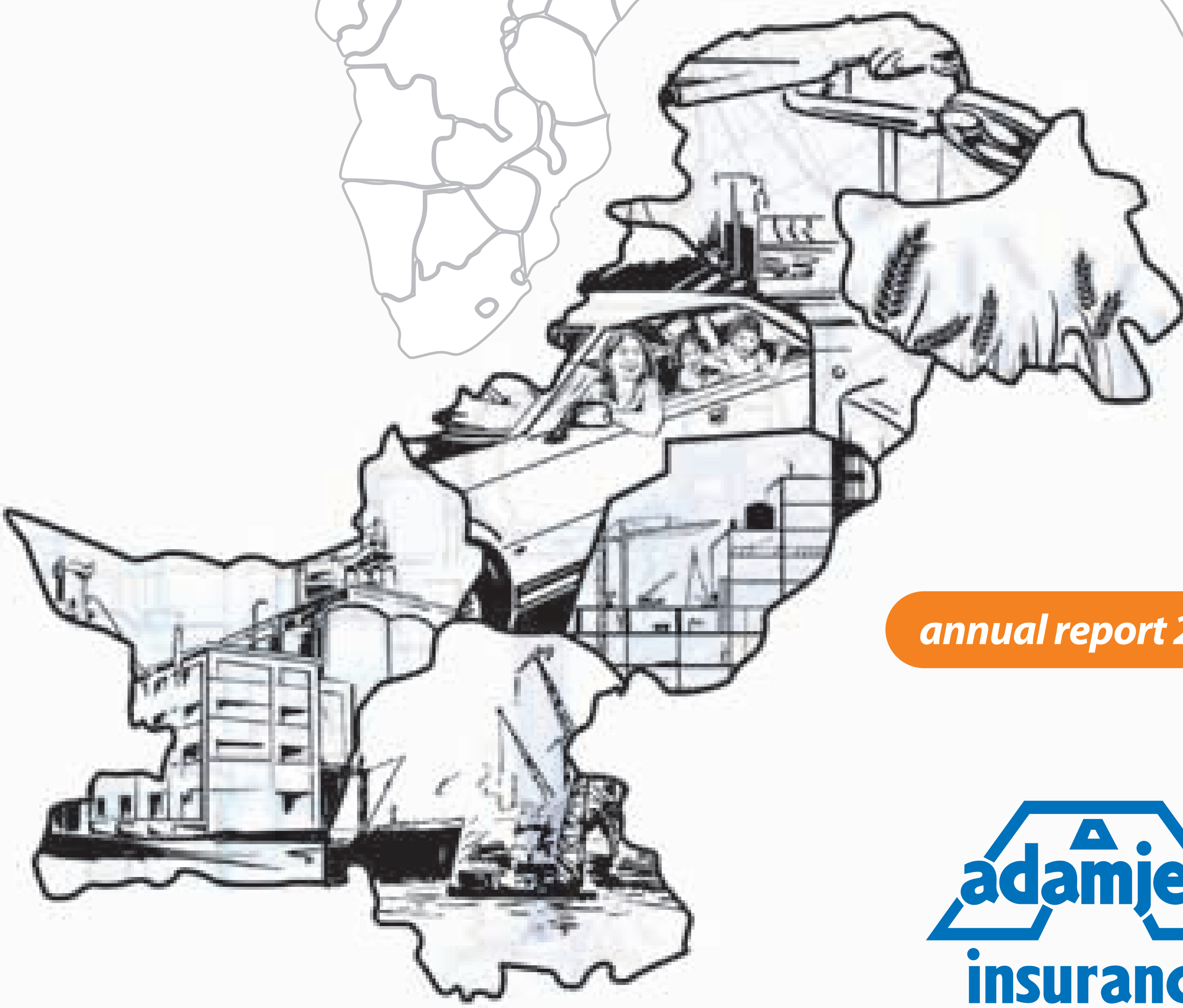
serving pakistan for 50 years

Adamjee Insurance Company Limited



annual report 2009

adamjee insurance

When you've been around in the insurance industry for 50 years as Adamjee Insurance Company Limited (AICL) has, success is not just about experience, but also about innovative services. Continuously exploring and expanding products and services over the years, we offer our valued customers a diversified portfolio customized for their needs. Experience 50 years of excellence, innovation, stability and growth provided by our employees.

serving pakistan for 50 years

vision

"Our will is to Explore, Innovate & Differentiate. Our passion is to provide Leadership to the Insurance Industry".

core values

- Integrity: Transparency and Honesty without Compromise
- Humility: Empathy, Self Esteem and Respect in all relationships
- Fun at Workplace: Work Life Balance
- Corporate Social Responsibility: Service to Humanity

company information

Board of Directors

Umer Mansha	Chairman
Ahmed Ebrahim Hasham	Director
Ali Munir	Director
Alman Aslam	Director
Atif Bajwa	Director
Hassan Mansha	Director
Ibrahim Shamsi	Director
Khalid Qadeer Qureshi	Director
Nabiha Shahnawaz Cheema	Director
S. M. Jawed	Director
Muhammad Ali Zeb	Managing Director & CEO

Advisor

Mian Mohammad Mansha

Audit Committee

Umer Mansha	Chairman
Ahmed Ebrahim Hasham	Member
Ali Munir	Member
Ibrahim Shamsi	Member
S. M. Jawed	Member

Human Resource Committee

Hassan Mansha	Chairman
Ibrahim Shamsi	Member
Umer Mansha	Member
Muhammad Ali Zeb	Member

Risk Management Committee

S. M. Jawed	Chairman
Ali Munir	Member
Umer Mansha	Member

Strategic Committee

Umer Mansha	Chairman
Alman Aslam	Member
S. M. Jawed	Member
Muhammad Ali Zeb	Member

Secretary

Tameez-ul-Haque, F.C.A.

Chief Financial Officer

Mudassar Zuabir Ahmed Mirza,
A.C.A., A.C.M.A. (UK)

Head of Internal Audit

Rehan Ahmed Khan, F.C.A., A.C.M.A.

Advisor to MD

Akber D.Vazir, A.C.I.I. (London)

Executive Directors

Jehangir Bashir Nawaz
Manzar Mushtaq
Naim Anwar

Auditors

M/s Riaz Ahmad & Co.
Chartered Accountants, Karachi

Shares Registrar

Technology Trade (Pvt.) Limited
Dagia House, 241-C, Block-2, P.E.C.H.S.,
Off Shahrah-e-Quaideen, Karachi

Bankers

Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
HSBC Middle East Bank Limited
KASHF Mircrofinance Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Oman International Bank S.A.O.G.
Rozgar Microfinance Bank Limited
Soneri Bank Limited
Standard Chartered Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

Registered Office

Adamjee House
P.O. Box No. 4850
I.I. Chundrigar Road, Karachi-74000, Pakistan
Phone: PABX (92-21) 32412623 UAN: (92-21) 111-242-111
Fax: (92-21) 32412627
E-mail: info@adamjeeinsurance.com
Website: www.adamjeeinsurance.com

notice of the 49th annual general meeting

Notice is hereby given that the Forty Ninth Annual General Meeting (AGM) of the Company will be held at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8, Kehkashan, Clifton, Karachi on Monday, 26 April 2010 at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the unconsolidated audited accounts of Adamjee Insurance Company Limited and consolidated audited accounts of Adamjee Insurance Company Limited and its subsidiary company for the year ended 31 December 2009 and the Directors' and Auditors' reports thereon.

2. To approve the 15% Final Cash Dividend and 10% Bonus Shares as recommended by the Directors.

3. To appoint auditors and fix their remuneration.

4. To elect eleven directors as fixed by the Board pursuant to the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years. The term of present board expires on 29 May 2010 and the new board will assume office on the same day. The retiring directors are eligible to offer themselves for re-election.

   Following are the names of the retiring directors:

   i) Mr. Ahmed Ebrahim Hasham
   ii) Mr. Ali Munir
   iii) Mr. Alman Aslam
   iv) Mr. Atif Bajwa
   v) Mr. Hassan Mansha
   vi) Mr. Ibrahim Shamsi
   vii) Mr. Khalid Qadeer Qureshi
   viii) Mr. Muhammad Ali Zeb
   ix) Ms. Nabiha Shahnawaz Cheema
   x) Mr. S.M. Jawed
   xi) Mr. Umer Mansha

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

SPECIAL BUSINESS

6. To consider and if deemed fit, to pass the following resolution, with or without modification, addition or deletion, as special resolution under Section 208 of the Companies Ordinance, 1984:

   a) **RESOLVED THAT** consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for an investment of Rs. 15,624,600 (Rupees Fifteen million six hundred twenty four thousand and six hundred only) in the equity of Nishat Mills Limited ("NML") by way of subscribing 390,615 ordinary right shares at Rs. 40/- per share including premium of Rs. 30/- per share offered by NML @ 45% of the existing shareholding and to dispose off, through any mode at any time, a part or all of this investment and unpaid right entitlement in NML.

b) **ALSO RESOLVED THAT** consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for an investment of Rs. 4,693,140 (Rupees Four million six hundred ninety three thousand and one hundred forty only) in the equity of D.G. Khan Cement Company Limited ("DGKC") by way of subscribing 234,657 ordinary right shares at Rs. 20 per share including premium of Rs. 10 per share offered by DGKC @ 20% of the existing shareholding and to dispose off, through any mode at any time, a part or all of this investment and unpaid right entitlement in DGKC.

FURTHER RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to invest in the aforesaid right shares of DGKC and NML and to dispose off a part or all of this investment in DGKC and NML at any time he deems fit in the best interest of the Company.

RESOLVED FURTHER THAT the Chief Executive and/or Company Secretary of the Company be and are hereby authorized singly to take any and all actions including signing of any document, which may be necessary under the law or otherwise for carrying out the purposes aforesaid and giving full effect to the above resolution.

7. To consider and approve the investment in the shares of AES Lal Pir (Private) Limited and AES Pak Gen (Private) Limited and to approve draft of following special resolution to be passed by the shareholders with or without modification:

RESOLVED THAT pursuant to the requirements of related provisions of the Companies Ordinance, 1984, the Company be and is hereby authorized to make investment upto US$ 15 million (US Dollar Fifteen million only) in equivalent Pak Rupees by way of purchasing shares of AES Lal Pir (Private) Limited and AES Pak Gen (Private) Limited (hereinafter jointly referred as the "Lal Pir Projects").

FURTHER RESOLVED THAT any of the Chief Executive and Company Secretary of the Company be and are hereby authorized singly in doing and performing all acts, matters, things and deeds to implement and/or give effect to purchase shares of Lal Pir Projects and to settle the terms and conditions in this respect and to execute and sign any and all documents/papers including but not limited the sale and purchase agreement with the seller(s) and to pay the down payment and final consideration on successful transaction.

By Order of the Board

Tameez ul Haque
Secretary

Karachi: 31 March 2010

NOTES

1) Any person who seeks to contest the election of director shall file with the Company at its Registered Office not later than fourteen days before the date of the meeting his/her intention to offer himself/herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with:

   a) Consent to act as a director on Form 28.
   A declaration with consent to act as director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he/she is aware of duties and powers of directors under the Companies Ordinance, 1984, the Insurance Ordinance , 2000, the Memorandum and Articles of Association of the Company and the listing regulations of the Stock Exchanges in Pakistan and has read the provisions contained therein.

   b) A declaration in terms of clause (iii), (iv) and (v) of the Code of Corporate Governance to the effect that:

      i) He/she is not serving as a director of more than ten other listed companies.
      ii) His/her name is borne in the register of national tax payers (except where he/she is a non- resident).
      iii) He/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
      iv) He/she and his/her spouse are not engaged in the business of stock brokerage.

2) a. The share transfer books of the Company will remain closed from Saturday 17 April 2010 to Monday, 26 April 2010 (both days inclusive). Transfers received in order at the office of our Registrar M/s Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block 2, PECHS, Off: Shahrah-e-Quaideen, Karachi by the close of business (5:00 p.m.) on Friday, 16 April 2010 will be treated as being in time for the purpose to determine entitlement of final Cash Dividend, Bonus Shares and to attend the meeting.

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

   c. The instrument appointing a proxy must be received at the Office of the Registrar of the Company not less than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with Company, all such instruments of proxy shall be rendered invalid.

   d. CDC shareholders are requested to bring with them their original National Identity Card or original Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate identification of the respective account holders.

3) Statement of material facts covering the above mentioned Special Business as required under Section 160(1)(b) of the Companies Ordinance, 1984 is being sent to members.

statement of material facts under section 160(1)(b) of the Companies Ordinance, 1984 regarding the special business

ITEM 6 OF AGENDA

The Board of Directors of D.G. Khan Cement Company Ltd. ("DGKC") and Nishat Mills Ltd. ("NML") announced 20% and 45% ordinary right shares at a price of Rs. 20/- and Rs. 40/- per share (inclusive of premium of Rs. 10/- and Rs. 30/- per share) respectively to its existing shareholders. Adamjee Insurance Company Ltd. (AICL), being a shareholder of DGKC and NML is entitled to 234,657 and 390,615 right shares on its existing shareholding of 1,173,287 and 868,035 ordinary shares, respectively.

AICL is a public listed Insurance Company with equity of over Rs. 10 billion as of 31 December 2009 and is desirous of making investment in associated companies. The Board of Directors of AICL in their meeting held on 30 March 2010 have approved subscription of these right shares subject, however, to the consent of the shareholders through a special resolution under Section 208 of the Companies Ordinance, 1984, as set out in the notice of AGM.

The information required to be annexed to the Notice by SRO No. 865 (1)/2000 dated 06 December 2000 is set out below:

1	Name of the associated Investee Companies	**D.G. Khan Cement Company Ltd.**	**Nishat Mills Ltd.**
2	Nature, amount and extent of investment	Equity Investment of Rs. 4,693,140/- by subscribing 234,657 Right Shares @ Rs. 20/- per share (including premium of Rs. 10/- per share).	Equity Investment of Rs. 15,624,600/- by subscribing 390,615 Right Shares @ Rs. 40/- per share (including premium of Rs. 30/- per share).
3	Average Market Price of the shares intended to be purchased during the preceding six months in case of listed companies	Rs. 30.76	Rs. 63.28
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	Rs. 39.97 as on 30-06-2009 (audited accounts). Rs. 41.52 as on 31-12-2009 (reviewed accounts).	Rs. 79.72 as on 30-06-2009 (audited accounts). Rs. 97.88 as on 31-12-2009 (reviewed accounts).
5	Price at which shares will be purchased	At Rs. 20/- per share (including premium of Rs. 10/- per share).	At Rs. 40/- per share (including premium of Rs. 30/- per share).
6	Earning per share of the investee company in the last three years	Rs. 6.43 Annual (30-06-07) Rs. (0.21) Annual (30-06-08) Rs. 1.96 Annual (30-06-09) Rs. 1.54 Half Yearly (31-12-09)	Rs. 7.58 Annual (30-06-07) Rs. 36.86 Annual (30-06-08) Rs. 6.81 Annual (30-06-09) Rs. 4.17 Half Yearly (31-12-09)
7	Source of funds from where shares will be purchased	The Company's own sources	The Company's own sources
8	Period for which investment will be made	Long Term Equity Investment.	Long Term Equity Investment.
9	Purpose of Investment	Long term equity investment to earn dividend income as well as prospective capital gains.	Long term equity investment to earn dividend income as well as prospective capital gains.
10	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend/ Capital Gain.	Dividend/ Capital Gain.
11	Interest of directors and their relatives in the investee company	Messrs Khalid Qadeer Qureshi and Nabiha Shahnawaz Cheema are also Directors in DGKC. They are interested in this business to the extent of their investments.	Messrs Umer Mansha, Hassan Mansha, Khalid Qadeer Qureshi, Nabiha Shahnawaz Cheema and Muhammad Ali Zeb are also Directors in NML. They are interested in this business to the extent of their investments.

ITEM 7 OF AGENDA

The Directors in their meeting held on 30 March 2010 have recommended the investment in the shares of AES Lal Pir (Private) Limited and AES Pak Gen (Private) Limited (hereinafter jointly referred as "Lal Pir Projects"). The Lal Pir Projects are adjacent to each other and are identical in design as both were constructed by the same EPC contractor, Nichimen of Japan and MHI. Both plants were brought online three months apart from each other. Technical specifications and description of equipment is included below.

Construction of both plants commenced in 1995 under a turnkey EPC contract with Nichimen Corporation and equipment was supplied by MHI, as subcontractor. The O&M of the projects is supported by AES Pakistan Operations Limited (AESPO), a subsidiary Company of AES Corporation, under a services agreement.

The total land area of the Lal Pir Projects is approximately 728,280 m^2. The buildings' structures have been arranged to facilitate process interconnections. Each Plant's layout comprises a turbine generator, a steam boiler, fuel oil storage and handling facilities, a cooling tower, water treatment facilities, a 220 Kilovolts switchyard and an electrical and control building.

The site has more than sufficient space available to cater for a possible expansion in operations. An expansion would have no significant issues in power evacuation given the proximity to the national grid. Similarly, Lal Pir's existing fire water system could provide support for a further expansion.

Plant Specification

Particulars	**AES Lal Pir (Private) Limited**	**AES Pak Gen (Private) Limited**
Operation	1997	1998
Fuel	Fuel Oil	Fuel Oil
Plant Type	Thermal Steam	Thermal Steam
Name Plate Capacity	362 MW	365 MW
Water Capacity	NA	NA
PPA Terms	30 years	30 years
Employees	116	Lal Pir has an internal agreement for shared services with Pak Gen, and the costs of employees is shared equally between Lal Pir & Pak Gen.
Expected Life	35 years	35 years

The other information is set out below:

1	Name of investee Companies:	**AES Lal Pir (Private) Limited**	**AES Pak Gen (Private) Limited**
2	Nature, amount and extent of investment	Purchase of shares up to US $ 15 Million in equivalent Pak Rupees.	
3	Average market price of the shares Intended to be purchased during preceding six months in case of listed companies	N.A. (Un-quoted Private Companies)	N.A. (Un-quoted Private Companies)
4	Break-up value per share of the shares intended to be purchased on the basis of last financial statements	Annual 31-12-2008 Rs. 27.78 (audited) 31-12-2009 Rs. 32.00 (unaudited)	Annual 31-12-2008 Rs. 32.24 (audited) 31-12-2009 Rs. 36.53 (unaudited)

		AES Lal Pir (Private) Limited	AES Pak Gen (Private) Limited
5	Price at which shares will be purchased	Upto US $ 0.188 Per Share (Approximately)	Upto US $ 0.175 Per Share (Approximately)
6	Earning per share of investee companies	31-12-2008 - Rs. 3.34 (audited) 31-12-2009 - Rs. 5.29 (unaudited)	31-12-2008 - Rs. 6.25 (audited) 31-12-2009 - Rs 7.08 (unaudited)
7	Source of funds from where shares will be purchased	The Company's Own sources.	The Company's Own sources.
8	Period for which investment will be made	Long Term Investment	Long Term Investment
9	Purpose of investment	To earn dividend income and to diversify the investment opportunities.	To earn dividend income and to diversify the investment opportunities.
10	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividend Income to the Company resulting better return to Company's shareholders.	Dividend Income to the Company resulting better return to Company's shareholders.
11	Interest of Directors and their relatives in the investee Company	The Directors of the Company and their relatives have no interest in the investee companies, nor they have any shareholding in the investee companies.	The Directors of the Company and their relatives have no interest in the investee companies, nor they have any shareholding in the investee companies.

Projected Profit and Loss for 3 Years of the Investee Companies

	AES Lal Pir (Private) Limited			AES Pak Gen (Private) Limited		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
	(Rs. In Million)			(Rs. In Million)		
Total Revenues	17,874	28,699	33,455	21,394	28,959	35,743
Net Profit	1,968	995	1,237	2,637	1,148	1,085
Earning Per Share (Rs.)	5.70	2.88	3.58	7.09	3.09	2.92

Paid up Capital of Investee Companies, Number of Present Shareholders and Capital Held (%age wise)

	AES Lal Pir (Private) Limited	AES Pak Gen (Private) Limited
Paid Up Capital	345,307,939 Shares of Rs. 10/- Each	372,081,591 Shares of Rs. 10/- Each
No. of Shareholders	3	3
Shareholding	Foreign companies holding 100% equity	Foreign companies holding 100% equity

Company's Existing Shareholding in the Investee Companies (%age wise)

1. AES Lal Pir (Private) Limited - NIL
2. AES Pak Gen (Private) Limited - NIL

Status of Previous Approval for Investment in shares of MCB Bank Limited:

Against approval for purchase of shares for Rs. 6 billion granted at the Extra Ordinary General Meeting of the Company held on 28 July 2008 the Company has so far purchased shares worth of Rs. 2.413 billion. The balance shares will be purchased on availability of these shares at reasonable price. To the best knowledge of the Company, there has not been any major change in the financial position of MCB Bank Limited since the date of the passing of the resolution of the shareholders granting the above referred approval.

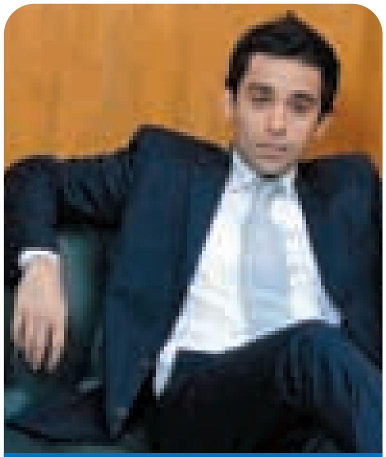
board of directors

Umer Mansha

Chairman

Alman Aslam

Director

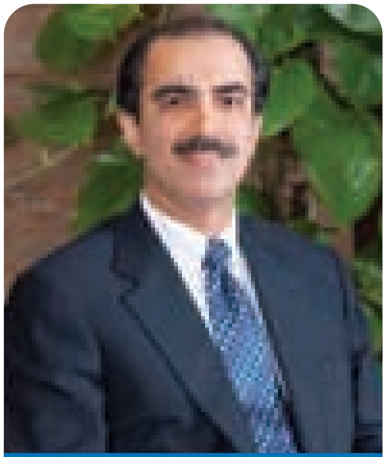


Ahmed Ebrahim Hasham

Director

Ali Munir

Director



Atif Bajwa

Director

Hassan Mansha

Director

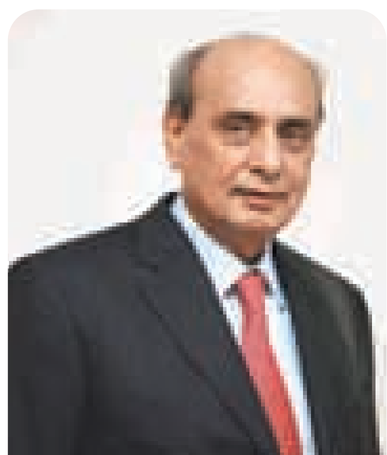
Khalid Qadeer Qureshi
Director

Ibrahim Shamsi
Director

S. M. Jawed
Director

Nabiha Shahnawaz Cheema
Director

Muhammad Ali Zeb
Managing Director & CEO



Mian Mohammad Mansha
Advisor

CEO's message

"Celebrating the Golden Era of Adamjee Insurance"

As we celebrate the Golden Jubilee of the Company in 2010, I am pleased to report that we continue to excel in performance and maintain our dominant position in the Insurance Industry. This has been possible with the support of our stakeholders and hard work of the employees over the years.

Our people are the key to success and it is because of their dedication and effort that we have shown positive growth throughout these years. We will continue to invest in our human resource as we believe they are the assets.

The Company will progressively move towards exploring and innovating new products for our valued customers and is committed to provide service par excellence.

On behalf of the Board and Management Committee, I would like to express my sincere thanks for the efforts by all of you in the growth of AICL.

company profile

Adamjee Insurance Company Limited (AICL) was incorporated as a Public Limited Company on 28 September 1960 and is listed on all three stock exchanges of Pakistan. The Company is also registered with the Central Depository Company of Pakistan Limited (CDC) and is involved in the business of general insurance. The Company commenced operations with a Paid-up Capital of Rs. 2.5 million, which has grown phenomenally in the past 5 decades. As of 2009 the Paid-up Capital of the Company is Rs. 1.125 billion. AICL enjoys a competitive edge in the insurance industry due to its strong asset base, paid-up capital, substantial reserves, balanced portfolio mix and steady growth in gross premium.

Building Threshold towards Innovation

AICL comprises of insurance originators with superior management teams, sustainable competitive advantage and is fully equipped with identifiable value enhancement opportunities. The Company has originated volumes across the spectrum of businesses, entered joint partnerships with key players in the financial sector and expanded its business across Pakistan and Dubai.

Diversified Portfolio of Business

AICL broadly is involved in underwriting the following Classes of Business:

- Fire and Property
- Marine Aviation and Transport
- Motor
- Miscellaneous business

The diversity of AICL's portfolio allows the Company to be the insurer of choice, for an array of clients and needs. Whilst expanding our customer base, AICL dedicates as much effort in maintaining the highest level of customer satisfaction. Its cornerstone philosophy is to provide premium quality service along with forwarding the maximum benefit to its clients. This commitment is exhibited in the importance AICL places on excellence, integrity and ethical behavior. These values foster confidence, especially in our clients for whom security is imperative. The high level of confidence AICL inspires is evident in the number of banking and financial sector clients that AICL insures.

In addition AICL insures sensitive Petrochemical and complex Industrial Risk projects of great value. AICL specializes in insuring Engineering and Telecom concerns, whereby it has secured the greatest share of clients in those sectors. On the other end of the spectrum, AICL services the primary industries of Pakistan by covering several Cement Factories, as well as numerous Textile and Sugar Mills. Assuming the role of a leader in Pakistan's Insurance Industry, AICL pioneered the coverage of Energy Risks. AICL has also secured the business of Foreign Concerns entering Pakistan to execute and assemble construction or infrastructure development projects. AICL is the principal insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan.

Achievements over the years

- IFS Rating of “AA” (Double A) by PACRA
- Best Insurer for Innovation in Pakistan awarded by Euro Money
- Best Insurance Company Award for consecutive two years by Consumer Association of Pakistan
- Tax Payers Excellence Award 2009 by Federal Bureau of Revenue
- Certification of ISO 9001:2001 by Lloyd's Register Quality Assurance
- Best Risk Management Award 2008 by Pakistan Guarantee Export Corporation Ltd.
- Export Performance Trophy for 20 times from FPCCI
- 17 times winner of Top Companies Award by Karachi Stock Exchange
- Brand of the year Award 2009 for Marine Insurance

events

33rd FPCCI Award

Prime Minister of Pakistan Mr. Yousuf Raza Gilani gave 33rd FPCCI's Export Awards 2008-2009 in the category of General Insurance (Invisible Export) to Adamjee Insurance Company Limited. The award was received by Mr. Muhammad Ali Zeb, Chief Executive Officer of Adamjee Insurance Company Limited.

AICL Business Conference 2009

The Marketing department of AICL held the first ever Business Conference of the C ompany at Arabian Sea Country Club. The forum acted as a platform to highlight achievements, successful ventures and sales figures of the department. Employees were acknowledged for their work and were given Awards.

6th Asian Buffalo Conference and Exhibition

To create brand awareness of Adamjee Livestock Insurance, Adamjee Insurance Company Limited took the part in 6th Asian Buffalo Conference and Exhibition. The Conference was attended by delegate from Italy, Argentina, Egypt, Malaysia, Iran, Sri Lanka, Bangladesh, Vietnam, India, Colombia, China , Philippine, Bulgaria, Nepal, Iraq, USA and Pakistan. The 1st day the conference was Chaired by Chief Minister Punjab, Mian Muhammad Shehbaz Sharif.

Adamjee Insurance Golf Tournament 2009

The Adamjee Insurance Golf Tournament took place on the 21st and 22nd of November 2009 at the Karachi Golf Club, Karsaz. Adamjee Insurance Company Limited has been an avid supporter of the 'gentleman's game' since 1981 with the Adamjee Insurance Golf Tournament. Now in its 26th year, the Tournament was played within 5 categories: Ladies, Juniors, Seniors, Amateurs and Veterans. The Tournament was inaugurated by Adamjee Insurance CEO, Mr. Muhammad Ali Zeb.

quality policy

The management and employees of Adamjee Insurance demonstrate commitment in satisfying customer needs for managing the risk assessment in General Insurance.

In alignment with satisfaction of customer needs, processes are established to support the vision and values of the company.

We use QMS- 9001 as a tool to continually review and improve the effectiveness of our implemented systems. We regularly assess our processes and practices, to build on our relationship with all our stakeholders including customers, shareholders, strategic partners and employees.

corporate responsibility

AICL's corporate responsibility focuses on compliance, ethics and corporate citizenship and maintaining overall sustainability. AICL has worked to cultivate these aspects of its operations through enhancing communication, training and other initiatives.

Compliance and Ethics

In order to uphold the highest standards of integrity and transparency, regulations are becoming increasingly complex the world over. Keeping in step with this International inclination, AICL has taken rigorous and extensive steps to develop its capabilities and structures to meet the set standards. Having efficiently achieved a level of compliance more stringently than others has given AICL a competitive edge in the local market.

AICL has restated the Compliance Performance Standards which applies to all areas of business and processes. AICL has taken steps in furthering the knowledge and understanding of compliance and ethical obligations through all the levels of its management and personnel. These initiatives include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on areas such as conflict of interests.

Environment, Health and Safety

AICL continues to focus on providing safe work environment to the employees and are pleased to report zero injury for the year under review. The Company is committed to support measures within its sphere of control, relating to environmental issues which impacts the community.

Being an office based concern, AICL does not have a direct bearing on the environment. Nevertheless, the Company is aware of the environmental issues on hand and is committed to measuring and reducing those impacts which are within its ability to control.

Major Donations and Sponsorships

- The Sindh Institute of Urology and Transplantation (SIUT)
- Pakistan Eye Bank Society

Committed to Excellence

In an era of intensely hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results, keeping its promises and continually fulfilling its customers' needs.

Adamjee Insurance Dialysis Day at SIUT

As a part of the CSR project initiative Adamjee Insurance organized a dialysis day at The Sindh Institute of Urology and Transplantation (SIUT) on 23 December 2009 and gave donation to SIUT of providing dialysis to 650 patients.

The event was titled "Adamjee Insurance Dialysis Day". AICL Team visited the hospital taking part as volunteers to understand and contribute their services for the dialysis being conducted that day. SIUT is the largest public sector health organization in the country which provides free, comprehensive and modern medical care in kidney diseases and transplantation to people.

Pakistan Eye Bank Society

Adamjee Insurance Company Limited (AICL) celebrated "The joy of vision" by sponsoring Free Cataract operations to the needy at Pakistan Eye Bank Society (PEBS).

A team from AICL comprising of Mr. Jehangir Bashir Nawaz, Mr. Akber D. Vazir, Ms. Sabina Rahim and Ms. Naima Shabab visited PEBS and met Mr. Qazi Sajid Ali, General Secretary of the Society and other board members. They took a round of the hospital, getting an overview of the cataract surgery procedure and demo of equipments.

ten years at a glance

(Rupees in million)

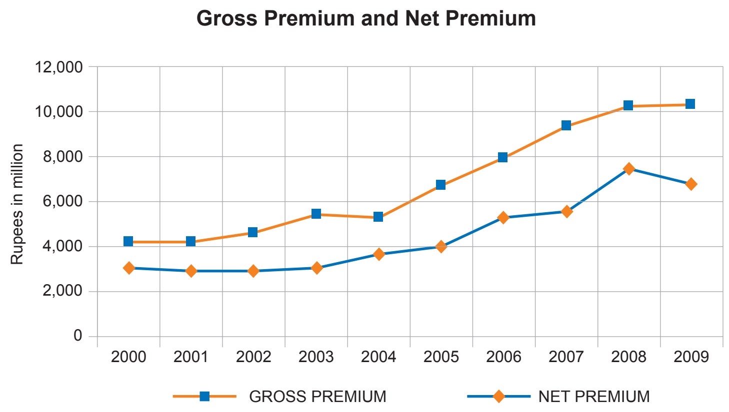
Particulars	2009	2008 (Restated)	2007 (Restated)	2006	2005	2004	2003	2002	2001	2000
Balance Sheet										
Paid Up Capital	1,125	1,022	1,022	1,022	826	826	625	625	543	472
Reserves	1,137	1,078	955	963	213	213	633	213	213	712
Equity	10,781	8,559	7,643	3,788	2,426	1,387	1,059	1,149	930	783
Investments (Book Value)	9,658	7,577	8,132	4,503	3,040	2,469	2,218	2,109	2,109	1,859
Investments (Market Value)	10,152	6,735	11,709	8,062	6,599	5,282	3,957	1,873	1,120	2,052
Fixed Assets	1,050	940	768	359	331	202	194	202	199	195
Cash and Bank Deposits	2,157	1,724	954	883	1,428	755	850	667	581	592
Other Assets	8,747	8,763	8,911	5,394	4,383	4,578	4,402	2,986	2,103	1,610
Total Assets	21,612	19,004	18,766	11,139	9,182	8,005	7,664	5,964	4,992	4,256
Total Liabilities	10,831	10,444	11,123	7,351	6,756	6,618	6,604	4,815	4,062	3,001
Operating Data										
Gross Premium	10,321	10,205	9,379	7,912	6,682	5,266	5,414	4,612	4,233	4,224
Net Premium	6,807	7,488	5,532	5,280	3,997	3,678	3,066	2,884	2,932	3,042
Net Claims	4,453	5,173	3,915	3,355	2,472	2,638	2,126	2,087	2,832	1,973
Net Commission	500	741	442	520	369	156	103	116	262	231
Underwriting Result	679	367	119	482	306	74	48	(62)	(886)	115
Total Management Expenses	1,897	1,718	1,454	1,365	1,082	1,038	994	901	795	800
Investment Income	2,479	1,098	4,486	1,515	1,147	494	422	341	302	211
Profit Before Tax	2,595	1,176	4,285	1,685	1,278	411	285	268	(501)	227
Profit After Tax	2,434	1,099	4,201	1,577	1,163	327	310	219	(517)	156
Share Information										
Break Up Value Per Share (Rs.)	95.9	83.7	74.7	37.1	29.4	16.8	17.0	18.4	17.1	16.6
No. of Shares	112.5	102.2	102.2	102.2	82.6	82.6	62.5	62.5	54.3	47.2
Share Price at end (Rs.)	123.3	101.8	358.4	150.5	137.0	65.6	66.7	61.3	29.3	76.0
Highest Share Price During Year (Rs.)	130.4	416.9	417.0	187.3	149.5	119.3	82.2	64.9	84.9	141.5
Lowest Share Price During Year (Rs.)	41.6	101.8	151.0	98.4	58.5	51.9	37.9	31.4	20.0	43.2
KSE Index	9,387	5,865	14,075	10,041	9,557	6,218	4,472	2,701	1,273	1,508
Market Price to Break Up Value	1.3	1.2	4.8	4.1	4.7	3.9	3.9	3.3	1.7	4.6

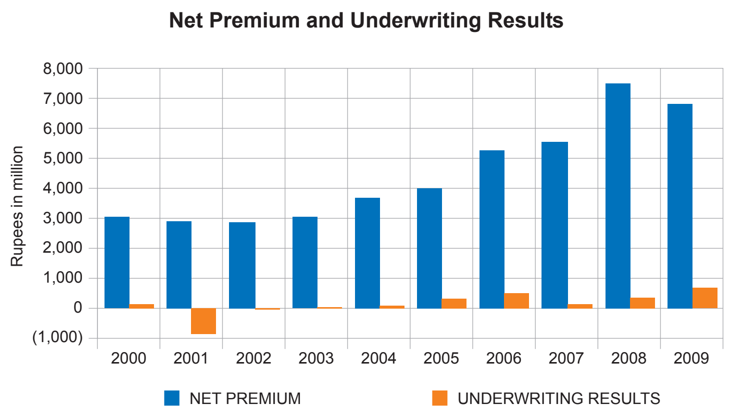
ten years at a glance

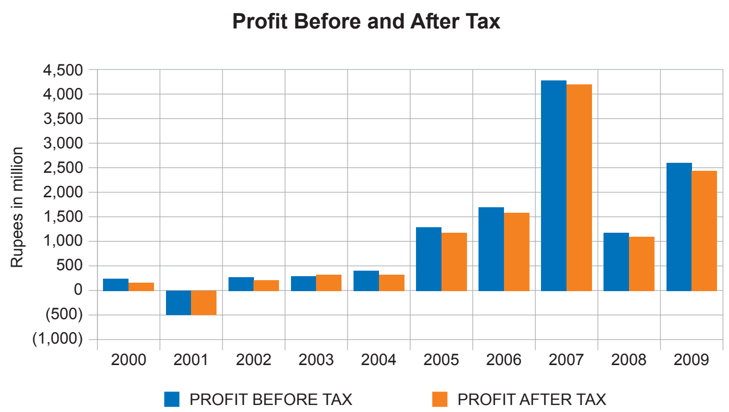
Particulars	2009	2008 (Restated)	2007 (Restated)	2006	2005	2004	2003	2002	2001	2000
Distribution										
(*)Dividend Per Share (Rs.)	3.3	3.0	3.3	4.0	1.5	-	1.7	3.0	-	3.0
(*)Total Dividend - (Rs. in million)	373.2	306.7	337.4	411.0	124.0	-	107.8	175.2	-	141.7
Cash Dividend %	24.1	30.0	33.0	21.0	15.0	-	-	-	-	15.0
Bonus Shares %	9.1	-	-	19.2	-	-	15.0	30.0	-	15.0
Total Dividend %	33.2	30.0	33.0	40.2	15.0	-	15.0	30.0	-	30.0
Financial Ratios Profitabilty										
Profit Before Tax / Gross Premium (%)	25.1	11.5	45.7	21.3	19.1	7.8	5.3	5.8	(11.8)	5.4
Profit Before Tax / Net Premium (%)	38.1	15.7	77.5	31.9	32.0	11.2	9.3	9.3	(17.1)	7.5
Profit After Tax / Gross Premium (%)	23.6	10.8	44.8	19.9	17.4	6.2	5.7	4.7	(12.2)	3.7
Profit After Tax / Net Premium (%)	35.8	14.7	75.9	29.9	29.1	8.9	10.1	7.6	(17.6)	5.1
Combined Ratio (%)	90.0	95.1	97.8	90.9	92.3	98.0	98.4	102.1	130.2	96.2
Management Expenses / Gross Premium (%)	18.4	16.8	15.5	17.3	16.2	19.7	18.4	19.5	18.8	18.9
Management Expenses / Net Premium (%)	27.9	22.9	26.3	25.9	27.1	28.2	32.4	31.3	27.1	26.3
Underwriting Result / Net Premium (%)	10.0	4.9	2.2	9.1	7.7	2.0	1.6	(2.1)	(30.2)	3.8
Net Claims / Net Premium (%)	65.4	69.1	70.8	63.5	61.8	71.7	69.3	72.4	96.6	64.9
Investment Income / Net Premium (%)	36.4	14.7	81.1	28.7	28.7	13.4	13.8	11.8	10.3	6.9
Return To Shareholders										
Return on Average Capital Employed (%)	25.2	13.6	73.5	50.7	61.0	26.8	28.1	21.0	(60.4)	20.5
Return on Equity - PBT (%)	24.1	13.7	56.1	44.5	52.7	29.6	26.9	23.3	(53.9)	29.0
Return on Equity - PAT (%)	22.6	12.8	55.0	41.6	47.9	23.6	29.3	19.0	(55.6)	19.9
Earning Per Share (Rs.)	21.6	9.8	41.1	15.4	11.4	4.0	3.8	3.5	(9.2)	3.3
P/E Ratio	5.7	10.4	8.7	9.8	12.0	16.6	17.7	17.5	(3.2)	23.0
Dividend Yield (%)	2.7	2.9	0.9	2.7	1.1	-	2.6	4.9	-	3.9
Dividend Payout (%)	15.3	30.7	8.0	26.1	13.2	-	45.9	80.1	-	90.9
Return on Total Assets (%)	11.3	5.8	22.4	14.2	12.7	4.1	4.0	3.7	(10.4)	3.7
Liquidity / Leverage										
Total Assets Turnover (Times)	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.8	0.8	1.0
Fixed Assets Turnover (Times)	9.8	10.9	12.2	22.0	20.2	26.1	27.9	22.8	21.3	21.7
Total Liabilities / Equity (%)	100.5	122.0	145.5	194.1	278.5	477.2	623.6	419.2	436.7	383.2
Paid Up Capital / Total Assets (%)	5.2	5.4	5.4	9.2	9.0	10.3	8.2	10.5	10.9	11.1
Equity / Total Assets (%)	49.9	45.0	40.7	34.0	26.4	17.3	13.8	19.3	18.6	18.4

(*) Including Bonus Dividend

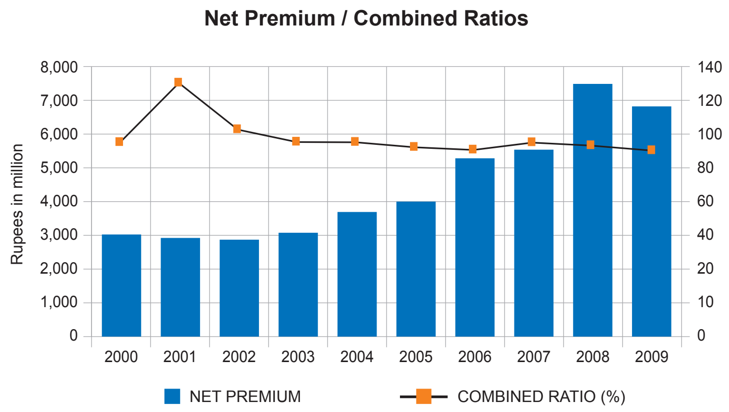
ten years at a glance (graphical presentation)

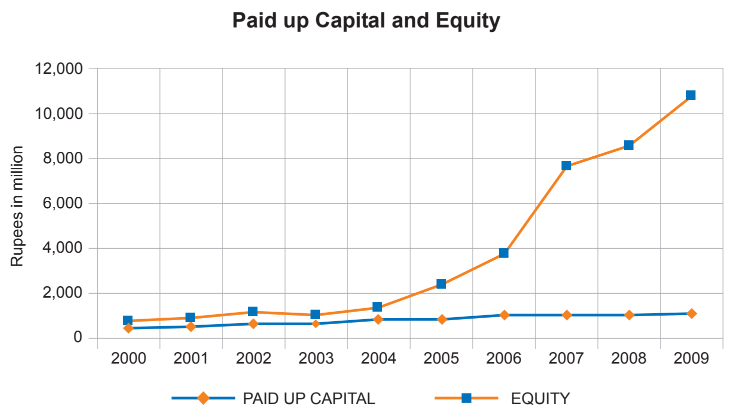


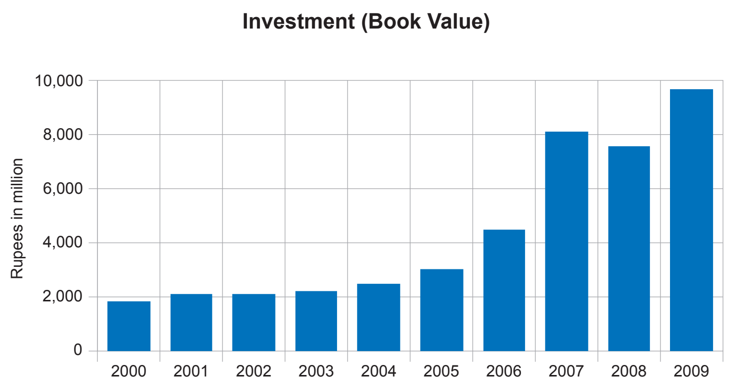




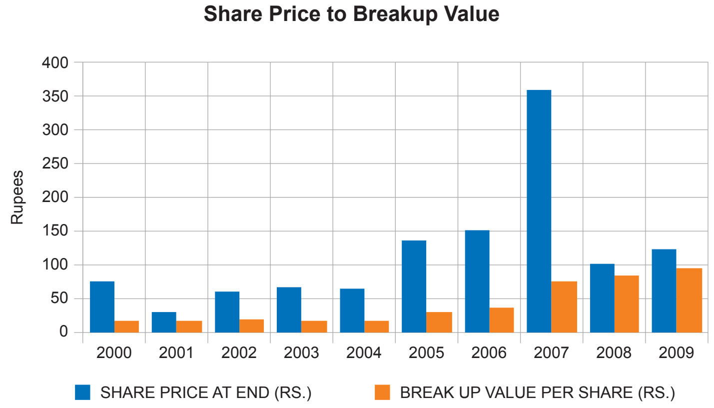
ten years at a glance (graphical presentation)

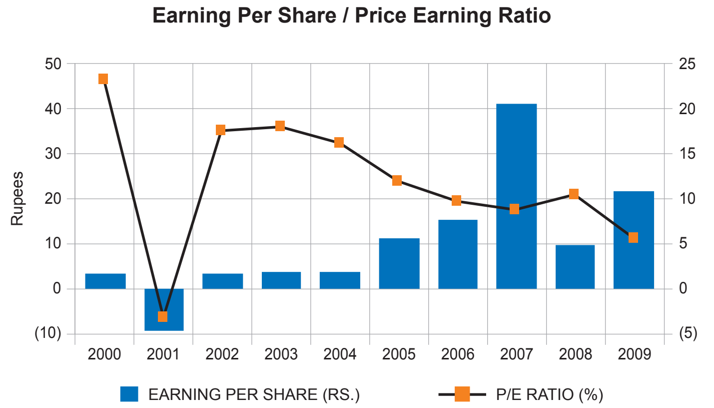


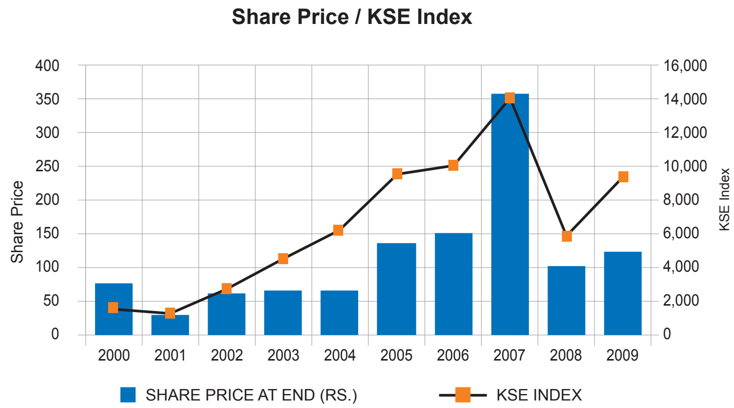




ten years at a glance (graphical presentation)







directors' report to the members on unconsolidated financial statements

On behalf of the Board of Directors', I am pleased to present the 49th Annual Report of your company together with the audited unconsolidated financial statements for the year ended 31 December 2009.

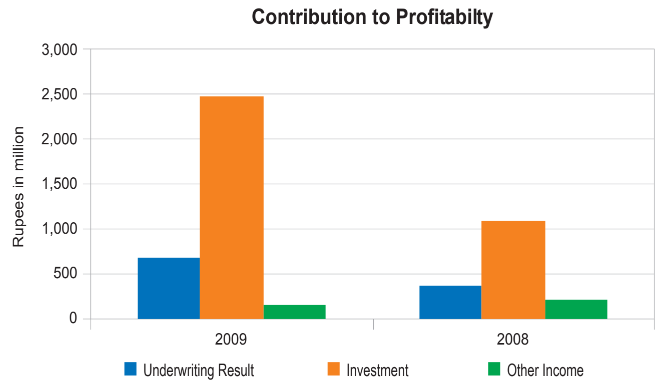
OUTLOOK OF THE ECONOMY

In year 2009, the challenges faced by the economy were fiscal and current account deficits, sustained inflationary pressures, worsening of global financial crises, depressed foreign direct investment and investor's confidence. The purchasing power was rapidly being eroded by inflation and the production hampered by severe power outages, deteriorating law and order situation, and increasingly conservative lending by domestic banks. Pakistan faced slowdown in exports due to weakening of major economies and decline in commodity prices internationally. The widening of macroeconomic imbalances and depleting foreign exchange reserves forced the country to resort to the IMF loans.

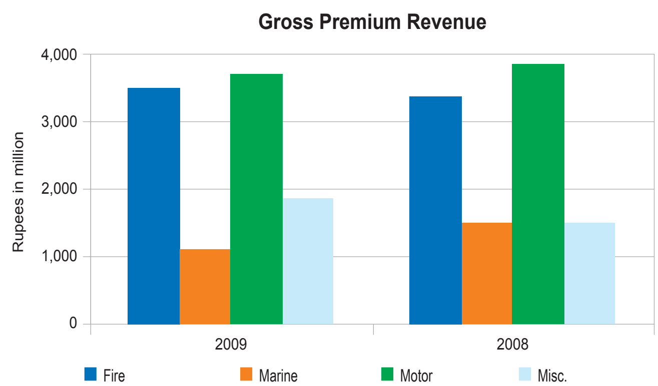
Inflationary pressure demonstrated declining trend by mid 2009 and certain sectors showed signs of recovery. The IMF macroeconomic stabilization program led to considerable improvements in key indicators, helped by favorable developments, and provided the foundation for a gradual shift from stabilization polices towards a resumption of growth. However, the improvements in the economy are still fragile, and could be reversed in the short term by adverse shocks or any failure in the disciplined implementation of supportive reforms.

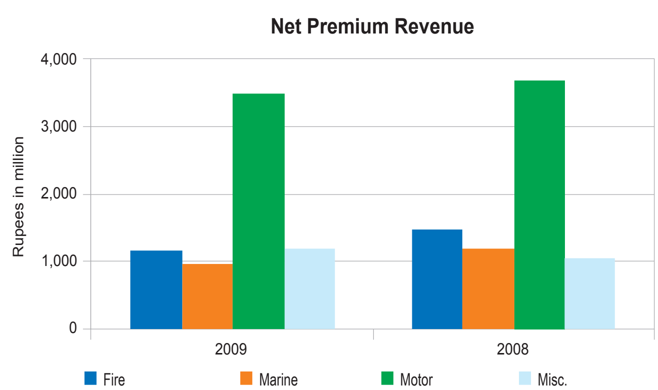
COMPANY PERFORMANCE REVIEW 2009

During the year 2009, the company remained focused on increasing the profitability through risk evaluation and risk mitigation. It aimed at quality businesses and increasing profitability. These measures helped your company to earn the highest ever underwriting profits of Rs. 679 million with a significant increase of 85% over previous year. This was despite the fact that the overall economic conditions were not conducive during the year under consideration.

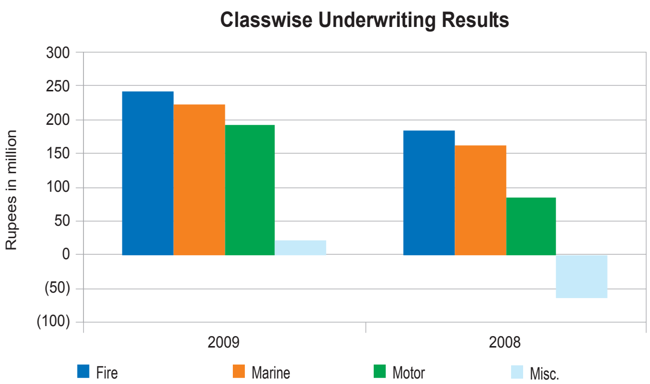


Net premium constituted 66% of gross premium (2008: 73%) and the combined ratio was 90% as compared to last year 95%. There is a decrease in net claims by 14%, underwriting expenses by 3% and net commission by 33% over corresponding period last year. Investment income increased by 126% from last year. The resultant profit before and after tax increased by 121%.



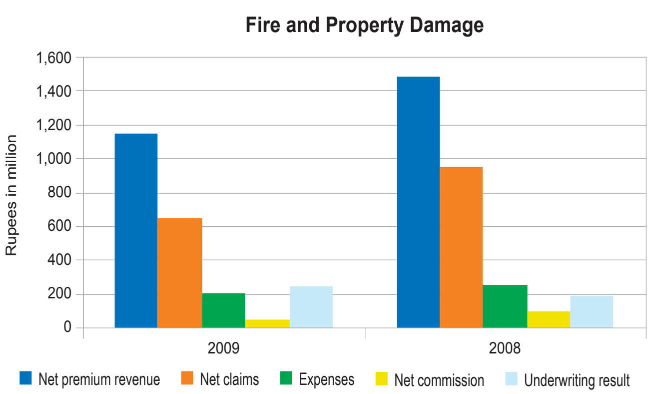


PORTFOLIO ANALYSIS



Fire and Property

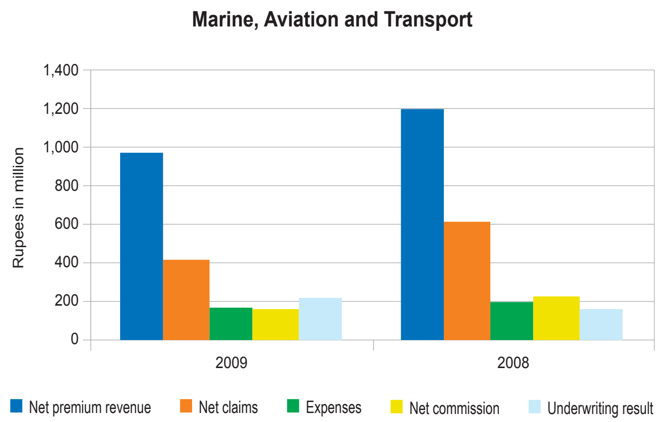
The Fire portfolio includes engineering and terrorism business. With a gross premium of Rs 3.553 billion (2008: 3.381 billion), this class showed a growth of 5% since last year. It contributed 35% towards the total gross premium.



The underwriting profit amounted to Rs. 243 million (2008: Rs. 185 million) which increased by 31%. The underwriting profitability ratio is 21% and the combined ratio has improved to 79% as against 88% in 2008. This is mainly due to decrease in claims by 32%.

Marine, Aviation and Transport

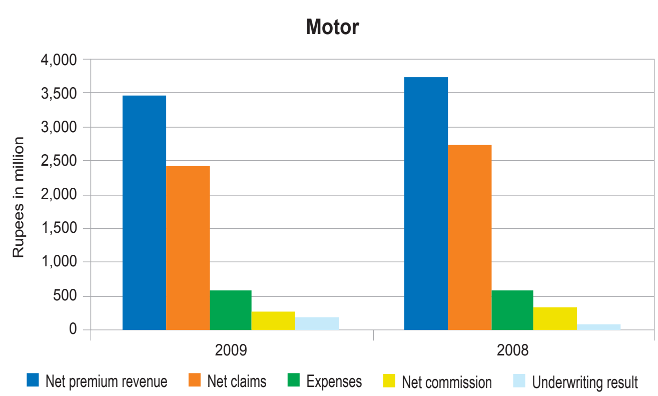
The slowdown in economy specially imports and exports affected this class of business which showed a decrease in gross premium by 25%. This class contributed 11% towards the total gross premium (2008: 15%). The underwriting results of Rs 223 million depicted remarkable increase of 38% over last year.



The underwriting profitability is 23% and combined ratio under this portfolio is 77 % as against 87% in 2008. This improvement is mainly attributable to net claims and net commission which decreased by 32% and 29% respectively.

Motor

Motor business constitutes largest portfolio being 36% of total gross premium (2008: 38%) and 51% of total net premium (2008: 50%) of the company. In 2009, the economy faced liquidity crunch and banks restricted their lending. As a result the automobile secto r remained slow during first half of 2009. The decrease in prices by automobile manufacturers from July 2009 improved the situation.

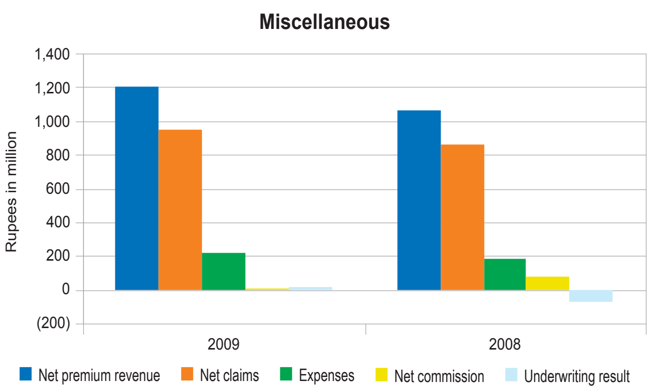


These circumstances had an impact on your company and gross premium decreased by 3%. The combined ratio however has improved to 94% as against 98% in 2008, due to which underwriting profits amounting to Rs 191.5 million, recorded an increase of 123% over last year.

Miscellaneous

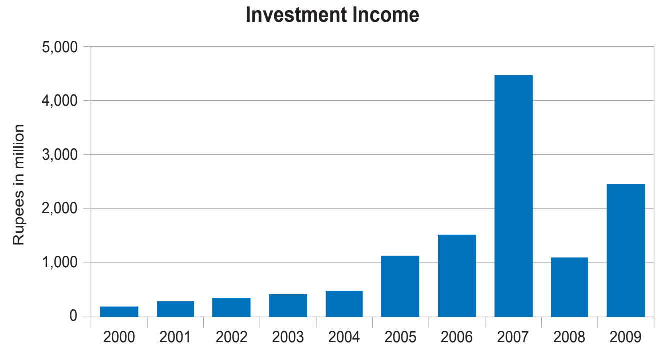
Miscellaneous business constitutes health, crop, livestock, travel insurance and other lines of business. The gross premium amounted to Rs 1.898 billion showing an increase of 32%. This class contributed 18% towards both total gross premium and the total net premium.

The combined ratio improved immensely from 106% in 2008 to 97% this year.



INVESTMENT INCOME

Year 2009 proved to be better than the 2008 as far as KSE activity is concerned but due to unstable political conditions, deteriorating law and order situation and tightening of credit, investors remained cautious. The market started showing signs of recovery from mid of March 2009 but the recovery process was very slow. It was only till September 2009 that the market crossed KSE 100 index by 9,000 points for the first time in the year. The KSE 100 index stood at 9,387 points on 31 December 2009 as against 5,865 points on 31 December 2008.



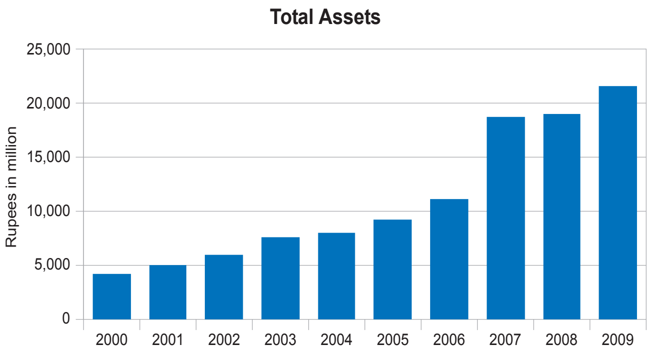
During the year under review, the company recorded capital gains of Rs. 166 million on sale of stocks/shares as compared to Rs. 3,060 million booked last year. Due to the rise in KSE 100 index, your company has reversed Provision for impairment on investments by Rs. 1,873 million as on 31 December 2009.

The break up of investment income is as under:

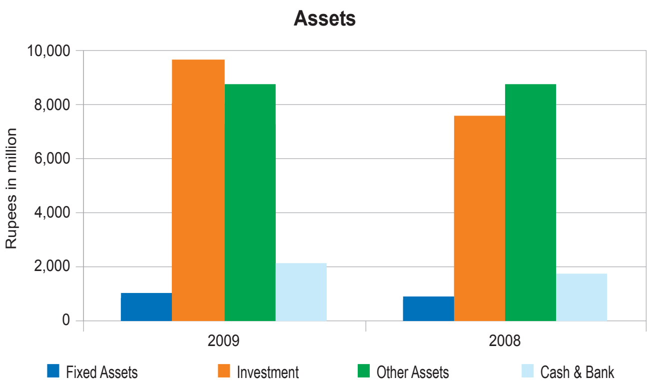
	2009	2008
	(Rupees in `000)	
Dividend income	357,573	395,032
Return on fixed income securities	40,958	70,531
Return on TFCs	28,273	24,436
Return on PIBs	12,997	-
Gain on sale of 'available for sale' investment	166,417	3,060,670
	606,218	3,550,669
(Provision) /reversal for Impairment	1,873,201	(2,386,179)
Investment related expenses	-	(66,440)
Net investment income	2,479,419	1,098,050

COMPANY'S ASSETS

The total assets of the company as on 31 December 2009 stood at Rs. 21.612 billion as against Rs. 19.004 billion (restated) last year showing an increase of 14%. The total cash and bank balance at the end of year was Rs. 2.157 billion as against Rs. 1.724 billion last year. The management ensures optimum utilization of funds and to make use of better investment opportunities.



During the year the company made an aggregate investment expenditure of Rs. 7.006 billion (2008: Rs. 11.978 billion) and the balance funds are placed at reasonable market rates with various financial institutions. Book value of Investments at the year end was Rs. 9.658 billion as compared to Rs. 7.577 billion in 2008.



RISK MITIGATION

The company is not exposed to any major concentration of credit risk. The company ensures that credit risks are controlled by monitoring credit exposures, by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Liquidity risk is associated with adequate funding requirement. To guard against this 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 available marketable securities.

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio will decrease due to change in the value of the market risk factors. The company is exposed to market risk with respect to its investment however it limits the risk by maintaining a diversified portfolio and by continuous monitoring of developments in stock and financial markets.

On the underwriting end, the risk mitigation is carried out through careful and circumspect underwriting, risk management techniques and inspections. Each class of business is managed by specialists who have immense experience and expertise in the field of insurance. We consider Risk Identification, Risk Quantification, Risk Control and Risk Retention as very important components of Risk mitigation process.

HUMAN RESOURCE

An effective corporate strategy ensuring continuous investment, in order to maintain and build valuable resources, is being implemented. The Company continues to focus on training and development of its employees by exposing them to local and overseas programs to improve the management skills. A greater emphasis is being made on enhancing the productivity of the employees resulting in increased operational profitability.

The Company continues to provide challenging opportunities for growth to its employees and pushing for superior performance. The Company has created a culture that promotes teamwork, collaboration, openness and transparency of all processes and builds trust by being just and transparent in granting rewards and recognition.

CERTIFICATION OF ISO 9001

The company has maintained the ISO 9001 certification which extends to all functions related to Non-Life General Insurance, at all offices and branches of the Company in Pakistan and abroad.

UNDERWRITING IN U.A.E.

Despite the fact that U.A.E has witnessed a downturn in the year 2009, total gross premium generated in Dubai amounts to AED 67 million (2008: AED 65 million).

The Company has plans to expand its operations in the Middle East Region. In this regard, an initial approval has been obtained from the Capital Market Authority (C.M.A), the regulator of insurance business in Sultanate of Oman to open a branch.

RETAIL INSURANCE

The company has outperformed and has established leadership position in 2009 particularly in the agri-industry. It will be the endeavor of the company to establish strong working relationships with our partners and through new product initiatives strengthening our position going forward.

- Travel Insurance – Since its inception, Travel insurance made its mark in the industry with strong growth in volumes to become one of the key players in the insurance sector. We are confident that with political and economic stability the future prospects look positive for travel insurance in Pakistan.

- Auto Insurance – The Company has strengthened its position in this sector and are in process of developing channels to increase the market share.

- Agriculture Insurance – As a diversification move, AICL ventured into Crop Loan Insurance Cover with a leading agricultural bank. Being an agrarian country the potential is huge which will be tapped in to harvest fruitful results and ensure leadership position in Crop Loan Insurance Scheme. Ambitious plans have been developed which will be achieved through streamlining the channel and product diversification.

PACRA ASSIGNS "AA" RATING

During the year under review, The Pakistan Credit Rating Agency Limited (PACRA) has assigned the Insurer Financial Strength (IFS) rating of the Company as "AA" (Double A). This rating denotes a very strong capacity to meet policyholder and contract obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

DIVIDEND DECLARED

The Board is pleased to recommend final cash dividend @ 15% and bonus shares @ 10% in addition to cash dividend @ 15% declared on interim results from the available distributable profits of the company.

EARNING PER SHARE

During the year under review, pre tax and after tax basic earning per share was Rs. 23.08 (2008: Rs. 10.46 restated) and Rs. 21.65 (2008: Rs. 9.77 restated) respectively. Detailed working has been reported in Note 24 of the unconsolidated financial statements.

DIRECTORS

Mr. Yahya Saleem resigned as director on 26 June 2009. The vacancy was filled on 7 July 2009 by appointing Ms. Nabiha Shahnawaz Cheema.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

- The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.

- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

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

- Financial Statements have been prepared by the Company in accordance with the approved Accounting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately.

- The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

- The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.

- The Company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure therefrom.

- Key operating and financial data for the last ten years in summarized form, is included in this annual report.

- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on December 31, 2009 is as follows:

	(Rupees in `000)
Provident Fund	675,008
Gratuity Fund	210,871

- During the year under review four meetings of the Board of Directors were held. The position of attendance of each director is explained below:

Name of Director	No. of meetings held during tenure of the director	No. of meetings attended
Umer Mansha	4	4
Ahmed Ebrahim Hasham	4	3
Ali Munir	4	4
Alman Aslam	4	2
Atif Bajwa	4	4
Hassan Mansha	4	3
Ibrahim Shamsi	4	4
Khalid Qadeer Qureshi	4	3
S. M. Jawed	4	3
Yahya Saleem (Resigned on 26 June 2009)	2	1
Nabiha Shahnawaz Cheema (Appointed on 7 July 2009)	2	2
Muhammad Ali Zeb	4	4

Leave of absence was granted to the directors who could not attend the Board Meeting(s).

PATTERN OF SHARE - HOLDING

A statement of pattern of share-holding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

BOARD COMMITTEES

Audit Committee

The Audit Committees was established under the Code of Corporate Governance to assist the directors in discharging their responsibilities towards the Company. Audit Committee's responsibilities include, reviewing financial statements prior t o their approval by the Board of Directors, monitoring Internal Audit Functions and compliance with the relevant statutory requirements. The Committee is also responsible to assist the board in discharging its responsibilities for safeguarding the company's assets, development and implementation of effective internal control system and risk management framework.

The Committee consists of five members. All the members including Chairman of the Committee are non-executive directors.

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

Name of member	No. of meetings attended
Umer Mansha	4
Ahmed Ebrahim Hasham	3
Ali Munir	3
Ibrahim Shamsi	3
S.M. Jawed	3

Leave of absence was granted to the members who could not attend the meeting.

Risk Management Committee

The objective of this committee comprises to develop and monitor the underwriting and claim practices, guidelines and authorizations across the Company's function / locations.

Following is the scope of said committee:

- To establish, maintain and review underwriting and claim procedures/practices for better profitability and quick processing.
- To review and amend the authorization limits viewing the re-structuring and changing scenario of business.
- To update the Strategic Committee through MIS and statistical reports, the trends, targets and achievement status.

Strategic Committee

The scope of the Strategic Committee is as under:

- To develop a joint business strategy for the Company, including corporate and financial strategies and alternate strategies.
- To scan and evaluate external and internal environment to become more competitive in insurance market.
- To recommend to the Management of the Company, any relevant issues that require attention of the Management.
- To review existing policies and recommend changes (if any), to the Management.

STATUS OF APPROVALS FOR INVESTMENTS IN ASSOCIATED COMPANIES

As required under SRO No. 865 (1) / 2000 dated 6 December 2000, the position of investments in associated companies is as under:

MCB Bank Ltd.

In EOGM held on 28 July 2008, the shareholders of the company approved to invest a sum of Rs. 6 billion for purchase of the shares of MCB Bank Ltd., through stock market. Till 31 December 2009 a sum of Rs. 2.413 billion had been invested. The remaining amount will be invested when overall economic situation will improve and share price looks attractive to buy.

There was no major change in the financial position of the investee company.

AUDITORS

The auditors M/s Riaz Ahmad & Company, Chartered Accountants, being eligible, offer themselves for appointment. The Board of Directors on the suggestion of Audit Committee recommended the appointment of M/s Riaz Ahmad & Company as statutory auditors till the conclusion of next AGM.

LOOKING FORWARD

We have now entered the 50th year of the company and we ar e celebrating our Golden Jubilee. Your company which has now seen five decades, started with Rs. 2.5 million paid up capital, now has equity of Rs. 10.781 billion. We owe this to all our employees and agents, our customers, stakeholders, management, vision of the board of directors, guidance from our regulators, support from other players in the market, reinsurers and brokers. We are thankful to all of you.

With the economy already showing signs of revival, the outlook of the company is positive. We as a team are fully committed to capture better business and explore new markets, new challenges within and outside Pakistan.

On behalf of the Board

Muhammad Ali Zeb
Managing Director &
Chief Executive

Lahore: 30 March 2010

review report to the members on statement of compliance with best practices of code of corporate governance

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Karachi: 30 March 2010

statement of compliance with the code of corporate governance

This statements is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35, Chapter XIII and XI of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors including those representing minority interests. At present the Board includes ten non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the Company have confirmed that they 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 Finance Company and none of them is the member of any stock exchange.

4. During the year Mr. Yahya Saleem, Director tendered his resignation and Ms. Nabiha Shahnawaz Cheema was appointed to fill in the casual vacancy and other than that no casual vacancy occurred during the year.

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 and approved a vision/ mission statement. However, overall corporate strategy and significant policies of the Company in vogue are in the process of being developed / approved.

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

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

9. The Board arranged orientation course for its directors to apprise them of their duties and responsibilities.

10. The appointments of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit have been approved by the Board.

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

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements.

15. The Board has formed an Audit Committee. It comprises of five members all of whom are non-executive directors.

16. 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.

17. The related party transactions were placed before Audit Committee and reviewed and approved by the Board of Directors.

18. The Company has an internal audit department and is manned by experienced and qualified personnel. The audit team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

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

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

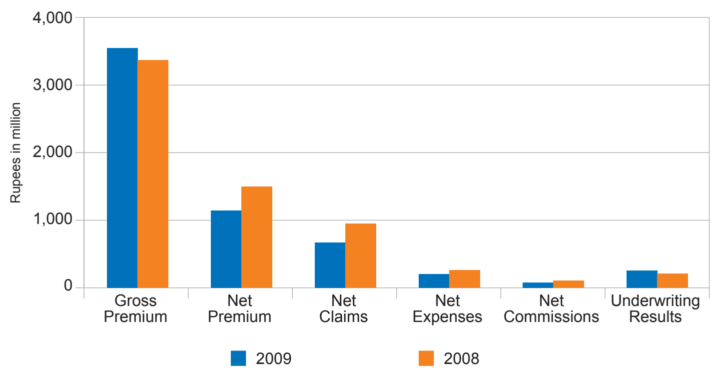
21. We confirm that all other material principles contained in the Code have been complied with.

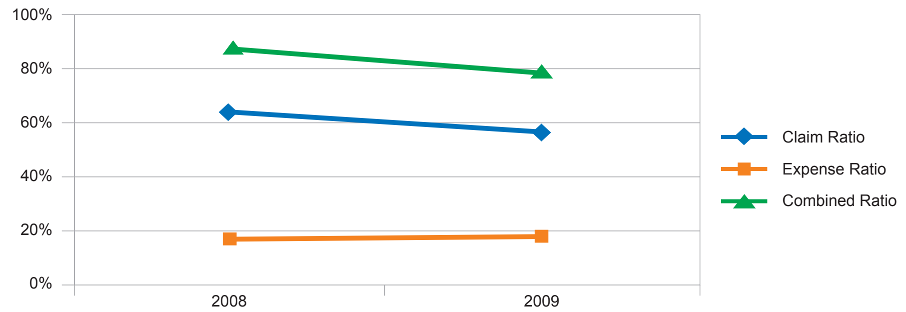
Muhammad Ali Zeb
Managing Director &
Chief Executive

Lahore: 30 March 2010

fire

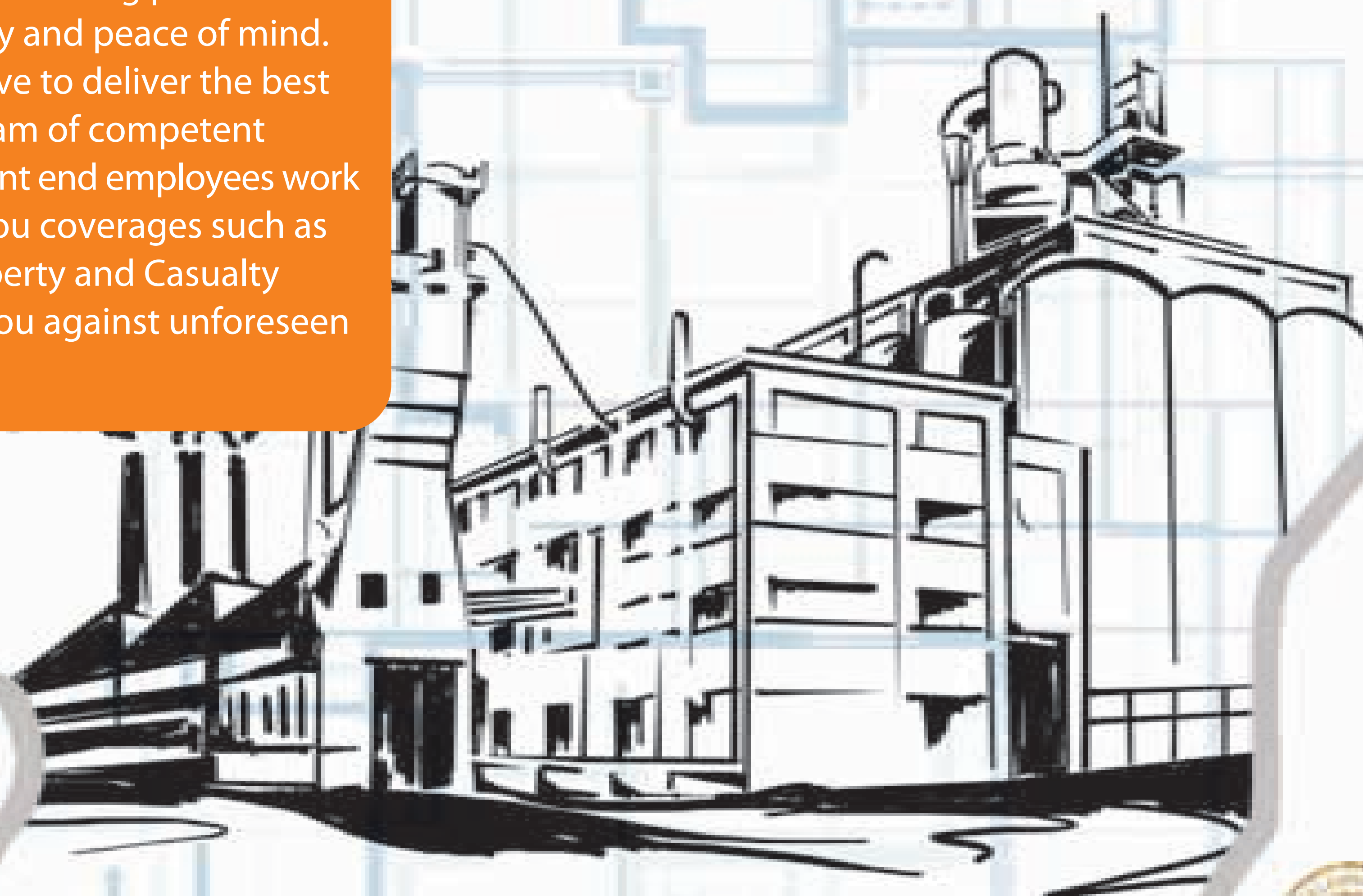
	2009	2008	Change (%)
	(Rupees in `000)		
Gross Premium	3,553,329	3,381,955	5
Net Premium	1,150,510	1,484,731	(23)
Net Claims	650,449	950,534	(32)
Net Expenses	206,849	251,159	(18)
Net Commisions	49,843	97,928	(49)
Underwriting Result	243,369	185,110	31
Claim Ratio	57%	64%	
Expense Ratio	18%	17%	
Combined Ratio	79%	88%	





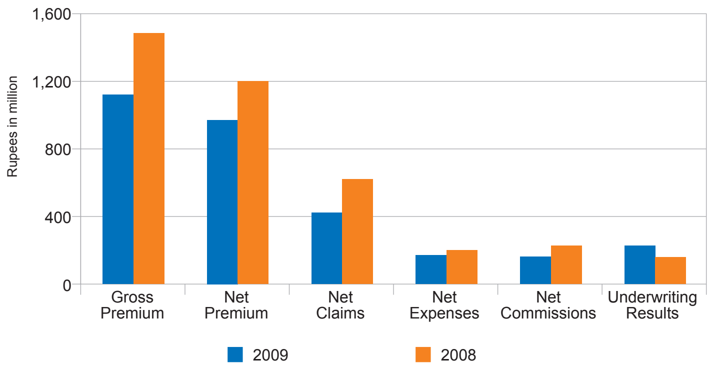
fire & property

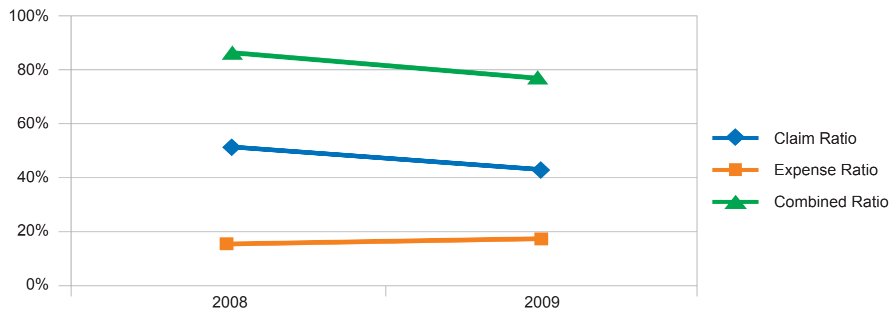
Fire can destroy a lifetime of savings and assets. AICL has been offering products to protect your property and peace of mind. We continuously strive to deliver the best coverage and our team of competent technical staff and front end employees work towards providing you coverages such as our all-inclusive Property and Casualty policies that guard you against unforeseen circumstances.



marine

	2009	2008	Change (%)
	(Rupees in `000)		
Gross Premium	1,113,902	1,481,044	(25)
Net Premium	974,268	1,199,675	(19)
Net Claims	418,877	616,515	(32)
Net Expenses	171,482	196,022	(13)
Net Commisions	160,720	225,863	(29)
Underwriting Result	223,189	161,275	38
Claim Ratio	43%	51%	
Expense Ratio	18%	16%	
Combined Ratio	77%	87%	



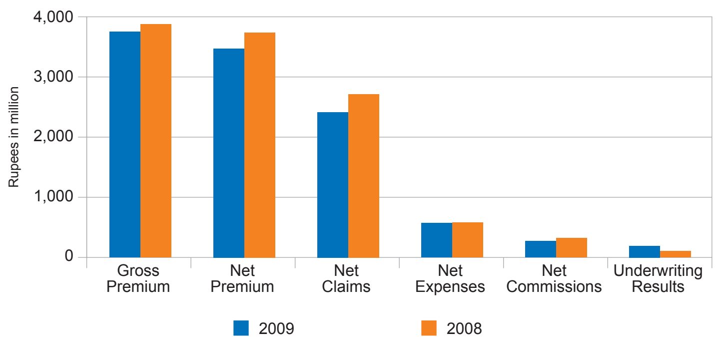


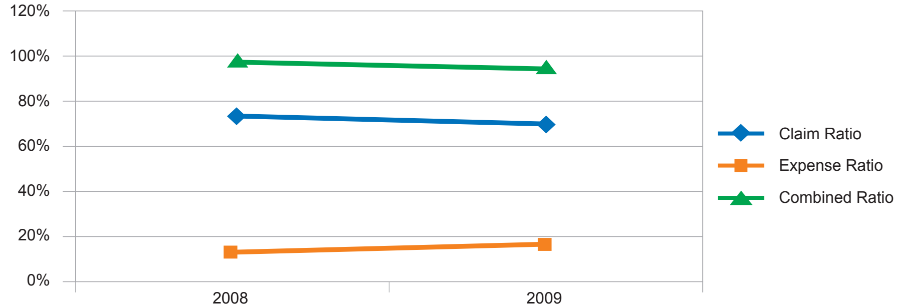
marine

Transporting your goods to anywhere in world in perfect condition is what we aim at. We make sure that your cargo is safeguarded against any risk.
Our Hull, Cargo and Umbrella policies ensure that your goods reach their destination safe and sound.

motor

	2009	2008	Change (%)
	(Rupees in `000)		
Gross Premium	3,754,785	3,885,892	(3)
Net Premium	3,479,904	3,740,021	(7)
Net Claims	2,435,542	2,740,149	(11)
Net Expenses	578,376	576,840	0
Net Commisions	274,460	337,139	(19)
Underwriting Result	191,526	85,893	123
Claim Ratio	70%	73%	
Expense Ratio	17%	15%	
Combined Ratio	94%	98%	



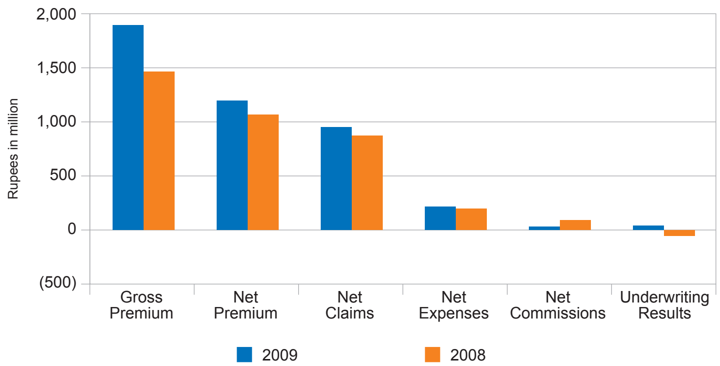


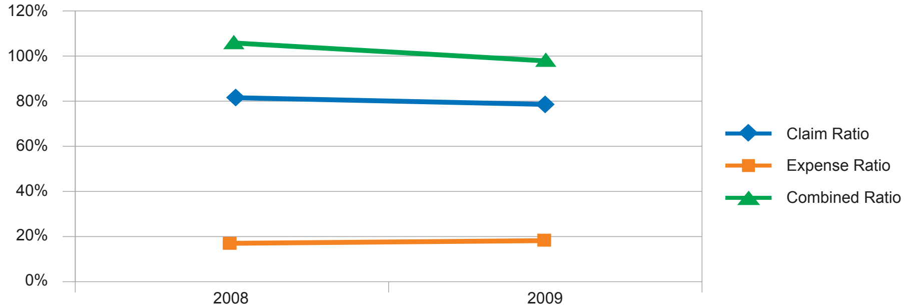
motor

You need to protect your asset and your family against unforeseen accidents. We offer protection of your vehicle and your loved ones in it through our comprehensive motor insurance policy that encompasses all possible outcomes into consideration.

miscellaneous

	2009	2008	Change (%)
	(Rupees in `000)		
Gross Premium	1,898,728	1,456,585	30
Net Premium	1,202,215	1,063,717	13
Net Claims	947,971	865,954	9
Net Expenses	217,870	182,542	19
Net Commisions	15,201	80,437	(81)
Underwriting Result	21,173	(65,216)	132
Claim Ratio	79%	81%	
Expense Ratio	18%	17%	
Combined Ratio	98%	106%	





miscellaneous

Adamjee Insurance covers you in nearly all aspects of life, due to its diverse portfolio. Protecting you when you travel for work or pleasure through our travel insurance policy, safeguarding your livestock and crop through our livestock and crop loan insurance scheme and off ering y ou comprehensive Group Health coverage which includes Basic Hospitalization, Major Medical Care, Maternity Care and Out-Patient Cover.

Unconsolidated Financial Statements

For the year ended 31 December 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated financial statements comprising of:

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

of ADAMJEE INSURANCE COMPANY LIMITED ("the company") as at 31 December 2009 together with the notes forming part thereof, for the year then ended, in which are incorporated the results and balances of UAE branch, audited by Griffin Nagda & Company, Chartered Accountants.

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.

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

In our opinion:

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

b) the unconsolidated financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes mentioned in Note 2.1(f)(ii) and 2.18 with which we concur;

c) the unconsolidated 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 comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

The financial statements of the company for the year ended 31 December 2008 were audited by another firm of chartered accountants whose report dated 09 March 2009 expressed an unqualified opinion.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 30 March 2010
KARACHI

UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008 Restated	01 January 2008 Restated
			(Rupees in thousand)	
Share capital and reserves				
Authorised share capital	3.1	**1,500,000**	1,500,000	1,500,000
Paid-up share capital	3.2	**1,124,586**	1,022,351	1,022,351
Retained earnings		**8,520,042**	6,458,717	5,666,273
Reserves	4	**1,136,547**	1,078,231	954,815
		9,656,589	7,536,948	6,621,088
TOTAL EQUITY		**10,781,175**	8,559,299	7,643,439
Underwriting provisions				
Provision for outstanding claims (including IBNR)	5	**3,575,903**	4,562,553	5,022,620
Provision for unearned premium		**4,405,817**	4,014,822	4,252,005
Commission income unearned		**228,439**	176,500	236,039
Total underwriting provisions		**8,210,159**	8,753,875	9,510,664
Deferred liabilities				
Deferred taxation		**87,834**	-	-
Staff retirement benefits	6	**13,581**	9,166	3,688
Creditors and Accruals				
Premiums received in advance		**91,147**	101,247	125,682
Amounts due to other insurers / reinsurers		**948,716**	596,123	579,621
Accrued expenses		**139,319**	79,626	79,174
Other creditors and accruals	7	**1,165,571**	879,259	794,193
		2,344,753	1,656,255	1,578,670
Borrowings				
Liabilities against assets subject to finance lease	8	**148,911**	-	-
Other liabilities				
Unclaimed dividends		**25,965**	25,055	29,502
TOTAL LIABILITIES		**10,831,203**	10,444,351	11,122,524
CONTINGENCIES AND COMMITMENTS	9			
TOTAL EQUITY AND LIABILITIES		**21,612,378**	19,003,650	18,765,963

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

	Note	31 December 2009	31 December 2008	01 January 2008
			(Rupees in thousand)	
Cash and bank deposits	10			
Cash and other equivalents		**61,740**	41,622	133,735
Current and other accounts		**686,915**	483,534	600,661
Deposits maturing within 12 months		**1,408,449**	1,198,950	219,801
		2,157,104	1,724,106	954,197
Loans				
To employees	11	**28,383**	26,852	27,312
Investments	12	**9,658,030**	7,576,749	8,132,102
Current assets - others				
Premiums due but unpaid	13	**3,818,046**	3,449,898	3,203,751
Amounts due from other insurers / reinsurers	14	**716,962**	993,802	255,570
Salvage recoveries accrued		**115,753**	228,147	205,404
Premium and claim reserves retained by cedants		**24,235**	28,682	32,926
Accrued investment income	15	**41,307**	39,465	31,009
Reinsurance recoveries against outstanding claims	16	**1,845,562**	2,188,101	2,792,464
Taxation - payments less provision		**1,485**	132,876	157,153
Deferred commission expense		**399,884**	414,701	413,543
Prepayments	17	**1,548,922**	1,057,783	1,519,241
Sundry receivables	18	**206,392**	202,578	272,878
		8,718,548	8,736,033	8,883,939
Fixed Assets - Tangible & Intangible	19			
Owned				
Land and buildings		**174,660**	177,793	181,055
Furniture and fixtures		**29,580**	27,052	22,373
Motor vehicles		**190,681**	228,869	233,625
Capital work-in-progress		**-**	-	64,846
Machinery and equipment		**373,223**	395,443	220,266
Computers and related accessories		**49,324**	65,032	42,940
Intangible asset - computer software		**38,269**	45,721	3,308
		855,737	939,910	768,413
Leased				
Motor vehicles	19.1	**194,576**	-	-
TOTAL ASSETS		**21,612,378**	19,003,650	18,765,963

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2009	31 December 2008
		(Rupees in thousand)						
Revenue account								
Net premium revenue		1,150,510	974,268	3,479,904	1,202,130	85	**6,806,897**	7,488,144
Net claims		(650,449)	(418,877)	(2,435,542)	(937,313)	(10,658)	**(4,452,839)**	(5,173,152)
Expenses	20	(206,849)	(171,482)	(578,376)	(217,854)	(16)	**(1,174,577)**	(1,206,563)
Net commission		(49,843)	(160,720)	(274,460)	(15,163)	(38)	**(500,224)**	(741,367)
Underwriting result		243,369	223,189	191,526	31,800	(10,627)	**679,257**	367,062
Investment income							**2,479,419**	1,098,050
Rental income							**476**	494
Other income	21						**154,265**	183,594
							3,313,417	1,649,200
General and administration expenses	22						**(710,804)**	(511,727)
Exchange gain							**4,188**	38,404
Finance charge on lease liabilities							**(11,635)**	-
Profit before tax							**2,595,166**	1,175,877
Provision for taxation	23						**(160,683)**	(76,727)
Profit after tax							**2,434,483**	1,099,150
Profit and loss appropriation account								
Balance at the commencement of the year							**6,458,717**	5,666,273
Profit after tax for the year							**2,434,483**	1,099,150
Final dividend for the year ended 31 December 2008 Rupee 1.0 per share (2007: Rupees 1.5 per share)							**(102,235)**	(153,353)
Issue of bonus shares for the year ended 31 December 2008 @ 10 % (2007:Nil)							**(102,235)**	-
Interim dividend @ 15% (Rupees 1.5/- per share) [2008: Rupees 1.5/- per share]							**(168,688)**	(153,353)
Balance unappropriated profit at the end of the year							**8,520,042**	6,458,717
							Rupees	Restated Rupees
Earnings per share - basic and diluted (Note 24)							**21.65**	9.77

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2009	31 December 2008
	(Rupees in thousand)						
Revenue account							
Net premium revenue	1,104,480	880,446	2,636,376	1,179,714	85	5,801,101	6,685,378
Net claims	(655,688)	(396,199)	(1,890,128)	(937,607)	(10,658)	(3,890,280)	(4,802,176)
Expenses	(201,539)	(160,660)	(481,073)	(215,268)	(16)	(1,058,556)	(1,129,176)
Net commission	(45,490)	(143,614)	(195,576)	(15,775)	(38)	(400,493)	(677,660)
Underwriting result	201,763	179,973	69,599	11,064	(10,627)	451,772	76,366
Investment income						2,479,419	1,098,050
Rental income						476	494
Other income						116,384	153,112
						3,048,051	1,328,022
General and administration expenses						(674,956)	(481,891)
Exchange gain						4,021	2,550
Finance charge on lease liabilities						(11,635)	-
Profit before tax						2,365,481	848,681

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2009	31 December 2008
	(Rupees in thousand)						
Revenue account							
Net premium revenue	46,030	93,822	843,528	22,416	-	**1,005,796**	802,766
Net claims	5,239	(22,678)	(545,414)	294	-	**(562,559)**	(370,976)
Expenses	(5,310)	(10,822)	(97,303)	(2,586)	-	**(116,021)**	(77,387)
Net commission	(4,353)	(17,106)	(78,884)	612	-	**(99,731)**	(63,707)
Underwriting result	41,606	43,216	121,927	20,736	-	**227,485**	290,696
Other income						**37,881**	30,482
						265,366	321,178
General and administration expenses						**(35,848)**	(29,836)
Exchange gain						**167**	35,854
Profit before tax						**229,685**	327,196

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Profit for the year	**2,434,483**	1,099,150
Other comprehensive income:		
Effect of translation of net investment in foreign branches	**58,316**	123,416
Total comprehensive income for the year	**2,492,799**	1,222,566

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Capital Reserves				Revenue Reserves		
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	**Total**
	(Rupees in thousand)							
Balance as at 31 December 2007	1,022,351	-	22,859	3,764	-	936,500	5,666,273	**7,651,747**
Effect of restatement as referred in Note 4.3	-	-	-	-	(8,308)	-	-	**(8,308)**
Balance as at 01 January 2008	1,022,351	-	22,859	3,764	(8,308)	936,500	5,666,273	**7,643,439**
Total comprehensive income for the year 31 December 2008	-	-	-	-	123,416	-	1,099,150	**1,222,566**
Final dividend for the year ended 31 December 2007 @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(153,353)	**(153,353)**
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(153,353)	**(153,353)**
Balance as at 31 December 2008	1,022,351	-	22,859	3,764	115,108	936,500	6,458,717	**8,559,299**
Total comprehensive income for the year 31 December 2009	-	-	-	-	58,316	-	2,434,483	**2,492,799**
Final dividend for the year ended 31 December 2008 @ 10 % (Rupee 1.0 per share)	-	-	-	-	-	-	(102,235)	**(102,235)**
Transferred to reserve for issue of bonus shares	-	102,235	-	-	-	-	(102,235)	**-**
Issue of bonus shares for the year ended 31 December 2008 @ 10 %	102,235	(102,235)	-	-	-	-	-	**-**
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(168,688)	**(168,688)**
Balance as at 31 December 2009	1,124,586	-	22,859	3,764	173,424	936,500	8,520,042	**10,781,175**

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	**10,022,272**	10,000,258
Reinsurance premiums paid	**(3,247,657)**	(2,955,950)
Claims paid	**(6,626,146)**	(7,057,015)
Surrenders paid	**(79,776)**	(65,364)
Reinsurance and other recoveries received	**1,922,877**	1,730,171
Commissions paid	**(928,180)**	(1,086,443)
Commissions received	**522,486**	392,195
Other underwriting payments	**(784,074)**	(1,085,931)
Net cash flow from / (used in) underwriting activities	**801,802**	(128,079)
b) Other operating activities		
Income tax refund / (paid)	**58,542**	(52,450)
General and other expenses paid	**(574,553)**	(291,823)
Loans disbursed	**(42,840)**	(55,948)
Loan repayments received	**51,974**	55,335
Deposits received	**-**	6,051
Other receipts	**25,067**	99,099
Net cash used in other operating activities	**(481,810)**	(239,736)
Total cash flow from / (used in) all operating activities	**319,992**	(367,815)
Investment activities		
Profit / return received	**142,374**	106,660
Dividends received	**348,327**	401,601
Investments purchased	**(7,006,036)**	(11,978,457)
Proceeds from disposal of investments	**7,008,737**	13,212,392
Fixed capital expenditure - Tangible assets	**(135,121)**	(318,472)
Fixed capital expenditure - Intangible assets	**(3,781)**	(5,185)
Proceeds from disposal of fixed assets	**61,867**	12,649
Income received on rent	**184**	-
Income received on PIBs	**11,320**	-
Income received on TFCs	**28,767**	23,740
Total cash flow from investing activities	**456,638**	1,454,928
Financing activities		
Lease rentals paid	**(73,619)**	-
Dividends paid	**(270,013)**	(311,153)
Total cash used in financing activities	**(343,632)**	(311,153)
Net cash inflow from all activities	**432,998**	775,960
Cash at the beginning of the year	**1,719,655**	943,695
Cash at the end of the year	**2,152,653**	1,719,655

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Reconciliation to Profit and Loss Account		
Operating cash flows	319,992	(367,815)
Depreciation expense	(161,444)	(134,464)
Provision for gratuity	(4,415)	(5,478)
Other income - bank deposits	133,493	120,495
(Loss) / Profit on disposal of fixed assets	(1,439)	2,404
Finance charge on lease obligations	(11,635)	-
Rental income	476	494
Increase / (Decrease) in assets other than cash	122,726	(590,828)
Decrease in liabilities other than running finance	187,897	777,348
	585,651	(197,844)
Others		
Profit on sale of investments	166,417	3,060,670
Amortization expense	(11,233)	(7,451)
(Increase) / decrease in unearned premium	(390,995)	237,183
Amortization of income on Government Securities - net	40,958	70,531
Decrease in loans	(9,134)	(460)
Income tax (refund) / paid	(58,542)	52,450
Profit on PIBs	12,997	-
Reversal / (Provision) for impairment in value of investments	1,873,201	(2,452,619)
Dividend, investment and other income	357,573	395,032
Deposits (received) / paid	-	(6,051)
Income on TFCs	28,273	24,436
	2,009,515	1,373,721
Profit before taxation	2,595,166	1,175,877

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rupees 4.451 million (2008: Rupees 4.451 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	61,740	41,622
Current and other accounts	686,915	483,534
Deposits maturing within 12 months	1,403,998	1,194,499
Total cash and cash equivalents	2,152,653	1,719,655

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	8,805,119	8,951,499
Reinsurance premiums paid	(2,979,680)	(2,759,741)
Claims paid	(5,820,387)	(6,665,683)
Surrenders paid	(77,983)	(65,364)
Reinsurance and other recoveries received	1,647,704	1,624,807
Commissions paid	(815,421)	(972,117)
Commissions received	448,229	358,476
Other underwriting payments	(738,362)	(1,082,217)
Net cash flow from / (used in) underwriting activities	469,219	(610,340)
b) Other operating activities		
Income tax refund / (paid)	58,542	(52,450)
General and other expenses paid	(546,485)	(277,528)
Loans disbursed	(36,679)	(54,343)
Loan repayments received	47,851	55,335
Deposits received	-	3,241
Other receipts	12,085	39,890
Net cash used in other operating activities	(464,686)	(285,855)
Total cash flow from / (used in) all operating activities	4,533	(896,195)
Investment activities		
Profit/ return received	118,160	101,359
Dividends received	348,327	401,601
Investments purchased	(7,006,036)	(11,978,457)
Proceeds from disposal of investments	7,008,737	13,212,392
Fixed capital expenditure - Tangible assets	(134,764)	(313,082)
Fixed capital expenditure - Intangible assets	(3,781)	(5,185)
Proceeds from disposal of fixed assets	61,867	12,649
Income received on rent	184	-
Income received on PIBs	11,320	-
Income received on TFCs	28,767	23,740
Total cash flow from investing activities	432,781	1,455,017
Financing activities		
Lease rentals paid	(73,619)	-
Remittance from Head Office	-	255,384
Dividends paid	(270,013)	(311,153)
Total cash used in financing activities	(343,632)	(55,769)
Net cash inflow from all activities	93,682	503,053
Cash at the beginning of the year	1,146,923	643,870
Cash at the end of the year	1,240,605	1,146,923

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Reconciliation to Profit and Loss Account		
Operating cash flows	**4,533**	(896,195)
Depreciation expense	**(158,977)**	(132,938)
Provision for gratuity	**-**	-
Other income - bank deposits	**108,423**	113,367
(Loss) / Profit on disposal of fixed assets	**(1,439)**	2,404
Finance charge on lease obligations	**(11,635)**	-
Rental income	**476**	494
(Decrease) in assets other than cash	**(467,524)**	(1,115,824)
Decrease in liabilities other than running finance	**612,865**	1,202,424
	86,722	(826,268)
Others		
Profit on sale of investments	**166,417**	3,060,670
Amortization expense	**(11,233)**	(7,451)
(Increase) / Decrease in unearned premium	**(119,713)**	535,601
Amortization of income on Government Securities - net	**40,958**	70,531
Decrease in loans	**(11,172)**	(460)
Income tax (refund) / paid	**(58,542)**	52,450
Profit on PIBs	**12,997**	-
Reversal / (Provision) for impairment in value of investments	**1,873,201**	(2,452,619)
Dividend, investment and other income	**357,573**	395,032
Deposits received	**-**	(3,241)
Income on TFCs	**28,273**	24,436
	2,278,759	1,674,949
Profit before taxation	**2,365,481**	848,681

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rupees 4.451 million (2008: Rupees 4.451 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	**61,510**	41,408
Current and other accounts	**476,095**	354,515
Deposits maturing within 12 months	**703,000**	751,000
Total cash and cash equivalents	**1,240,605**	1,146,923

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	1,217,153	1,048,759
Reinsurance premiums paid	(267,977)	(196,209)
Claims paid	(805,759)	(391,332)
Surrenders paid	(1,793)	-
Reinsurance and other recoveries received	275,173	105,364
Commissions paid	(112,759)	(114,326)
Commissions received	74,257	33,719
Other underwriting payments	(45,712)	(3,714)
Net cash flow from underwriting activities	332,583	482,261
b) Other operating activities		
Income tax refund / (paid)	-	-
General and other expenses paid	(28,068)	(14,295)
Loans disbursed	(6,161)	(1,605)
Loan repayments received	4,123	-
Deposits received	-	2,810
Other receipts	12,982	59,209
Net cash (used in) / flow from other operating activities	(17,124)	46,119
Total cash flow from all operating activities	315,459	528,380
Investment activities		
Profit/ return received	24,214	5,301
Dividends received	-	-
Investments purchased	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - Tangible assets	(357)	(5,390)
Fixed capital expenditure - Intangible assets	-	-
Proceeds from disposal of fixed assets	-	-
Income received on rent	-	-
Income received on PIBs	-	-
Income received on TFCs	-	-
Total cash flow from / (used in) investing activities	23,857	(89)
Financing activities		
Dividends paid	-	-
Lease rentals paid	-	-
Remittance to Head office	-	(255,384)
Total cash used in financing activities	-	(255,384)
Net cash inflow from all activities	339,316	272,907
Cash at the beginning of the year	572,732	299,825
Cash at the end of the year	912,048	572,732

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Reconciliation to Profit and Loss Account		
Operating cash flows	315,459	528,380
Depreciation expense	(2,467)	(1,526)
Provision for gratuity	(4,415)	(5,478)
Other income - bank deposits	25,070	7,128
(Loss) / Profit on disposal of fixed assets	-	-
Finance charge on lease obligations	-	-
Rental income	-	-
Increase in assets other than cash	590,250	524,996
(Increase) in liabilities other than running finance	(424,968)	(425,076)
	498,929	628,424
Others		
Profit on sale of investments	-	-
Amortization expense	-	-
Increase in unearned premium	(271,282)	(298,418)
Amortization of income on Government Securities - net	-	-
Increase in loans	2,038	-
Income tax (refund) / paid	-	-
Profit on PIBs	-	-
Reversal for diminution in value of investments	-	-
Dividend, investment and other income	-	-
Deposits paid / (received)	-	(2,810)
Income on TFCs	-	-
	(269,244)	(301,228)
Profit before taxation	229,685	327,196

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rupees Nil (2008: Rupees Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	230	214
Current and other accounts	210,820	129,019
Deposits maturing within 12 months	700,998	443,499
Total cash and cash equivalents	912,048	572,732

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	3,553,329	1,551,532	1,685,968	3,418,893	2,526,567	878,865	1,137,049	2,268,383	**1,150,510**	1,484,731
Marine, aviation and transport	1,113,902	91,984	42,099	1,163,787	173,310	21,364	5,155	189,519	**974,268**	1,199,675
Motor	3,754,785	1,789,404	1,900,021	3,644,168	359,762	1,910	197,408	164,264	**3,479,904**	3,740,021
Miscellaneous	1,898,643	581,902	777,729	1,702,816	540,611	102,092	142,017	500,686	**1,202,130**	1,047,746
Total	10,320,659	4,014,822	4,405,817	9,929,664	3,600,250	1,004,231	1,481,629	3,122,852	**6,806,812**	7,472,173
Treaty										
Proportional	85	-	-	85	-	-	-	-	**85**	15,971
Total	85	-	-	85	-	-	-	-	**85**	15,971
Grand Total	10,320,744	4,014,822	4,405,817	9,929,749	3,600,250	1,004,231	1,481,629	3,122,852	**6,806,897**	7,488,144

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	3,444,919	1,477,644	1,634,259	3,288,304	2,445,867	836,178	1,098,221	2,183,824	**1,104,480**	1,434,868
Marine, aviation and transport	1,076,095	30,146	46,726	1,059,515	172,740	12,728	6,399	179,069	**880,446**	1,095,981
Motor	2,406,678	1,286,286	1,024,231	2,668,733	32,421	1,910	1,974	32,357	**2,636,376**	3,102,679
Miscellaneous	1,874,790	557,554	766,126	1,666,218	530,536	92,624	136,656	486,504	**1,179,714**	1,035,879
Total	8,802,482	3,351,630	3,471,342	8,682,770	3,181,564	943,440	1,243,250	2,881,754	**5,801,016**	6,669,407
Treaty										
Proportional	85	-	-	85	-	-	-	-	**85**	15,971
Total	85	-	-	85	-	-	-	-	**85**	15,971
Grand Total	8,802,567	3,351,630	3,471,342	8,682,855	3,181,564	943,440	1,243,250	2,881,754	**5,801,101**	6,685,378

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

CELEBRATING 50 Years OF LEADERSHIP

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	108,410	73,888	51,709	130,589	80,700	42,687	38,828	84,559	**46,030**	49,863
Marine, aviation and transport	37,807	61,838	(4,627)	104,272	570	8,636	(1,244)	10,450	**93,822**	103,694
Motor	1,348,107	503,118	875,790	975,435	327,341	-	195,434	131,907	**843,528**	637,342
Miscellaneous	23,853	24,348	11,603	36,598	10,075	9,468	5,361	14,182	**22,416**	11,867
Total	1,518,177	663,192	934,475	1,246,894	418,686	60,791	238,379	241,098	**1,005,796**	802,766
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	1,518,177	663,192	934,475	1,246,894	418,686	60,791	238,379	241,098	**1,005,796**	802,766

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2009	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	1,774,827	1,629,455	1,168,771	1,314,143	982,746	1,028,755	709,703	663,694	**650,449**	950,534
Marine, aviation and transport	608,904	499,471	359,826	469,259	143,429	276,920	183,873	50,382	**418,877**	616,515
Motor	3,054,264	1,833,234	1,471,832	2,692,862	292,437	740,724	705,607	257,320	**2,435,542**	2,740,149
Miscellaneous	1,185,171	580,662	552,512	1,157,021	227,425	369,849	362,132	219,708	**937,313**	860,956
Total	6,623,166	4,542,822	3,552,941	5,633,285	1,646,037	2,416,248	1,961,315	1,191,104	**4,442,181**	5,168,154
Treaty										
Proportional	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
Total	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
Grand Total	6,630,593	4,562,553	3,575,903	5,643,943	1,646,037	2,416,248	1,961,315	1,191,104	**4,452,839**	5,173,152

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	1,767,249	1,617,643	1,166,655	1,316,261	979,387	1,026,681	707,867	660,573	**655,688**	934,656
Marine, aviation and transport	568,520	466,009	351,769	454,280	143,429	269,221	183,873	58,081	**396,199**	580,425
Motor	2,237,122	1,166,441	695,339	1,766,020	1,792	226,210	100,310	(124,108)	**1,890,128**	2,421,551
Miscellaneous	1,184,516	578,916	551,574	1,157,174	227,329	369,849	362,087	219,567	**937,607**	860,546
Total	5,757,407	3,829,009	2,765,337	4,693,735	1,351,937	1,891,961	1,354,137	814,113	**3,879,622**	4,797,178
Treaty										
Proportional	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
Total	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
Grand Total	5,764,834	3,848,740	2,788,299	4,704,393	1,351,937	1,891,961	1,354,137	814,113	**3,890,280**	4,802,176

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2009	31 December 2008
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	7,578	11,812	2,116	(2,118)	3,359	2,074	1,836	3,121	**(5,239)**	15,878
Marine, aviation and transport	40,384	33,462	8,057	14,979	-	7,699	-	(7,699)	**22,678**	36,090
Motor	817,142	666,793	776,493	926,842	290,645	514,514	605,297	381,428	**545,414**	318,598
Miscellaneous	655	1,746	938	(153)	96	-	45	141	**(294)**	410
Total	865,759	713,813	787,604	939,550	294,100	524,287	607,178	376,991	**562,559**	370,976
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	865,759	713,813	787,604	939,550	294,100	524,287	607,178	376,991	**562,559**	370,976

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					**31 December 2009**	31 December 2008
	(Rupees in thousand)								
Direct and facultative									
Fire and property damage	407,363	188,585	203,339	392,609	206,849	599,458	342,766	**256,692**	345,084
Marine, aviation and transport	160,797	14,340	7,197	167,940	171,482	339,422	7,220	**332,202**	420,727
Motor	272,499	162,862	144,778	290,583	578,376	868,959	16,123	**852,836**	922,726
Miscellaneous	115,257	48,914	44,570	119,601	217,854	337,455	104,438	**233,017**	248,595
Total	955,916	414,701	399,884	970,733	1,174,561	2,145,294	470,547	**1,674,747**	1,937,132
Treaty									
Proportional	38	-	-	38	16	54	-	**54**	10,798
Total	38	-	-	38	16	54	-	**54**	10,798
Grand Total	955,954	414,701	399,884	970,771	1,174,577	2,145,348	470,547	**1,674,801**	1,947,930

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					**31 December 2009**	31 December 2008
	(Rupees in thousand)								
Direct and facultative									
Fire and property damage	392,903	173,385	198,639	367,649	201,539	569,188	322,159	**247,029**	349,547
Marine, aviation and transport	150,181	3,554	4,052	149,683	160,660	310,343	6,069	**304,274**	397,394
Motor	151,576	109,544	63,952	197,168	481,073	678,241	1,592	**676,649**	800,548
Miscellaneous	113,680	46,986	44,458	116,208	215,268	331,476	100,433	**231,043**	248,549
Total	808,340	333,469	311,101	830,708	1,058,540	1,889,248	430,253	**1,458,995**	1,796,038
Treaty									
Proportional	38	-	-	38	16	54	-	**54**	10,798
Total	38	-	-	38	16	54	-	**54**	10,798
Grand Total	808,378	333,469	311,101	830,746	1,058,556	1,889,302	430,253	**1,459,049**	1,806,836

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2009

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2009	31 December 2008
	(Rupees in thousand)								
Direct and facultative									
Fire and property damage	14,460	15,200	4,700	24,960	5,310	30,270	20,607	**9,663**	(4,463)
Marine, aviation and transport	10,616	10,786	3,145	18,257	10,822	29,079	1,151	**27,928**	23,333
Motor	120,923	53,318	80,826	93,415	97,303	190,718	14,531	**176,187**	122,178
Miscellaneous	1,577	1,928	112	3,393	2,586	5,979	4,005	**1,974**	46
Total	147,576	81,232	88,783	140,025	116,021	256,046	40,294	**215,752**	141,094
Treaty									
Proportional	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	**-**	-
Grand Total	147,576	81,232	88,783	140,025	116,021	256,046	40,294	**215,752**	141,094

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

UNCONSOLIDATED STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Income from non-trading investments			
Available-for-sale			
Return on fixed income securities		40,958	70,531
Return on Term Finance Certificates		28,273	24,436
Return on Pakistan Investments Bonds		12,997	-
Dividend income			
- associated undertakings		208,802	232,447
- others		148,771	162,585
		357,573	395,032
		439,801	489,999
Gain on sale of 'available-for-sale' investments			
- associated undertakings		195,946	2,815,267
- others		(29,529)	245,403
		166,417	3,060,670
		606,218	3,550,669
Reversal / (Provision) for impairment in value of 'available-for-sale' investment	12.2	1,873,201	(2,386,179)
Investment related expenses		-	(66,440)
Net investment income		2,479,419	1,098,050

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

1 THE COMPANY AND ITS OPERATIONS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

b) Basis of presentation

These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The consolidated financial statements of the group are being issued separately.

c) Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow information.

d) Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Provision for doubtful receivables

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

iv) Useful lives, patterns of economic benefits and impairments

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

v) Defined benefit plans

The actuarial calculations are involved in the working of provision for defined benefit plans that are based on certain actuarial assumptions.

vi) Classification of investments

The Company classifies its investments into "available-for-sale" . The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

e) Functional and presentation currency

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

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

i) IFRS 7 'Financial Instruments: Disclosure'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) /2008 dated 28 April 2008 notified the adaption of IFRS 7. IFRS 7 is mandatory for Company's accounting periods beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in these unconsolidated financial statements.

ii) IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual accounting periods beginning on or after 01 January 2009) . The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose either to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).The Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. In these unconsolidated financial statements comparative information has been re-presented in conformity with the revised standard.

Further, the Standard requires that if the entities have to restate or reclassify comparative information given in the financial statements, in addition to presenting the balance sheets at the end of the current period and comparative period, will also be required to present a restated balance sheet as at the beginning comparative period. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

iii) IFRS 4, 'Insurance Contracts'. SECP vide S.R.O 149(1) 2009 dated 11 February 2009 (read with circular No. 22/2009 dated 30 June 2009) notified the adaption of IFRS-4. It is mandatory for Company's annual accounting periods beginning on or after 01 January 2009. IFRS-4 makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these unconsolidated financial statements.

iv) IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. The adaption of IFRS 8 does not have any material effect for the Company but has changed the criteria to determine the reportable segment and certain disclosures.

v) IAS 23 (amendment), 'Borrowing costs' (effective for the annual accounting periods beginning on or after 01 January 2009) is relevant to the current year's financial statements. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. From the current year, the Company has adapted the accounting policy of borrowing cost compliant with the requirements of IAS-23.

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

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2009 but are considered not to be relevant or do not have any significant impact on the these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

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

IFRS 9 'Financial Instruments' (effective for annual accounting periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated.

Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. Adaption of the aforesaid standard is not expected to have a significant impact on the Company's unconsolidated financial statements other than certain additional or revised disclosures.

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

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

2.2 Insurance contracts

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

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

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

2.2.1 Premium

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

(a) For direct business, evenly over the period of the policy;

(b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and

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

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

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

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002. This liability is calculated as follows:

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

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

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

2.2.2 Reinsurance Ceded

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

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

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

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

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

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

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

2.2.3 Claims expense

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

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

2.2.4 Reinsurance recoveries against outstanding claims

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

2.2.5 Commission expense and other acquisition costs

Commission expense and other acquisition costs are charged to profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

2.2.6 Premium Deficiency Reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the 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 / income in profit or loss account for the year.

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

Fire and property damage	65.57%
Marine, aviation and transport	41.00%
Motor	71.29%
Miscellaneous	78.44%

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

2.3 Staff retirement benefits

2.3.1 Defined contribution plan

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

2.3.2 Defined benefit plans

The Company operates the following defined benefit plans:

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

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

2.4 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 12.75 percent and assumes salary increase average 10.6% in the long term.

2.5 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

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

2.6 Cash and cash equivalents

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

2.7 Investments

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

The above investments are classified as 'available-for-sale'.

Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

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

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

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

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

2.9 Fixed assets

2.9.1 Tangible

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

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

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

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

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

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

2.9.2 Intangible

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

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

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

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

2.10 Expenses of management

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

2.11 Investment income

From available-for-sale investments

- **Return on fixed income investments**
  Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

- **Dividend**
  Dividend income is recognized when the Company's right to receive the dividend is established.

- **Gain / loss on sale of available-for-sale investments**
  Gain / loss on sale of available-for-sale investments is recognized in profit and loss account currently.

- **Return on Term Finance Certificates**
  The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized and taken to the profit and loss account over the term of the investment.

2.12 Foreign currencies

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

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

2.13 Financial instruments

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

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

2.14 Dividend and appropriation to reserves

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

2.15 Off setting

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

2.16 Earnings per share

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

2.17 Impairment

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

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

2.18 Segment reporting

Revised policy

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

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

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

Previous policy

A business segment is a group of assets and operations engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment) which are subject to risks and returns that are different from those of other business segments.

This change in policy has been made on initial application of International Financial Reporting Standard (IFRS - 8) 'Operating Segments'. There is no financial impact of this change in accounting policy on these unconsolidated financial statements except for certain change in the disclosures.

2.19 Borrowing cost

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

2.20 Share Capital

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

3 SHARE CAPITAL

3.1 Authorized share capital

31 December 2009	31 December 2008		31 December 2009	31 December 2008
(Number of shares)			(Rupees in thousand)	
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	**1,500,000**	1,500,000

3.2 Paid-up share capital
Issued, subscribed and fully paid:

		Opening balance		
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
101,985,159	101,985,159	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,019,851**	1,019,851
		Issued during the year		
10,223,517	-	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**102,235**	-
112,458,676	102,235,159	**Closing Balance**	**1,124,586**	1,022,351

3.3 As at 31 December 2009, MCB Bank Limited, Nishat Mills Limited, Security General Insurance Company Limited, D.G Khan Cement Company Limited and Pakistan Molasses Company (Pvt.) Limited., associated undertakings, held 33,034,630 (2008: 30,031,483) 33,034 (2008: 30,031) 3,762,339 (2008: 3,420,309) 3,219,447 (2008: 2,926,770) and 30,000 (2008: Nil) ordinary shares of Rupees 10 each, respectively.

4 RESERVES

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
			Restated
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**173,424**	115,108
		200,047	141,731
Revenue reserve			
General reserve		**936,500**	936,500
		1,136,547	1,078,231

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

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

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

In the previous years' the company did not properly account for the effect of translation of foreign operations into Pak Rupees . However, during the year the required correction has been made and the effect of translation of foreign operations into Pak Rupees has been accounted for retrospectively in accordance with the International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of retrospective restatement is tabulated below:

	31 December 2009	31 December 2008	01 January 2008
		(Rupees in thousand)	
Increase / (decrease) in retained earnings	**58,316**	123,416	(8,308)
(Decrease) / increase in Other Creditors and Accruals	**(58,316)**	(123,416)	8,308

There was no impact of this correction on the reported results of the company.

		Note	31 December 2009	31 December 2008
			(Rupees in thousand)	
5	**PROVISION FOR OUTSTANDING CLAIMS (including IBNR)**			
	Related parties		**272,098**	260,184
	Others		**3,303,805**	4,302,369
			3,575,903	4,562,553
6	**STAFF RETIREMENT BENEFITS - Unfunded staff gratuity**			
	Opening balance		**9,166**	3,688
	Charge for the year		**4,111**	3,989
			13,277	7,677
	Exchange loss		**304**	1,489
			13,581	9,166

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

		Note	31 December 2009	31 December 2008
7	**OTHER CREDITORS AND ACCRUALS**			Restated
	Cash margin against performance bonds		**459,463**	372,228
	Sundry creditors		**94,502**	23,022
	Commission payable		**416,588**	388,817
	Workers' welfare fund		**79,796**	23,518
	Federal insurance fee		**6,990**	12,652
	Payable to Employees' Provident Fund	7.1	**(716)**	709
	Federal excise duty		**108,948**	58,313
			1,165,571	879,259

7.1 During the year an amount of Rupees 20.044 million (2008: Rupees 21.144 million) has been charged to the profit and loss account in respect of the company's contributions to the Employees' Provident Fund.

		31 December 2009	31 December 2008
8	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**		
	Present value of minimum lease payments	**148,911**	-
8.1	**Minimum lease payments**		
	Not later than 1 year	**45,514**	-
	Later than 1 year and not later than 5 years	**159,314**	-
		204,828	-
	Future finance charges on finance lease	**(55,917)**	-
	Present value of finance lease liability	**148,911**	-
8.2	**Present value of finance lease liabilities**		
	Not later than 1 year	**25,167**	-
	Later than 1 year and not later than 5 years	**123,744**	-
		148,911	-

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

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

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

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

ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the company but the Tax Department had filed an appeal before the ITAT against the order of the Additional Commissioner, which has been decided in favour of the company. There are chances that the Tax Department will file an appeal against the decision of ITAT;

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

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

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

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

Pending resolution of the above-mentioned appeals filed by the company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rupees 88.201 million (31 December 2008: Rupees 48.580 million) as the management is confident that the eventual outcome of the above matters will be in favour of the company.

9.2 Commitments

There were no capital or other commitments as at 31 December 2009 (31 December 2008: Nil)

10 CASH AND BANK DEPOSITS

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Cash and other equivalents			
Cash in hand		4,839	7,863
Cheques in transit		56,901	33,759
		61,740	41,622
Current and other accounts			
Current accounts		188,943	6,269
Savings accounts		497,972	477,265
		686,915	483,534
Deposits maturing within 12 months			
Fixed and term deposits	10.1	1,408,449	1,198,950
		2,157,104	1,724,106

10.1 These include fixed deposits amounting to Rupees 157.904 million (AED 6.895 million) [2008: (Rupees 146.724 million), (AED 6.847 million)] kept in accordance with the requirements of Insurance Regulations applicable in the UAE for the purpose of carrying on business in the country. These also include liens against cash deposits of Rupees 4.451 million (2008: Rupees 4.451 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed against the company.

10.2 Cash and bank deposits include an amount of Rupees 844.276 million (2008: Rupees 1,018 million) held with related parties.

11 LOANS - considered good

	Note	31 December 2009	31 December 2008
Secured			
Executives	11.2	1,990	4,604
Employees	11.2	43,779	50,299
		45,769	54,903
Less: Recoverable within one year shown under sundry receivables			
Executives	18	2,368	4,372
Employees	18	15,018	23,679
		17,386	28,051
		28,383	26,852

11.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documen ts of property with the company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase/ construction of houses which carry interest at the rate of 5% (2008: 5%) per annum.

11.2 Reconciliation of carrying amount of loans

	2009			2008		
	Executives	Others	Total	Executives	Others	Total
	(Rupees in thousand)					
Opening balance	4,604	50,299	54,903	6,008	48,282	54,290
Disbursements	5,410	37,430	42,840	10,184	45,764	55,948
Repayments	(8,024)	(43,950)	(51,974)	(11,588)	(43,747)	(55,335)
Closing balance	1,990	43,779	45,769	4,604	50,299	54,903

12 INVESTMENTS

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
In related parties			
Available-for-sale			
Marketable securities	12.3	6,029,982	5,770,797
Less: Provision for impairment in value of investments		-	(1,108,681)
		6,029,982	4,662,116
Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,065	294,086
		6,324,047	4,956,202
Others			
Available-for-sale			
Marketable securities	12.3	3,371,193	3,095,736
Less: Provision for impairment in value of investments	12.2	(541,300)	(1,305,820)
		2,829,893	1,789,916
Fixed income investments	12.4	504,090	830,631
		3,333,983	2,620,547
		3,333,983	2,620,547
		9,658,030	7,576,749

12.1 At 31 December 2009, the fair value of available-for-sale securities was Rupees 10,151.908 million (2008: Rupees 6,735.364 million). As per the company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2009 would have been higher by Rupees 493.871 million (2008: lower by Rupees 841.385 million).

12.2 Reconciliation of provision for impairment in value of investments

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Opening provision	2,414,501	28,322
(Reversal) / Charge for the year	(1,873,201)	2,386,179
Closing provision	541,300	2,414,501

12.3 Marketable securities - Available for sale

	Note	31 December 2009 Cost	31 December 2009 Provision there against	31 December 2009 Carrying Value	31 December 2008 Carrying Value
		(Rupees in thousand)			
In related parties:					
- Listed shares		4,669,982	-	4,669,982	3,561,746
- Mutual Fund Certificates		1,360,000	-	1,360,000	1,100,370
- Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,065	-	294,065	294,086
	12.3.1	6,324,047	-	6,324,047	4,956,202
Others:					
- Listed shares	12.3.2	2,921,132	474,967	2,446,165	1,529,020
- Term Finance Certificates	12.3.3	181,791	4,019	177,772	173,329
- Unlisted/ delisted shares and debentures	12.3.4	120	-	120	120
- Mutual Fund Certificates	12.3.5	158,699	62,314	96,385	87,286
- NIT Units		161	-	161	161
- Pakistan Investments Bonds		109,290	-	109,290	-
		3,371,193	541,300	2,829,893	1,789,916
		9,695,240	541,300	9,153,940	6,746,118

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
12.3.1 Related parties					
Listed Shares					
-	14,327	10	Mehran Sugar Mills Limited [Equity held Nil (2008: 0.15%)]	-	445
868,035	868,035	10	Nishat Mills Limited [Equity held 0.138% (2008: 0.54%)]	18,586	18,586
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2008: 0.01%)]	3,224	3,224
1,173,287	1,173,287	10	D.G. Khan Cement Company Limited [Equity held 0.39% (2008: 0.46%)]	34,185	34,185
21,148,526	19,225,933	10	MCB Bank Limited [Equity held 3.06% (2008: 3.06%)]	4,613,987	4,613,987
				4,669,982	4,670,427
Unlisted Shares					
29,406,493	29,408,645	10	Adamjee Life Assurance Limited [Equity held 55% (2008: 55%)]	294,065	294,086
Mutual Fund Certificates					
-	11,213,525	100	MCB Dynamic Cash Fund [Units held Nil (2008: 12.05%)]	-	1,100,370
13,247,781	-	100	MCB Cash Management Optimizer Fund [Units held 29.36% (2008: Nil)]	1,360,000	-
				1,360,000	1,100,370
12.3.2 Other - listed shares					
			Investment Bank/ Investment Companies / Security Companies		
800,000	800,000	10	Arif Habib Securities Limited	98,981	98,981
34,377	34,377	10	Jahangir Siddiqui Co. Limited	7,373	7,373
			Commercial Banks		
1,008,700	917,000	10	Allied Bank Limited	56,773	56,773
-	166,666	10	Arif Habib Bank Limited	-	3,796
1,275,945	1,020,756	10	Askari Bank Limited	71,871	71,871
-	1,246,000	10	Atlas Bank Limited	-	20,232
5,485,268	4,302,171	10	Bank Al-Habib Limited	166,807	166,807
837,178	496,106	10	Bank Alfalah Limited	25,346	22,865
-	50,000	10	Bank Islami Pakistan Limited	-	1,043
116,880	97,400	10	Habib Bank Limited	22,373	22,373
3,210,728	2,568,583	10	Habib Metropolitan Bank Limited	100,026	100,026
-	200,000	10	JS bank Limited	-	4,788
1,141,794	951,495	10	National Bank of Pakistan	164,683	164,683
-	497,000	10	Samba Bank Limited	-	10,422
237,204	194,430	10	Soneri Bank Limited	7,627	7,627
1,999,877	1,818,070	10	United Bank Limited	204,194	204,194

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
			Insurance		
14,145	14,145	10	EFU General Insurance Co. Limited	**1,081**	1,081
10,255	9,116	10	Habib Insurance Co. Limited	**22**	22
163,817	163,817	10	International Gen. Ins Co. of Pakistan	**22,888**	22,888
286,843	286,843	10	Pakistan Reinsurance Co. Limited	**6,326**	6,326
			Textile Spinning		
57,778	57,778	10	Dewan Khalid Textile Mills Limited	**1,142**	1,142
400,000	400,000	10	Hira Textile Mills Limited	**5,000**	5,000
78,000	78,000	10	Service Industries (Textile) Limited	**1,388**	1,388
51,200	51,200	10	Shahzad Textile Mills Limited	**634**	634
			Textile Composite		
-	16,014	10	Hussain Industries Limited	**-**	282
-	17	10	Janana-De-Melucho	**-**	-
-	5	10	Kohinoor Industries Limited	**-**	-
14,437	14,437	10	Zahur Textile Mills Limited	**210**	210
			Jute		
112,866	112,866	10	Crescent Jute Products Limited	**2,183**	2,183
109,807	109,807	10	Mehran Jute Mills Limited	**1,150**	1,150
12,117	10,098	10	Thal Limited.	**2,003**	2,003
			Sugar And Allied		
10,535	41,535	10	Crescent Sugar Mills & Distillery Limited	**138**	542
			Cement		
75,300	75,300	10	Lucky Cement Limited	**9,126**	9,126
-	208,500	10	Maple Leaf Cement Factory Limited.	**-**	3,118
			Refinery		
5,480	5,480	10	National Refinery Limited	**743**	743
24,887	24,887	10	Pakistan Refinery Limited	**2,438**	2,438
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited.	**3,913**	3,913
20,000,000	-	10	Nishat (Chunian) Power Limited	**200,000**	-
			Oil And Gas Marketing Companies		
110,000	110,000	10	Pakistan State Oil Co. Limited	**48,178**	48,178
207,900	207,900	10	Shell Gas LPG Pakistan Limited	**2,315**	2,315
328,470	328,470	10	Shell Pakistan Limited	**68,743**	68,743
1,916,100	1,916,100	10	Sui Northern Gas Pipelines Limited.	**127,666**	127,666
			Oil And Gas Exploration Companies		
1,581,669	1,446,669	10	Oil and Gas Development Company Limited	**168,784**	161,274
427,171	427,171	10	Pakistan Oilfields Limited	**101,082**	101,082
1,381,129	1,150,941	10	Pakistan Petroleum Limited	**256,732**	256,732
			Engineering		
1,165,686	1,165,686	10	International Industries Limited	**77,490**	77,490

No. of Shares/ Certificates 31 December 2009	31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	**43,030**	43,030
-	521	10	Indus Motor Company Limited	**-**	167
315,635	252,508	10	Millat Tractors Limited	**35,335**	35,335
			Cables And Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	**27,717**	27,717
171,930	171,930	10	Siemens (Pakistan) Engineering Company Limited	**135,531**	135,531
			Transport		
47,400	47,400	10	Pan Islamic Steamship Company Limited	**457**	457
			Technology And Communication		
175,000	175,000	10	Pakistan Telecommunication Company Limited	**7,151**	7,151
25,000	25,000	10	World Call Telecommunication Limited.	**440**	440
			Fertilizer		
355,335	253,811	10	Engro Chemical Pakistan Limited	**69,686**	64,610
404,078	404,078	10	Fauji Fertilizer Bin Qasim	**15,375**	15,375
1,830,516	1,331,285	10	Fauji Fertilizer Company Limited	**122,324**	122,324
			Pharmaceutical		
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	**151,883**	151,883
-	52	10	Ferozsons Laboratories Limited	**-**	-
707,976	707,976	10	GlaxoSmithKline Pakistan Limited	**84,811**	84,811
			Chemical		
77,905	77,905	10	BOC Pakistan Limited	**13,881**	13,881
88,321	88,321	10	Clariant Pakistan Limited	**11,762**	11,762
1,840,330	1,840,330	10	Descon Oxychem Limited.	**18,403**	18,403
41,400	41,400	10	ICI Pakistan Limited	**8,561**	8,561
			Paper And Board		
-	90	10	Packages Limited	**-**	9
-	1,582	10	Security Papers Limited	**-**	15
			Food And Personal Care Products		
-	15,630	10	Ismail Industries Limited	**-**	233
535,493	486,812	10	Murree Brewery Company Limited	**34,565**	34,565
32,783	32,783	10	Nestle Milk Pak Limited	**18,980**	18,980
54,870	54,870	10	Rafhan Maize Products Limited	**44,644**	44,644
26,336	26,336	50	Unilever Pakistan Limited	**35,847**	35,847
			Glass And Ceramics		
26,831	26,831	10	Medi Glass Limited	**417**	417
			Miscellaneous		
75,000	75,000	10	Pace Pakistan Limited.	**2,903**	2,903
				2,921,132	2,750,574

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
12.3.3 Others-Term Finance Certificates					
3,995	3,997	5,000	Allied Bank Limited. (05/11/2006)	**19,976**	19,984
9,985	9,988	5,000	Bank Alfalah Limited. (25/11/ 2005)	**49,923**	49,942
3,000	-	5,000	Bank Alfalah Limited. (02/12/ 2009)	**15,000**	-
1,499	2,249	5,000	IGI Investment Bank Limited. (10/07/2006)	**7,497**	11,246
1,998	1,998	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	**9,988**	9,992
833	999	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	**4,163**	4,997
5,992	5,994	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	**29,958**	29,970
3,940	3,941	5,000	Royal Bank of Scotland Limited. (10/02/ 2005)	**19,699**	19,708
1,125	1,874	5,000	Searle Pakistan Limited (9/03/2006)	**5,623**	9,371
3,993	3,994	5,000	Soneri Bank Limited.(5/05/2005)	**19,964**	19,972
				181,791	175,182
12.3.4 Others-Unlisted / delisted shares					
12	12	10,000	Tariq Cotton Mills Limited (Karikot Textile)	**120**	120
				120	120
12.3.5 Others-Mutual Fund Certificates					
(Open Ended) Mutual Funds					
1,124,911	1,000,000	100	ABL Income Fund	**10,000**	10,000
5,930	5,564	500	Atlas Income Fund	**2,725**	2,725
113,743	113,743	100	AMZ Plus Income Fund	**10,000**	10,000
-	13,609	100	Dawood Money Market Fund	**-**	1,000
-	230,484	100	HBL Income Fund	**-**	20,000
208,375	196,463	100	Meezan Islamic Income Fund	**10,000**	10,000
1,000,000	-	100	NIT Government Bond Fund	**10,000**	-
(Close Ended) Mutual Funds					
9,277,937	9,277,937	10	JS Growth Fund	**78,317**	78,317
400,000	400,000	10	Pakistan Strategic Allocation Fund	**4,000**	4,000
2,757,705	2,757,705	10	PICIC Investment Fund	**33,657**	33,657
				158,699	169,699
12.4 Fixed Income Investments					
Defence Saving Certificates				**504,090**	830,631

13 PREMIUMS DUE BUT UNPAID - Unsecured

	Note	31 December 2009 (Rupees in thousand)	31 December 2008 (Rupees in thousand)
Considered good		**3,818,046**	3,449,898
Considered doubtful		**119,530**	46,793
		3,937,576	3,496,691
Less: Provision for doubtful balances	13.1	**(119,530)**	(46,793)
		3,818,046	3,449,898

13.1 Reconciliation of provision for doubtful balances

	31 December 2009	31 December 2008
Opening provision	**46,793**	86,202
Exchange loss	**90**	19,659
Charge for the year	**90,864**	30,000
Written off during the year	**(18,217)**	(89,068)
Closing provision	**119,530**	46,793

13.2 Premiums due but unpaid include an amount of Rupees 173 million (2008: Rupees 88.6 million) held with related parties.

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
14 AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured			
Considered good		716,962	993,802
Considered doubtful		30,000	61,396
		746,962	1,055,198
Less: Provision for doubtful balances	14.1	(30,000)	(61,396)
		716,962	993,802
14.1 Reconciliation of provision for doubtful balance			
Opening provision		61,396	45,396
Charge for the year		50,390	16,000
Written off during the year		(81,786)	-
Closing provision		30,000	61,396
15 ACCRUED INVESTMENT INCOME			
Return accrued on Term Finance Certificates		4,268	4,762
Return accrued on Pakistan Investment Bonds		1,677	-
Dividend income			
- associated undertakings		-	-
- others		17,894	8,648
		17,894	8,648
Return on deposit accounts			
- associated undertakings		12,383	22,127
- others		2,718	1,855
		15,101	23,982
Others		2,367	2,073
		41,307	39,465

16 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered to be good.

17 PREPAYMENTS

		31 December 2009	31 December 2008
Prepaid reinsurance premium ceded		1,481,629	1,004,231
Others		67,293	53,552
		1,548,922	1,057,783

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
18 SUNDRY RECEIVABLES			
Considered good			
Current portion of long-term loans			
Executives	11	**2,368**	4,372
Employees	11	**15,018**	23,679
Other advances		**86,935**	51,913
Staff Gratuity Fund	18.1.1	**65,282**	63,950
Security deposits		**11,614**	11,855
Stationery in hand		**5,469**	2,885
Sundry debtors		**19,491**	43,860
		206,177	202,514
Miscellaneous			
Considered good		**215**	64
		206,392	202,578

18.1 Staff Gratuity Fund

The company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2009.

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

	Rate per annum
- Valuation discount rate	12.75%
- Expected rate of increase in salary level	10.60%
- Rate of return on plan assets	12.75%

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

	2009	2008
	(Rupees in thousand)	
Present value of defined benefit obligation at the end of the year	**201,262**	161,130
Fair value of plan assets at the end of the year	**(223,237)**	(250,143)
	(21,975)	(89,013)
Net unrecognized actuarial (losses) / gains	**(43,307)**	25,063
Net assets	**(65,282)**	(63,950)

18.1.1 Amounts recognized in the balance sheet

	2009	2008
Liabilities	**-**	-
Assets	**65,282**	63,950
Net assets	**65,282**	63,950

18.1.2 The amounts charged in profit and loss are as follows:

	2009	2008
Current service cost	**12,797**	9,651
Interest on obligation	**22,340**	17,841
Expected return on plan assets	**(34,862)**	(29,814)
Actuarial gains recognized during the year	**(1,607)**	(3,935)
Total gratuity income for the year for funded obligation	**(1,332)**	(6,257)

	31 December 2009	31 December 2008
	(Rupees in thousand)	
18.1.3 Actual return on plan assets	**17,762**	(8,790)

18.1.4 Changes in present value of the defined benefit obligation

	31 December 2009	31 December 2008
Present value of defined benefit obligation at the beginning of the year	**161,130**	173,663
Current service cost	**12,797**	9,651
Interest cost	**22,340**	17,841
Actuarial (gain) / loss	**49,663**	(16,441)
Benefits paid	**(44,668)**	(23,584)
Present value of defined benefit obligation at the end of the year	**201,262**	161,130

18.1.5 Changes in the fair value of plan assets

	31 December 2009	31 December 2008
Fair value of plan assets at the beginning of the year	**250,143**	282,517
Expected return	**34,862**	29,814
Actuarial gain / (loss)	**(17,100)**	(38,604)
Benefits paid	**(44,668)**	(23,584)
Fair value of plan assets at the end of the year	**223,237**	250,143

The Company is not expected to contribute to the gratuity fund in 2009.

18.1.6 Fund Investment

	2009		2008	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Government Bonds	**4,074**	**1.8**	57,853	23.1
Shares and deposits	**117,153**	**52.5**	100,041	40.0
Unit Trusts	**90,148**	**40.4**	83,545	33.4
Cash	**13,075**	**5.9**	13,785	5.5
Creditors	**(1,213)**	**(0.5)**	(5,081)	(2.0)
	223,237	**100.0**	250,143	100.0

18.1.7 Amounts / percentages for the current and previous four periods

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

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Defined benefit obligation	**(201,262)**	(161,130)	(173,663)	(176,626)	(200,739)
Plan assets	**223,237**	250,143	282,517	256,086	270,037
Surplus	**21,975**	89,013	108,854	79,460	69,298
Experience adjustments on plan liabilities	**25%**	-10%	-2%	3%	-5%
Experience adjustments on plan assets	**-8%**	-15%	10%	10%	-5%

19 FIXED ASSETS

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Owned assets - tangible	19.1	**817,468**	894,189
Owned assets - intangible	19.1	**38,269**	45,721
		855,737	939,910
Leased assets	19.2	**194,576**	-
		1,050,313	939,910

19.1 The following is a statement of operating fixed assets :

2009

	Owned assets – Tangible: Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total assets	Intangible: Computer software	Total owned	Leased assets – Tangible: Motor vehicles	Total leased	**Total fixed assets**
	(Rupees in thousand)										
At January 1, 2009											
Cost	204,076	61,437	371,543	543,865	172,755	1,353,676	58,960	1,412,636	-	-	**1,412,636**
Accumulated depreciation / amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	**472,726**
Net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	**939,910**
Year ended December 31, 2009											
Opening net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	**939,910**
Additions	104	8,015	48,535	73,500	4,967	135,121	3,781	138,902	207,486	207,486	**346,388**
Disposals											
Cost	-	1,905	100,819	15,561	358	118,643	-	118,643	3,205	3,205	**121,848**
Depreciation/ amortisation	-	1,178	44,982	12,055	166	58,381	-	58,381	160	160	**58,541**
	-	727	55,837	3,506	192	60,262	-	60,262	3,045	3,045	**63,307**
Depreciation/ amortisation charge for the year	3,237	4,760	30,886	92,214	20,483	151,580	11,233	162,813	9,865	9,865	**172,678**
Closing net book value	174,660	29,580	190,681	373,223	49,324	817,468	38,269	855,737	194,576	194,576	**1,050,313**
At December 31, 2009											
Cost	204,180	67,547	319,259	601,804	177,364	1,370,154	62,741	1,432,895	204,281	204,281	**1,637,176**
Accumulated depreciation / amortisation	29,520	37,967	128,578	228,581	128,040	552,686	24,472	577,158	9,705	9,705	**586,863**
Net book value	174,660	29,580	190,681	373,223	49,324	817,468	38,269	855,737	194,576	194,576	**1,050,313**
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

2008

	Owned assets – Tangible: Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total assets	Intangible: Computer software	Total owned	Leased assets – Tangible: Motor vehicles	Total leased	**Total fixed assets**
	(Rupees in thousand)										
At January 1, 2008											
Cost	204,076	52,821	344,954	303,586	131,184	1,036,621	9,096	1,045,717	-	-	1,045,717
Accumulated depreciation / amortisation	23,021	30,448	111,329	83,320	88,244	336,362	5,788	342,150	-	-	342,150
Net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Year ended December 31, 2008											
Opening net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Additions	-	9,912	42,201	244,798	21,561	318,472	5,185	323,657	-	-	323,657
Disposals											
Cost	-	1,296	15,612	4,519	157	21,584	-	21,584	-	-	21,584
Depreciation / amortisation	-	575	7,417	3,258	89	11,339	-	11,339	-	-	11,339
	-	721	8,195	1,261	68	10,245	-	10,245	-	-	10,245
Transferred from Capital Work in Progress											
Cost	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation/ amortisation	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation / amortisation charge for the year	3,262	4,512	38,762	68,360	19,568	134,464	7,451	141,915	-	-	141,915
Closing net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	939,910
At December 31, 2008											
Cost	204,076	61,437	371,543	543,865	172,755	1,353,676	58,960	1,412,636	-	-	1,412,636
Accumulated depreciation / amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	472,726
Net book value	177,793	27,052	228,869	395,443	65,032	894,189	45,721	939,910	-	-	939,910
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Furniture & Fixtures						
Various items	528	394	134	23	Negotiation	Himmat Khan- Karachi
Various items	68	13	55	57	Full & Final Settlement	Shamsul Haque- Karachi (Ex-employee)
Various items	419	236	183	99	Negotiation	Muhammad Asim - Lahore
Various items	200	91	109	123	Full & Final Settlement	Amir Ahmed - Karachi (Ex-employee)
Items having book value	112	33	79	-	Full & Final Settlement	Capt. Akram (Ex- employee)
below Rupees 50,000	578	411	167	142		
	1,905	1,178	727	444		
Motor Vehicles						
Owned						
Suzuki Mehran 2004	322	200	122	160	Auction	Kashif Waseem- Karachi
Honda Civic Vti	1,317	914	403	490	Auction	Ali Hasan- Karachi
Toyota Saloon Se	1,169	406	763	725	Auction	Muhammad Osama- Karachi
Daihatsu Cuore 2002	175	94	81	105	Auction	Shahid Attari- Karachi
Honda Civic Exi Model 2005	963	536	426	450	Auction	Taha Ansari- Karachi
Toyota Corolla 2004	1,100	522	578	410	Auction	Muhammed Osama- Karachi
Suzuki Baleno 2004	616	291	325	290	Auction	Mohammad Khuzaima- Karachi
Toyota Corolla 2003	1,050	486	564	430	Auction	Amjad Iqbal- Karachi
Toyota Corolla 2004	1,100	502	598	598	Auction	Ali Hasan- Karachi
Honda City 2002	700	329	371	230	Auction	Ali Hasan- Karachi
Chevrolet Optral 2005	1,309	550	759	350	Full & Final Settlement	Rafique Kapadai- Karachi (Ex-employee)
Suzuki Cultus 2005	590	288	302	325	Auction	Taimoor- Karachi
Suzuki Mehran 2005	345	155	190	190	Auction	M. Rehan- Karachi
Suzuki Mehran 2005	345	155	190	215	Auction	Adnan Ahmad- Karachi
Suzuki Cultus 2001	350	158	192	160	Auction	Nihal- Karachi
Hundai Santro 2005	560	251	309	325	Auction	Afsar Khan- Karachi
Honda Civic Vti 2005	1,050	384	666	600	Auction	Afsar Khan- Karachi
Honda Civic Vti 2005	850	353	497	415	Full & Final Settlement	Emmanuel Mehr- Karachi (Ex-employee)
Daihatsu Coure Cng 2004	325	132	193	210	Auction	S. M. Ali Jan- Karachi
Suzuki Sentro Club 2005	500	203	297	380	Auction	Kashif Waseem- Karachi
Honda Civic Vti 2003	825	301	524	400	Auction	Afsar Khan- Karachi
Honda Civic Vti 2004	900	351	549	440	Auction	Muhammad Khuzaima- Karachi
Daihatsu Cuore Model 2006	464	204	260	215	Auction	Zubair- Karachi
Daihatsu Cuore Model 2006	464	185	279	290	Auction	M. Rehan- Karachi
Daihatsu Cuore Model 2006	464	204	260	215	Auction	S. M. Ali Jan- Karachi
Toyota Corolla 2 Od Model 2005	950	355	595	325	Auction	Amjad Iqbal- Karachi
Honda Accord 2.4 Model 2006	2,810	905	1,905	2,100	Auction	Muhammad Dawad- Karachi
Honda City Vetc Model 2006	1,016	415	601	530	Auction	Aamir- Karachi
Honda Civic Vti Model 2003	1,178	801	377	380	Auction	Taha Ansari- Karachi
Honda Civic Vti 2004	1,100	455	645	550	Auction	Ali Hasan- Karachi
Suzuki Cultus	590	254	336	325	Auction	Fayyaz Anis- Karachi
Mitsubishi Lancer Glx 1500	1,130	416	714	425	Auction	Taha Ansari- Karachi
Hyundai Santro Club 2007	600	198	402	385	Auction	Shahid Attari- Karachi
Mitsubishi Lancer Glx 1300	830	274	556	420	Auction	Shahid Attari- Karachi
Suzuki Mehran Model 2004	322	194	128	155	Auction	Haroon Rasheed- Karachi
Suzuki Mehran	324	227	97	210	Auction	Nihal- Karachi
Toyota Corolla 2.0D	556	376	180	185	Full & Final Settlement	Rafiq Kapadia- Karachi (Ex-Employee)
Suzuki Apv (Automatic)	1,106	246	860	970	Auction	Shahid Attari- Karachi
Daihatsu Coure 2006	464	192	272	315	Auction	Shahid Attari- Karachi

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Toyota Corolla Xli 2004	450	86	365	350	Auction	Muhammad Khadim Karachi
Honda Civic 1999	189	80	109	150	Auction	Aamir- Karachi
Toyota Corolla 2003	825	352	473	410	Auction	Zahid Yaseen- Karachi
Suzuki Cultus 2005	585	297	288	320	Auction	Muhammad Rafiq
Honda Civic	651	226	426	250	Auction	Shahid Attari- Karachi
Suzuki Cultus 2006	600	219	381	450	Auction	S. M. Ali Jan- Karachi
Honda Civic	1,042	541	501	210	Auction	Taimoor- Karachi
Honda City	795	474	321	250	Auction	Fayyaz Anis- Karachi
Suzuki Mehran 2003	140	41	100	120	Auction	Afsar Khan- Karachi
Suzuki Cultus 2005	585	335	250	310	Auction	Adnan Ahmad- Karachi
Suzuki Cultus 2006	600	237	363	395	Auction	Zahid Yaseen- Karachi
Honda City 2000	380	230	150	170	Auction	Mohammad Rafi- Karachi
Suzuki Cultus	375	137	238	210	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	355	146	209	300	Full & Final Settlement	Ameer Akber- Karachi (Ex-employee)
Suzuki Maragala 1998	400	349	51	102	Auction	Afsar Khan- Karachi
Suzuki Mehran	270	73	197	151	Auction	Afsar Khan- Karachi
Toyota Corolla Xli-2003	775	315	460	415	Auction	Muhammed Shahzad- Karachi
Honda Civic 2006	1,042	459	583	550	Auction	Shahid Kathri- Karachi
Suzuki Cultus	374	66	308	350	Auction	Zahid Yaseen- Karachi
Toyota Corolla Xli	879	362	517	550	Auction	Muhammed Shahzad- Karachi
Suzuki Baleno	774	484	290	310	Auction	Muhammad Rafi- Karachi
Honda Civic Vti Model 2008	600	224	376	590	Auction	Shahid Kathri- Karachi
Suzuki Mehran	370	144	225	190	Auction	Rehan- Karachi
Suzuki Mehran 2004	322	202	120	165	Auction	Nihal- Karachi
Suzuki Mehran 2005	330	172	158	200	Auction	Adnan Ahmad- Karachi
Suzuki Mehran 2005	330	172	158	160	Auction	Shahid Kathri- Karachi
Hondai Santro Club	600	199	401	380	Auction	Shahid Attari- Karachi
Honda City	400	241	159	260	Auction	Muhammed Zubair- Lahore
Suzuki Cultus	350	159	191	200	Full & Final Settlement	Naeemullah- (Ex-employee)
Honda City	460	128	332	350	Full & Final Settlement	Shams-ul-Haque (Ex-Employee)
Suzuki Cultus 2005	585	278	307	290	Auction	Kashif Waseem- Karachi
Suzuki Cultus 2005	585	278	307	335	Auction	Zahid Yaseen- Karachi
Suzuki Cultus 2005	585	278	307	345	Auction	Shahid Attari- Karachi
Suzuki Mehran	330	154	176	190	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	154	176	198	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	154	176	183	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	157	173	190	Auction	Khamadam- Karahci
Suzuki Mehran	330	157	173	200	Auction	Tariq Zameer - Karachi
Suzuki Mehran	330	157	173	185	Auction	Zahid Yaseen- Karachi
Suzuki Mehran	345	183	162	162	Auction	Rehan - Karachi
Suzuki Cultus	480	207	273	273	Auction	Waqar Aziz - Karachi
Suzuki Mehran	234	47	187	192	Auction	Haroon Rasheed - Karachi
Suzuki Mehran	332	204	128	128	Auction	Nehal - Karachi
Suzuki Mehran	332	204	128	128	Auction	Adnan - Karachi
Suzuki Mehran	250	117	133	100	Auction	Nehal - Karachi
Daihatsu Cuore	464	192	272	272	Auction	S.M. ALI Jan - Karachi
Suzuki Mehran	211	38	173	173	Auction	Haroon Rasheed - Karachi
Honda City	522	111	411	310	Auction	Muhammad Umair - Karachi
Mitsubishi Lancer	850	303	547	445	Auction	Taha Ansari - Karachi
Suzuki Baleno	739	459	280	280	Auction	Tariq Zameer - Karachi
Suzuki Mehran	345	158	187	187	Auction	Mohammad Rafi - Karachi
Daihatsu Cuore	464	196	268	268	Auction	Sabahat Ali - Karachi
Suzuki Mehran	488	174	314	182	Auction	Haroon Rasheed - Karachi
Suzuki Mehran Vxr 2005	330	164	166	166	Auction	Kashif Waseem - Karachi
Suzuki Cultus -2004	600	269	331	250	Auction	Kashif Waseem - Karachi

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Suzuki Cultus -06	600	229	371	371	Auction	Zahid Yaseen - Karachi
Toyota Corolla Xli 1300cc 2007	915	268	647	625	Auction	Zubair - Karachi
Suzuki Cultus Vxr 2005	585	315	270	150	Auction	ShahidAttari - Karachi
Toyota Corolla Xli 2007	879	257	622	590	Auction	Zubair - Karachi
Toyota Corolla	855	801	54	280	Auction	Ali Hasan
Toyota Corolla	500	337	163	350	Auction	Imran Mughal - Lahore
Suzuki Mehran	324	211	113	125	Auction	Kamran Arif - Karachi
Suzuki Cultus Vxr	590	260	330	340	Auction	Rehan - Karachi
Suzuki Mehran Vxr	322	188	134	175	Auction	Nehal - Karachi
Suzuki Cultus Vxr 2005	585	291	294	330	Auction	Sabahat Ali - Karachi
Suzuki Mehran Vxr 2006	286	66	220	105	Auction	Khamdam - Karachi
Suzuki Cultus - 2006	600	239	361	260	Auction	Kashif Waseem - Karachi
Suzuki Mehran Vxr 2005	330	164	166	185	Auction	Khamdam - Karachi
Suzuki Mehran 2005	345	144	201	180	Auction	Kahif Waseem - Karach
Daihatsu Coure 2005	280	53	227	140	Auction	Kahif Waseem - Karach
Daihatsu Coure 2005	345	74	271	295	Auction	S. M. Ali Jan - Karachi
Suzuki Mehran 2005	369	158	210	210	Auction	Tariq Zameer - Karachi
Toyota.Corolla	315	98	217	190	Auction	Mohd. Asif - Karachi
Toyota.Coralla 2006	901	410	491	550	Auction	S. M. Ali Jan - Karachi
Honda City 2006	885	388	497	495	Auction	Waqar Aziz - Karachi
Honda City 2007	901	410	491	540	Auction	A. Aamir - Karachi
Honda Civic 2005	1,042	453	589	500	Auction	Taha Ansari - Karachi
Suzuki Cultus Vxr	600	239	361	320	Auction	Rehan - Karach
Hyundai Santro	300	170	130	125	Auction	M. Umari - Karachi
Suzuki Cultus 2005	585	303	282	320	Auction	Fayyaz Anees - Karachi
Suzuki Mehran 2005	330	171	159	190	Auction	Aamir - Karachi
Suzuki Cultus Vxr-	590	259	331	250	Auction	Shahid Khatri - Karachi
Suzuki Cultus Vxr -2005	585	277	308	335	Auction	Taimoor - Karachi
Honda City	912	353	559	440	Auction	Sabahat Ali - Karachi
Suzuki Mehran Vxr 2004	215	34	181	115	Auction	Rehan - Karachi
Suzuki Mehran Vx-2005	225	68	157	125	Auction	Waqar Aziz - Karachi
Suzuki Mehran Vx-2005	330	164	166	215	Auction	Shahid Attari - Karachi
Toyota Corolla Xli	901	363	538	400	Auction	Ali Hassan - Karachi
Honda Civic Oriel 2005	1,262	495	767	500	Auction	Zubair - Karachi
Suzuki Cultus Vxr Cng-2007	632	182	450	425	Auction	Waqar Aziz - Karachi
Suzuki Cultus Vxr Cng-2005	585	264	321	380	Auction	Mohammd Jawaid
Suzuki Mehran Vxr-Cng-2005	330	152	178	190	Auction	Adnan - Karachi
Toyota Corolla 2005	899	286	613	520	Auction	Muhammad Osama - Karachi
Suzuki Cultus Vxr-Cng	590	266	324	305	Auction	Rehan - Karachi
Suzuki Cultus Vxl-Cng	550	250	300	320	Auction	Nihal - Karachi
Suzuki Mehran Vxr	330	164	166	185	Auction	Khamadam - Karachi
Suzuki Cultus Vxl-Cng	590	272	318	335	Auction	Khamadam - Karachi
Honda Vti 2003	1,195	767	428	450	Auction	Kashif Waseem - Karachi
Suzuki Cultus	585	278	307	482	Auction	Kamal Akhter- Lahore
Suzuki Cultus	590	270	320	472	Auction	Ifthikar Ali- Lahore
Suzuki Cultus	590	253	337	436	Auction	M.Waqar- Lahore
Suzuki Cultus	590	270	320	447	Auction	Aslam - Lahore
Suzuki Cultus	350	171	179	370	Auction	Ifthikar Ali- Lahore
Suzukibaleno	750	361	389	512	Auction	Adbud Hameed Choohan- Lahore
Suzuki Cultus	600	254	346	541	Auction	Mohammad Ajmal- Lahore
Honda Vti	1,198	505	693	990	Auction	Sohail Naseer- Lahore
Honda City	711	570	141	560	Auction	Afzal Shahzad- Lahore
Toyota Corolla	879	358	521	937	Auction	Hassan Qureshi- Lahore
Suzuki Cultus	585	320	265	423	Auction	Zafarullah- Lahore
Toyota Corolla	870	356	514	826	Auction	Zafarullah- Lahore
Honda City 2005	687	103	584	884	Auction	Jawaid- Lahore
Suzuki Cultus Vxr Cng	374	56	318	476	Auction	Jawaid- Lahore
Suzuki Mehran 2005	345	150	195	195	Auction	Ahmed Rasheed- Lahore

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Honda City - 2007 1300Cc	896	249	647	647	Auction	Ghulam Sarwar- Lahore
Honda City - 2007 1300Cc	840	180	660	660	Auction	G. Hussain Lahore
Honda Civic - 2005	1,042	446	596	850	Auction	Waseem Raza- Lahore
Daihatsu Coure	464	174	290	502	Auction	Javed Waheed - Lahore
Suzuki Cultus	585	299	286	511	Auction	Muhammad Rasheed- Lahore
Suzuki Cultus	585	299	286	506	Auction	Muhammad Rasheed- Lahore
Suzuki Cultus	585	299	286	444	Auction	Masood-ul- Haq- Lahore
Suzuki Cultus	585	255	330	476	Auction	M. Shakeel - Lahore
Daihtsue Cuore	741	291	451	476	Auction	M. Shakeel - Lahore
Suzuki Cultus 2003	485	286	199	412	Auction	Muhammad Zubair- Lahore
Suzuki Cultus 2005	590	305	285	471	Auction	Muhammad Zubair- Lahore
Items having book value below Rupees 50,000	1,029	906	122	432		
Leased						
06 Suzuki Mehran 2009	3,205	160	3,045	1,542	Claim Settelment	IGI Insurance Company Limited
	104,024	**45,142**	**58,882**	**60,254**		
Machinery & Equipment						
Various Machinery Items	2,342	2,156	186	162	Negotiation	Abdul Basit S/o Abdul Baqui- Karachi
Various Machinery Items	2,770	2,061	709	251	Negotiation	Ejaz Ahmed S/o Elyas Ahmed- Karachi
Office Chiller	3,220	2,179	1,041	41	Trade in	Standard Cool Engineering Services- Karachi
Various Machinery Items	147	92	55	55	Full & Final Sattlement	Mohammad Saleem- Karachi (Ex-employee
Generator Set 100 KVA	107	-	107	215	Negotiation	Ali Hasan- Karachi
5 Sabro AC Splits 1.5 Tons	223	157	66	26	Negotiation	Ramco Cool - Lahore
1 Split AC Clarial type	195	137	58	44	Negotiation	Ramco Cool - Lahore
Items having book value below Rupees 50,000	6,557	5,273	1,284	217		
	15,561	**12,055**	**3,506**	**1,011**		
Computer	64	10	55	55	Negotiation	Adamjee Life Assurance Co. Limited
Items having book value below Rupees 50,000	294	156	137	103		
	358	**166**	**192**	**158**		
	121,848	**58,541**	**63,307**	**61,867**		

		Note	31 December 2009	31 December 2008
			(Rupees in thousand)	
20	**EXPENSES**			
	Salaries and wages		**736,975**	722,995
	Rent, rates and taxes		**78,518**	63,769
	Utilities		**34,551**	31,693
	Communication		**36,143**	44,610
	Printing and stationery		**23,373**	22,297
	Traveling and entertainment		**48,484**	74,610
	Repairs and maintenance		**162,923**	154,786
	Advertisement and sales promotion		**38,109**	80,907
	Amortization of intangible asset	19.1	**11,233**	7,451
	Others		**4,268**	3,445
			1,174,577	1,206,563
21	**OTHER INCOME**			
	(Loss) / Gain on sale of fixed assets		**(1,439)**	2,404
	Income from car repairs		**-**	8,566
	Interest on loans to employees		**790**	884
	Return on bank deposits		**133,493**	119,664
	Liabilities no longer required written back		**-**	42,043
	Miscellaneous		**21,421**	10,033
			154,265	183,594
22	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and wages	22.1	**158,219**	181,449
	Depreciation	19.1	**161,445**	134,464
	Directors' fee		**330**	300
	Legal and professional expenses		**65,245**	48,795
	Auditors' remuneration	22.2	**3,433**	3,699
	Donations	22.3	**1,511**	473
	Provision for doubtful receivables		**141,254**	46,000
	Workers' welfare fund		**52,967**	23,518
	Others		**126,400**	73,029
			710,804	511,727

22.1 These include Rupees 24.155 million (2008: Rupees 25.133 million) in respect of staff retirement benefits.

			2009	2008
22.2	**Auditors' remuneration**			
	Audit fee		**3,172**	2,572
	Other certifications and tax advisory services		**90**	890
	Out of pocket expenses		**171**	237
			3,433	3,699

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

		Note	2009	2008
23	**PROVISION FOR TAXATION**			
	Current			
	- for the current year		**116,806**	76,727
	- for prior years		**(43,957)**	-
			72,849	76,727
	Deferred	23.2	**87,834**	-
			160,683	76,727

	31 December 2009	31 December 2008
	(Rupees in thousand)	
23.1 Relationship between tax expense and accounting profit		
Profit before taxation	**2,595,166**	1,175,877
Tax at the applicable rate of 35%	**908,308**	411,557
Effect of inadmissible expenses	**-**	835,163
Effect of income exempt from tax	**(713,866)**	(1,071,235)
Effect of income taxed at lower rate	**(89,393)**	(98,758)
Others	**99,591**	-
	204,640	76,727
Prior year's tax - current	**(43,957)**	-
	160,683	76,727
23.2 Deferred tax effect due to temporary differences of:		
Tax depreciation allowance	**76,604**	-
Provision for gratuity	**(4,753)**	-
Assets subject to finance lease	**15,983**	-
	87,834	-
Less: opening balance	**-**	-
	87,834	-

24 EARNINGS PER SHARE

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

	2009	2008
Net profit after tax for the year	**2,434,483**	1,099,150
	(Number of shares)	
Weighted average number of shares	**112,458,676**	112,458,676
	Rupees	
Basic earnings per share	**21.65**	9.77

25 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2009				2008			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	(Rupees in thousand)							
Fee	-	330	-	**330**	-	300	-	300
Managerial remuneration	7,209	-	140,303	**147,512**	8,317	-	127,940	136,257
Allowances and perquisites	2,894	-	88,932	**91,826**	2,566	-	82,038	84,604
	10,103	330	229,235	**239,668**	10,883	300	209,978	221,161
Number	1	10	107	**118**	2	10	92	104

In addition, the Chief Executive Officer and executives are also provided with free use of the company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the company.

26 TRANSACTIONS WITH RELATED PARTIES

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

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 11, 18 and 25 to the unconsolidated financial statements. Particulars of transactions with the company's staff retirement benefit schemes are disclosed in note 18. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant notes to the unconsolidated balance sheet. Other transactions with related parties (associated undertakings) are summarized as follows:

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Premium underwritten	**802,481**	723,781
Premium received	**220,588**	802,085
Premium ceded	**14,034**	9,204
Claims paid	**550,746**	486,216
Rent paid	**11,023**	2,727
Dividend received	**208,820**	232,447
Dividend paid	**95,816**	108,815
Income on deposit accounts	**100,303**	22,127
	Number of shares	
Bonus shares received	**1,922,593**	447,680
Bonus shares issued	**3,640,857**	-

27 SEGMENT REPORTING

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	2009						
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/ Liabilities	**Total**
	(Rupees in thousand)						
OTHER INFORMATION							
Segment assets	3,618,471	688,623	2,707,357	1,387,620	-	-	**8,402,071**
Unallocated assets	-	-	-	-	-	13,210,307	**13,210,307**
Total assets	3,618,471	688,623	2,707,357	1,387,620	-	13,210,307	**21,612,378**
Segment liabilities	3,351,127	514,526	3,789,672	1,571,735	22,962	-	**9,250,022**
Unallocated liabilities	-	-	-	-	-	1,581,181	**1,581,181**
Total liabilities	3,351,127	514,526	3,789,672	1,571,735	22,962	1,581,181	**10,831,203**
Capital expenditure	-	-	-	-	-	138,902	**138,902**

	2008						
	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Unallocated Corporate Assets/ Liabilities	**Total**
	(Rupees in thousand)						
OTHER INFORMATION							
Segment assets	3,426,270	895,093	2,433,751	1,087,424	6,281	-	7,848,819
Unallocated assets	-	-	-	-	-	10,696,088	10,696,088
Total assets	3,426,270	895,093	2,433,751	1,087,424	6,281	10,696,088	18,544,907
Segment liabilities	3,406,225	628,190	3,713,719	1,224,264	20,104	-	8,992,502
Unallocated liabilities	-	-	-	-	-	1,451,849	1,451,849
Total liabilities	3,406,225	628,190	3,713,719	1,224,264	20,104	1,451,849	10,444,351
Capital expenditure	-	-	-	-	-	323,657	323,657

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

28.1 Credit risk and concentration of credit risk

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

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

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

	2009	2008
	(Rupees in thousand)	
Bank deposits	**2,095,364**	1,682,484
Investments	**9,658,037**	7,576,749
Premium due but unpaid	**3,818,046**	3,449,898
Amount due from other insurers / reinsurers	**716,962**	993,802
Premium and claim reserves retained by cedants	**24,235**	28,682
Loans	**45,769**	54,903
Accrued investment income	**41,307**	39,465
Reinsurance recoveries against outstanding claims	**1,845,562**	2,188,101
Sundry receivable	**118,255**	107,692
	18,363,537	16,121,776

General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rupees 141.344 million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 13.1 and 14.1.

	2009	2008
	(Rupees in thousand)	
The age analysis of receivables as a follows:		
Upto 1 year	3,433,728	3,055,334
1-2 year	384,318	394,564
	3,818,046	3,449,898

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

	Rating Short term	Rating Long term	Rating Agency	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Askari Bank Limited	A1+	AA	PACRA	45	45
Bank Alfalah Limited	A1+	AA	PACRA	106,380	10,325
Bank Alhabib Limited	A1+	AA+	PACRA	7,398	3,077
Barclays Bank PLC, Pakistan	P1	AA3	Moody's	100	100
Citibank N.A.	P1	A1	Moody's	5,486	56,574
Faysal Bank Limited	A1+	AA+	PACRA	15,737	15,521
Habib Bank Limited	A1+	AA+	JCR-VIS	81,586	65,676
HSBC Bank Middle East Limited	P1	AA3	Moody's	2,157	334
Industrial Development Bank of Pakistan	-	-	-	92	92
MCB Bank Limited	A1+	AA+	PACRA	844,276	1,018,023
National Bank of Pakistan	A1+	AAA	JCR-VIS	8,827	-
Noor Islamic Bank, Dubai	-	-	-	-	214,300
Oman International Bank S.A.O.G.	A2	BBB	JCR-VIS	2,010	-
Soneri Bank Limited	A1+	AA-	PACRA	6,830	62,324
Standard Chartered Bank Limited	A1+	AAA	PACRA	1,078	2,577
United Bank Limited	A1+	AA+	JCR-VIS	812,337	229,200
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	200,025	3,316
Rozgar Microfinanceing Bank Limited	B	BB-	JCR-VIS	1,000	1,000
				2,095,364	1,682,484

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2009	2008
	(Rupees in thousand)			
A or above (including PRCL)	727,952	1,365,260	2,093,212	2,706,677
BBB	12,065	462,723	474,788	493,626
Others	6,945	17,579	24,524	42,996
Total	746,962	1,845,562	2,592,524	3,243,299

28.2 Liquidity risk

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

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

	2009			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	3,575,903	3,575,903	3,575,903	-
Amount due to insurers / reinsurers	948,716	948,716	948,716	-
Accrued expenses	139,319	139,319	139,319	-
Unclaimed dividend	25,965	25,965	25,965	-
Other creditors and accruals	970,573	970,573	970,573	-
Liabilities against assets subject to finance lease	148,911	204,828	45,514	159,314
	5,809,387	5,865,304	5,705,990	159,314

	2008			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	4,562,553	4,562,553	4,562,553	-
Amount due to insurers / reinsurers	596,123	596,123	596,123	-
Accrued expenses	79,626	79,626	79,626	-
Unclaimed dividend	25,055	25,055	25,055	-
Other creditors and accruals	784,068	784,068	784,068	-
Liabilities against assets subject to finance lease	-	-	-	-
	6,047,425	6,047,425	6,047,425	-

28.3 Market risk

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

a) Interest / mark up rate risk

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

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments.

	2009	2008	2009	2008
	Effective interest rate (in%)		Carrying amounts (Rupees in thousand)	
Fixed rate financial instruments				
Financial assets				
Investments-PIBs and DSCs	14% to 16%	14% to 16%	613,380	830,631
Loans	5%	5%	19,504	22,023

	2009	2008	2009	2008
	Effective interest rate (in%)		Carrying amounts (Rupees in thousand)	
Floating rate financial instruments				
Financial assets				
Bank deposits	**2.5%-15%**	3-15%	**1,906,421**	1,676,215
Investments -TFCs	**9.3%-15.5%**	11.48%-18.52%	**177,772**	173,329
Financial liabilities				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2 to 2.5 percent		**148,911**	-

Sensitivity analysis

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

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in thousand)	
As at 31 December 2009		
Cash flow sensitivity-variable rate financial liabilities	**(1,489)**	1,489
Cash flow sensitivity-variable rate financial assets	**20,842**	(20,842)
As at 31 December 2008		
Cash flow sensitivity-variable rate financial liabilities	-	-
Cash flow sensitivity-variable rate financial assets	18,495	(18,495)

b) Price risk

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

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

The Company has investments in quoted equity securities amounting to Rupees 7,591.114 million at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date . Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity Analysis

As the entire investment portfolio has been classified in the available-for-sale category, a 10% increase / decrease In redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	(Rupees in thousand)	
Effect of increase in share price	75,945	75,945
Effect of decrease in share price	(742,703)	(742,703)

c) **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 2,355.100 million (2008:Rupees 1,774.983 million) and Rupees 1,523.086 million (2008:Rupees 1,024.001 million) respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2009	2008
	(Rupees)	
Rupees per US Dollar		
Average rate	**81.72**	70.81
Reporting date rate	**84.10**	78.70
Rupees per AED		
Average rate	**22.24**	19.28
Reporting date rate	**22.90**	21.43

28.4 Insurance risk

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

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

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

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

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

a) Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For Instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interface of IT systems. It provides instant location which is dependant on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For the catastrophic aggregates, the IT system also assigns precise geographic CRESTA (Catastrophic Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	**2009**	2008	**2009**	2008
	(Rupees in thousand)					
Fire	**2,719,659,322**	1,725,705,436	**1,787,340,739**	879,067,044	**932,318,583**	846,638,392
Marine	**1,079,711,929**	1,243,512,262	**139,707,048**	241,676,674	**940,004,881**	1,001,835,588
Motor	**91,732,566**	96,789,632	**1,264,496**	929,279	**90,468,070**	95,860,353
Miscellaneous	**237,486,155**	260,337,892	**147,311,927**	95,506,976	**90,174,228**	164,830,916
	4,128,589,972	3,326,345,222	**2,075,624,210**	1,217,179,973	**2,052,965,762**	2,109,165,249

c) Sensitivity Analysis

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

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

	Pre tax profit		Share holders' equity	
	2009	2008	**2009**	2008
	(Rupees in thousand)			
10% increase in loss				
Net:				
Fire	**(65,045)**	(95,053)	**(42,279)**	(61,785)
Marine	**(41,888)**	(61,652)	**(27,227)**	(40,073)
Motor	**(243,554)**	(274,015)	**(158,310)**	(178,110)
Miscellaneous	**(93,731)**	(86,096)	**(60,925)**	(55,962)
	(444,218)	(516,816)	**(288,741)**	(335,930)
10% decrease in loss				
Net:				
Fire	**65,045**	95,053	**42,279**	61,785
Marine	**41,888**	61,652	**27,227**	40,073
Motor	**243,554**	274,015	**158,310**	178,110
Miscellaneous	**93,731**	86,096	**60,925**	55,962
	444,218	516,816	**288,741**	335,930

d) Claims development tables

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

Accident year	2007	2008	**2009**	Total
	(Rupees in thousand)			
Estimate of ultimate claims cost:				
At end of accident year	6,656,528	7,536,533	**6,327,871**	20,520,932
One year	5,807,134	7,122,262	**-**	12,929,396
Two years later	5,799,461	-	**-**	5,799,461
Estimate of cumulative claims	5,799,461	7,122,262	**6,327,871**	19,249,594
Less: Cumulative payments to date	5,651,184	6,248,533	**4,157,131**	16,056,848
Liability recognized in the balances	148,277	873,729	**2,170,740**	3,192,746

29 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements.

30 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in their meeting held on 30 March 2010 proposed a final cash dividend for the year ended 31 December 2009 @ 15% Rupees 1.50/- share (2008: @ 10% Rupee 1.0/- share). This is in addition to the interim dividend @ 15% Rupees 1.50/- share (2008: @ 15% Rupees 1.5/- share) resulting in a total cash dividend for the year ended 31 December 2009 of Rupees 3/- per share (2008: Rupees 2.5/- share). The Board also proposed issue of bonus shares @ 10% i.e 10 ordinary shares for every 100 ordinary shares held (2008: @ 10% i.e 10 ordinary shares for every 100 ordinary shares held). The approval of the members for the cash dividend and bonus shares will be obtained at the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended 31 December 2009 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending 31 December 2010.

31 CAPITAL RISK MANAGEMENT

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

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers was raised to Rupees 300 million. The requirement is to be met in a phased manner by 31 December 2011.The company's current paid-up capital is well in excess of the limit prescribed by the SECP;

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

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

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

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

	2009	2008
	Number	
32 NUMBER OF EMPLOYEES AT 31 DECEMBER	**1,088**	1,214

33 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements have been approved and authorized for issue by the Board of Directors of the company in their meeting dated 30 March 2010.

34 CORRESPONDING FIGURES

No significant rearrangement of corresponding figures has been made during the year except for 'amounts due to other insurers/reinsurers' and 'amounts due from other insurers/reinsurers'. Certain balances of Rupees 458.743 million that were off set in these account heads are now grossed up in the balance sheet.

35 GENERAL

Figures in these unconsolidated financial statements have been rounded off to the nearest thousand of rupees.

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

Consolidated Financial Statements

For the year ended 31 December 2009

DIRECTORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors, I am pleased to present report on the first consolidated financial statements of Adamjee Insurance Company Limited and its subsidiary, Adamjee Life Assurance Company Limited for the year ended 31 December 2009.

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

	Rupees '000
Profit before tax	2,608,348
Taxation	(161,328)
Profit after tax	2,447,020
Profit attributable to minority interest	(5,642)
Profit attributable to ordinary share holders	2,441,378
Un-appropriated profit brought forward	6,453,878
Profit available for appropriation	8,895,256
Appropriations	
Final dividend for the year ended 31 December 2008	(102,235)
Issue of bonus shares for the year ended 31 December 2008	(102,235)
Interim dividend	(168,688)
Total appropriations	(373,158)
	8,522,098

EARNINGS PER SHARE

The consolidated financial statements reflect Rs. 21.71 earning per share for the year under review.

On behalf of Directors

Muhammad Ali Zeb
Managing Director & Chief Executive

Lahore: 30 March 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of ADAMJEE INSURANCE COMPANY LIMITED ("The Holding Company") and its subsidiary company (together referred to as "Group") as at 31 December 2009 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, consolidated Statement of Premium, consolidated Statement of Claims, consolidated Statement of Expenses and consolidated Statement of Investment Income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statement of Adamjee Insurance Company Limited. The financial statements of subsidiary company Adamjee Life Assurance Company Limited were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of ADAMJEE INSURANCE COMPANY LIMITED and its subsidiary company as at 31 December 2009 and the result of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Karachi: 30 March 2010

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008	01 January 2008
		(Rupees in thousand)		
			Restated	Restated
Share capital and reserves				
Authorised share capital	3.1	1,500,000	1,500,000	1,500,000
Paid-up share capital	3.2	1,124,586	1,022,351	1,022,351
Retained earnings		8,522,098	6,453,878	5,666,273
Reserves	4	1,104,707	1,078,231	954,815
		9,626,805	7,532,109	6,621,088
Equity attributable to equity holders of the parent		10,751,391	8,554,460	7,643,439
Minority intreset	5	216,230	236,639	-
Total equity		10,967,621	8,791,099	7,643,439
Balance of statutory funds	6	11,499	-	-
Underwriting provisions				
Provision for outstanding claims (including IBNR)	7	3,584,772	4,562,553	5,022,620
Provision for unearned premium		4,405,817	4,014,822	4,252,005
Commission income unearned		228,439	176,500	236,039
Total underwriting provisions		8,219,028	8,753,875	9,510,664
Deferred liabilities				
Deferred taxation		74,270	-	-
Staff retirement benefits	8	14,298	9,166	3,688
Creditors and Accruals				
Premiums received in advance		91,169	101,247	125,682
Amounts due to other insurers / reinsurers		960,748	596,123	579,621
Accrued expenses		156,626	84,153	79,174
Taxation - provision less payments		5,455	-	-
Other creditors and accruals	9	1,188,025	881,762	794,193
		2,402,023	1,663,285	1,578,670
Borrowings				
Liabilities against assets subject to finance lease	10	148,911	-	-
Other liabilities				
Unclaimed dividends		25,965	25,055	29,502
TOTAL LIABILITIES		10,884,495	10,451,381	11,122,524
CONTINGENCIES AND COMMITMENTS	11			
TOTAL EQUITY AND LIABILITIES		21,863,615	19,242,480	18,765,963

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

	Note	31 December 2009	31 December 2008	01 January 2008
			(Rupees in thousand)	
			Restated	Restated
Cash and bank deposits	12			
Cash and other equivalents		**61,796**	41,637	133,735
Current and other accounts		**702,913**	966,866	600,661
Deposits maturing within 12 months		**1,408,449**	1,198,950	219,801
		2,173,158	2,207,453	954,197
Loans				
To employees	13	**28,383**	26,852	27,312
Investments	14	**9,815,444**	7,333,959	8,132,102
Deferred taxation		**-**	3,832	-
Current assets - others				
Premiums due but unpaid	15	**3,841,755**	3,449,898	3,203,751
Amounts due from other insurers/ reinsurers	16	**716,962**	993,802	255,570
Salvage recoveries accrued		**115,753**	228,147	205,404
Premium and claim reserves retained by cedants		**24,235**	28,682	32,926
Accrued investment income	17	**47,304**	44,474	31,009
Reinsurance recoveries against outstanding claims	18	**1,845,562**	2,188,101	2,792,464
Taxation - payments less provision		**-**	133,415	157,153
Deferred commission expense		**399,884**	414,701	413,543
Prepayments	19	**1,555,207**	1,064,696	1,519,241
Sundry receivables	20	**200,478**	172,419	272,878
		8,747,140	8,718,335	8,883,939
Fixed Assets - Tangible & Intangible	21			
Owned				
Land and buildings		**174,660**	177,793	181,055
Furniture and fixtures		**38,843**	28,171	22,373
Motor vehicles		**200,253**	236,243	233,625
Capital work-in-progress		**22,575**	2,200	64,846
Machinery and equipment		**375,731**	396,646	220,266
Computers and related accessories		**54,583**	65,275	42,940
Intangible asset - computer software		**38,269**	45,721	3,308
		904,914	952,049	768,413
Leased				
Motor vehicles		**194,576**	-	-
TOTAL ASSETS		**21,863,615**	19,242,480	18,765,963

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	General Insurance					Life Insurance		Total	
		Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	**31 December 2009**	31 December 2008
		(Rupees in thousand)								
Revenue account										
Net premium revenue		1,150,510	974,268	3,479,904	1,202,130	85	24,099	2	**6,830,998**	7,488,144
Net claims		(650,449)	(418,877)	(2,435,542)	(937,313)	(10,658)	(3,667)	-	**(4,456,506)**	(5,173,152)
Expenses	22	(206,849)	(171,482)	(578,376)	(217,854)	(16)	(64,297)	(906)	**(1,239,780)**	(1,206,563)
Net commission		(49,843)	(160,720)	(274,460)	(15,163)	(38)	(1,739)	(1)	**(501,964)**	(741,367)
Net Investment income - statutory fund		-	-	-	-	-	116	-	**116**	-
Add: Policyholder's liabilities at beginning of the year		-	-	-	-	-	-	-	**-**	-
Less: Policyholder's liabilities at end of the year		-	-	-	-	-	(11,497)	(1)	**(11,498)**	-
Capital contribution from shareholder's fund		-	-	-	-	-	56,985	906	**57,891**	-
Underwriting result		243,369	223,189	191,526	31,800	(10,627)	-	-	**679,257**	367,062
Investment income - other									**2,533,500**	1,103,442
Rental income									**476**	494
Other income	23								**154,262**	183,594
									3,367,495	1,654,592
General and administration expenses	24								**(751,700)**	(529,750)
Exchange gain									**4,188**	38,404
Finance charge on lease liabilities									**(11,635)**	-
Profit before tax									**2,608,348**	1,163,246
Provision for taxation	25								**(161,328)**	(72,895)
Profit after tax									**2,447,020**	1,090,351
Profit attributable to:										
Equity holders of the parent									**2,441,378**	1,094,311
Minority interest									**5,642**	(3,960)
Profit and loss appropriation account										
Balance at the commencement of the year									**6,453,878**	5,666,273
Profit after tax for the year									**2,441,378**	1,094,311
Final dividend for the year ended 31 December 2008 Rupee 1.0 per share (2007: Rupees 1.5 per share)									**(102,235)**	(153,353)
Issue of bonus shares for the year ended 31 December 2008 @ 10 % (2007:Nil)									**(102,235)**	-
Interim dividend @ 15% (Rupees 1.5/- per share) [2008: Rupees 1.5/- per share]									**(168,688)**	(153,353)
Balance unappropriated profit at the end of the year									**8,522,098**	6,453,878
									Rupees	Restated Rupees
Earnings per share - basic and diluted (Note 26)									**21.71**	9.73

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

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Profit for the year	**2,447,020**	1,090,351
Other comprehensive income:		
Effect of translation of net investment in foreign branches	**58,316**	123,416
Capital contribution to statutory funds	**(57,891)**	-
Total comprehensive income for the year	**2,447,445**	1,213,767
Comprehensive income attributable to:		
Equity holders of the parent	**2,467,854**	1,217,727
Minority interest	**(20,409)**	(3,960)

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

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Capital reserves					Revenue reserves				
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Capital contribution to statutory funds	Exchange translation reserve	General reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	**Total**
	(Rupees in thousand)										
Balance as at 31 December 2007	1,022,351	-	22,859	3,764	-	-	936,500	5,666,273	7,651,747	-	**7,651,747**
Effect of restatement as referred in Note 4.3	-	-	-	-	-	(8,308)	-	-	(8,308)	-	**(8,308)**
Balance as at 01 January 2008 - restated	1,022,351	-	22,859	3,764	-	(8,308)	936,500	5,666,273	7,643,439	-	**7,643,439**
Minority interest arising on investment in subsidiary company									-	240,599	**240,599**
Total comprehensive income for the year 31 December 2008	-	-	-	-	-	123,416	-	1,094,311	1,217,727	(3,960)	**1,213,767**
Final dividend for the year ended 31 December 2007 @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	-	(153,353)	(153,353)	-	**(153,353)**
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	-	(153,353)	(153,353)	-	**(153,353)**
Balance as at 31 December 2008	1,022,351	-	22,859	3,764	-	115,108	936,500	6,453,878	8,554,460	236,639	**8,791,099**
Total comprehensive income for the year 31 December 2009	-	-	-	-	(31,840)	58,316	-	2,441,378	2,467,854	(20,409)	**2,447,445**
Final dividend for the year ended 31 December 2008 @ 10% (Rupee 1.0 per share)	-	-	-	-	-	-	-	(102,235)	(102,235)	-	**(102,235)**
Transferred to reserve for issue of bonus shares	-	102,235	-	-	-	-	-	(102,235)	-	-	**-**
Issue of bonus shares for the year ended 31 December 2008 @ 10 %	102,235	(102,235)	-	-	-	-	-	-	-	-	**-**
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	-	(168,688)	(168,688)	-	**(168,688)**
Balance as at 31 December 2009	1,124,586	-	22,859	3,764	(31,840)	173,424	936,500	8,522,098	10,751,391	216,230	**10,967,621**

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

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	10,050,556	10,000,258
Reinsurance premiums paid	(3,254,612)	(2,955,950)
Claims paid	(6,629,827)	(7,057,015)
Surrenders paid	(79,776)	(65,364)
Reinsurance and other recoveries received	1,922,877	1,730,171
Commissions paid	(928,529)	(1,086,443)
Commissions received	522,486	392,195
Other underwriting payments	(784,074)	(1,085,931)
Net cash flow from / (used in) underwriting activities	819,101	(128,079)
b) Other operating activities		
Income tax refund / (paid)	55,645	(52,989)
General and other expenses paid	(615,222)	(279,778)
Loans disbursed	(42,840)	(55,948)
Loan repayments received	51,974	55,335
Deposits received	-	6,051
Other receipts	22,897	101,269
Net cash used in other operating activities	(527,546)	(226,060)
Total cash flow from / (used in) all operating activities	291,555	(354,139)
Investment activities		
Profit/ return received	181,532	105,103
Preoperating expense	(52,322)	-
Dividends received	348,327	401,601
Investments purchased	(7,603,778)	(11,735,689)
Proceeds from disposal of investments	7,222,289	13,212,392
Fixed capital expenditure - Tangible assets	(176,653)	(330,610)
Fixed capital expenditure - Intangible assets	(3,781)	(5,185)
Proceeds from disposal of fixed assets	61,897	12,649
Income received on rent	184	-
Income received on PIBs	11,320	-
Income received on TFCs	28,767	23,740
Total cash flow from investing activities	17,782	1,684,001
Financing activities		
Lease rentals paid	(73,619)	(311,153)
Minority interest	-	240,598
Dividends paid	(270,013)	-
Total cash used in financing activities	(343,632)	(70,555)
Net cash (used in) / flow from all activities	(34,295)	1,259,307
Cash at the beginning of the year	2,203,002	943,695
Cash at the end of the year	2,168,707	2,203,002

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009	Year ended 31 December 2008
	(Rupees in thousand)	
Reconciliation to Profit and Loss Account		
Operating cash flows	305,231	(367,815)
Depreciation expense	(165,876)	(134,464)
Provision for gratuity	(4,415)	(5,478)
Other income - bank deposits	128,103	125,887
(Loss) / profit on disposal of fixed assets	(1,470)	2,404
Finance charge on lease liabilities	(11,635)	-
Rental income	476	494
Decrease / (Increase) in assets other than cash	194,050	(608,851)
Increase in liabilities other than running finance	36,893	777,348
	481,357	(210,475)
Others		
Profit on sale of investments	166,415	3,060,670
Amortization expense	(11,233)	(7,451)
Capital contribution from shareholders fund	57,891	-
(Increase) / decrease in unearned premium	(390,995)	237,183
Amortization of income on Government Securities - net	40,958	70,531
Decrease in loans	(9,134)	(460)
Income tax (refund) / paid	(58,542)	52,450
Profit on PIBs	12,997	-
Reversal / (Provision) for diminution in value of investments	1,873,200	(2,452,619)
Dividend, investment and other income	417,161	395,032
Deposits received	-	(6,051)
Income on TFCs	28,273	24,436
	2,126,991	1,373,721
Profit before taxation	2,608,348	1,163,246

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rs.4.451 million (2008: Rs 4.451 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent	61,798	41,637
Current and other accounts	702,911	966,866
Deposits maturing within 12 months	1,403,998	1,194,499
Total cash and cash equivalents	2,168,707	2,203,002

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

Umer Mansha	**S.M. Jawed**	**Ibrahim Shamsi**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
General insurance:										
Direct and facultative										
Fire and property damage	3,553,329	1,551,532	1,685,968	3,418,893	2,526,567	878,865	1,137,049	2,268,383	**1,150,510**	1,484,731
Marine, aviation and transport	1,113,902	91,984	42,099	1,163,787	173,310	21,364	5,155	189,519	**974,268**	1,199,675
Motor	3,754,785	1,789,404	1,900,021	3,644,168	359,762	1,910	197,408	164,264	**3,479,904**	3,740,021
Miscellaneous	1,898,643	581,902	777,729	1,702,816	540,611	102,092	142,017	500,686	**1,202,130**	1,047,746
	10,320,659	4,014,822	4,405,817	9,929,664	3,600,250	1,004,231	1,481,629	3,122,852	**6,806,812**	7,472,173
Treaty										
Proportional	85	-	-	85	-	-	-	-	**85**	15,971
	85	-	-	85	-	-	-	-	**85**	15,971
Total	10,320,744	4,014,822	4,405,817	9,929,749	3,600,250	1,004,231	1,481,629	3,122,852	**6,806,897**	7,488,144
Life insurance:										
Conventional Business	51,970	-	-	51,970	27,871	-	-	27,871	**24,099**	-
Accident and Health Business	2	-	-	2	-	-	-	-	**2**	-
Total	51,972	-	-	51,972	27,871	-	-	27,871	**24,101**	-
Grand Total	10,372,716	4,014,822	4,405,817	9,981,721	3,628,121	1,004,231	1,481,629	3,150,723	**6,830,998**	7,488,144

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

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		**31 December 2009**	31 December 2008
	(Rupees in thousand)									
General insurance:										
Direct and facultative										
Fire and property damage	1,774,827	1,629,455	1,168,771	1,314,143	982,746	1,028,755	709,703	663,694	**650,449**	950,534
Marine, aviation and transport	608,904	499,471	359,826	469,259	143,429	276,920	183,873	50,382	**418,877**	616,515
Motor	3,054,264	1,833,234	1,471,832	2,692,862	292,437	740,724	705,607	257,320	**2,435,542**	2,740,149
Miscellaneous	1,185,171	580,662	552,512	1,157,021	227,425	369,849	362,132	219,708	**937,313**	860,956
	6,623,166	4,542,822	3,552,941	5,633,285	1,646,037	2,416,248	1,961,315	1,191,104	**4,442,181**	5,168,154
Treaty										
Proportional	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
	7,427	19,731	22,962	10,658	-	-	-	-	**10,658**	4,998
Total	6,630,593	4,562,553	3,575,903	5,643,943	1,646,037	2,416,248	1,961,315	1,191,104	**4,452,839**	5,173,152
Life insurance:										
Conventional business	3,681	-	8,869	12,550	8,883	-	-	8,883	**3,667**	-
Accident and Health	-	-	-	-	-	-	-	-	**-**	-
Total	3,681	-	8,869	12,550	8,883	-	-	8,883	**3,667**	-
Grand Total	6,634,274	4,562,553	3,584,772	5,656,493	1,654,920	2,416,248	1,961,315	1,199,987	**4,456,506**	5,173,152

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

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2009

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					**31 December 2009**	31 December 2008
	(Rupees in thousand)								
General insurance:									
Direct and facultative									
Fire and property damage	407,363	188,585	203,339	392,609	206,849	599,458	342,766	**256,692**	345,084
Marine, aviation and transport	160,797	14,340	7,197	167,940	171,482	339,422	7,220	**332,202**	420,727
Motor	272,499	162,862	144,778	290,583	578,376	868,959	16,123	**852,836**	922,726
Miscellaneous	115,257	48,914	44,570	119,601	217,854	337,455	104,438	**233,017**	248,595
	955,916	414,701	399,884	970,733	1,174,561	2,145,294	470,547	**1,674,747**	1,937,132
Treaty									
Proportional	38	-	-	38	16	54	-	**54**	10,798
	38	-	-	38	16	54	-	**54**	10,798
Total	955,954	414,701	399,884	970,771	1,174,577	2,145,348	470,547	**1,674,801**	1,947,930
Life insurance:									
Conventional business	1,739	-	-	1,739	64,297	66,036	-	**66,036**	-
Accident and health business	1	-	-	1	906	907	-	**907**	-
Total	1,740	-	-	1,740	65,203	66,943	-	**66,943**	-
Grand Total	957,694	414,701	399,884	972,511	1,239,780	2,212,291	470,547	**1,741,744**	1,947,930

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

Umer Mansha
Chairman

S.M. Jawed
Director

Ibrahim Shamsi
Director

Muhammad Ali Zeb
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
General insurance:			
Income from non-trading investments			
Available-for-sale			
Return on fixed income securities		40,958	70,531
Return on Term Finance Certificates		28,273	24,436
Return on Pakistan Investments Bonds		12,997	-
Dividend income			
- associated undertakings		208,802	232,447
- others		148,771	162,585
		357,573	395,032
		439,801	489,999
Gain on sale of 'available-for-sale' investments			
- associated undertakings		195,946	2,815,267
- others		(29,529)	245,403
		166,417	3,060,670
		606,218	3,550,669
Reversal / (Provision) for impairment in value of 'available-for-sale' investment	14.3	1,873,201	(2,386,179)
Investment related expenses		-	(66,440)
		2,479,419	1,098,050
Life insurance:			
Share holders' fund			
Appreciation in value of quoted securities		65	-
Return on Government Securities		23,206	-
Return on bank deposit		21,218	5,392
Dividend income		60	-
Gain on sale of non trading investments		9,532	-
		54,081	5,392
Statutory Funds			
Conventional Business			
Investment income on bank deposits		96	-
Gain on sale of units of open end mutual funds		20	-
		116	-
Accident and Health Business			
Investment income on bank deposits		-	-
Gain on sale of units of open end mutual funds		-	-
		-	-
Net investment income		2,533,616	1,103,442
Net investment income - shareholders' funds		116	-
Net investment income - other		2,553,500	1,103,442
		2,553,616	1,103,442

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

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 THE GROUP AND ITS OPERATIONS

The group consists of:

Holding company
Adamjee Insurance Company Limited

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

Adamjee Insurance Company Limited (holding company)

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

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

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

Adamjee Life Assurance Company Limited (subsidiary company)

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

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

- Conventional Business
- Accident and Health

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

b) Consolidation

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

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

Intergroup balances and transactions have been eliminated.

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

c) Accounting convention

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

d) Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Provision for doubtful receivables

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

iv) Useful lives, patterns of economic benefits and impairments

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

v) Actuarial valuation of liabilities

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

vi) Classification of investments

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

e) Functional and presentation currency

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

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

i) IFRS 7 'Financial Instruments: Disclosure'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) /2008 dated 28 April 2008 notified the adaption of IFRS 7. IFRS 7 is mandatory for Group's accounting periods beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adaption of IFRS 7 has only impacted the format and extent of disclosures presented in these financial statements.

ii) IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual accounting periods beginning on or after 01 January 2009) . The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose either to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).The Group has preferred to present two statements; a profit and loss account and a statement of comprehensive income. In these consolidated financial statements comparative information has been re-presented in conformity with the revised standard.

Further, the Standard requires that if the entities have to restate or reclassify comparative information given in the financial statements, in addition to presenting the balance sheet at the end of the current period and comparative period, will also be required to present a restated balance sheet as at the beginning of comparative period. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

iii) IFRS 4, 'Insurance Contracts'. SECP vide S.R.O 149(1) 2009 dated 11 February 2009 (read with circular No. 22/2009 dated 30 June 2009) notified the adaption of IFRS-4. It is mandatory for Group's annual accounting periods beginning on or after 01 January 2009. IFRS-4 makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these consolidated financial statements.

iv) IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. The adaption of IFRS 8 does not have any material effect but has changed the criteria to determine the reportable segment and certain disclosures.

v) IAS 23 (amendment), 'Borrowing costs' (effective for the annual accounting periods beginning on or after 01 January 2009) is relevant to the current year's financial statements. The amendment requires to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group has adapted the accounting policy of borrowing cost compliant with the requirements of IAS-23.

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

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2009 but are considered not to be relevant or do not have any significant impact on these consolidated financial statements and are therefore not detailed in these consolidated financial statements.

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

IFRS 9 'Financial Instruments' (effective for annual accounting periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated.

Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. Adaption of the aforesaid standard is not expected to have a significant impact on the consolidated financial statements other than certain additional or revised disclosures.

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

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

2.2 Insurance contracts

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

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

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

2.2.1 Premium

Holding company

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

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

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

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

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

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

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

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

Subsidiary company

First year individual life premiums are recognised once the related policies have been issued and the premiums received. Single premiums are recognised once the related policies are issued against the receipt of premium. Group life premiums are recognised when due.

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

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

2.2.2 Reinsurance Ceded

Holding company

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

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

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

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

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

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

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

Subsidiary company

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

2.2.3 Claims expense

Holding company

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

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

Subsidiary company

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

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

2.2.4 Reinsurance recoveries against outstanding claims

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

2.2.5 Commission expense and other acquisition costs

Holding company

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

Subsidiary company

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

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

2.2.6 Premium Deficiency Reserve

The Group maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the 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 / income in profit or loss account for the year.

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

Fire and property damage	65.57%
Marine, aviation and transport	41.00%
Motor	71.29%
Miscellaneous	78.44%

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

Due to first year operation, subsidiary company has not calculated such loss ratios as any such amounts are at present not likely to be material.

2.3 Staff retirement benefits

Holding company

2.3.1 Defined contribution plan

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

2.3.2 Defined benefit plans

The Holding Company operates following defined benefit plans:

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

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

Subsidiary company

Defined benefit scheme

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

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

2.4 Employees' compensated absences

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

2.5 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the group.

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

2.6 Cash and cash equivalents

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

2.7 Investments

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

The above investments are classified into the following categories:

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

2.7.1 Held-to-maturity

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

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

2.7.2 Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

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

2.7.3 At fair value through profit or loss

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

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

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

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

2.9 Fixed assets

2.9.1 Tangible

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

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

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

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

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

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

2.9.2 Intangible

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

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

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

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

2.10 Expenses of management

Holding company

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

Subsidiary company

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

2.11 Investment income

2.11.1 Income from available-for-sale investments

- **Return on fixed income investments**
  Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

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

- **Gain / loss on sale of available-for-sale investments**
  Gain / loss on sale of available-for-sale investments is recognized in profit and loss account currently.

- **Return on Term Finance Certificates**
  The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized and taken to the profit and loss account over the term of the investment.

2.11.2 Income from held-to-maturity investments

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

2.11.3 At fair value through profit or loss

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

2.12 Foreign currencies

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

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

2.13 Financial instruments

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

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

2.14 Dividend and appropriation to reserves

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

2.15 Off setting

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

2.16 Earnings per share

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

2.17 Share Capital

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

2.18 Impairment

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

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

2.19 Segment reporting

Holding company

Revised policy

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

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

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

Previous policy

A business segment is a group of assets and operations engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment) which are subject to risks and returns that are different from those of other business segments.

This change in policy has been made on initial application of International Financial Reporting Standard (IFRS - 8) 'Operating Segments'. There is no financial impact of this change in accounting policy on these consolidated financial statements except for certain change in the disclosures.

Subsidiary company

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

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

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

2.20 Borrowing cost

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

2.21 Statutory funds

Subsidiary company

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

3 SHARE CAPITAL

3.1 Authorized share capital

31 December 2009	31 December 2008		31 December 2009	31 December 2008
(Number of shares)			(Rupees in thousand)	
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	**1,500,000**	1,500,000

3.2 Paid-up share capital
Issued, subscribed and fully paid:

31 December 2009	31 December 2008		31 December 2009	31 December 2008
		Opening balance		
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
101,985,159	101,985,159	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,019,851**	1,019,851
		Issued during the year		
10,223,517	-	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**102,235**	-
112,458,676	102,235,159	**Closing Balance**	**1,124,586**	1,022,351

3.3 As at 31 December 2009, MCB Bank Limited, Nishat Mills Limited, Security General Insurance Company Limited, D.G Khan Cement Company Limited and Pakistan Molasses Company (Pvt.) Limited, associated undertakings, held 33,034,630 (2008: 30,031,483) 33,034 (2008: 30,031) 3,762,339 (2008: 3,420,309) 3,219,447 (2008: 2,926,770) and 30,000 (2008: Nil) ordinary shares of Rupees 10 each, respectively.

4 RESERVES

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Capital contribution to statutory funds		**(31,840)**	-
Exchange translation reserve	4.3	**173,424**	115,108
		168,207	141,731
Revenue reserve			
General reserve		**936,500**	936,500
		1,104,707	1,078,231

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

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

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

In the previous years, the holding company did not properly account for the effect of translation of foreign operations in to Pak Rupees. However, during the year the required correction has been made and the effect of translation of foreign operations into Pak Rupees has been accounted for retrospectively by the holding company in accordance with the International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of retrospective restatement is tabulated below:

	31 December 2009	31 December 2008	01 January 2008
		(Rupees in thousand)	
Increase / (decrease) in retained earnings	**58,316**	123,416	(8,308)
(Decrease) / increase in creditors and accruals	**(58,316)**	(123,416)	8,308

There was no impact of this correction on the reported results and earnings per share

		31 December 2009	31 December 2008
5	**MINORITY INTEREST**	(Rupees in thousand)	
	Share capital	**240,599**	240,599
	Profit for the year	**5,642**	(3,960)
	Contribution to statutory funds	**(26,051)**	-
	Opening retained earnings	**(3,960)**	-
		216,230	236,639

		Statutory Funds			
6	**POLICYHOLDERS' LIABILITIES**	Conventional Business	Accident and Health Business	**31 December 2009**	31 December 2008
	Life insurance:	(Rupees in thousand)			
6.1	**Gross of reinsurance**				
	Actuarial liability relating to future events	27,329	2	**27,331**	-
6.2	**Net of reinsurance**				
	Actuarial liability relating to future events	11,498	1	**11,499**	-

6.3 The appointed actuary of the subsidiary company (life insurance business) has carried out a valuation of the policyholders' liabilities with respect to the Conventional Business and Accident and Health Business Statutory Funds as per section 50 of the Insurance Ordinance, 2000. The significant assumptions used in the valuations are as follows:

6.3.1 Valuation discount rate

In case of individual life policies, the valuation of policyholders' liabilities has been based on the discount rate of 3.75%, which is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return being managed on the conventional portfolio. The difference between the above and actual investment return is intended to be available for meeting administration expense and provide margins for adverse deviation.

In case of group life policies, the policyholders' liability only includes reserve for unearned premium in accordance with the advice of the appointed actuary.

6.3.2 Mortality assumption

For the purpose of valuing the life assurance contracts, the mortality assumption used is EFU 61-66. This table reflects the mortality expectation in Pakistan. In the opinion of appointed actuary, the table gives the closest match to the underlying mortality of the covered population.

6.3.3 Surrenders

For the purpose of valuation of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

Liability for claims "Incurred But Not Reported" (IBNR) is normally included in policyholders' liabilities. However, no liability in respect of IBNR claims has been recognised at 31 December 2009 by the subsidiary company based on the advice received from the appointed actuary as the subsidiary company in its initial year of operation and any such amounts are at present not likely to be material.

		Note	31 December 2009	31 December 2008
			(Rupees in thousand)	
7	**PROVISION FOR OUTSTANDING CLAIMS (including IBNR)**			
	General insurance			
	Related parties		**272,098**	260,184
	Others		**3,303,805**	4,302,369
			3,575,903	4,562,553
	Life insurance		**8,869**	-
			3,584,772	4,562,553
8	**STAFF RETIREMENT BENEFITS - Unfunded staff gratuity**			
	Opening balance		**9,166**	3,688
	Charge for the year - holding company	8.1	**4,111**	3,989
	- subsidiary company	8.2.3	**717**	-
			13,994	7,677
	Exchange loss - holding company		**304**	1,489
			14,298	9,166

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

8.2 The subsidiary company operates an unfunded gratuity scheme for all permanent employees. An actuarial valuation is carried out at 31 December 2009 to determine the liability of the Company in respect of the scheme. The information provided in notes 8.2.1 to 8.2.4 is based upon the actuarial valuation carried out as at 31 December 2009. The following significant assumptions have been used for valuation of this scheme:

	2009 Percent per anum	2008 Percent per anum
Discount rate	**13**	-
Expected rate of increase in salaries	**11**	-

		31 December 2009	31 December 2008
		(Rupees in thousand)	
8.2.1	**Amounts recognised in the balance sheet**		
	Present value of the obligation	**1,465**	-
	Fair value of plan assets	**-**	-
	Unrecognised actuarial loss	**(748)**	-
	Gratuity liability as at 31 December	**717**	-
8.2.2	**Movement in the present value of the defined benefit obligation**		
	Obligation at the beginning of the year	**-**	-
	Current service cost	**595**	-
	Interest cost	**122**	-
	Actuarial loss	**748**	-
	Benefits paid	**-**	-
	Obligation at the end of the year	**1,465**	-

	31 December 2009	31 December 2008
	(Rupees in thousand)	

8.2.3 Amounts recognised in the profit and loss account

	31 December 2009	31 December 2008
Current service cost	595	-
Interest cost	122	-
Expected return on plan assets	-	-
	717	-

8.2.4 Actual return on plan assets

The subsidiary company does not have any plan assets as at 31December 2009 in respect of its unfunded gratuity scheme.

9 OTHER CREDITORS AND ACCRUALS

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	Restated
Cash margin against performance bonds		459,463	372,228
Sundry creditors		114,495	23,022
Commission payable		416,733	388,817
Workers' welfare fund		80,401	23,518
Federal insurance fee		6,990	12,652
Payable to Employee's Provident Fund	9.1	(716)	709
Federal excise duty		108,948	58,313
Others		1,711	2,503
		1,188,025	881,762

9.1 During the year an amount of Rupees 20.044 million (2008: Rupees 21.144 million) has been charged to the profit and loss account in respect of the holding company's contributions to the Employees' Provident Fund.

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009	2008
Present value of minimum lease payments	148,911	-

10.1 Minimum lease payments

	2009	2008
Not later than 1 year	45,514	-
Later than 1 year and not later than 5 years	159,314	-
	204,828	-
Future finance charges on finance lease	(55,917)	-
Present value of finance lease liability	148,911	-

10.2 Present value of finance lease liabilities

	2009	2008
Not later than 1 year	25,167	-
Later than 1 year and not later than 5 years	123,744	-
	148,911	-

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

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

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies:

Holding company

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

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

ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner of Income Tax (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the company but the Tax Department had filed an appeal before the ITAT against the order of the Additional Commissioner, which has been decided in favour of the company. There are chances that the Tax Department will file an appeal against the decision of ITAT;

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

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

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

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

Pending resolution of the above-mentioned appeals filed by the company, no provision has been made in these consolidated financial statements for the aggregate amount of Rupees 88.201 million (31 December 2008: Rupees 48.580 million) as the management is confident that the eventual outcome of the above matters will be in favor of the company.

Subsidiary company

There were no contingencies as at 31 December 2009 (31December 2008: Nil).

11.2 Commitments:

Holding company

There were no capital or other commitments as at 31 December 2009 (31 December 2008:Nil).

Subsidiary company

Commitments in respect of leased assets - not later than one year is Rupees 4.069 million (31December 2008:Nil).

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
12 CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		4,895	7,878
Cheques in transit		56,901	33,759
		61,796	41,637
Current and other accounts			
Current accounts		204,941	6,269
Savings accounts		497,972	960,597
		702,913	966,866
Deposits maturing within 12 months			
Fixed and term deposits	12.1	1,408,449	1,198,950
		2,173,158	2,207,453

12.1 These include fixed deposits amounting to Rupees 157.904 million (AED 6.895 million) [2008: (Rupees 146.724 million), (AED 6.847 million)] kept in accordance with the requirements of Insurance Regulations applicable in the UAE for the purpose of carrying on business in the country. These also include liens against cash deposits of Rupees 4.451 million (2008: Rupees 4.451 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the company for claims under litigation filed against the company.

12.2 Cash and bank deposits include an amount of Rupees 851.739 million (2008: Rupees 1,501.355million) held with r elated parties.

	Note	31 December 2009	31 December 2008
13 LOANS - considered good			
Secured			
Executives	13.2	1,990	4,604
Employees	13.2	43,779	50,299
		45,769	54,903
Less: Recoverable within one year shown under sundry receivables			
Executives	20	2,368	4,372
Employees	20	15,018	23,679
		17,386	28,051
		28,383	26,852

13.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documen ts of property with the company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase/ construction of houses which carry interest at the rate of 5% (2008: 5%) per annum.

13.2 Reconciliation of carrying amount of loans

	2009			2008		
	Executives	Others	Total	Executives	Others	Total
	(Rupees in thousand)					
Opening balance	4,604	50,299	54,903	6,008	48,282	54,290
Disbursements	5,410	37,430	42,840	10,184	45,764	55,948
Repayments	(8,024)	(43,950)	(51,974)	(11,588)	(43,747)	(55,335)
Closing balance	1,990	43,779	45,769	4,604	50,299	54,903

		Note	31 December 2009	31 December 2008
14	**INVESTMENTS**		(Rupees in thousand)	
	Held to maturity			
	1 year treasury bills	14.1	96,523	9,730
	Available-for-sale			
	In related parties			
	Marketable securities	14.4	6,223,534	5,770,797
	Less: Provision for impairment in value of investments	14.3	-	(1,108,681)
			6,223,534	4,662,116
	Others			
	Marketable securities	14.4	3,530,982	3,137,302
	Less: Provision for impairment in value of investments	14.3	(541,300)	(1,305,820)
			2,989,682	1,831,482
	Fixed income investments	14.5	504,090	830,631
			3,493,772	2,662,113
	At fair value through profit or loss			
	Listed equity securities	14.6	1,615	-
			9,815,444	7,333,959

		31 December 2009 Maturity year	31 December 2009 Carrying Value	31 December 2008 Carrying Value
14.1	**Held maturity investments**		(Rupees in thousand)	
	1 year treasury bills	2010	96,523	9,730

14.2 At 31 December 2009, the fair value of available-for-sale securities was Rupees 10,606.372 million (2008: Rupees 6,788.261 million). As per the company's accounting policy, available-for-sale investments are stated at lower cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2009 would have been higher by Rupees 496.835 million (2008: lower by Rupees 841.385 million).

		Note	31 December 2009	31 December 2008
14.3	**Reconciliation of provision for impairment in value of investments**		(Rupees in thousand)	
	Opening provision		2,414,501	28,322
	(Reversal) / Charge for the year		(1,873,201)	2,386,179
	Closing provision		541,300	2,414,501

14.4 Marketable securities - Available for sale

	Note	31 December 2009 Cost	31 December 2009 Provision there against	31 December 2009 Carrying Value	31 December 2008 Carrying Value
		(Rupees in thousand)			
In related parties:					
- Listed shares	14.4.1	4,669,982	-	4,669,982	3,561,746
- Mutual Fund Certificates	14.4.1	1,553,552	-	1,553,552	1,100,370
		6,223,534	-	6,223,534	4,662,116
Others:					
- Listed shares	14.4.2	2,929,335	474,967	2,454,368	1,529,020
- Term Finance Certificates	14.4.3	181,791	4,019	177,772	173,329
- Unlisted/ delisted shares and debentures	14.4.4	120	-	120	120
- Mutual Fund Certificates	14.4.5	158,699	62,314	96,385	87,286
- NIT Units		161	-	161	161
- Pakistan Investments Bonds		260,876	-	260,876	41,566
		3,530,982	541,300	2,989,682	1,831,482
		9,754,516	541,300	9,213,216	6,493,598

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
14.4.1 Related parties					
Listed Shares					
-	14,327	10	Mehran Sugar Mills Limited [Equity held Nil (2008: 0.15%)]	-	445
868,035	868,035	10	Nishat Mills Limited [Equity held 0.138% (2008: 0.54%)]	18,586	18,586
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2008: 0.01%)]	3,224	3,224
1,173,287	1,173,287	10	D.G. Khan Cement Company Limited [Equity held 0.39% (2008:0.46%)]	34,185	34,185
21,148,526	19,225,933	10	MCB Bank Limited [Equity held 3.06% (2008: 3.06%)]	4,613,987	4,613,987
				4,669,982	4,670,427
Mutual Fund Certificates					
-	11,213,525	100	MCB Dynamic Cash Fund [Units held Nil (2008: 12.05%)]	-	1,100,370
15,137,773	-	100	MCB Cash Management Optimizer Fund [Units held 29.36% (2008: Nil)]	1,553,552	-
				1,553,552	1,100,370
14.4.2 Other - listed shares					
			Investment Bank/ Investment Companies / Security Companies		
800,000	800,000	10	Arif Habib Securities Limited	98,981	98,981
34,377	34,377	10	Jahangir Siddiqui Co. Limited	7,373	7,373
			Commercial Banks		
1,008,700	917,000	10	Allied Bank Limited	56,773	56,773
-	166,666		Arif Habib Bank Limited	-	3,796
1,275,945	1,020,756	10	Askari Bank Limited	71,871	71,871
-	1,246,000	10	Atlas Bank Limited	-	20,232
5,485,268	4,302,171	10	Bank Al-Habib Limited	166,807	166,807
837,178	496,106	10	Bank Alfalah Limited	25,346	22,865

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
-	50,000	10	Bank Islami Pakistan Limited	-	1,043
116,880	97,400	10	Habib Bank Limited	22,373	22,373
3,210,728	2,568,583	10	Habib Metropolitan Bank Limited	100,026	100,026
-	200,000	10	JS bank Limited	-	4,788
1,181,794	951,495	10	National Bank of Pakistan	167,673	164,683
-	497,000	10	Samba Bank Limited	-	10,422
237,204	194,430	10	Soneri Bank Limited	7,627	7,627
1,818,070	1,818,070	10	United Bank Limited	204,194	204,194
			Insurance		
14,145	14,145	10	EFU General Insurance Co. Limited	1,081	1,081
10,255	9,116	10	Habib Insurance Co. Limited	22	22
163,817	163,817	10	International Gen. Ins Co. of Pakistan	22,888	22,888
286,843	286,843	10	Pakistan Reinsurance Co. Limited	6,326	6,326
			Textile Spinning		
57,778	57,778	10	Dewan Khalid Textile Mills Limited	1,142	1,142
400,000	400,000	10	Hira Textile Mills Limited	5,000	5,000
78,000	78,000	10	Service Industries (Textile) Limited	1,388	1,388
51,200	51,200	10	Shahzad Textile Mills Limited	634	634
			Textile Composite		
-	16,014	10	Hussain Industries Limited	-	282
-	17	10	Janana-De-Melucho	-	-
-	5	10	Kohinoor Industries Limited	-	-
14,437	14,437	10	Zahur Textile Mills Limited	210	210
			Jute		
112,866	112,866	10	Crescent Jute Products Limited	2,183	2,183
109,807	109,807	10	Mehran Jute Mills Limited	1,150	1,150
12,117	10,098	10	Thal Limited.	2,003	2,003
			Sugar And Allied		
10,535	41,535	10	Crescent Sugar Mills & Distillery Limited	138	542
			Cement		
75,300	75,300	10	Lucky Cement Limited	9,126	9,126
-	208,500	10	Maple Leaf Cement Factory Limited.	-	3,118
			Refinery		
5,480	5,480	10	National Refinery Limited	743	743
24,887	24,887	10	Pakistan Refinery Limited	2,438	2,438
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited.	3,913	3,913
20,000,000	-	10	Nishat (Chunian) Power Limited	200,000	-
			Oil And Gas Marketing Companies		
110,000	110,000	10	Pakistan State Oil Co. Limited	48,178	48,178
207,900	207,900	10	Shell Gas LPG Pakistan Limited	2,315	2,315
328,470	328,470	10	Shell Pakistan Limited	68,743	68,743
1,916,100	1,916,100	10	Sui Northern Gas Pipelines Limited.	127,666	127,666
			Oil And Gas Exploration Companies		
1,581,669	1,446,669	10	Oil and Gas Development Company Limited	168,784	161,274
427,171	427,171	10	Pakistan Oilfields Limited	101,082	101,082
1,399,329	1,150,941	10	Pakistan Petroleum Limited	259,896	256,732
			Engineering		
1,165,686	1,165,686	10	International Industries Limited	77,490	77,490

No. of Shares/ Certificates 31 December 2009	No. of Shares/ Certificates 31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost (Rupees in thousand)	31 December 2008 Cost (Rupees in thousand)
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
-	521	10	Indus Motor Company Limited	-	167
315,635	252,508	10	Millat Tractors Limited	35,335	35,335
			Cables And Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
171,930	171,930	10	Siemens (Pakistan) Engineering Company Limited	135,531	135,531
			Transport		
47,400	47,400	10	Pan Islamic Steamship Company Limited	457	457
			Technology And Communication		
175,000	175,000	10	Pakistan Telecommunication Company Limited	7,151	7,151
25,000	25,000	10	World Call Telecommunication Limited	440	440
			Fertilizer		
355,335	253,811	10	Engro Chemical Pakistan Limited	69,686	64,610
404,078	404,078	10	Fauji Fertilizer Bin Qasim Limited	15,375	15,375
1,850,516	1,331,285	10	Fauji Fertilizer Company Limited	124,373	122,324
			Pharmaceutical		
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	151,883	151,883
-	52	10	Ferozsons Laboratories Limited	-	-
707,976	707,976	10	GlaxoSmithKline Pakistan Limited	84,811	84,811
			Chemical		
77,905	77,905	10	BOC Pakistan Limited	13,881	13,881
88,321	88,321	10	Clariant Pakistan Limited	11,762	11,762
1,840,330	1,840,330		Descon Oxychem Limited	18,403	18,403
41,400	41,400	10	ICI Pakistan Limited	8,561	8,561
			Paper And Board		
-	90	10	Packages Limited	-	9
-	1,582	10	Security Papers Limited	-	15
			Food And Personal Care Products		
-	15,630	10	Ismail Industries Limited	-	233
535,493	486,812	10	Murree Brewery Company Limited	34,565	34,565
32,783	32,783	10	Nestle Milk Pak Limited	18,980	18,980
54,870	54,870	10	Rafhan Maize Products Limited	44,644	44,644
26,336	26,336	50	Unilever Pakistan Limited	35,847	35,847
			Glass And Ceramics		
26,831	26,831	10	Medi Glass Limited	417	417
			Miscellaneous		
75,000	75,000	10	Pace Pakistan Limited	2,903	2,903
				2,929,335	2,750,574

14.4.3 Others-Term Finance Certificates

3,995	3,997	5,000	Allied Bank Limited (05/11/2006)	19,976	19,984
9,985	9,988	5,000	Bank Alfalah Limited (25/11/ 2005)	49,923	49,942
3,000	-	5,000	Bank Alfalah Limited (02/12/ 2009)	15,000	-
1,499	2,249	5,000	IGI Investment Bank Limited (10/07/2006)	7,497	11,246
1,998	1,998	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	9,988	9,992
833	999	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	4,163	4,997
5,992	5,994	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	29,958	29,970
3,940	3,941	5,000	Royal Bank of Scotland Limited (10/02/ 2005)	19,699	19,708
1,125	1,874	5,000	Searle Pakistan Limited (9/03/2006)	5,623	9,371
3,993	3,994	5,000	Soneri Bank Limited (5/05/2005)	19,964	19,972
				181,791	175,182

No. of Shares/ Certificates 31 December 2009	31 December 2008	Face value Rupees	Company's name	31 December 2009 Cost	31 December 2008 Cost
				(Rupees in thousand)	
14.4.4 Others-Unlisted / delisted shares					
12	12	10,000	Tariq Cotton Mills Limited (Karikot Textile)	120	120
				120	120
14.4.5 Others-Mutual Fund Certificates					
(Open Ended) Mutual Funds					
1,124,911	1,000,000	100	ABL Income Fund	10,000	10,000
5,930	5,564	500	Atlas Income Fund	2,725	2,725
113,743	113,743	100	AMZ Plus Income Fund	10,000	10,000
-	13,609	100	Dawood Money Market Fund	-	1,000
-	230,484	100	HBL Income Fund	-	20,000
208,375	196,463	100	Meezan Islamic Income Fund	10,000	10,000
1,000,000	-	100	NIT Government Bond Fund	10,000	-
(Close Ended) Mutual Funds					
9,277,937	9,277,937	10	JS Growth Fund	78,317	78,317
400,000	400,000	10	Pakistan Strategic Allocation Fund	4,000	4,000
2,757,705	2,757,705	10	PICIC Investment Fund	33,657	33,657
				158,699	169,699
14.5 Fixed Income Investments					
Defence Saving Certificates				504,090	830,631
14.6 Investments at fair value through profit or loss					
			Commercial Banks		
5,000	-	10	Askari Bank Limited	137	-
			Investment Bank/ Investment Companies / Security Companies		
30,000	-	10	Arif Habib Securities Ltd.	1,478	-
				1,615	-

15 PREMIUMS DUE BUT UNPAID - Unsecured

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Considered good		3,841,755	3,449,898
Considered doubtful		119,530	46,793
		3,961,285	3,496,691
Less: Provision for doubtful balances	15.1	(119,530)	(46,793)
		3,841,755	3,449,898

15.1 Reconciliation of provision for doubtful balances

	31 December 2009	31 December 2008
Opening provision	46,793	86,202
Exchange loss	90	19,659
Charge for the year	90,864	30,000
Written off during the year	(18,217)	(89,068)
Closing provision	119,530	46,793

15.2 Premiums due but unpaid include an amount of Rupees 173 million (2008: Rupees 88.6 million) held with related parties.

		Note	31 December 2009	31 December 2008
			(Rupees in thousand)	
16	**AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured**			
	Considered good		**716,962**	993,802
	Considered doubtful		**30,000**	61,396
			746,962	1,055,198
	Less: Provision for doubtful balances	16.1	**(30,000)**	(61,396)
			716,962	993,802
16.1	**Reconciliation of provision for doubtful balance**			
	Opening provision		**61,396**	45,396
	Charge for the year		**50,390**	16,000
	Written off during the year		**(81,786)**	-
	Closing provision		**30,000**	61,396
17	**ACCRUED INVESTMENT INCOME**			
	Return accrued on Term Finance Certificates		**4,268**	4,762
	Return accrued on Pakistan Investment Bonds		**7,614**	-
	Dividend income			
	- associated undertakings		**-**	-
	- others		**17,894**	8,648
			17,894	8,648
	Return on deposit accounts			
	- associated undertakings		**12,383**	22,127
	- others		**2,718**	1,855
			15,101	23,982
	Others		**2,427**	7,082
			47,304	44,474

18 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered to be good.

		Note	31 December 2009	31 December 2008
19	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		**1,481,629**	1,004,231
	Others		**73,578**	60,465
			1,555,207	1,064,696
20	**SUNDRY RECEIVABLES**			
	Considered good			
	Current portion of long-term loans			
	Executives	13	**2,368**	4,372
	Employees	13	**15,018**	23,679
	Other advances		**86,935**	51,913
	Staff Gratuity Fund - Holding company	20.1.1	**65,282**	63,950
	Security deposits		**13,906**	13,795
	Stationery in hand		**5,469**	2,885
	Sundry debtors		**11,285**	11,738
			200,263	172,332
	Miscellaneous			
	Considered good		**215**	87
	Considered doubtful		**-**	-
			215	87
			200,478	172,419

20.1 Staff Gratuity Fund

The holding company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2009.

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

	Rate per annum
- Valuation discount rate	12.75%
- Expected rate of increase in salary level	10.60%
- Rate of return on plan assets	12.75%

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

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Present value of defined benefit obligation at the end of the year	201,262	161,130
Fair value of plan assets at the end of the year	(223,237)	(250,143)
	(21,975)	(89,013)
Net unrecognized actuarial (losses) / gains	(43,307)	25,063
Net assets	(65,282)	(63,950)

20.1.1 Amounts recognized in the balance sheet

Liabilities	-	-
Assets	65,282	63,950
Net assets	65,282	63,950

20.1.2 The amounts charged in profit and loss are as follows:

Current service cost	12,797	9,651
Interest on obligation	22,340	17,841
Expected return on plan assets	(34,862)	(29,814)
Actuarial gains recognized during the year	(1,607)	(3,935)
Total gratuity income for the year for funded obligation	(1,332)	(6,257)

20.1.3 Actual return on plan assets	17,762	(8,790)

20.1.4 Changes in present value of the defined benefit obligation

Present value of defined benefit obligation at the beginning of the year	161,130	173,663
Current service cost	12,797	9,651
Interest cost	22,340	17,841
Actuarial loss / (gain)	49,663	(16,441)
Benefits paid	(44,668)	(23,584)
Present value of defined benefit obligation at the end of the year	201,262	161,130

20.1.5 Changes in the fair value of plan assets

Fair value of plan assets at the beginning of the year	250,143	282,517
Expected return	34,862	29,814
Actuarial loss	(17,100)	(38,604)
Benefits paid	(44,668)	(23,584)
Fair value of plan assets at the end of the year	223,237	250,143

The holding company is not expected to contribute to the gratuity fund in 2009.

20.1.6 Fund Investment

	2009 (Rupees in thousand)	2009 %	2008 (Rupees in thousand)	2008 %
Government Bonds	**4,074**	**1.8**	57,853	23.1
Shares and deposits	**117,153**	**52.5**	100,041	40.0
Unit Trusts	**90,148**	**40.4**	83,545	33.4
Cash	**13,075**	**5.9**	13,785	5.5
Creditors	**(1,213)**	**(0.5)**	(5,081)	(2.0)
	223,237	**100.0**	250,143	100.0

20.1.7 Amounts / percentages for the current and previous four periods

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

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Defined benefit obligation	**(201,262)**	(161,130)	(173,663)	(176,626)	(200,739)
Plan assets	**223,237**	250,143	282,517	256,086	270,037
Surplus	**21,975**	89,013	108,854	79,460	69,298
Experience adjustments on plan liabilities	**25%**	-10%	-2%	3%	-5%
Experience adjustments on plan assets	**-8%**	-15%	10%	10%	-5%

21 FIXED ASSETS

	Note	31 December 2009 (Rupees in thousand)	31 December 2008 (Rupees in thousand)
Owned assets - tangible	21.1	**844,070**	904,128
- intangible	21.1	**38,269**	45,721
Capital work-in-progress		**22,575**	2,200
		904,914	952,049
Leased assets	21.1	**194,576**	-
		1,099,490	952,049

21.1 The following is a statement of operating fixed assets :

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

	2008										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total assets	Computer software	Total owned	Motor vehicles	Total leased	
	(Rupees in thousand)										
At 01 January 2008											
Cost	204,076	52,821	344,954	303,586	131,184	1,036,621	9,096	1,045,717	-	-	1,045,717
Accumulated depreciation / amortisation	23,021	30,448	111,329	83,320	88,244	336,362	5,788	342,150	-	-	342,150
Net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Year ended 31 December 2008											
Opening net book value	181,055	22,373	233,625	220,266	42,940	700,259	3,308	703,567	-	-	703,567
Additions	-	11,031	49,575	246,001	21,804	328,411	5,185	333,596	-	-	333,596
Disposals											
Cost	-	1,296	15,612	4,519	157	21,584	-	21,584	-	-	21,584
Depreciation/ amortisation	-	575	7,417	3,258	89	11,339	-	11,339	-	-	11,339
	-	721	8,195	1,261	68	10,245	-	10,245	-	-	10,245
Transferred fromCapital Work in Progress											
Cost	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation/ amortisation	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	20,167	20,167	44,679	64,846	-	-	64,846
Depreciation/ amortisation charge for the year	3,262	4,512	38,762	68,360	19,568	134,464	7,451	141,915	-	-	141,915
Closing net book value	177,793	28,171	236,243	396,646	65,275	904,128	45,721	949,849	-	-	949,849
At 31 December 2008											
Cost	204,076	62,556	378,917	545,068	172,998	1,363,615	58,960	1,422,575	-	-	1,422,575
Accumulated depreciation / amortisation	26,283	34,385	142,674	148,422	107,723	459,487	13,239	472,726	-	-	472,726
Net book value	177,793	28,171	236,243	396,646	65,275	904,128	45,721	949,849	-	-	949,849
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Furniture & Fixtures						
Various items	528	394	134	23	Negotiation	Himmat Khan- Karachi
Various items	68	13	55	57	Full & Final Settlement	Shamsul Haque- Karachi (Ex-employee)
Various items	419	236	183	99	Negotiation	Muhammad Asim - Lahore
Various items	200	91	109	123	Full & Final Settlement	Amir Ahmed - Karachi (Ex-employee)
Various items	112	33	79	-	Full & Final Settlement	Capt. Akram (Ex- employee)
Items having book value below Rupees 50,000	578	411	167	142		
	1,905	**1,178**	**727**	**444**		
Motor Vehicles						
Owned						
Suzuki Mehran 2004	322	200	122	160	Auction	Kashif Waseem- Karachi
Honda Civic Vti	1,317	914	403	490	Auction	Ali Hasan- Karachi
Toyota Saloon	1,169	406	763	725	Auction	Muhammad Osama- Karachi
Daihatsu Cuore 2002	175	94	81	105	Auction	Shahid Attari- Karachi
Honda Civic Exi Model 2005	963	536	426	450	Auction	Taha Ansari- Karachi
Toyota Corolla 2004	1,100	522	578	410	Auction	Muhammed Osama- Karachi
Suzuki Baleno 2004	616	291	325	290	Auction	Muhammad Khuzaima- Karachi
Toyota Corolla 2003	1,050	486	564	430	Auction	Amjad Iqbal- Karachi
Toyota Corolla 2004	1,100	502	598	598	Auction	Ali Hasan- Karachi
Honda City 2002	700	329	371	230	Auction	Ali Hasan- Karachi
Chevrolet Optral 2005	1,309	550	759	350	Full & Final Settlement	Rafique Kapadai- Karachi (Ex-employee)
Suzuki Cultus 2005	590	288	302	325	Auction	Taimoor- Karachi
Suzuki Mehran 2005	345	155	190	190	Auction	M. Rehan- Karachi
Suzuki Mehran 2005	345	155	190	215	Auction	Adnan Ahmad- Karachi
Suzuki Cultus 2001	350	158	192	160	Auction	Nihal- Karachi
Hundai Santro 2005	560	251	309	325	Auction	Afsar Khan- Karachi
Honda Civic Vti 2005	1,050	384	666	600	Auction	Afsar Khan- Karachi
Honda Civic Vti 2005	850	353	497	415	Full & Final Settlement	Emmanuel Mehr- Karachi (Ex-employee)
Daihatsu Coure Cng 2004	325	132	193	210	Auction	S. M. Ali Jan- Karachi
Suzuki Sentro Club 2005	500	203	297	380	Auction	Kashif Waseem- Karachi
Honda Civic Vti 2003	825	301	524	400	Auction	Afsar Khan- Karachi
Honda Civic Vti 2004	900	351	549	440	Auction	Muhammad Khuzaima- Karachi
Daihatsu Cuore Model 2006	464	204	260	215	Auction	Zubair- Karachi
Daihatsu Cuore Model 2006	464	185	279	290	Auction	M. Rehan- Karachi
Daihatsu Cuore Model 2006	464	204	260	215	Auction	S. M. Ali Jan- Karachi
Toyota Corolla 2 Od Model 2005	950	355	595	325	Auction	Amjad Iqbal- Karachi
Honda Accord 2.4 Model 2006	2,810	905	1,905	2,100	Auction	Muhammad Dawad- Karachi
Honda City Vetc Model 2006	1,016	415	601	530	Auction	Aamir- Karachi
Honda Civic Vti Model 2003	1,178	801	377	380	Auction	Taha Ansari- Karachi
Honda Civic Vti 2004	1,100	455	645	550	Auction	Ali Hasan- Karachi
Suzuki Cultus	590	254	336	325	Auction	Fayyaz Anis- Karachi
Mitsubishi Lancer Glx 1500	1,130	416	714	425	Auction	Taha Ansari- Karachi
Hyundai Santro Club 2007	600	198	402	385	Auction	Shahid Attari- Karachi
Mitsubishi Lancer Glx 1300	830	274	556	420	Auction	Shahid Attari- Karachi
Suzuki Mehran Model 2004	322	194	128	155	Auction	Haroon Rasheed- Karachi
Suzuki Mehran	324	227	97	210	Auction	Nihal- Karachi
Toyota Corolla 2.0D	556	376	180	185	Full & Final Settlement	Rafiq Kapadia- Karachi (Ex-Employee)
Suzuki Apv (Automatic)	1,106	246	860	970	Auction	Shahid Attari- Karachi
Daihatsu Coure 2006	464	192	272	315	Auction	Shahid Attari- Karachi
Toyota Corolla Xli 2004	450	86	365	350	Auction	Muhammad Khadim Karachi
Honda Civic 1999	189	80	109	150	Auction	Aamir- Karachi
Toyota Corolla 2003	825	352	473	410	Auction	Zahid Yaseen- Karachi
Suzuki Cultus 2005	585	297	288	320	Auction	Muhammad Rafiq

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Honda Civic	651	226	426	250	Auction	Shahid Attari- Karachi
Suzuki Cultus 2006	600	219	381	450	Auction	S. M. Ali Jan- Karachi
Honda Civic	1,042	541	501	210	Auction	Taimoor- Karachi
Honda City	795	474	321	250	Auction	Fayyaz Anis- Karachi
Suzuki Mehran 2003	140	41	100	120	Auction	Afsar Khan- Karachi
Suzuki Cultus 2005	585	335	250	310	Auction	Adnan Ahmad- Karachi
Suzuki Cultus 2006	600	237	363	395	Auction	Zahid Yaseen- Karachi
Honda City 2000	380	230	150	170	Auction	Mohammad Rafi- Karachi
Suzuki Cultus	375	137	238	210	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	355	146	209	300	Full & Final Settlement	Ameer Akber- Karachi (Ex-employee)
Suzuki Maragala 1998	400	349	51	102	Auction	Afsar Khan- Karachi
Suzuki Mehran	270	73	197	151	Auction	Afsar Khan- Karachi
Toyota Corolla Xli-2003	775	315	460	415	Auction	Muhammed Shahzad- Karachi
Honda Civic 2006	1,042	459	583	550	Auction	Shahid Kathri- Karachi
Suzuki Cultus	374	66	308	350	Auction	Zahid Yaseen- Karachi
Toyota Corolla Xli	879	362	517	550	Auction	Muhammed Shahzad- Karachi
Suzuki Baleno	774	484	290	310	Auction	Muhammad Rafi- Karachi
Honda Civic Vti Model 2008	600	224	376	590	Auction	Shahid Kathri- Karachi
Suzuki Mehran	370	144	225	190	Auction	Rehan- Karachi
Suzuki Mehran 2004	322	202	120	165	Auction	Nihal- Karachi
Suzuki Mehran 2005	330	172	158	200	Auction	Adnan Ahmad- Karachi
Suzuki Mehran 2005	330	172	158	160	Auction	Shahid Kathri- Karachi
Hondai Santro Club	600	199	401	380	Auction	Shahid Attari- Karachi
Honda City	400	241	159	260	Auction	Muhammed Zubair- Lahore
Suzuki Cultus	350	159	191	200	Full & Final Settlement	Naeemullah- (Ex-employee)
Honda City	460	128	332	350	Full & Final Settlement	Shams-ul-Haque (Ex-Employee)
Suzuki Cultus 2005	585	278	307	290	Auction	Kashif Waseem- Karachi
Suzuki Cultus 2005	585	278	307	335	Auction	Zahid Yaseen- Karachi
Suzuki Cultus 2005	585	278	307	345	Auction	Shahid Attari- Karachi
Suzuki Mehran	330	154	176	190	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	154	176	198	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	154	176	183	Auction	Adnan Ahmad- Karachi
Suzuki Mehran	330	157	173	190	Auction	Khamadam- Karahci
Suzuki Mehran	330	157	173	200	Auction	Tariq Zameer - Karachi
Suzuki Mehran	330	157	173	185	Auction	Zahid Yaseen- Karachi
Suzuki Mehran	345	183	162	162	Auction	Rehan - Karachi
Suzuki Cultus	480	207	273	273	Auction	Waqar Aziz - Karachi
Suzuki Mehran	234	47	187	192	Auction	Haroon Rasheed - Karachi
Suzuki Mehran	332	204	128	128	Auction	Nehal - Karachi
Suzuki Mehran	332	204	128	128	Auction	Adnan - Karachi
Suzuki Mehran	250	117	133	100	Auction	Nehal - Karachi
Daihatsu Cuore	464	192	272	272	Auction	S.M. ALI Jan - Karachi
Suzuki Mehran	211	38	173	173	Auction	Haroon Rasheed - Karachi
Honda City	522	111	411	310	Auction	Muhammad Umair - Karachi
Mitsubishi Lancer	850	303	547	445	Auction	Taha Ansari - Karachi
Suzuki Baleno	739	459	280	280	Auction	Tariq Zameer - Karachi
Suzuki Mehran	345	158	187	187	Auction	Mohammad Rafi - Karachi
Daihatsu Cuore	464	196	268	268	Auction	Sabahat Ali - Karachi
Suzuki Mehran	488	174	314	182	Auction	Haroon Rasheed - Karachi
Suzuki Mehran Vxr 2005	330	164	166	166	Auction	Kashif Waseem - Karachi
Suzuki Cultus -2004	600	269	331	250	Auction	Kashif Waseem - Karachi
Suzuki Cultus -06	600	229	371	371	Auction	Zahid Yaseen - Karachi
Toyota Corolla Xli 1300Cc 2007	915	268	647	625	Auction	Zubair - Karachi
Suzuki Cultus Vxr 2005	585	315	270	150	Auction	ShahidAttari - Karachi
Toyota Corolla Xli 2007	879	257	622	590	Auction	Zubair - Karachi
Toyota Corolla	855	801	54	280	Auction	Ali Hasan
Toyota Corolla	500	337	163	350	Auction	Imran Mughal - Lahore
Suzuki Mehran	324	211	113	125	Auction	Kamran Arif - Karachi

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Suzuki Cultus Vxr	590	260	330	340	Auction	Rehan - Karachi
Suzuki Mehran Vxr	322	188	134	175	Auction	Nehal - Karachi
Suzuki Cultus Vxr 2005	585	291	294	330	Auction	Sabahat Ali - Karachi
Suzuki Mehran Vxr 2006	286	66	220	105	Auction	Khamdam - Karachi
Suzuki Cultus - 2006	600	239	361	260	Auction	Kashif Waseem - Karachi
Suzuki Mehran Vxr 2005	330	164	166	185	Auction	Khamdam - Karachi
Suzuki Mehran 2005	345	144	201	180	Auction	Kahif Waseem - Karach
Daihatsu Coure 2005	280	53	227	140	Auction	Kahif Waseem - Karach
Daihatsu Coure 2005	345	74	271	295	Auction	S. M. Ali Jan - Karachi
Suzuki Mehran 2005	369	158	210	210	Auction	Tariq Zameer - Karachi
Toyota.Corolla	315	98	217	190	Auction	Mohd. Asif - Karachi
Toyota.Coralla 2006	901	410	491	550	Auction	S. M. Ali Jan - Karachi
Honda City 2006	885	388	497	495	Auction	Waqar Aziz - Karachi
Honda City 2007	901	410	491	540	Auction	A. Aamir - Karachi
Honda Civic 2005	1,042	453	589	500	Auction	Taha Ansari - Karachi
Suzuki Cultus Vxr	600	239	361	320	Auction	Rehan - Karach
Hyundai Santro	300	170	130	125	Auction	M. Umari - Karachi
Suzuki Cultus 2005	585	303	282	320	Auction	Fayyaz Anees - Karachi
Suzuki Mehran 2005	330	171	159	190	Auction	Aamir - Karachi
Suzuki Cultus Vxr-	590	259	331	250	Auction	Shahid Khatri - Karachi
Suzuki Cultus Vxr -2005	585	277	308	335	Auction	Taimoor - Karachi
Honda City	912	353	559	440	Auction	Sabahat Ali - Karachi
Suzuki Mehran Vxr 2004	215	34	181	115	Auction	Rehan - Karachi
Suzuki Mehran Vx-2005	225	68	157	125	Auction	Waqar Aziz - Karachi
Suzuki Mehran Vx-2005	330	164	166	215	Auction	Shahid Attari - Karachi
Toyota Corolla Xli	901	363	538	400	Auction	Ali Hassan - Karachi
Honda Civic Oriel 2005	1,262	495	767	500	Auction	Zubair - Karachi
Suzuki Cultus Vxr Cng-2007	632	182	450	425	Auction	Waqar Aziz - Karachi
Suzuki Cultus Vxr Cng-2005	585	264	321	380	Auction	Mohammd Jawaid
Suzuki Mehran Vxr-Cng-2005	330	152	178	190	Auction	Adnan - Karachi
Toyota Corolla 2005	899	286	613	520	Auction	Muhammad Osama - Karachi
Suzuki Cultus Vxr-Cng	590	266	324	305	Auction	Rehan - Karachi
Suzuki Cultus Vxl-Cng	550	250	300	320	Auction	Nihal - Karachi
Suzuki Mehran Vxr	330	164	166	185	Auction	Khamadam - Karachi
Suzuki Cultus Vxl-Cng	590	272	318	335	Auction	Khamadam - Karachi
Honda Vti 2003	1,195	767	428	450	Auction	Kashif Waseem - Karachi
Suzuki Cultus	585	278	307	482	Auction	Kamal Akhter- Lahore
Suzuki Cultus	590	270	320	472	Auction	Ifthikar Ali- Lahore
Suzuki Cultus	590	253	337	436	Auction	M.Waqar- Lahore
Suzuki Cultus	590	270	320	447	Auction	Aslam - Lahore
Suzuki Cultus	350	171	179	370	Auction	Ifthikar Ali- Lahore
Suzukibaleno	750	361	389	512	Auction	Adbud Hameed Choohan- Lahore
Suzuki Cultus	600	254	346	541	Auction	Mohammad Ajmal- Lahore
Honda Vti	1,198	505	693	990	Auction	Sohail Naseer- Lahore
Honda City	711	570	141	560	Auction	Afzal Shahzad- Lahore
Toyota Corolla	879	358	521	937	Auction	Hassan Qureshi- Lahore
Suzuki Cultus	585	320	265	423	Auction	Zafarullah- Lahore
Toyota Corolla	870	356	514	826	Auction	Zafarullah- Lahore
Honda City 2005	687	103	584	884	Auction	Jawaid- Lahore
Suzuki Cultus Vxr Cng	374	56	318	476	Auction	Jawaid- Lahore
Suzuki Mehran 2005	345	150	195	195	Auction	Ahmed Rasheed- Lahore
Honda City - 2007 1300Cc	896	249	647	647	Auction	Ghulam Sarwar- Lahore
Honda City - 2007 1300Cc	840	180	660	660	Auction	G. Hussain Lahore
Honda Civic - 2005	1,042	446	596	850	Auction	Waseem Raza- Lahore
Daihatsu Coure	464	174	290	502	Auction	Javed Waheed - Lahore
Suzuki Cultus	585	299	286	511	Auction	Muhammad Rasheed- Lahore
Suzuki Cultus	585	299	286	506	Auction	Muhammad Rasheed- Lahore
Suzuki Cultus	585	299	286	444	Auction	Masood-ul- Haq- Lahore
Suzuki Cultus	585	255	330	476	Auction	M. Shakeel - Lahore
Daihtsue Cuore	741	291	451	476	Auction	M. Shakeel - Lahore

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Suzuki Cultus 2003	485	286	199	412	Auction	Muhammad Zubair- Lahore
Suzuki Cultus 2005	590	305	285	471	Auction	Muhammad Zubair- Lahore
Items having book value below Rupees 50,000	1,029	906	122	432		
	100,819	**44,982**	**55,837**	**58,712**		
Leased						
06 Suzuki Mehran 2009	3,205	160	3,045	1,542	Claim Settelment	IGI Insurance Company Limited
	104,024	**45,142**	**58,882**	**60,254**		
Machinery & Equipment						
Various Machinery Items	2,342	2,156	186	162	Negotiation	Abdul Basit S/o Abdul Baqui- Karachi
Various Machinery Items	2,770	2,061	709	251	Negotiation	Ejaz Ahmed S/o Elyas Ahmed- Karachi
Office Chiller	3,220	2,179	1,041	41	Trade in	Standard Cool Engineering Services- Karachi
Various Machinery Items	147	92	55	55	Full & Final Sattlement	Mohammad Saleem- Karachi (Ex-employee
Generator Set 100 KVA	107	-	107	215	Negotiation	Ali Hasan- Karachi
5 Sabro AC Splits 1.5 Tons	223	157	66	26	Negotiation	Ramco Cool - Lahore
1 Split AC Clarial type	195	137	58	44	Negotiation	Ramco Cool - Lahore
Items having book value below Rupees 50,000	6,579	5,274	1,305	217		
	15,583	**12,056**	**3,527**	**1,011**		
Computer	64	10	55	55	Negotiation	Adamjee Life Assurance Co. Limited
Items having book value below Rupees 50,000	351	173	178	133		
	415	**183**	**233**	**188**		
	121,927	**58,559**	**63,369**	**61,897**		

22 EXPENSES

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Salaries and wages		**736,975**	722,995
Rent, rates and taxes		**78,518**	63,769
Utilities		**34,551**	31,693
Communication		**36,143**	44,610
Printing and stationery		**23,373**	22,297
Traveling and entertainment		**48,484**	74,610
Repairs and maintenance		**162,923**	154,786
Advertisement and sales promotion		**38,109**	80,907
Amortization of intangible asset	21.1	**11,233**	7,451
Others		**69,471**	3,445
		1,239,780	1,206,563

23 OTHER INCOME

	31 December 2009	31 December 2008
(Loss) / Gain on sale of fixed assets	**(1,442)**	2,404
Income from car repairs	**-**	8,566
Interest on loans to employees	**790**	884
Return on bank deposits	**133,493**	119,664
Liabilities no longer required written back	**-**	42,043
Miscellaneous	**21,421**	10,033
	154,262	183,594

24 GENERAL AND ADMINISTRATION EXPENSES

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Salaries and wages	24.1	177,891	183,128
Depreciation	21.1	165,874	134,464
Directors' fee		330	300
Legal and professional expenses		68,186	52,145
Auditors' remuneration	24.2	3,477	3,699
Donations	24.4	1,511	473
Provision for doubtful receivables		141,255	46,000
Workers' welfare fund		52,967	23,518
Others		140,209	86,023
		751,700	529,750

24.1 These include Rupees 24.155 million (2008: Rupees 25.133 million) in respect of staff retirement benefits.

24.2 Auditors' remuneration

	2009	2008
Holding company		
Audit fee	3,172	2,572
Other certifications and tax advisory services	90	890
Out of pocket expenses	171	237
	3,433	3,699
Subsidiary company		
Audit fee	44	-
	3,477	3,699

24.3 In addition, subsidiary company charged audit fee amounting to Rupees 0.398 million to its statutory funds.

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

25 PROVISION FOR TAXATION

	Note	31 December 2009	31 December 2008
		(Rupees in thousand)	
Current			
- for the current year		127,182	76,727
- for prior years		(43,957)	-
		83,225	76,727
Deferred	25.2	78,103	(3,832)
		161,328	72,895

25.1 Relationship between tax expense and accounting profit

	2009	2008
Profit before taxation	2,608,348	1,163,246
Tax at the applicable rate of 35%	912,922	407,136
Effect of inadmissible expenses	-	835,163
Effect of income exempt from tax	(717,202)	(1,071,235)
Effect of income taxed at lower rate	(89,414)	(98,758)
Others	98,979	589
	205,285	72,895
Prior year's tax - current	(43,957)	-
	161,328	72,895

		31 December 2009	31 December 2008
		(Rupees in thousand)	
25.2	Deferred tax effect due to temporary differences of:		
	Tax depreciation allowance	**76,758**	-
	Provision for gratuity	**(4,778)**	-
	Assets subject to finance lease	**15,983**	-
	Pre commencement expenses of subsidiary company	**(13,692)**	(3,832)
		74,271	(3,832)
	Less: opening balance	**3,832**	-
		78,103	(3,832)

26 EARNINGS PER SHARE

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

	31 December 2009	31 December 2008
Net profit after tax for the year attributable to owners of the parent	**2,441,378**	1,094,311
	(Number of shares)	
Weighted average number of shares	**112,458,676**	112,458,676
	Rupees	
Basic earnings per share	**21.71**	9.73

27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	2009				2008			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	(Rupees in thousand)							
Fee	**-**	**330**	**-**	**330**	-	300	-	300
Managerial remuneration	**7,209**	**-**	**140,303**	**147,512**	8,317	-	127,940	136,257
Allowances and perquisites	**2,894**	**-**	**88,932**	**91,826**	2,566	-	82,038	84,604
	10,103	**330**	**229,235**	**239,668**	10,883	300	209,978	221,161
Number	**1**	**10**	**107**	**118**	2	10	92	104

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

28 TRANSACTIONS WITH RELATED PARTIES

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

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

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Subsidiary company		
Associated undertakings		
Premium written	39,245	-
Profit on bank deposits	20,969	5,392
Claims expense	9,456	-
Travelling expenses	5	-
Commission expense in respect of Bancassurance	1,384	-
Technical support fee	9,720	2,169
Travelling expenses of directors	4,769	-
Holding Compaany		
Premium underwritten	802,481	723,781
Premium received	770,588	802,085
Premium ceded	14,034	9,204
Claims paid	550,746	486,216
Rent paid	11,023	2,727
Dividend received	208,820	232,447
Dividend paid	95,816	108,815
Income on bank deposits	100,303	22,127
	Number of shares	
Bonus shares received	1,922,593	447,680
Bonus shares issued	3,640,857	-

29 SEGMENT REPORTING

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

	2009		
	(Rupees in thousand)		
General Insurance	**Segment assets**	**Segment liabilities**	**Net assets**
Fire and Property Damage	3,618,471	3,351,127	267,344
Marine, Aviation and Transport	688,623	514,526	174,097
Motor	2,707,357	3,789,672	(1,082,315)
Miscellaneous	1,387,620	1,571,735	(184,115)
Treaty	-	22,962	(22,962)
Life Insurance			
Conventional Business	41,398	41,398	-
Accident and Health Business	9	9	-
	Unallocated assets	**Unallocated liabilities**	
Unallocated corporate assets / liabilities	13,420,137	1,593,066	11,827,071
Total			10,979,120
Capital expenditure			180,434

	2008		
	(Rupees in thousand)		
	Segment assets	Segment liabilities	Net assets
General Insurance			
Fire and Property Damage	3,426,270	3,406,225	20,045
Marine, Aviation and Transport	895,093	628,190	266,903
Motor	2,433,751	3,713,719	(1,279,968)
Miscellaneous	1,087,424	1,224,264	(136,840)
Treaty	6,281	20,104	(13,823)
Life Insurance			
Conventional Business	-	-	-
Accident and Health Business	-	-	-
	Unallocated assets	Unallocated liabilities	
Unallocated corporate assets / liabilities	11,393,661	1,458,879	9,934,782
Total			8,791,099
Capital expenditure			335,795

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

30.1 Credit risk and concentration of credit risk

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

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

	31 December 2009	31 December 2008
	(Rupees in thousand)	
Bank deposits	**2,111,362**	2,165,816
Investments	**9,815,444**	7,333,959
Premium due but unpaid	**3,841,755**	3,449,898
Amount due from other insurers / reinsurers	**716,962**	993,802
Premium and claim reserves retained by cedants	**24,235**	28,682
Loans	**45,769**	54,903
Accrued investment income	**47,304**	44,474
Reinsurance recoveries against outstanding claims	**1,845,562**	2,188,101
Sundry receivable	**112,341**	77,533
	18,560,734	16,337,168

General provision is made for receivables according to the Group's policy. The impairment provision is written of when the Group expects that it cannot recover the balance due. During the year receivables of Rupees 141.344 million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 15.1 and 16.1.

	2009	2008
	(Rupees in thousand)	
The age analysis of receivables as follows:		
Upto 1 year	3,457,437	3,055,334
1-2 year	384,318	394,564
	3,841,755	3,449,898

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

	Rating Short term	Rating Long term	Rating Agency	2009	2008
				(Rupees in thousand)	
Askari Bank Limited	A1+	AA	PACRA	45	45
Bank Alfalah Limited	A1+	AA	PACRA	106,380	10,325
Bank Alhabib Limited	A1+	AA+	PACRA	7,398	3,077
Barclays Bank PLC, Pakistan	P1	AA3	Moody's	100	100
Citibank N.A.	P1	A1	Moody's	5,486	56,574
Faysal Bank Limited	A1+	AA+	PACRA	15,737	15,521
Habib Bank Limited	A1+	AA+	JCR-VIS	81,586	65,676
HSBC Bank Middle East Limited	P-1	AA3	Moody's	2,157	334
Industrial Development Bank of Pakistan	-	-	-	92	92
MCB Bank Limited	A1+	AA+	PACRA	851,739	1,501,355
National Bank of Pakistan	A1+	AAA	JCR-VIS	8,827	-
Noor Islamic Bank, Dubai	-	-	-	-	214,300
Oman International Bank S.A.O.G.	A2	BBB	JCR-VIS	2,010	-
Soneri Bank Limited	A1+	AA-	PACRA	6,830	62,324
Standard Chartered Bank Limited	A1+	AAA	PACRA	9,613	2,577
United Bank Limited	A1+	AA+	JCR-VIS	812,337	229,200
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	200,025	3,316
Rozgar Microfinanceing Bank Limited	B	BB-	JCR-VIS	1,000	1,000
				2,111,362	2,165,816

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2009	2008
	(Rupees in thousand)			
A or above (including PRCL)	727,952	1,365,260	2,093,211	2,706,677
BBB	12,065	462,723	474,788	493,626
Others	6,945	17,579	24,524	42,996
Total	746,962	1,845,562	2,592,523	3,243,299

Subsidiary company's receivable from reinsurers was Nil as at 31 December 2009. Therefore, the above stated amounts are of Holding company.

30.2 Liquidity risk

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

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

	31 December 2009			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	**3,584,772**	**3,584,772**	**3,584,772**	**-**
Amount due to insurers / reinsurers	**960,748**	**960,748**	**960,748**	**-**
Accrued expenses	**156,626**	**156,626**	**156,626**	**-**
Unclaimed dividend	**25,965**	**25,965**	**25,965**	**-**
Other creditors and accruals	**998,702**	**998,702**	**998,702**	**-**
Liabilities against assets subject to finance lease	**148,911**	**204,828**	**45,514**	**159,314**
	5,875,724	**5,931,641**	**5,772,327**	**159,314**

	31 December 2008			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	4,562,553	4,562,553	4,562,553	-
Amount due to insurers / reinsurers	596,123	596,123	596,123	-
Accrued expenses	84,153	84,153	84,153	-
Unclaimed dividend	25,055	25,055	25,055	-
Other creditors and accruals	785,557	785,557	785,557	-
Liabilities against assets subject to finance lease	-	-	-	-
	6,053,441	6,053,441	6,053,441	-

30.3 Market risk

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

a) Interest / mark up rate risk

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

At the balance sheet date, the interest rate profile of the Group's significant interest bearing financial instruments.

	2009	2008	2009	2008
	Effective interest rate (in%)		Carrying amounts (Rupees in thousand)	
Fixed rate financial instruments				
Financial assets				
Investments-PIBs and DSCs	**14% to 16%**	14% to 16%	**861,489**	881,927
Loans	**5%**	5%	**19,504**	22,023
Floating rate financial instruments				
Financial assets				
Bank deposits	**2.5%-15%**	3-15%	**1,906,421**	2,159,547
Investments -TFCs	**9.3%-15.5%**	11.48%-18.52%	**177,772**	173,329
Financial liabilities				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2 to 2.5 percent		148,911	-

Sensitivity analysis

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

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in thousand)	
As at 31 December 2009		
Cash flow sensitivity-variable rate financial liabilities	**(1,489)**	**1,489**
Cash flow sensitivity-variable rate financial assets	**20,842**	**(20,842)**
As at 31 December 2008		
Cash flow sensitivity-variable rate financial liabilities	-	-
Cash flow sensitivity-variable rate financial assets	23,329	(23,329)

b) Price risk

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

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

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

Sensitivity Analysis

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

	Impact on profit before tax	Impact on equity
	(Rupees in thousand)	
Effect of increase in share price	96,282	96,282
Effect of decrease in share price	(763,040)	(763,040)

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 2,355.100 million (2008:Rupees 1,774.983 million) and Rupees 1,523.086 million (2008:Rupees 1,024.001million) respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2009	2008
	(Rupees)	
Rupees per US Dollar		
Average rate	**81.72**	70.81
Reporting date rate	**84.10**	78.70
Rupees per AED		
Average rate	**22.24**	19.28
Reporting date rate	**22.90**	21.43

30.4 Insurance risk

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

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

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

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

The Group principally issues the general insurance contracts (by Holding Company) e.g. marine and aviation, property, motor and general accidents and life insurance policies (by Subsidiary Company) with respect to statutory funds established in accordance with the requirements of the law i.e. for conventional business and accident and health business. Risks under non-life insurance policies usually cover twelve months duration which in life insurance policies covers longer terms. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities and for life insurance these arise from accidental death and other health insurance of the insured persons. Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks.

a) Geographical concentration of insurance risk

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

In general insurance risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial / residential occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the building within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area. In respect of life insurance, comprehensive medical clearance and other factors are reviewed in detail to assess the risks beforehead.

Address look-up and geocoding is the essential field of the policy data interface of IT systems. It provides instant location which is dependant on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For the catastrophic aggregates, the IT system also assigns precise geographic CRESTA (Catastrophic Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Group determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	**2009**	2008	**2009**	2008
	(Rupees in thousand)					
General Insurance:						
Fire	**2,719,659,322**	1,725,705,436	**1,787,340,739**	879,067,044	**932,318,583**	846,638,392
Marine	**1,079,711,929**	1,243,512,262	**139,707,048**	241,676,674	**940,004,881**	1,001,835,588
Motor	**91,732,566**	96,789,632	**1,264,496**	929,279	**90,468,070**	95,860,353
Miscellaneous	**237,486,155**	260,337,892	**147,311,927**	95,506,976	**90,174,228**	164,830,916
	4,128,589,972	3,326,345,222	**2,075,624,210**	1,217,179,973	**2,052,965,762**	2,109,165,249
Life Insurance:						
Conventional business	**5,108,490**	-	**3,383,657**	-	**1,724,833**	-
Accident and health business	**556,590**	-	**323,418**	-	**233,172**	-
	5,665,080	-	**3,707,075**	-	**1,958,005**	-
Total	**4,134,255,052**	3,326,345,222	**2,079,331,285**	1,217,179,973	**2,054,923,767**	2,109,165,249

c) Sensitivity Analysis

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

Some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Revenue account		Pre tax profit		Share holders' equity	
	2009	2008	**2009**	2008	**2009**	2008
	(Rupees in thousand)					
10% increase in loss						
Net:						
Fire - General Insurance	**-**	-	**(65,045)**	(95,053)	**(42,279)**	(61,785)
Marine - General Insurance	**-**	-	**(41,888)**	(61,652)	**(27,227)**	(40,073)
Motor - General Insurance	**-**	-	**(243,554)**	(274,015)	**(158,310)**	(178,110)
Miscellaneous - General Insurance	**-**	-	**(93,731)**	(86,096)	**(60,925)**	(55,962)
Conventional business - Life Insurance	**(367)**	-	**(9)**	-	**(6)**	-
Accident and health business - Life Insurance	**-**	-	**-**	-	**-**	-
	(367)	-	**(444,227)**	(516,816)	**(288,747)**	(335,930)
10% decrease in loss						
Net:						
Fire - General Insurance	**-**	-	**65,045**	95,053	**42,279**	61,785
Marine - General Insurance	**-**	-	**41,888**	61,652	**27,227**	40,073
Motor - General Insurance	**-**	-	**243,554**	274,015	**158,310**	178,110
Miscellaneous - General Insurance	**-**	-	**93,731**	86,096	**60,925**	55,962
Conventional business - Life Insurance	**367**	-	**9**	-	**6**	-
Accident and health business - Life Insurance	**-**	-	**-**	-	**-**	-
	367	-	**444,227**	516,816	**288,747**	335,930

d) Claims development tables

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

Accident year	2007	2008	2009	Total
	(Rupees in thousand)			
Estimate of ultimate claims cost:				
At end of accident year	6,656,528	7,536,533	6,327,871	20,520,932
One year	5,807,134	7,122,262	-	12,929,396
Two years later	5,799,461	-	-	5,799,461
Estimate of cumulative claims	5,799,461	7,122,262	6,327,871	19,249,594
Less: Cumulative payments to date	5,651,184	6,248,533	4,157,131	16,056,848
Liability recognized in the balances	148,277	873,729	2,170,740	3,192,746

Since this is the first year of operations by subsidiary company, the analysis in (d) above, is given only in respect of holding company.

31 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements.

32 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding company in their meeting held on 30 March 2010 proposed a final cash dividend for the year ended 31 December 2009 @ 15% Rupees 1.50/- share (2008: @ 10% Rupee 1.0/- share). This is in addition to the interim dividend @ 15% Rupees 1.50/- share (2008: @ 15% Rupees 1.5/- share) resulting in a total cash dividend for the year ended 31 December 2009 of Rupees 3/- per share (2008: Rupees 2.5/- share). The Board also proposed issue of bonus shares @ 10% i.e 10 ordinary shares for every 100 ordinary shares held (2008: @ 10% i.e 10 ordinary shares for every 100 ordinary shares held).The approval of the members for the cash dividend and bonus shares will be obtained at the forthcoming Annual General Meeting. The consolidated financial statements for the year ended 31 December 2009 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending 31 December 2010.

33 CAPITAL RISK MANAGEMENT

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

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

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

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

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

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

34 NUMBER OF EMPLOYEES AT 31 DECEMBER

	2009	2008
	Number	Number
Holding company	**1,088**	1,214
Subsidiary company	**33**	10
	1,121	1,224

35 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements have been approved and authorized for issue by the Board of Directors of the holding company in their meeting dated 30 March 2010.

36 CORRESPONDING FIGURES

No significant rearrangement of corresponding figures has been made during the year except for 'amounts due to other insurers/reinsurers' and 'amounts due from other insurers/reinsurers'. Certain balances of Rupees 458.743 million that were off set in these account heads are now grossed up in the balance sheet.

Since the subsidiary company was incorporated on 04 August 2008, therefore, its financial statements consolidated in corresponding figures were relating to the period from 04 August 2008 to 31 December 2008. However, the financial statements of the Holding Company used for consolidation in corresponding figures were for the complete comparative year. To such extent the corresponding figures disclosed in these consolidated financial statements are not comparable to the current year's figures.

37 GENERAL

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

Umer Mansha	S.M. Jawed	Ibrahim Shamsi	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT DECEMBER 31, 2009

No. of shareholders		Shareholdings				Total shares held
1,768	Holding from	1	to	100	shares	67,055
1,551	-do-	101	"	500	"	423,434
730	-do-	501	"	1000	"	565,070
1,066	-do-	1001	"	5000	"	2,527,805
265	-do-	5001	"	10000	"	1,922,569
130	-do-	10001	"	15000	"	1,573,569
67	-do-	15001	"	20000	"	1,205,575
43	-do-	20001	"	25000	"	958,050
42	-do-	25001	"	30000	"	1,181,835
23	-do-	30001	"	35000	"	753,215
12	-do-	35001	"	40000	"	445,469
14	-do-	40001	"	45000	"	610,155
14	-do-	45001	"	50000	"	678,598
10	-do-	50001	"	55000	"	530,785
9	-do-	55001	"	60000	"	524,946
5	-do-	60001	"	65000	"	312,418
14	-do-	65001	"	70000	"	949,833
4	-do-	70001	"	75000	"	294,121
6	-do-	75001	"	80000	"	467,464
3	-do-	80001	"	85000	"	249,060
11	-do-	85001	"	90000	"	959,982
4	-do-	90001	"	95000	"	376,915
6	-do-	95001	"	100000	"	597,500
3	-do-	105001	"	110000	"	326,000
3	-do-	110001	"	115000	"	339,864
1	-do-	115001	"	120000	"	120,000
3	-do-	120001	"	125000	"	368,600
3	-do-	125001	"	130000	"	386,596
1	-do-	130001	"	135000	"	134,652
1	-do-	135001	"	140000	"	136,000
1	-do-	135001	"	140000	"	136,301
1	-do-	140001	"	145000	"	144,500
3	-do-	145001	"	150000	"	445,917
2	-do-	150001	"	155000	"	309,275
1	-do-	165001	"	170000	"	166,000
3	-do-	175001	"	180000	"	535,163
3	-do-	180001	"	185000	"	551,208
2	-do-	185001	"	190000	"	375,993
6	-do-	195001	"	200000	"	1,200,000
1	-do-	200001	"	205000	"	200,500
1	-do-	205001	"	210000	"	209,301
2	-do-	210001	"	215000	"	428,254
1	-do-	240001	"	245000	"	241,042
2	-do-	255001	"	260000	"	515,370
1	-do-	265001	"	270000	"	270,000
1	-do-	270001	"	275000	"	275,000
1	-do-	295001	"	300000	"	300,000
1	-do-	305001	"	310000	"	309,702
1	-do-	315001	"	320000	"	317,500
2	-do-	335001	"	340000	"	675,883
1	-do-	345001	"	350000	"	350,000
2	-do-	360001	"	365000	"	725,535
1	-do-	370001	"	375000	"	371,200

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT DECEMBER 31, 2009

No. of shareholders		Shareholdings				Total shares held
1	-do-	380001	"	385000	"	384,583
2	-do-	390001	"	395000	"	785,495
2	-do-	395001	"	400000	"	800,000
1	-do-	430001	"	435000	"	435,000
1	-do-	445001	"	450000	"	449,365
1	-do-	455001	"	460000	"	458,385
1	-do-	490001	"	495000	"	493,250
1	-do-	500001	"	505000	"	504,184
1	-do-	510001	"	515000	"	514,182
1	-do-	540001	"	545000	"	543,590
2	-do-	555001	"	560000	"	1,117,456
1	-do-	600001	"	605000	"	601,320
1	-do-	625001	"	630000	"	627,303
1	-do-	705001	"	710000	"	709,292
1	-do-	735001	"	740000	"	740,000
1	-do-	1190001	"	1195000	"	1,192,500
1	-do-	1200001	"	1205000	"	1,201,800
1	-do-	1495001	"	1500000	"	1,500,000
1	-do-	1640001	"	1645000	"	1,643,903
1	-do-	3215001	"	3220000	"	3,219,447
1	-do-	3755001	"	3760000	"	3,758,892
1	-do-	3760001	"	3765000	"	3,762,339
1	-do-	4600001	"	4605000	"	4,600,001
1	-do-	4660001	"	4665000	"	4,662,421
1	-do-	6655001	"	6660000	"	6,658,640
1	-do-	9015001	"	9020000	"	9,019,919
1	-do-	33030001	"	33035000	"	33,034,630
5,882						**112,458,676**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT DECEMBER 31, 2009

Categories of Shareholders	Shares held	Percentage
Directors		
Umer Mansha	19,387	0.017
Alman Aslam	3,402	0.003
Ahmed Ebrahim Hasham	2,750	0.002
Ali Munir	5,174	0.005
Atif Bajwa (Nominee of MCB Bank)	-	-
Ibrahim Shamsi	5,398	0.005
Hassan Mansha	19,387	0.017
Khalid Qadeer Qureshi	2,750	0.002
S.M. Jawed	5,500	0.005
Nabiha Shahnawaz Cheema (Nominee of SGI)	-	-
Chief Executive Officer		
Muhammad Ali Zeb	2,750	0.002
Directors / CEO's spouse	-	-
Executives / Executives' spouse	-	-
Associated Companies, undertakings & related parties		
MCB Bank Ltd.,	33,034,630 *	29.375
Nishat Mills Ltd.	33,034	0.029
Security General Insurance Co., Ltd.	3,762,339	3.346
D.G. Khan Cement Co., Ltd.	3,219,447	2.863
Pakistan Molasses Company (Pvt.) Limited	30,000	0.027
Banks, DFIs and NBFIs	5,037,769	4.480
Public sector companies and corporations	111,621	0.099
Insurance Companies	1,756,428	1.562
Modaraba and Mutual Funds	3,099,329	2.756
General Public		
a) Local (Individuals)	32,543,561	28.938
b) Foreign Companies/ organizations/ Individuals (on repatriable basis)	1,741,180	1.549
Others - See below	28,022,840 * *	24.918
	112,458,676	**100.000**
Shareholders holding 10% or more voting interest	**33,034,630 ***	

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT DECEMBER 31, 2009

Categories of Shareholders		Shares held
Others:		
1	The Administrator, Abandoned Properties Organisation	110
2	Trustees Adamjee Foundation	9,019,919
3	Mobarak Begum Charitable Trust	10,676
4	Pakistan Human Development fund (7392)	10,000
5	Trustee - Karachi Sheraton Hotel Employees Provident Fund	10
6	Trustee - Nishat (Chunian) Ltd Employees Provident Fund	5,500
7	Trustee-MCB Employees Pension Fund	4,662,421
8	Trustee - MCB Provident Fund Pak Staff	3,758,892
9	Pakistan Memon Educational & Welfare Society	56,875
10	Trustee Cherat Cement Co. Ltd. Employees Provident Fund	5,000
11	Trustees Saeeda Amin Wakf	22,000
12	Trustees Mohamad Amin Wakf Estate	27,500
13	Ismailia Youth Services	3,599
14	Trustees ICI Pakistan Management Staff Provident Fund	56
15	Trustees Nishat Mills Ltd. Employees Provident Fund	184,112
16	Trustees D.G. Khan Cement Co. Ltd. Employees Provident Fund	90
17	Trustees Nestle Pakistan Ltd Employees Provident Fund	78,950
18	Trustees Nestle Pakistan Ltd Employees Gratuity Fund	50,000
19	Evacuee Trust Property Board	350,000
20	Pakistan Model Educational Institutions Foundation	150,000
21	Trustee - Ebrahim Bawany Foundation	35
22	Trustee - NWFP Pension Fund	86,900
23	Trustees of Overseas Pakistani Pension Trust	3,500
24	Trustee - Kohinoor Mills Ltd. Staff Provident Fund	11,000
25	Joint Stock Companies	9,525,695
		28,022,840 **

Lahore: 30 March 2010

Muhammad Ali Zeb
Managing Director & Chief Executive

PROXY FORM

I/We .... of .... being a member of Adamjee Insurance Company Limited hereby appoint Mr. .... of .... or failing him Mr. .... of .... as my/our Proxy to vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company to be held on Monday, 26 April 2010 at 10:30 a.m. at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, G-31/8, Kehkashan, Clifton, Karachi and at any adjournment thereof.

Signed this .... day of 2010

WITNESSES:

1- Signature ____________________

Name ____________________

Address ____________________

____

NIC No. ____________________

2- Signature ____________________

Name ____________________

Address ____________________

____

NIC No. ____________________

Rupees Five
Revenue
Stamp

Signature ____________________

Holder of __________ Ordinary Shares __________

Share Register Folio No. ____________________

"CDC" Participant's ID No. __________ A/c. No. __________

(Please See Notes on reverse)

NOTES

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

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

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

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

A. For attending the Meeting

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

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

B. For appointing Proxies

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

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

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

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

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