Before Tax / Gross Premium	%	19.15	(5.08)	16.76	36.31	35.38	19.38	26.05	16.06	16.39	23.16
Profit / (Loss) Before Tax / Net Premium	%	33.59	(8.19)	31.62	62.83	66.99	42.51	51.53	36.04	35.83	49.84
Profit / (Loss) After Tax / Gross Premium	%	16.27	(7.58)	17.15	32.66	32.03	14.69	18.36	11.62	11.21	14.50
Profit / (Loss) After Tax / Net Premium	%	28.55	(12.22)	32.35	56.50	60.65	32.22	36.31	26.07	24.51	31.21
Underwriting Result / Gross Premium	%	2.83	3.07	(6.04)	3.88	4.01	4.81	2.80	4.18	3.02	10.54
Underwriting Result / Net Premium	%	4.96	4.94	(11.38)	6.71	7.59	10.56	5.53	9.38	6.61	22.69
Net Claim / Net Premium	%	62.00	60.94	77.73	59.71	60.44	61.38	64.06	63.47	68.61	55.33
Management Expense / Net Premium	%	23.00	23.16	22.29	22.22	26.27	32.08	30.36	26.27	29.25	25.27
Return to Share Holders											
Return on Equity - PAT	%	25.03	(12.96)	24.41	40.41	41.20	23.08	32.17	24.01	20.22	24.78
Earning / (Loss) Per Share (pre tax)	Rs.	11.71	(2.72)	10.47	10.63	8.39	4.27	5.94	3.37	3.13	4.57
Earning / (Loss) Per Share (after tax)	Rs.	9.96	(4.05)	10.71	9.56	7.59	3.24	4.19	2.46	2.14	2.89
Earning growth	%	346.00	(137.85)	12.10	25.84	134.61	(22.71)	70.10	15.05	(25.91)	8.47
Price Earning Ratio - PAT	Times	5.85	(24.21)	20.75	9.66	9.33	23.17	17.91	18.81	18.46	11.60
Net Assets per share	Rs.	39.76	31.27	43.89	23.65	18.43	14.02	13.02	10.17	10.59	11.54
Return on Assets	%	10.22	(4.93)	9.92	18.89	19.46	8.21	11.54	7.65	7.15	10.93
Market Data											
Face Value (Per share)	Rs.	10.00	10.00	10.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Market Price per share at the end of the year	Rs.	58.24	98.16	222.25	92.30	70.85	75.00	75.00	46.30	39.50	33.50
Market Price per share - Highest during the year	Rs.	114.00	234.90	239.90	99.75	91.00	105.00	79.00	46.60	40.00	42.00
Market Price per share - Lowest during the year	Rs.	46.00	98.16	165.60	65.00	60.00	66.00	46.30	37.00	30.00	25.00
Karachi Stock Exchange Index	Points	9,386.00	5,865.00	14,075.00	10,041.00	9,557.00	6,218.00	4,472.00	2,701.00	1,273.00	1,508.00
Market Capitalization	(Rs. M)	3,839.00	6,470.20	12,207.97	8,111.91	5,188.95	4,776.44	4,153.43	2,229.60	1,654.04	1,169.00
Cash Dividend Per Share	Rs.	3.00	1.50	3.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50
Cash Dividend	%	30.00	15.00	30.00	40.00	30.00	30.00	30.00	30.00	30.00	30.00
Stock Dividend Per Share	Rs.	2.00	-	2.00	1.25	1.00	0.75	0.75	0.75	0.75	1.00
Stock Dividend	%	20.00	-	20.00	25.00	20.00	15.00	15.00	15.00	15.00	20.00
Dividend Yield	%	5.15	1.53	1.35	2.17	2.12	2.00	2.00	3.24	3.80	4.48
Dividend Pay out	%	30.12	(37.00)	28.00	20.93	19.75	46.34	35.82	60.93	70.09	51.93
Dividend Cover	Times	3.32	(2.70)	3.57	4.78	5.06	2.16	2.79	1.64	1.43	1.93
Performance / Liquidity											
Current Ratio	Times	1.62	1.54	1.60	1.78	1.77	1.45	1.50	1.41	1.47	1.70
Total Assets Turnover	Times	0.63	0.65	0.58	0.58	0.61	0.56	0.63	0.66	0.64	0.75
Fixed Assets Turnover	Times	16.86	14.72	15.02	14.39	12.07	10.97	14.89	23.09	18.00	16.02
Total Liabilities / Equity	Times	1.45	1.63	1.46	1.14	1.12	1.81	1.79	2.14	1.83	1.27
Return on capital employed	%	29.45	(8.69)	23.85	44.93	45.51	30.46	45.65	33.18	29.55	39.58
Liquid Assets / Total Assets	%	58.89	57.15	61.30	66.31	67.67	58.34	56.48	49.36	54.20	72.09
Paid-up Capital / Total Assets	%	10.27	12.15	9.26	9.88	12.81	12.68	13.77	15.67	16.70	19.11
Equity / Total Assets	%	40.83	38.00	40.63	46.75	47.24	35.55	35.86	31.86	35.36	44.10

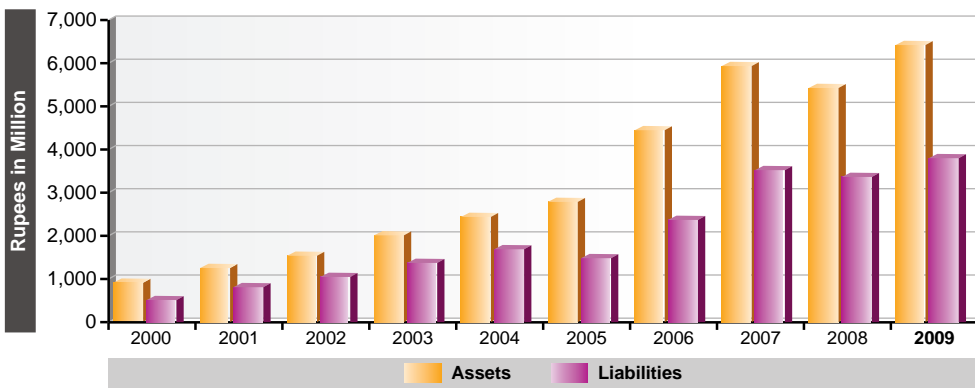


Performance at a Glance

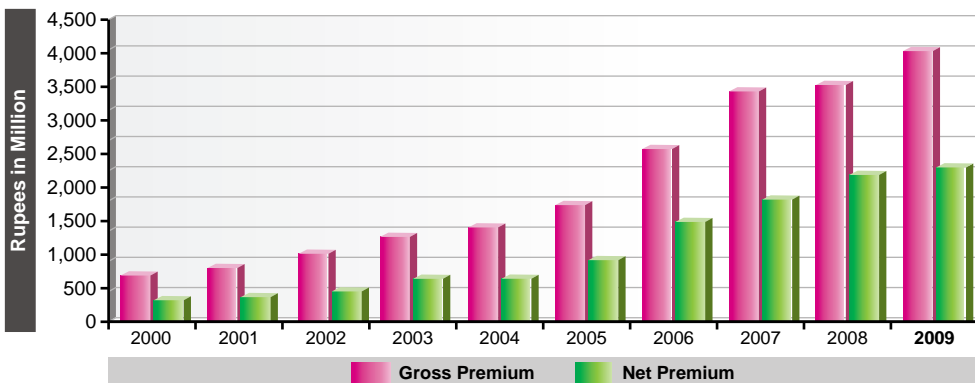
Capital & Reserves



Assets and Liabilities

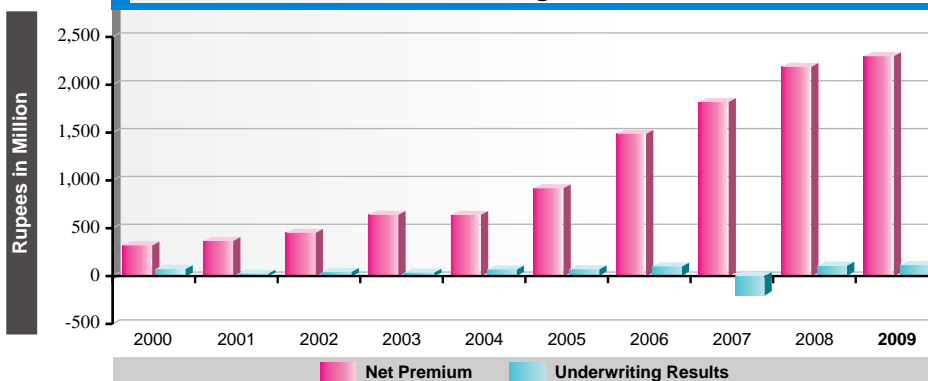


Gross Premium and Net Premium

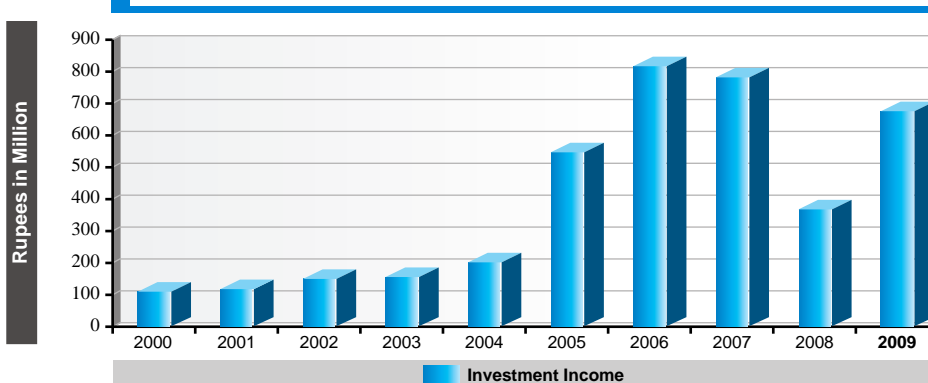




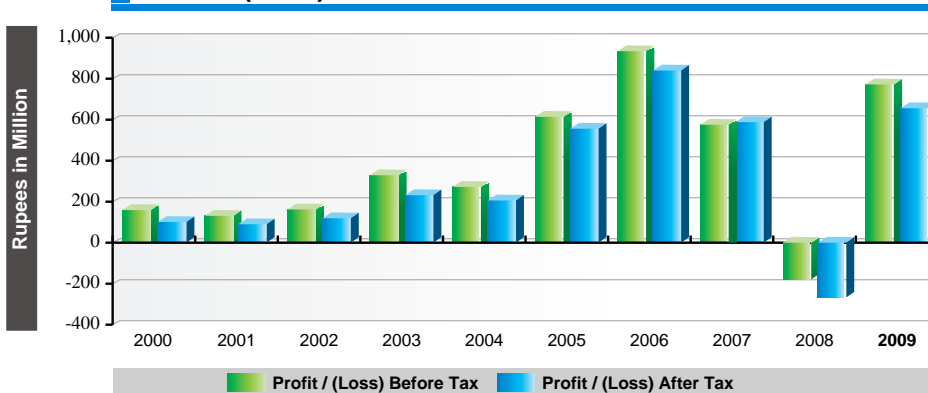
Net Premium and Underwriting Results



Investment Income



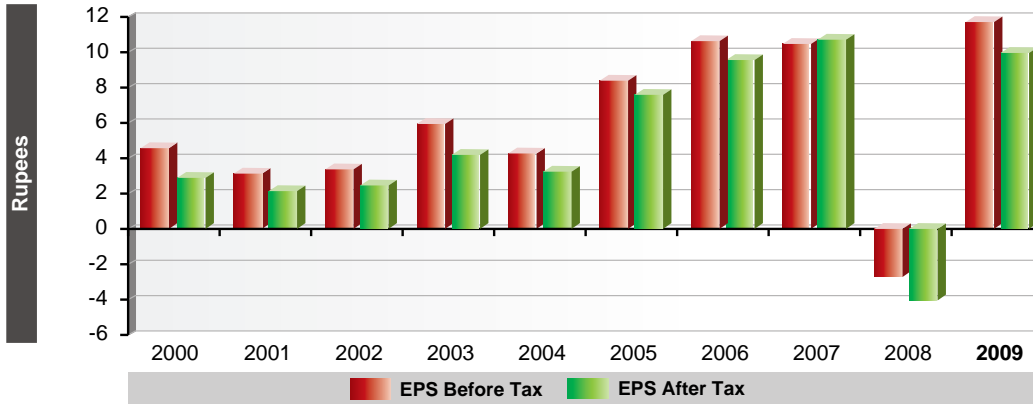
Profit / (Loss) Before and After Tax



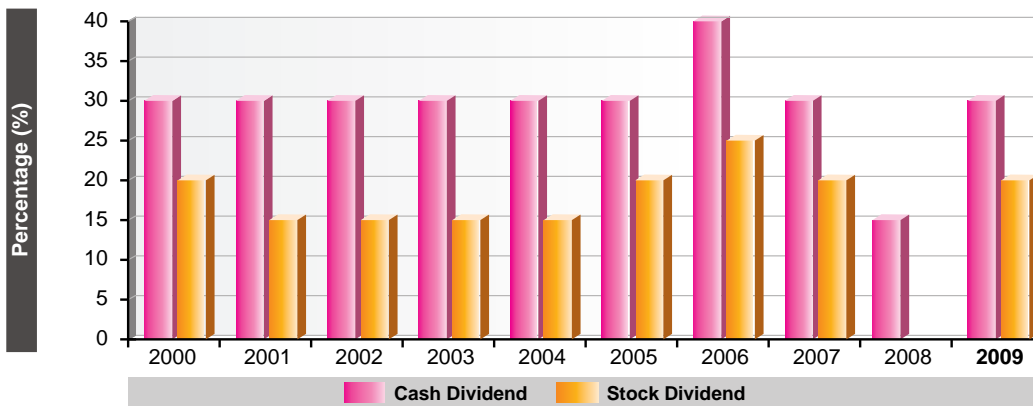


Performance at a Glance

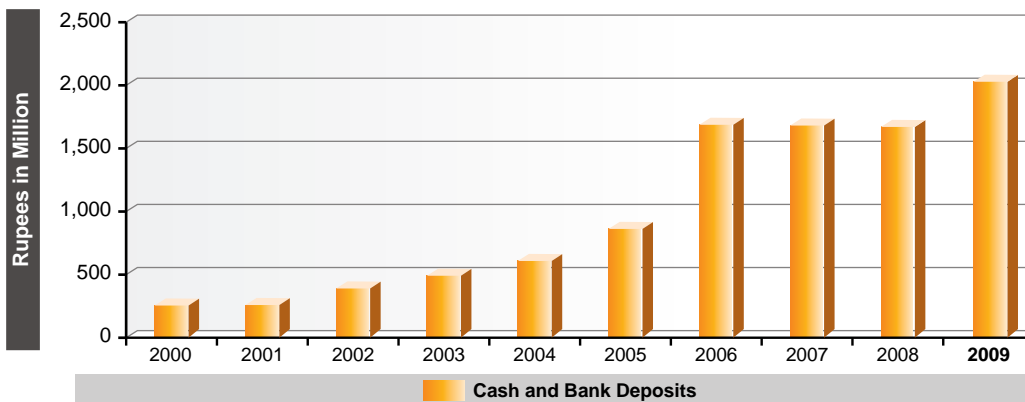
Earning / (Loss) Per Share: Before Tax and After Tax



Dividends

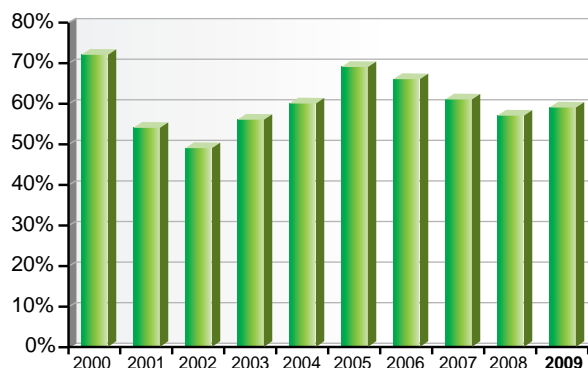


Cash and Bank Deposits

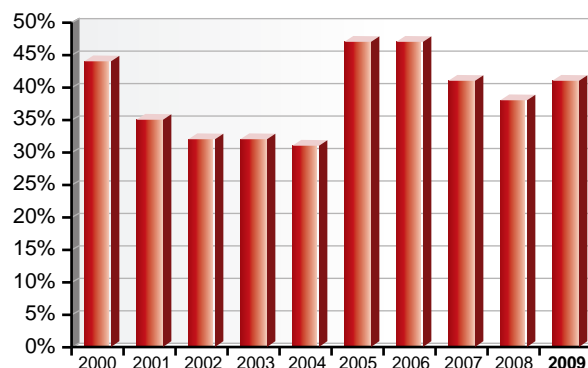




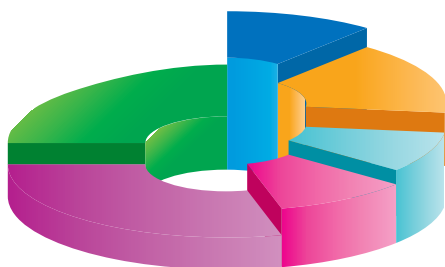
Liquid Assets / Total Assets %



Equity / Total Assets %



GROSS PREMIUM BUSINESS WISE - 2009



Fire	25%
Marine	11%
Motor	16%
Liability	9%
Accident & Health	10%
Miscellaneous	29%

NET PREMIUM BUSINESS WISE - 2009



Fire	25%
Marine	16%
Motor	28%
Liability	1%
Accident & Health	18%
Miscellaneous	12%



Balance Sheet and Profit & Loss Analysis

Vertical

Balance Sheet

	2009		2008	
	Rupees in '000	%	Rupees in '000	%
Cash and bank deposits	2,028,132	31.59	1,670,155	30.79
Loans to employees	294	0.00	364	0.01
Investments	1,753,158	27.31	1,430,217	26.36
Investment properties	149,653	2.33	123,822	2.28
Deferred taxation	31,978	0.50	35,974	0.66
Other assets	2,350,125	36.61	2,066,680	38.09
Fixed assets - Tangible and Intangible	106,549	1.66	97,960	1.81
Total Assets	6,419,889	100.00	5,425,172	100.00
Total Equity	2,621,006	40.83	2,061,314	38.00
Underwriting provisions	2,830,414	44.09	2,583,876	47.63
Staff retirement benefits	1,936	0.03	2,501	0.05
Creditors and accruals	680,877	10.61	526,783	9.71
Other Liabilities	285,656	4.45	250,698	4.62
Total Shareholders' Equity & Liabilities	6,419,889	100.00	5,425,172	100.00

Profit & Loss Account

Net premium revenue	2,297,720	100.00	2,186,443	100.00
Net claims	1,420,977	61.84	1,332,461	60.94
Expenses	534,982	23.28	506,324	23.16
Net commission	227,640	9.91	239,543	10.96
Investment income including rental & bank deposits returns	673,537	29.31	366,030	16.74
Other income including share of profit of an associates	4,842	0.21	17,397	0.80
General and administration expenses	20,602	0.90	19,553	0.89
Impairment in value of available for sale securities	-	-	651,142	29.78
Profit / (Loss) before tax	771,898	33.59	(179,153)	(8.19)
Taxation - net	(115,434)	(5.02)	(88,096)	(4.03)
Profit / (Loss) after tax	656,464	28.57	(267,249)	(12.22)

Horizontal

Balance Sheet

	2009	2008	2007	2006	2005
	Rupees in '000				
Cash and bank deposits	2,028,132	1,670,155	1,680,625	1,686,561	862,115
Loans to employees	294	364	433	314	858
Investments	1,753,158	1,430,217	1,955,892	1,261,854	1,071,853
Investment properties	149,653	123,822	76,197	72,935	73,591
Deferred taxation	31,978	35,974	62,570	36,394	34,645
Other Assets	2,350,125	2,066,680	1,975,757	1,262,179	730,133
Fixed assets - Tangible and Intangible	106,549	97,960	181,232	126,274	84,758
Total Assets	6,419,889	5,425,172	5,932,706	4,446,511	2,857,953
Total Equity	2,621,006	2,061,314	2,411,663	2,079,573	1,350,202
Underwriting Provisions	2,830,414	2,583,876	2,672,194	1,760,772	1,075,138
Staff retirement benefits	1,936	2,501	3,066	3,631	4,195
Creditors and accruals	680,877	526,783	567,741	529,053	296,126
Other Liabilities	285,656	250,698	278,042	73,482	132,292
Total Shareholders' Equity & Liabilities	6,419,889	5,425,172	5,932,706	4,446,511	2,857,953

Profit & Loss Account

Net premium revenue	2,297,720	2,186,443	1,818,775	1,486,429	917,118
Net claims	1,420,977	1,332,461	1,413,733	887,587	554,264
Expenses	534,982	506,324	405,432	330,344	240,913
Net commission	227,640	239,543	206,643	168,822	52,338
Investment income including rental & bank deposits returns	673,537	366,030	780,314	814,868	544,609
Other income including share of profit of an associates	4,842	17,397	9,629	28,522	6,990
General and administration expenses	20,602	19,553	7,869	9,111	6,795
Impairment in value of available for sale securities	-	651,142	-	-	-
Profit / (Loss) before tax	771,898	(179,153)	575,041	933,955	614,407
Taxation - net	(115,434)	(88,096)	13,415	(94,067)	(58,206)
Profit / (Loss) after tax	656,464	(267,249)	588,456	839,888	556,201



2007		2006		2005		2004	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
1,680,625	28.33	1,686,561	37.93	862,115	30.17	608,222	24.21
433	0.01	314	0.01	858	0.03	1,102	0.04
1,955,892	32.97	1,261,854	28.38	1,071,853	37.50	857,312	34.13
76,197	1.28	72,935	1.64	73,591	2.57	75,817	3.02
62,570	1.05	36,394	0.82	34,645	1.21	41,265	1.64
1,975,757	33.30	1,262,179	28.39	730,133	25.55	874,707	34.82
181,232	3.05	126,274	2.84	84,758	2.97	53,709	2.14
5,932,706	100.00	4,446,511	100.00	2,857,953	100.00	2,512,134	100.00
2,411,663	40.65	2,079,573	46.77	1,350,202	47.24	892,947	35.55
2,672,194	45.04	1,760,772	39.60	1,075,138	37.62	1,094,750	43.58
3,066	0.05	3,631	0.08	4,195	0.15	4,761	0.19
567,741	9.57	529,053	11.90	296,126	10.36	418,568	16.66
278,042	4.69	73,482	1.65	132,292	4.63	101,108	4.02
5,932,706	100.00	4,446,511	100.00	2,857,953	100.00	2,512,134	100.00
1,818,775	100.00	1,486,429	100.00	917,118	100.00	639,807	100.00
1,413,733	77.73	887,587	59.71	554,264	60.44	392,702	61.38
405,432	22.29	330,344	22.22	240,913	26.27	205,257	32.08
206,643	11.36	168,822	11.36	52,338	5.71	(25,725)	(4.02)
780,314	42.90	814,868	54.82	544,609	59.38	200,173	31.29
9,629	0.53	28,522	1.92	6,990	0.76	11,215	1.75
7,869	0.43	9,111	0.61	6,795	0.74	6,977	1.09
-	-	-	-	-	-	-	-
575,041	31.62	933,955	62.83	614,407	66.99	271,984	42.51
13,415	0.74	(94,067)	(6.33)	(58,206)	(6.35)	(65,836)	(10.29)
588,456	32.35	839,888	56.50	556,201	60.65	206,148	32.22

2004	% increase / (decrease) over preceding year					
	2009	2008	2007	2006	2005	2004
608,222	21.43	(0.62)	(0.35)	95.63	41.74	23.80
1,102	(19.23)	(15.94)	37.90	(63.40)	(22.14)	(8.09)
857,312	22.58	(26.88)	55.00	17.73	25.02	33.05
75,817	20.86	62.50	4.47	(0.89)	(2.94)	4.86
41,265	(11.11)	(42.51)	71.92	5.05	(16.04)	7.30
874,707	13.71	4.60	56.54	72.87	(16.53)	11.05
53,709	8.77	(45.95)	43.52	48.98	57.81	-
2,512,134	18.34	(8.55)	33.42	55.58	13.77	24.95
892,947	27.15	(14.53)	15.97	54.02	51.21	23.76
1,094,750	9.54	(3.31)	51.76	63.77	(1.79)	16.95
4,761	(22.59)	(18.43)	(15.56)	(13.44)	(11.89)	(10.59)
418,568	29.25	(7.21)	7.31	78.66	(29.25)	61.17
101,108	13.94	(9.83)	278.38	(44.45)	30.84	15.00
2,512,134	18.34	(8.55)	33.42	55.58	13.77	24.95
639,807	5.09	20.22	22.36	62.08	43.34	0.17
392,702	6.64	(5.75)	59.28	60.14	41.14	(4.02)
205,257	5.66	24.89	22.73	37.12	17.37	5.86
(25,725)	(4.97)	15.92	22.40	222.56	303.45	7,942.99
200,173	84.01	(53.09)	(4.24)	49.62	172.07	29.88
11,215	(72.17)	80.67	(66.24)	308.04	(37.67)	358.88
6,977	5.36	148.48	(13.63)	34.08	(2.61)	(0.81)
-	-	-	-	-	-	-
271,984	(530.86)	(131.15)	(38.43)	52.01	125.90	(17.36)
(65,836)	31.03	(756.70)	(114.26)	61.61	(11.59)	(32.27)
206,148	(345.64)	(145.42)	(29.94)	51.00	169.81	(11.11)



Statement of Value Added

Charming the Challenges

WEALTH GENERATED

	2009	2008
	(Rupees '000)	
Net premium revenue	2,297,720	2,186,443
Commission from reinsurers	136,871	112,993
Investment income	601,199	294,807
Rental income	90,835	93,073
Other income	6,228	10,773
Added from previously retained	-	416,182
	3,132,853	3,114,271

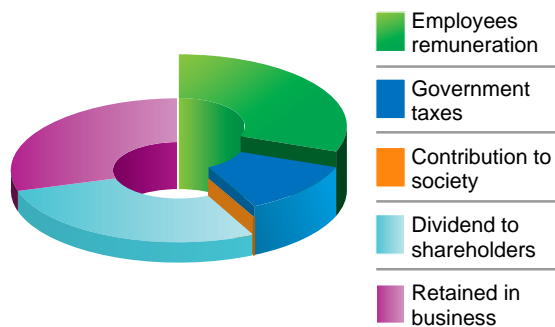
Less :

Claims, Commission and expenses (excluding employees remuneration, depreciation, and other taxes)	1,941,642	1,861,218
Impairment in value of available for sale securities	-	651,142
	1,941,642	2,512,360
Net Wealth Generated	1,191,211	601,911

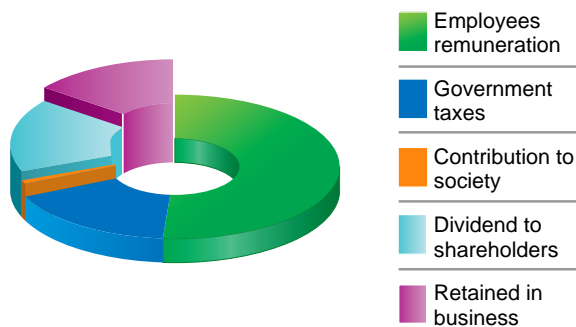
WEALTH DISTRIBUTION

Employees remuneration	365,814	307,973
Government taxes (including income tax, WWF, and others taxes)	141,003	102,237
Contribution to society	1,733	5,017
Dividend to shareholders		
- Cash	197,744	98,872
- Stock	131,830	-
	329,574	98,872
Retained in business		
- Depreciation and Amortisation	26,197	37,750
- Earnings	326,890	50,062
	353,087	87,812
	1,191,211	601,911

Distribution of wealth 2009



Distribution of wealth 2008





Results

First quarter ended 31 March 2009	Announced on	27 April 2009
Half year ended 30 June 2009	Announced on	25 August 2009
Third quarter ended 30 September 2009	Announced on	28 October 2009
Year ended 31 December 2009	Announced on	01 March 2010

Dividend

Final Cash (2009)	Announced on	01 March 2010
	Entitlement date	16 April 2010
	Statutory limit upto which payable	22 May 2010
Final Bonus Shares (2009)	Announced on	01 March 2010
	Entitlement date	16 April 2010
	Statutory limit upto which payable	22 May 2010
Final Cash (2008)	Announced on	11 March 2009
	Entitlement date	18 April 2009
	Statutory limit upto which payable	24 May 2009
	Paid on	23 May 2009

Issuance of Annual Report

31 March 2010

57th Annual General Meeting

23 April 2010



Statement of compliance with the code of corporate governance

for the year ended December 31, 2009

This statement is being presented to comply with the Code of corporate governance contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange and SRO 68(I)/2003 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its board of directors including those representing minority interest. At present the board includes eight (8) non-executive directors.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution and they are not a member of any stock exchange.
4. No casual vacancies occurred in the Board during the year 2009.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The board has developed a vision / mission statement and overall corporate strategy. Significant policies of the Company have been developed and approved by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.
10. All the Directors have either attended the orientation course or have been provided appropriate materials / guides in this regard and as such they are fully aware of their duties and responsibilities.
11. The Board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of CFO and Company Secretary during the year.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed.
17. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has set-up an effective internal audit function.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the company.
23. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.
24. We confirm that all other material principles contained in the Code have been complied.

By Order of the Board

TOWFIQ H. CHINOY
Chairman

Karachi: March 01, 2010

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

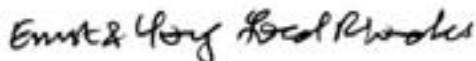
We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2009 prepared by the Board of Directors of New Jubilee Insurance Company Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company's 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 internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations 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 for the year ended 31 December 2009.



Chartered Accountants

Date: 01 March 2010

Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

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

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the Company for the year ended 31 December 2008 were audited by KPMG Taseer Hadi & Co. Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated 11 March 2009.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These 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 31 December 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 the Central Zakat Fund established under section 7 of the Ordinance.



Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 01 March 2010

Karachi



Balance Sheet

as at December 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Share capital and reserves			
Authorised share capital [100,000,000 Ordinary shares of Rs.10 each (December 31, 2008: 100,000,000 Ordinary shares of Rs.10 each)]		1,000,000	1,000,000
Paid-up share capital	6	659,148	659,148
Retained earnings / (Accumulated loss)		706,526	(151,066)
Reserves	7	1,255,332	1,553,232
		2,621,006	2,061,314
Underwriting provisions			
Provision for outstanding claims (including IBNR)		1,315,996	1,190,064
Provision for unearned premium		1,459,923	1,345,366
Commission income unearned		54,495	48,446
Total underwriting provisions		2,830,414	2,583,876
Deferred liabilities			
Staff retirement benefits		1,936	2,501
Creditors and accruals			
Premiums received in advance		41,548	18,933
Amounts due to other insurers / reinsurers		168,547	146,696
Accrued expenses		17,591	28,874
Taxation-provision less payments	8	65,888	-
Other creditors and accruals	9	387,303	332,280
		680,877	526,783
Other liabilities			
Deposits and other payables	10	267,224	234,137
Unclaimed dividend		18,432	16,561
		285,656	250,698
TOTAL LIABILITIES		3,798,883	3,363,858
TOTAL EQUITY AND LIABILITIES		6,419,889	5,425,172
CONTINGENCIES	11		

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director

Balance Sheet



as at December 31, 2009

Charming the Challenges

	Note	2009	2008
(Rupees in '000)			
Cash and bank deposits	12		
Cash and other equivalents		3,962	2,834
Current and other accounts		727,704	428,915
Deposits maturing within 12 months		1,296,466	1,238,406
		2,028,132	1,670,155
Loans to employees	13	294	364
Investments	14	1,753,158	1,430,217
Investment properties	15	149,653	123,822
Deferred taxation	16	31,978	35,974
Current assets - others			
Premiums due but unpaid	17	723,468	714,385
Amounts due from other insurers / reinsurers	18	165,624	181,303
Reinsurance recoveries due but unpaid		131,530	20,035
Salvage recoveries accrued		27,847	27,617
Accrued investment income		17,890	26,626
Reinsurance recoveries against outstanding claims	19	462,921	365,729
Taxation- payments less provision	8	-	14,551
Deferred commission expense		140,213	136,978
Prepayments	20	613,666	513,058
Sundry receivables	21	66,966	66,398
		2,350,125	2,066,680
Fixed assets	22		
Tangible and intangible			
Buildings		5,293	-
Furniture and fixtures		31,501	31,544
Office equipment		52,687	44,143
Computer equipment		9,573	10,811
Vehicles		4,816	8,239
Computer softwares		2,679	3,223
		106,549	97,960
TOTAL ASSETS		6,419,889	5,425,172


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)



Profit & Loss Account

Charming the Challenges

for the year ended December 31, 2009

								2009	2008
	Fire and property	Marine, aviation and transport	Motor	Liability	Accident and health	Others	Treaty	Aggregate	Aggregate
Note	(Rupees in '000)								
Revenue account									
Net premium revenue	583,995	364,117	644,299	31,480	399,001	274,831	(3)	2,297,720	2,186,443
Less:									
Net claims	334,281	148,360	386,156	855	314,558	233,345	3,422	1,420,977	1,332,461
Expenses	24 135,972	84,778	150,013	7,330	92,900	63,989	-	534,982	506,324
Net commission	96,125	62,293	57,039	(3,573)	12,020	3,737	(1)	227,640	239,543
Underwriting result	17,617	68,686	51,091	26,868	(20,477)	(26,240)	(3,424)	114,121	108,115
Investment income								452,253	181,707
Rental income	25							76,994	83,200
Return on bank deposits								144,290	101,123
Other income	26							6,228	10,773
General and administration expenses	27							(20,602)	(19,553)
Share in (loss) / profit of an associate	14.1.2							(1,386)	6,624
Impairment in value of available for sale securities								-	(651,142)
Profit / (loss) before tax								771,898	(179,153)
Taxation - net	28							(115,434)	(88,096)
Profit / (loss) after tax								656,464	(267,249)
Profit and loss appropriation account:									
Balance at commencement of the year								(151,066)	658,434
Profit / (loss) after tax for the year								656,464	(267,249)
Transfer from / (to) general reserve								300,000	(350,000)
Issuance of bonus shares for the year 2008: Nil [2007: 20% per share of Rs.10 each]								-	(109,858)
Final cash dividend for the year 2008: Rs.1.50 (15%) per share of Rs.10 each [2007: Rs.1.50 (15%) per share of Rs.10 each]								(98,872)	(82,393)
								857,592	(809,500)
Balance of unappropriated profit / (loss) at end of the year								706,526	(151,066)
Earnings / (loss) per share of Rs.10 each - basic and diluted	(note 38)						Rupees	9.96	(4.05)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Towfiq H. Chinoy
Chairman

Akbarali Hashwani
Director

John Joseph Metcalf
Director

Tahir Ahmed
Managing Director
(Chief Executive)

Statement of Changes in Equity

for the year ended December 31, 2009



Charming the Challenges

	Share capital	Reserves						Total
	Issued, subscribed and paid-up	Capital reserves	Revenue reserves			Company's share of capital contributed to statutory funds by an associate	Total reserves	
		Reserve for exceptional losses	General reserve	Retained earnings/ (accumulated loss)	Total			
(Rupees in '000)								
Balance as at January 01, 2008	549,290	9,384	1,200,000	658,434	1,858,434	(5,445)	1,862,373	2,411,663
Company's share of capital contributed to statutory funds by an associate	-	-	-	-	-	(707)	(707)	(707)
Loss for the year ended December 31, 2008	-	-	-	(267,249)	(267,249)	-	(267,249)	(267,249)
Appropriations:								
- Final cash dividend	-	-	-	(82,393)	(82,393)	-	(82,393)	(82,393)
- Issuance of bonus shares	109,858	-	-	(109,858)	(109,858)	-	(109,858)	-
- Transfer to general reserve	-	-	350,000	(350,000)	-	-	-	-
	109,858	-	350,000	(542,251)	(192,251)	-	(192,251)	(82,393)
Balance as at December 31, 2008	659,148	9,384	1,550,000	(151,066)	1,398,934	(6,152)	1,402,166	2,061,314
Company's share of capital contributed to statutory funds by an associate	-	-	-	-	-	2,100	2,100	2,100
Profit for the year ended December 31, 2009	-	-	-	656,464	656,464	-	656,464	656,464
Appropriations:								
- Final cash dividend	-	-	-	(98,872)	(98,872)	-	(98,872)	(98,872)
- Issuance of bonus shares	-	-	-	-	-	-	-	-
- Transfer from general reserve	-	-	(300,000)	300,000	-	-	-	-
	-	-	(300,000)	201,128	(98,872)	-	(98,872)	(98,872)
Balance as at December 31, 2009	659,148	9,384	1,250,000	706,526	1,956,526	(4,052)	1,961,858	2,621,006

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)



Statement of Cash Flows

for the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Premiums received	4,044,175	3,515,743
Reinsurance premiums paid	(1,698,895)	(1,361,670)
Claims paid	(1,825,386)	(2,092,693)
Reinsurance and other recoveries received	337,103	508,393
Commissions paid	(323,040)	(319,369)
Commissions received	142,920	108,175
Other underwriting payments (management expenses)	(523,338)	(480,085)
Net cash inflow / (outflow) from underwriting activities	153,539	(121,506)
(b) Other operating activities		
Income tax paid	(30,999)	(43,670)
General expenses paid	(4,235)	(13,752)
Other operating payments	(471,422)	(232,525)
Other operating receipts	569,494	308,519
Loans advanced	(789)	(824)
Loans repayment received	963	873
Net cash inflow from other operating activities	63,012	18,621
Total cash inflow / (outflow) from all operating activities	216,551	(102,885)
Investment activities		
Profit / return received	175,466	103,644
Dividends received	76,849	69,747
Rentals received - net of expenses	36,631	19,120
Payments for purchase of investments / investment property	(2,898,670)	(1,659,363)
Proceeds from disposal of investments	2,853,427	1,586,394
Fixed capital expenditure	(35,532)	(37,086)
Proceeds from disposal of fixed assets	5,256	90,978
Total cash inflow from investing activities	213,427	173,434
Financing activities		
Dividends paid	(97,001)	(81,019)
Total cash (outflow) from financing activities	(97,001)	(81,019)
Net cash inflow / (outflow) from all activities	332,977	(10,470)
Cash at beginning of the year	1,669,855	1,680,325
Cash at end of the year	2,002,832	1,669,855

Statement of Cash Flows

for the year ended December 31, 2009



Charming the Challenges

Reconciliation to profit and loss account

Operating cash flows	216,551	(102,885)
Depreciation / amortisation expense	(22,166)	(26,474)
Profit on disposal of fixed assets	479	2,112
Profit on disposal of investments	355,794	98,571
Dividend income	79,205	69,775
Rental income	76,994	83,200
Other investment income / (loss)	160,283	(531,134)
Provision against doubtful balance	(6,000)	-
Increase in assets other than cash	272,882	52,286
(Increase) / decrease in liabilities other than running finance	(477,558)	87,300

2009

2008

(Rupees in '000)

Profit / (loss) after taxation

656,464

(267,249)

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and bank deposits

Cash and other equivalents

Cash	285	216
Policy stamps and bond papers in hand	3,677	2,618
	3,962	2,834

Current and other accounts

Current accounts	110,676	138,841
PLS savings accounts	617,028	290,074
	727,704	428,915

Deposits maturing within 3 months (encashable on demand)


Term deposits *	1,271,166	1,238,106
	2,002,832	1,669,855

* This does not include term deposits amounting to Rs.25 million (2008:Nil) having maturity exceeding three months and those deposits placed under lien amounting to Rs.0.3 million (2008:Rs.0.3 million). (note 12.2).

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)



Statement of Premiums

for the year ended December 31, 2009

Business underwritten inside Pakistan

Class	Premiums written (note 23)	Unearned premium reserve		Premiums earned	Re-insurance ceded	Prepaid reinsurance premium		Re-insurance expenses	2009 Net premium revenue	2008 Net premium revenue
		Opening	Closing			Opening	Closing			
(Rupees in '000)										
Direct and facultative										
1. Fire and property damage	1,024,984	430,771	404,508	1,051,247	455,287	192,369	180,404	467,252	583,995	494,427
2. Marine, aviation and transport	437,604	38,033	49,567	426,070	62,415	4,683	5,145	61,953	364,117	396,408
3. Motor	640,937	277,639	260,268	658,308	12,553	6,703	5,247	14,009	644,299	688,345
4. Liability	357,893	26,968	60,586	324,275	327,412	17,308	51,925	292,795	31,480	18,457
5. Accident and health	409,762	189,322	200,083	399,001	-	-	-	-	399,001	362,306
6. Miscellaneous	1,159,466	382,633	484,911	1,057,188	863,079	279,162	359,884	782,357	274,831	226,567
Total	4,030,646	1,345,366	1,459,923	3,916,089	1,720,746	500,225	602,605	1,618,366	2,297,723	2,186,510
Treaty										
7. Proportional / non-proportional	(3)	-	-	(3)	-	-	-	-	(3)	(67)
Grand total	4,030,643	1,345,366	1,459,923	3,916,086	1,720,746	500,225	602,605	1,618,366	2,297,720	2,186,443

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)

Statement of Claims

for the year ended December 31, 2009



Charming the Challenges

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Re-insurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Re-insurance and other recoveries revenue	2009 Net claims expense	2008 Net claims expense
		Opening	Closing			Opening	Closing			
(Rupees in '000)										
Direct and facultative										
1. Fire and property damage	476,243	332,847	362,116	505,512	143,165	96,422	124,488	171,231	334,281	255,952
2. Marine, aviation and transport	186,901	187,758	158,533	157,676	22,038	39,929	27,207	9,316	148,360	168,010
3. Motor	388,113	244,234	248,154	392,033	4,476	27,499	28,900	5,877	386,156	458,092
4. Liability	1,614	3,159	5,034	3,489	1,325	2,170	3,479	2,634	855	17,929
5. Accident and health	296,520	38,691	56,729	314,558	-	-	-	-	314,558	249,343
6. Miscellaneous	472,573	383,375	485,430	574,628	261,915	227,326	306,694	341,283	233,345	182,919
Total	1,821,964	1,190,064	1,315,996	1,947,896	432,919	393,346	490,768	530,341	1,417,555	1,332,245
Treaty										
7. Proportional / non-proportional	3,422	-	-	3,422	-	-	-	-	3,422	216
Grand Total	1,825,386	1,190,064	1,315,996	1,951,318	432,919	393,346	490,768	530,341	1,420,977	1,332,461

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)



Statement of Expenses

for the year ended December 31, 2009

Business underwritten inside Pakistan

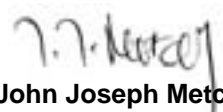
Class	Commission paid or payable	Deferred commission		Net commission expenses	Other management expenses (note 24)	Under-writing expenses	Commission from reinsurers*	2009 Net under-writing expense	2008 Net under-writing expense
		Opening	Closing						
(Rupees in '000)									
Direct and facultative									
1. Fire and property damage	142,784	60,582	58,283	145,083	135,972	281,055	48,958	232,097	199,672
2. Marine, aviation and transport	66,456	6,287	7,768	64,975	84,778	149,753	2,682	147,071	166,908
3. Motor	57,781	25,925	26,577	57,129	150,013	207,142	90	207,052	227,865
4. Liability	10,817	2,235	4,112	8,940	7,330	16,270	12,513	3,757	2,180
5. Accident and health	13,185	5,544	6,709	12,020	92,900	104,920	-	104,920	93,559
6. Miscellaneous	76,724	36,405	36,764	76,365	63,989	140,354	72,628	67,726	55,710
Total	367,747	136,978	140,213	364,512	534,982	899,494	136,871	762,623	745,894
Treaty									
7. Proportional / non-proportional	(1)	-	-	(1)	-	(1)	-	(1)	(27)
Grand total	367,746	136,978	140,213	364,511	534,982	899,493	136,871	762,622	745,867

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

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)

Statement of Investment Income

for the year ended December 31, 2009




Charming the Challenges

	2009	2008
	(Rupees in '000)	
Income from non-trading investments		
Held to maturity		
Return on Government Securities	14,150	14,150
Return on other fixed income securities and Term finance certificates	11,976	6,365
Amortisation of premium	(2,830)	(2,901)
	23,296	17,614
Available for sale		
Dividend income		
Related parties	5,760	1,592
Others	73,445	68,183
	79,205	69,775
	102,501	87,389
Gain on sale of non-trading investments	355,794	99,671
Investment related expenses	(6,042)	(5,353)
Net investment income	452,253	181,707

The annexed notes from 1 to 42 form an integral part of these financial statements.


Towfiq H. Chinoy
 Chairman


Akbarali Hashwani
 Director


John Joseph Metcalf
 Director


Tahir Ahmed
 Managing Director
 (Chief Executive)



Notes to the Financial Statements

1 STATUS AND NATURE OF BUSINESS

New Jubilee Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on May 16, 1953. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in general insurance business. The registered office of the Company is situated at 2nd Floor, Jubilee Insurance House, I. I. Chundrigar Road, Karachi.

2 BASIS OF PREPARATION AND MEASUREMENT

- 2.1 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.
- 2.2 These financial statements have been prepared under the historical cost convention.

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 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 SECP as aforesaid, have not been considered in the preparation of these financial statements.

3.2 Accounting standards not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IAS - 24 Related Party Disclosures (Revised 2009)	January 01, 2011
IAS - 27 Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged items	July 01, 2009
Amendments to IAS 32 Financial Instruments: Presentation - Classification of Right Issues	February 01, 2010
Amendments to IFRIC 14 IAS 19 Limit on a Defined Benefit Assets. Minimum Funding Requirements and their Interaction	January 01, 2011
IFRIC 17 – Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that adoption of such standards / interpretations and improvements to such standards or interpretation will not have any material impact on the Company's financial statements in the period of initial application.

Furthermore, International Accounting Standard-1 (IAS-1) (Revised) "Presentation of Financial Statements" was effective for financial years beginning on or after January 01, 2009. However, since the Company has followed the format of financial statement as prescribed by the Securities and Exchange Commission of Pakistan through SEC (Insurance) Rules, 2002 vide its S.R.O. 938 dated December 12, 2002, therefore changes introduced through

IAS-1 (Revised) have not been taken into consideration in preparation of these financial statements.



4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgment / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of insurance contracts (note 5.2);
- (b) provision for outstanding claims (including IBNR) (note 5.6);
- (c) premium deficiency reserve (note 5.7);
- (d) accounting for staff retirement benefits (note 5.8);
- (e) classification of investments (note 5.9);
- (f) determining the residual values and useful lives of fixed assets and investment properties (note 5.10 and 5.11);
- (g) management expenses (note 5.17);
- (h) recognition of taxation and deferred tax (note 5.18);
- (i) segment reporting (note 5.19);
- (j) impairment (note 5.22 and 5.23); and
- (k) provisions (note 5.24).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Adoption of new and amended International Financial Reporting Standards (IFRSs)

The Company has adopted the following new and amended IFRSs 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.

- 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.



- **IFRS-4 Insurance Contracts**

IFRS-4 requires a company to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test and impairment of reinsurance assets by objective evidence. Further, it requires additional disclosure relating to identification and explanation of amounts in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. Due to application of this standard, certain additional disclosures have been presented in 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 new disclosures have been included in these financial statements.

5.2 **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 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
- Liability
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.



Liability insurance contracts protect the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions and crop insurance etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer 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).

5.3 Reinsurance Contracts Held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

5.4 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by SEC (Insurance) Rules, 2002. The unearned portion of premium income is recognized as liability.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

5.5 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an 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.

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

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.



Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgment and the Company's prior experience.

The Company takes advice from actuary for the determination of IBNR claims at the year end. The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic claim lag triangle method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

5.7 **Premium deficiency reserve**

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date.

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 are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

5.8 **Staff retirement benefits**

5.8.1 **Defined benefit plan**

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out for the year ended 31 December 2009 using the Projected Unit Credit Method. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligations) are recognized over the average remaining service life of the employees.



5.8.2 **Defined contribution plan**

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 8.33 percent of basic salary.

5.8.3 **Employees' compensated absences**

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

5.9 **Investments**

5.9.1 **Recognition**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

5.9.2 **Measurement**

5.9.2.1 **Investment at fair value through profit or loss**

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

5.9.2.2 **Held to maturity**

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

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.



5.9.2.3 Available-for-sale

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

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs.348.87 million and the net equity would have increased by the same amount.

Unquoted

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

5.9.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which have not been recognised in the associate's profit and loss account, are recognised directly in the equity of the Company.

5.9.2.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

5.10 Investment property

Investment properties are accounted for under the cost model in accordance with approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.



- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life, which is estimated to be 40 - 80 years.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 10 percent under the straight line method.

Depreciation policy, subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

5.11 Fixed assets

5.11.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22.1 to the financial statements. The assets' residual values, useful lives and method are reviewed and adjusted if appropriate at each financial year end.

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

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

5.11.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22.2 to the financial statements.

Amortisation is calculated from the month the assets are available for use. While on disposal, amortisation is charged up to the month in which the assets are disposed off.

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



5.12 Premium income

Premiums including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognised as a liability.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognised as a prepayment.

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

5.13 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

5.14 Rental income

Rental income from investment properties is recognised on accrual basis.

5.15 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.
- Dividend income is recognised when the company's right to receive the payment is established.
- Gain / loss on sale of available for sale investments is included in income currently.
- Return on fixed income securities classified as available for sale is recognised on a time proportion basis taking into account the effective yield on the investments.
- Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.



5.16 **Dividend declaration and reserve appropriation**

Dividend declaration and reserve appropriation are recognized when approved.

5.17 **Expenses of management**

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

5.18 **Taxation**

5.18.1 **Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

5.18.2 **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax 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 the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

5.19 **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 as the primary reporting format.



Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 5.2.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

5.20 **Currency transactions**

5.20.1 **Functional and presentational currency**

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

5.20.2 **Foreign currency translations**

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.21 **Offsetting of financial assets and liabilities**

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

5.22 **Impairment**

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. In addition impairment on available for sale investments, associates and reinsurance assets are recognised as follows:

Available for sale

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.



Associates

The Company determines that a significant or prolonged decline in the fair value of its investments in associates below their cost is an objective evidence of impairment. The impairment loss is recognized when the carrying value exceeds higher of fair value less cost to sell or value in use.

Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.23 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5.24 Financial instruments

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

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income currently.

6 SHARE CAPITAL

Issued, subscribed and paid-up

2009	2008		2009	2008
(Number of Shares in '000)			(Rupees in '000)	
210	210	Ordinary shares of Rs.10 each issued as fully paid in cash	2,100	2,100
65,705	65,705	Ordinary shares of Rs.10 each issued as fully paid bonus shares	657,048	657,048
65,915	65,915		659,148	659,148

Shares of the Company held by associates amounted to Rs.425.247 million (42,524,657 shares of Rs.10 each) [December 31, 2008: Rs.424.695 million (42,469,489 shares of Rs.10 each)].



7 RESERVES		2009	2008
		(Rupees in '000)	
Capital reserves			
Reserve for exceptional losses	7.1	9,384	9,384
Revenue reserves			
General reserve	7.2	1,250,000	1,550,000
Company's share of capital contributed to statutory funds by an associate		(4,052)	(6,152)
		1,255,332	1,553,232
7.1	Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts upto 10 percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect to the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserves created upto December 31, 1978.		
7.2	General reserve		
		1,550,000	1,200,000
		(300,000)	350,000
		1,250,000	1,550,000

8 TAXATION

- 8.1 The Company has filed returns upto tax year 2009. The income tax assessments of the Company have been finalised upto and including assessment year 2002-2003 and tax year 2004. The returns filed for tax years 2003, 2005, 2006, 2007 and 2009 are also deemed to be orders under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities. Return filed for the tax year 2008 has been selected for tax audit and proceedings are currently underway.
- 8.2 In the assessment order for the assessment year 2002-2003, made in prior years, certain items have been disallowed and further additional tax has been levied. The appeal against the order filed before the Commissioner of Income Tax (Appeals) has been decided mostly in favour of the Company. The Company has filed an appeal before the Income Tax Appellate Tribunal (ITAT) against the disallowance of certain items amounting to Rs.31.7 million. No provision amounting to Rs.11.11 million (December 31, 2008: Rs.11.11 million) in this respect has been made in these financial statements as the management and tax advisor of the Company are confident of favourable outcome against the appeal.
- 8.3 During prior years, the Taxation Officer passed an assessment order in respect of tax year 2004 consequent to finalisation of tax audit proceedings where disallowances have been made on account of bad debts written off, amortisation of negative goodwill and allocation of expenses against dividend income. Further, the claim of tax credits has also not been allowed in full. The Company filed an appeal before the Commissioner of Income Tax (Appeals) who maintained the order passed by the Taxation Officer except allocation of expenses against dividend income. The Company has filed an appeal before the Income Tax Appellate Tribunal (ITAT) which is pending adjudication. Income tax amounting Rs.54.4 million in this respect has been recorded by the Company in prior years.
- 8.4 During the current year, the taxation officer has passed an order along with notice of demand under section 161/205 and 137(2) of the Income Tax Ordinance, 2001, for Rs.25.2 million on account of non deduction of withholding tax on payment of premium to non-resident reinsurer for the tax year 2009. The Company has filed a writ petition in the High Court of Sindh against the order on which the stay has been granted by the court. The Company has also filed an appeal with the Commissioner Income Tax (Appeals) which is pending adjudication. No provision for Rs.25.2 million is recorded in these financial statements as the Company is confident of favourable outcome of both the appeals.



9 OTHER CREDITORS AND ACCRUALS	2009	2008
	(Rupees in '000)	
Federal excise duty	21,085	19,059
Federal insurance fee	920	1,089
Workers welfare fund	21,239	5,801
Tax deducted at source	647	1,240
Premiums and commissions payable	323,513	286,689
Miscellaneous	19,899	18,402
	387,303	332,280

10 DEPOSITS AND OTHER PAYABLES		
Advance rent	42,430	86,834
Security deposits against bond insurance	224,702	147,185
Other deposits	92	118
	267,224	234,137

11 CONTINGENCIES

Contingencies in respect of income tax are disclosed in notes 8.2 and 8.4.

12 CASH AND BANK DEPOSITS		
Cash and other equivalents		
Cash	285	216
Policy stamps and bond papers in hand	3,677	2,618
	3,962	2,834
Current and other accounts		
Current accounts	110,676	138,841
PLS savings accounts	617,028	290,074
	727,704	428,915
Deposits maturing within 12 months		
Term deposits certificates	12.1 & 12.2 1,296,466	1,238,406
	2,028,132	1,670,155

12.1 The rate of return on Term Deposit Certificates issued by various banks range from 5% to 12.75% (December 31, 2008: 2% to 19.25%) per annum due on maturity. These Term Deposit Certificates have maturities upto June 30, 2010.

12.2 Included herein is a sum of Rs.0.3 million (2008: Rs.0.3 million) placed under lien with a commercial bank.

13 LOANS TO EMPLOYEES			
Considered good			
Secured	13.1	558	642
Unsecured	13.2	256	346
		814	988
Less: Current portion	21	520	624
		294	364



- 13.1 These represent loans provided to employees for the purchase of motor vehicles at the mark up rate of 6 percent per annum and are recoverable in four to five years. These are secured against motor vehicles.
- 13.2 These represents interest free loans to employees for general purposes in accordance with the terms of their employment and are recoverable within one year.
- 13.3 The maximum amount due from executives calculated with reference to month-end balances was Nil (2008: Nil).

		2009	2008
		(Rupees in '000)	
14	INVESTMENTS		
In related parties			
	Investment in an associate - equity method accounting	14.1	30,675
	Available for sale - quoted	14.4.1	56,591
			87,266
			29,961
			256,717
			286,678
Others			
Held to maturity			
	Government securities	14.2	135,868
	Term finance certificates - quoted	14.3	72,987
Available for sale			
	Quoted	14.4.2	1,454,537
	Unquoted		2,500
			1,665,892
			1,143,539
			1,753,158
			1,430,217

14.1 **Investment in an associate - equity method accounting**

14.1.1 **Particulars of investment in associate - listed**

Number of shares		Face value per share (Rupees)	Name of associate
2009	2008		
4,032,766	4,032,766	10	New Jubilee Life Insurance Company Limited Incorporated in Pakistan (Chief Executive: Mr. Javed Ahmed)
			30,675
			29,961

Market value of investment and percentage of holding in associate is Rs.178.29 million and 6.43% respectively (December 31, 2008: Rs.182.00 million and 6.43%).



14.1.2 **Movement of investment in associate**

	2009	2008
	(Rupees in '000)	
Beginning of the year	29,961	26,060
Share in (loss) / profit upto September 30	(1,386)	6,624
Less: Dividend received	-	2,016
	(1,386)	4,608
Share in net equity as at September 30	2,100	(707)
Closing balance	30,675	29,961

14.1.3 Following information has been summarised based on financial statements as at September 30, 2009 (2008: September 30, 2008) of the associate:

Total assets	7,612,867	5,888,878
Total liabilities	7,135,824	5,422,938
Net assets	477,043	465,940
Share of net assets	30,675	29,961
Revenue		3,139,023
2,562,557		
Profit after tax	60,481	27,068

14.2 **Government securities**

Face value (Rupees)	Profit rate%	Profit payment	Particulars	Maturity date		
50,000,000	10	Semi annually	Pakistan Investment Bond - 20 years	20-01-2024	58,153	58,458
50,000,000	12	Semi annually	Pakistan Investment Bond - 10 years	24-12-2011	53,355	54,856
22,500,000	14	Semi annually	Pakistan Investment Bond - 10 years	18-04-2011	24,360	25,684
					135,868	138,998

Market value of Pakistan Investment Bonds is Rs.113.34 million (December 31, 2008: Rs.99.64 million). Market values are determined based on quotations obtained from brokers.

Pakistan Investment Bonds amounting to Rs.66 (2008: Rs.66) million are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.



14.3 **Term Finance Certificates - quoted**

Number of certificates		Face value per certificate (Rupees)	Type of security	2009	2008
2009	2008			(Rupees in '000)	
10,000	10,000	5,000	Bank Al Habib Limited	49,950	49,970
5,056	5,056	5,000	United Bank Limited	23,037	22,747
				72,987	72,717

Market value of quoted term finance certificates is Rs.72.29 million (December 31, 2008: Rs.66.72 million). The market values are determined as per rates quoted by Mutual Funds Association of Pakistan on December 31, 2009.

Details of term finance certificates are as follows:

Particulars	Profit rate per annum	Profit payment	Maturity date
Bank Al Habib Limited	Base rate plus 1.95% per annum	Semi-annually	06-02-2015
United Bank Limited	6 months KIBOR plus 0.85% per annum	Semi-annually	14-02-2018

14.4 **Available for sale securities - quoted**

14.4.1 **In related parties**

	2009	2008
	(Rupees in '000)	
Cost	56,591	383,498
Less: Impairment during the year	-	(126,781)
	56,591	256,717

14.4.2 **Others**

Cost	1,454,537	1,453,685
Less: Impairment during the year	-	(524,361)
	1,454,537	929,324

14.4.3 Market value of quoted available for sale investments is Rs.1,860.00 million (December 31, 2008: Rs.1,275.75 million).



15 INVESTMENT PROPERTIES

	2009							Useful life
	Cost			Depreciation			Written down value as at December 31, 2009	
	As at January 01, 2009	Additions (disposals)	As at December 31, 2009	As at January 01, 2009	For the year / (disposal)	As at December 31, 2009		
(Rupees in '000)								
Leasehold land	34,164	-	34,164	-	-	-	34,164	-
Building on leasehold land	81,340	24,093	105,433	5,409	2,121	7,530	97,903	40-80 years
Lifts and other installations	19,595	5,891	25,486	5,868	2,032	7,900	17,586	10 years
	135,099	29,984	165,083	11,277	4,153	15,430	149,653	

	2008							Useful life
	Cost			Depreciation			Written down value as at December 31, 2008	
	As at January 01, 2008	Additions (disposals)	As at December 31, 2008	As at January 01, 2008	For the year / (disposal)	As at December 31, 2008		
(Rupees in '000)								
Leasehold land	34,164	-	34,164	-	-	-	34,164	-
Building on leasehold land	39,527	41,813	81,340	4,568	841	5,409	75,931	40-80 years
Lifts and other installations	12,782	9,128 (2,315)	19,595	5,708	1,317 (1,157)	5,868	13,727	10 years
	86,473	50,941 (2,315)	135,099	10,276	2,158 (1,157)	11,277	123,822	

15.1 The market value of the investment properties as per valuations carried out by professional valuers in 2009 is Rs.1,408.14 million.

2009	2008
(Rupees in '000)	
(11,357)	(5,122)
43,657	41,557
(322)	(461)
31,978	35,974

16 DEFERRED TAXATION

Deferred tax debits / (credits) arising in respect of:

Accelerated depreciation
 Provision for doubtful debts
 Share of profit from associate

(11,357)	(5,122)
43,657	41,557
(322)	(461)
31,978	35,974



		Note	2009	2008
17	PREMIUMS DUE BUT UNPAID		(Rupees in '000)	
	Unsecured			
	Considered good		723,468	714,385
	Considered doubtful		70,274	64,274
			793,742	778,659
	Less: Provision for doubtful balances	17.1	70,274	64,274
			723,468	714,385
17.1	Provision for doubtful balances			
	Opening balance		64,274	64,274
	Provision made during the year	24	6,000	-
			70,274	64,274
18	AMOUNTS DUE FROM OTHER INSURERS / REINSURERS			
	Unsecured			
	Considered good		165,624	181,303
	Considered doubtful		54,459	54,459
			220,083	235,762
	Less: Provision for doubtful balances		54,459	54,459
			165,624	181,303
19	REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS			
	These are unsecured and considered good.			
20	PREPAYMENTS			
	Prepaid reinsurance premium ceded		602,605	500,225
	Rent		7,817	9,494
	Miscellaneous expenses		3,244	3,339
			613,666	513,058
21	SUNDRY RECEIVABLES			
	Current portion of long term loans	13	520	624
	Advances to suppliers and contractors		3,075	21,869
	Rent receivable		1,437	1,326
	Security deposits		6,187	5,490
	Sales tax recoverable		1,444	-
	Other advances - considered good		8,182	12,089
	Receivable against sale of shares		46,121	25,000
			66,966	66,398



22 FIXED ASSETS

22.1 Tangible assets

	2009									
	Cost				Depreciation				Written down value as at 31 December 2009	Depreciation rate %
	As at 1 January 2009	Additions / (disposals)	Adjustment	As at 31 December 2009	As at 1 January 2009	For the year / (disposals)	Adjustment	As at 31 December 2009		
	(Rupees in '000)									
Buildings	-	5,308	-	5,308	-	15	-	15	5,293	3
		-				-				
Furniture and fixtures	52,703	7,306 (5,055)	(77)	54,877	21,159	6,256 (4,030)	(9)	23,376	31,501	17
Office equipment	72,461	19,928 (1,904)	(321)	90,164	28,318	10,352 (927)	(266)	37,477	52,687	17-20
Computer equipment	31,552	2,624 (28)	-	34,148	20,741	3,854 (20)	-	24,575	9,573	25
Vehicles	13,230	47 (4,180)	-	9,097	4,991	703 (1,413)	-	4,281	4,816	20
	169,946	35,213 (11,167)	(398)	193,594	75,209	21,180 (6,390)	(275)	89,724	103,870	

	2008									
	Cost				Depreciation				Written down value as at 31 December 2008	Depreciation rate %
	As at 1 January 2008	Additions / (disposals)	Adjustment	As at 31 December 2008	As at 1 January 2008	For the year / (disposals)	Adjustment	As at 31 December 2008		
	(Rupees in '000)									
Furniture and fixtures	37,651	15,799 (1,003)	256	52,703	17,167	4,842 (850)	-	21,159	31,544	17
Office equipment	65,216	14,718 (2,163)	(5,310)	72,461	21,409	8,023 (1,080)	(34)	28,318	44,143	17-20
Computer equipment	27,260	4,365 (22)	(51)	31,552	16,768	4,029 (3)	(53)	20,741	10,811	25
Vehicles	133,161	197 (120,802)	674	13,230	28,992	8,516 (33,191)	674	4,991	8,239	20
	263,288	35,079 (123,990)	(4,431)	169,946	84,336	25,410 (35,124)	587	75,209	94,737	



22.2 Intangible assets

	Cost				Depreciation				Written down value as at 31 December	Amortisation period
	As at 1 January	Additions	Adjustment	As at 31 December	As at 1 January	For the year	Adjustment	As at 31 December		
	(Rupees in '000)									
Computer softwares										
2009	8,576	320	-	8,896	5,353	864	-	6,217	2,679	5 years
2008	6,569	2,007	-	8,576	4,289	1,064	-	5,353	3,223	5 years

22.3 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of buyers	
	(Rupees in '000)							
Motor vehicles								
	995	276	719	937	218	Auction	Muhammad Saleem	Other
	928	269	659	775	116	Negotiation	Syed Mehtab Ahmed	Other
	570	122	448	607	159	Auction	Muhammad Saleem	Other
	814	489	325	471	146	Offered price	Khurshid A. Minhas	Employee
	375	56	319	429	110	Auction	Noman Ahmed Siddiqui	Other
	394	147	247	276	29	Auction	M. Ahmed Ghanchi	Other
Furniture and fixtures								
	471	224	247	226	(21)	Negotiation	Security General Insurance Company Limited	Other
	1,688	1,470	218	141	(77)	Auction	Aslam Parvaiz	Other
	1,010	889	121	133	12	Auction	Various	Other
	738	630	108	84	(24)	Auction	Aslam Parvaiz	Other
	495	395	100	61	(39)	Auction	Humayun	Other
	286	215	71	-	(71)	Write-off	-	-
	101	45	56	56	-	Company Policy	Ishtiaque Ahmed	Employee
Office equipment, electrical installations and computers								
	75	2	73	73	-	Company Policy	Tauheed Alam Ansari	Ex-Employee
	75	17	58	59	1	Company Policy	Mian Allah Nawaz	Ex-Employee
Other								
	122	36	86	50	(36)	Negotiation	Winson (Private) Limited	



23 ADMINISTRATIVE SURCHARGE	Note	2009	2008
(Rupees in '000)			
Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:			
Fire and property damage		10,487	10,690
Marine, aviation and transport		10,523	10,579
Motor		19,501	21,550
Miscellaneous		13,582	5,658
		54,093	48,477

24 MANAGEMENT EXPENSES	Note	2009	2008
Salaries, wages and benefits	24.1	365,814	307,973
Rent, taxes and electricity		37,589	32,117
Communications		13,776	14,548
Directors' fee and expenses		1,240	840
Printing and stationery		12,277	12,447
Travelling and entertainment		16,211	20,488
Legal and professional charges		2,945	3,547
Statutory levies		4,920	4,144
Annual monitoring fee for tracking devices		4,167	2,118
Inspection fee		3,658	3,467
Repairs and maintenance		5,540	3,360
Advertisement and sales promotion		14,289	27,734
Depreciation	22.1	21,180	25,410
Amortisation	22.2	864	1,064
Bad debts written off		4,621	1,034
Provision against doubtful balances	17.1	6,000	-
Insurance expense		6,063	7,651
Expenses on combined policies		5,904	10,463
Motor vehicle running expenses		2,262	21,928
Other expenses		5,662	5,991
		534,982	506,324

24.1 These include Rs.9.15 million (December 31, 2008: Rs.8.24 million) being contribution for employees' provident fund and Rs.12.98 million (December 31, 2008: Rs.10.85 million) in respect of defined benefit plan.

25 RENTAL INCOME	2009	2008
Rental revenue	90,835	93,073
Investment property related expenditure	(13,841)	(9,873)
	76,994	83,200



		Note	2009	2008
			(Rupees in '000)	
26	OTHER INCOME			
	Income from financial assets / liabilities			
	Exchange gain		1,367	6,450
	Return on loans to employees		38	56
	Creditors no longer considered payable written back		3,731	898
	Others		613	2,357
	Income from non-financial assets			
	Gain on sale of fixed assets		479	1,012
			6,228	10,773
27	GENERAL AND ADMINISTRATION EXPENSES			
	Legal and professional		1,449	5,614
	Subscription		445	364
	Registration fee		135	294
	Insurance ombudsman		454	225
	Workers welfare fund		15,438	5,801
	Charity and donations	27.1	1,733	5,017
	Auditors' remuneration	27.2	888	986
	Others		60	1,252
			20,602	19,553
27.1	Donations include the following in which a Director or his spouse is interested:			
	Name and address of donee	Interested Director	Interest in donee	
	Pakistan Centre of Philanthropy ST-14, F8/3, Islamabad, Pakistan	Towfiq H. Chinoy	Director	833 933
27.2	Auditors' remuneration			
	Audit fee		250	250
	Interim review		75	75
	Tax advisory services		-	100
	Special reports and certificates for various government agencies and sundry advisory services		450	450
	Out of pocket expenses		113	111
			888	986
28	TAXATION - NET			
	Current		(111,438)	(61,500)
	Deferred		(3,996)	(26,596)
			(115,434)	(88,096)



	2009	2008
	(Rupees in '000)	
28.1 Relationship between tax expense and accounting profit / (loss)		
Profit / (loss) before taxation	771,898	(179,153)
Tax at the applicable rate of 35% (2008: 35%)	270,164	(62,704)
Tax effect of expenses that are not allowable in determining taxable income	12,343	226,432
Tax effect of capital gains exempt from tax	(124,528)	(34,885)
Tax effect of income subject to lower rates	(42,545)	(40,747)
	115,434	88,096

29 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, associates, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant balance sheet note. Directors fees and remuneration to the key personnel are included in note 31 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Companies having common directorship

Insurance premium:

- Balance at beginning of the year	237,405	233,133
- Insurance premium written (including government levies administrative surcharge and policy stamps)	259,888	355,564
- Received / adjusted during the year	(252,613)	(351,292)
- Balance at end of the year	244,680	237,405
Insurance commission expense	632	9,723
Insurance claims expense	246,466	191,223
Outstanding claims	170,004	172,295
Purchases of goods and services	4,413	7,115
Dividend income	5,759	3,608
Rent income	16,966	14,363



	2009	2008
	(Rupees in '000)	
Others		
Insurance premium:		
- Balance at beginning of the year	238	54
- Insurance premium written (including government levies administrative surcharge and policy stamps)	1,202	1,446
- Received / adjusted during the year	(1,079)	(1,262)
- Balance at end of the year	361	238
Insurance claims expense	494	-
Contributions / provision for staff retirement benefit plans	22,129	19,083

30 EMPLOYEE BENEFITS

Defined benefit plan

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the scheme:

- Discount rate 12% (2008: 15%) per annum.
- Expected rate of increase in the salaries of the employees 12% (2008: 15%) per annum.
- Expected interest rate on plan assets 15% (2008: 10%) per annum.
- Expected service length of the employees 15 years (2008: 15 years).

30.1 Asset / (liability) in balance sheet

Present value of defined benefit obligation	60,817	52,504
Fair value of plan assets	(55,445)	(43,503)
Net actuarial losses not recognised	(5,372)	(9,001)
	-	-

30.2 Movement in asset / (liability) during the year

Opening balance	-	-
Charge to profit and loss account	12,977	10,846
Contributions to the fund during the year	(12,977)	(10,846)
Closing balance	-	-

30.3 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at January 01	52,504	38,922
Current service cost	11,377	10,496
Interest cost	7,875	3,892
Benefits paid	(1,649)	(5,589)
Actuarial (gain) / loss	(9,290)	4,783
Present value of obligation as at December 31	60,817	52,504



	2009	2008
	(Rupees in '000)	
30.4 Changes in fair value of plan assets		
Fair value of plan assets as at January 01	43,503	35,427
Expected return on plan assets	6,525	3,542
Contribution to the fund	12,977	10,846
Benefits paid	(1,649)	(5,589)
Actuarial (loss)	(5,911)	(723)
Fair value of plan assets as at December 31	55,445	43,503
30.5 Charge for the defined benefit plan		
Current service cost	11,377	10,496
Interest cost	7,876	3,892
Expected return on plan assets	(6,525)	(3,542)
Actuarial loss recognised	249	-
	12,977	10,846
30.6 Actual return on plan assets		
Expected return on assets	6,525	3,542
Actuarial loss	(5,911)	(723)
	614	2,819

30.7 Composition of fair value of plan assets	2009		2008	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Debt instruments	12,778	23%	14,480	33%
Equity instruments	16	-	24	-
Others	42,651	77%	28,999	67%
Fair value of plan net assets	55,445		43,503	

30.8 Historical data	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of defined benefit obligations	60,817	52,504	38,922	36,842	29,927
Fair value of plan assets	(55,445)	(43,503)	(35,427)	(33,699)	(30,036)
Deficit / (surplus)	5,372	9,001	3,495	3,143	(109)
Experience adjustments					
- Actuarial loss on obligation	9,289	4,783	1,102	1,260	473
- Actuarial gain / (loss) on assets	5,910	(723)	748	(1,991)	1,209

30.9 The estimated contribution to the Fund for the year ending December 31, 2010 is Rs.13.71 million.



31 REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in '000)							
Director fees	-	-	1,240	840	-	-	1,240	840
Managerial remuneration								
- including bonus	7,500	6,600	-	-	56,080	46,071	63,580	52,671
Staff retirement benefits	500	450	-	-	2,670	2,397	3,170	2,847
House rent	1,800	1,620	-	-	17,919	14,925	19,719	16,545
Utilities	600	540	-	-	4,603	4,001	5,203	4,541
Medical expenses	4	16	-	-	2,052	1,511	2,056	1,527
Leave passage / assistance	1,041	555	-	-	4,815	2,009	5,856	2,564
Vehicle allowance	1,591	685	-	-	30,128	12,022	31,719	12,707
Others	449	1,382	-	-	3,775	17,989	4,224	19,371
	13,485	11,848	1,240	840	122,042	100,925	136,767	113,613
Number of persons	1	1	8	8	50	47	59	56

In addition, the managing director and some of the executives are provided with certain items of household furniture, fixtures and equipment in accordance with their entitlements.



32 SEGMENT REPORTING

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

	Fire		Marine		Motor		Liability		Accident and health		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)														
SEGMENT ASSETS														
Segment assets	597,651	549,685	242,228	285,655	402,106	393,412	184,356	111,037	226,839	203,231	601,029	348,018	2,254,209	1,891,038
Unallocated corporate assets													4,165,680	3,534,134
Consolidated total assets													<u>6,419,889</u>	<u>5,425,172</u>
SEGMENT LIABILITIES														
Segment liabilities	924,895	905,202	374,859	470,407	579,184	647,856	285,299	182,852	351,044	334,673	930,122	573,104	3,445,403	3,114,094
Unallocated corporate liabilities													353,480	249,764
Consolidated total liabilities													<u>3,798,883</u>	<u>3,363,858</u>
Depreciation / amortisation	5,917	7,915	2,398	4,262	3,706	4,963	1,825	3,407	2,246	2,470	5,952	3,457	22,044	26,474
Non-cash expenses other than depreciation / amortisation	1,240	309	503	166	777	194	383	133	471	97	1,247	135	4,621	1,034
Unallocated capital expenditure													<u>65,517</u>	<u>88,027</u>



33.1 **Financial risk management objectives and policies**

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit 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. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

33.1.1 **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 other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

33.1.1.1 **Interest rate risk exposure**

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

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

	2009						
	Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total	Non-interest/ mark-up bearing financial instruments	Total
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years			
	(Rupees in '000)						
Financial assets							
Cash and bank deposits	0.25-12.75	1,913,494	-	-	1,913,494	114,638	2,028,132
Loans to employees	6	-	294	-	294	-	294
Investments	10-15.18	-	77,715	131,140	208,855	1,544,303	1,753,158
Premiums due but unpaid	-	-	-	-	-	723,468	723,468
Amounts due from other insurers / reinsurers	-	-	-	-	-	165,624	165,624
Reinsurance recoveries due but unpaid	-	-	-	-	-	131,530	131,530
Accrued investment income	-	-	-	-	-	17,890	17,890
Reinsurance recoveries against outstanding claims	-	-	-	-	-	462,921	462,921
Sundry receivables	6	263	-	-	263	63,628	63,891
		1,913,757	78,009	131,140	2,122,906	3,109,364	5,232,270
Financial liabilities							
Provision for outstanding claims	-	-	-	-	-	1,315,996	1,315,996
Amounts due to other insurers / reinsurers	-	-	-	-	-	168,547	168,547
Accrued expenses	-	-	-	-	-	13,185	13,185
Other creditors and accruals	-	-	-	-	-	343,412	343,412
Deposits and other payables	-	-	-	-	-	224,702	224,702
Unclaimed dividend	-	-	-	-	-	18,432	18,432
		-	-	-	-	2,084,274	2,084,274
Interest risk sensitivity gap		1,913,757	78,009	131,140	2,122,906	1,139,728	3,262,634
Cumulative interest risk sensitivity gap		1,913,757	1,991,766	2,122,906			



	2008						Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total	Non-interest/ mark-up bearing financial instruments	
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years			
Rupees in '000							
Financial Assets							
Cash and bank deposits	0.25 to 19.25	1,528,480	-	-	1,528,480	141,675	1,670,155
Loans to employees	6	-	364	-	364	-	364
Investments	10 to 14.35	-	80,540	131,175	211,715	1,218,502	1,430,217
Premiums due but unpaid		-	-	-	-	714,385	714,385
Amounts due from other insurers / reinsurers		-	-	-	-	181,303	181,303
Reinsurance recoveries due but unpaid		-	-	-	-	20,035	20,035
Accrued investment income		-	-	-	-	26,626	26,626
Reinsurance recoveries against outstanding claims		-	-	-	-	365,729	365,729
Sundry receivables	6	278	-	-	278	44,251	44,529
		1,528,758	80,904	131,175	1,740,837	2,712,506	4,453,343
Financial Liabilities							
Provision for outstanding claims		-	-	-	-	1,190,064	1,190,064
Amounts due to other insurers / reinsurers		-	-	-	-	146,696	146,696
Accrued expenses		-	-	-	-	12,914	12,914
Other creditors and accruals		-	-	-	-	305,091	305,091
Deposits and other payables		-	-	-	-	147,185	147,185
Unclaimed dividend		-	-	-	-	16,561	16,561
		-	-	-	-	1,818,511	1,818,511
Interest risk sensitivity gap		1,528,758	80,904	131,175	1,740,837	893,995	2,634,832
Cumulative interest risk sensitivity gap		1,528,758	1,609,662	1,740,837			

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
	(Rupees in '000)		
December 31, 2009	100 (100)	19,163 (19,163)	12,456 (12,456)
December 31, 2008	100 (100)	17,390 (17,390)	11,304 (11,304)

33.1.1.2 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 Pak Rupees.

33.1.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.



The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of December 31, 2009 and 2008. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manner.

	Fair value	Price change	Effect on fair value
	(Rupees in '000)		(Rupees in '000)
December 31, 2009	1,932,508	+5%	96,625
		-5%	(96,625)
December 31, 2008	1,342,470	+5%	67,124
		-5%	(67,124)

33.1.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its 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			
	Within one year	Over one year to five years	Over five years	Total
	(Rupees in '000)			
Financial Liabilities				
Provision for outstanding claims	1,315,996	-	-	1,315,996
Amounts due to other insurers / reinsurers	168,547	-	-	168,547
Accrued expenses	13,185	-	-	13,185
Other creditors and accruals	343,412	-	-	343,412
Deposits and other payables	224,794	-	-	224,794
Unclaimed dividend	18,432	-	-	18,432
	<u>2,084,366</u>	<u>-</u>	<u>-</u>	<u>2,084,366</u>
	2008			
	Within one year	Over one year to five years	Over five years	Total
	(Rupees in '000)			
Financial Liabilities				
Provision for outstanding claims	1,190,064	-	-	1,190,064
Amounts due to other insurers / reinsurers	146,696	-	-	146,696
Accrued expenses	12,914	-	-	12,914
Other creditors and accruals	305,091	-	-	305,091
Deposits and other payables	147,185	-	-	147,185
Unclaimed dividend	16,561	-	-	16,561
	<u>1,818,511</u>	<u>-</u>	<u>-</u>	<u>1,818,511</u>



33.1.3 Credit Risk

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

33.1.3.1 Concentration of credit risk and credit exposure of the financial instruments

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

The Company is exposed to major credit risk on bank balances and deposits, Term Finance Certificates, premiums receivable from customers and co-insurers; and on commission and claim recoveries from reinsurers.

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

Bank	Rating	Rating Agency	2009	2008
			(Rupees in '000)	
Habib Bank Ltd.	AA+	JCR-VIS	410,388	460,625
Soneri Bank Ltd.	AA-	PACRA	387,718	60,625
Faysal Bank Ltd.	AA	PACRA / JCR-VIS	311,111	60,484
Standard Chartered Bank (Pak) Ltd.	AAA	PACRA	295,237	226,373
Allied Bank Ltd.	AA	PACRA	200,000	-
Bank Al-Falah Ltd.	AA	PACRA	121,166	154,700
NIB Bank Ltd.	AA-	PACRA	100,506	175,226
Habib Metropolitan Bank Ltd.	AA+	PACRA	100,068	200,064
Silk Bank Ltd.	A-	JCR-VIS	50,000	50,000
The First Micro Finance Bank Ltd.	A+	JCR-VIS	25,000	25,000
United Bank Ltd.	AA+	JCR-VIS	18,222	239,944
MCB Bank Ltd.	AA+	PACRA	1,775	2,926
Dubai Islamic Bank Ltd.	A	JCR-VIS	1,556	1,354
Royal Bank of Scotland	AA	PACRA	1,423	-
Barclays Bank	AA-	Standard & Poors	-	10,000
			<u>2,024,170</u>	<u>1,667,321</u>

The credit quality of company's exposure in TFCs can be assessed as follows:

Bank Al-Habib Ltd.	AA+	PACRA	49,950	49,970
United Bank Ltd.	AA+	JCR-VIS	23,037	22,747
			<u>72,987</u>	<u>72,717</u>

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 17.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 35.

**34 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. For health insurance contracts, significant risks arise from epidemics.

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:

Class	Maximum Gross Risk Exposure	Maximum Gross Risk Exposure
	2009	2008
	(Rupees in '000)	
Fire and Property	14,110,403	13,311,683
Marine, Aviation and Transport	1,708,822	1,505,386
Motor	45,000	-
Liability	4,000,000	1,400,000
Accident and Health	13,513,680	2,836,432
Miscellaneous	3,644,450	4,676,200

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.

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. For the estimation of provision of claims incurred but not reported (IBNR), the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim lag triangle method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of claims incurred but not reported.



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	Assumed Net Loss Ratio
	2009	2008
Fire and property	57%	64%
Marine, aviation and transport	38%	37%
Motor	65%	62%
Liability	37%	28%
Accident and health	72%	69%
Miscellaneous	78%	81%

Sensitivities

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average Claim Cost	Change in assumption	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on profit before Tax	Impact on equity
(Rupees in '000)					
2009	+ 10%	194,789	141,959	139,175	90,464
	+ 10%	185,372	132,390	129,794	84,366

Claim 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.

REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognised by the rating of the entity from which it is due are as follows:



Rating	Amount due from other insurers / reinsurer	Reinsurance recoveries against outstanding claims	Other reinsurance assets
	(Rupees in '000)		
A or above including Pakistan Reinsurance Company Limited	163,690	425,740	113,539
BBB 17,141		666	24,435
Others	1,268	12,746	850
	165,624	462,921	131,530

CAPITAL MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments in associate, held to maturity and available for sale securities which fair value is Rs.2,223.92 million (December 31, 2008: Rs.1,624.11 million). The fair value of quoted investments is based on quoted market prices.

EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share are calculated by dividing the net profit / (loss) for the year by the weighted average number of shares as at the year end as follows:

	2009	2008
	(Rupees in '000)	
Profit / (loss) after tax for the year	656,464	(267,249)
	(Number of shares in '000)	
Weighted average number of shares of Rs.10 each	65,015	65,015
	(Rupees)	
Earnings / (loss) per share of Rs.10 each - basic and diluted	9.96	(4.05)



- 38.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

39 RECLASSIFICATION

Following corresponding figures have been reclassified for the purpose of better presentation:

Statement	Component	Reclassification from	Reclassification to	December 31, 2009 (Rupees in '000)
Balance sheet	Fixed assets	Motor vehicles - tracking devices	Furniture, fixture and equipment	13,406

40 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on March 01, 2010 has announced a final cash dividend in respect of the year ended December 31, 2009 of Rs.3 per share of Rs.10 each (30%) [December 31, 2008: Rs.1.5 per share of Rs.10 each (15%)] and bonus shares @ 20% (December 31, 2008: Nil%). In addition, the Board of Directors has approved the transfer of Rs. 320 million to general reserve from unappropriated profit [December 31, 2008: Rs.300 million from general reserve to unappropriated profit]. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

41 AUTHORISATION FOR ISSUE

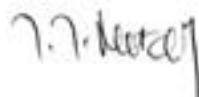
These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 01 March 2010.

42 GENERAL

All figures have been rounded off to the nearest thousand of rupees.


Towfiq H. Chinoy
Chairman


Akbarali Hashwani
Director


John Joseph Metcalf
Director


Tahir Ahmed
Managing Director
(Chief Executive)



President & Managing Director

Tahir Ahmed, BE, MBA, ACII, Chartered Insurer

Executive Director

Atiq A Mahmudi, B Com, LLB, FCA

Joint Executive Vice Presidents

Azfar Arshad, BE (Mech), MBA
Brendan Thomas D' Lima, B Com
Karim Merchant, BE (Mech), ACII
Mian Faisal Usman, MBA, ACII
Mohammad Afzaluddin, B Com
Mohammad Ikram, BA, LLB
Mohammed Safdar, MBA, ACII
M Uzair Mirza, BE (Elec), MBA
Nawaid Jamal, FCA
Syed Ather Abbas, MBA
Syed Sohail Ahmed, MBA

Senior Vice Presidents

Abdul Alim, MA, FCII, Chartered Insurer
Chaudhary Sardar Ali, BA
Dr Syed Tanveer Rauf, MBBS
Ejaz Mehmood, BA
Haji Muhammad Ramzan, BA
Ilyas Mohammed
Imran Mughal, B Com
Kamran Arif, B Com
Mehboob Pervez, BA
M Razzak Chaudhary
Shah Saud Mirza, BA
Shehnaz Kassim, MA, ACII
Syed Abid Waseem, MBA
Syed Arsalan Sadiq, ACA
Syed Imran Rabbani, MA
Syed Noman Kadri, M Sc
Syed Zamin Zafar, MBA (MIS)
Zulfiqar Ali Abdullah, MBA
Zahoor A Shaheen, MBA

Advisors

Khurshid A Minhas, BA, FCII, Chartered Insurer
Mirza Ali Mahmood, BE (Elec & Mech)
Hashim M Shamim
Saeed Jan Awan, M Com

Joint Senior Vice Presidents

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Akbar Habib Rajan
Akbar Sultan, MBA
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Amar Mumtaz Piracha, BA
Asif Ali, BA
Aziz Surani, B Com
Captain Shahid Ahmed, B Sc
Ishtiaque Ahmed, B Com
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Muhammad Afzal Qureshi, MA
Muhammad Amin Haroon, B Com
Muhammad Ashraf Tahir, BA
Muhammad Iqbal, B Com
Munir ul Haq, M Sc
Nasimul Haq, B Com, LLB
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Syed Hamid Hussain Zaidi, B Com
Syed Kashif Zafar, ACCA, ACMA
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Syed M Haroon A Bokhari, MBA
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Branch Network

Charming the Challenges

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MALL MANSIONS (Sales Unit-IV)

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Fax: (9291) 5274698

Once again

NJI receives “AA”
Insurer Financial Strength
Rating by PACRA & JCR-VIS

Alhamdulillah

NJI is the only top Pakistani insurer with the distinction of being assigned an “AA” insurer Financial Strength Rating by both PACRA and JCR-VIS

The fact that two independent rating companies have once again rated us as “AA” reaffirms NJI’s financial strength which has been steadily built over half a century.

We thank our clients for the confidence they have placed in us and shall endeavour to always provide them the highest level of security and service.

NJI

**New Jubilee Insurance
Company Limited**

Proxy Form

NEW JUBILEE INSURANCE COMPANY LIMITED
JUBILEE INSURANCE HOUSE
I.I.CHUNDRIGAR ROAD,
KARACHI

I / We _____ of _____
being a member of **New Jubilee Insurance Company Limited** and a holder of _____
ordinary shares, as per Share Register Folio No. _____ and / or CDC
Participant I.D. No. _____ and Sub Account No. _____
hereby appoint _____ of _____
(Name)

failing him _____ of _____
(Name)

who are also members of New Jubilee Insurance Company Limited, as my/our proxy to vote for
me/us and on my/our behalf at the Annual General Meeting of the Company to be held on
April 23, 2010 at 10:30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

WITNESS:

1. Signature: _____
Name: _____
Address: _____

CNIC No. _____

Signature

Revenue
Stamp

2. Signature: _____
Name: _____
Address: _____

CNIC No. _____

- Note:
1. Signature should agree with the specimen signature registered with the company.
 2. The Proxy Form must be deposited at the Registered Office of the Company not later 48 hours before the time of holding the Meeting.
 3. No person shall act as proxy unless he/she is a member of the Company.
 4. CDC Shareholders and their proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

NJI

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Email: nji@cyber.net.pk
Website: www.nji.com.pk