the dawn of change

Central Insurance Company Limited
annual report 2010

we believe change happens for the better.

Contents

vision & mission
(to date)

Vision

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

Mission

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

Company Information

As at December 31, 2010

Board of Directors
Isar Ahmad (Chairman)
A. Samad Dawood (Chief Executive)
Aleem A. Dani
Aziz Moon
Haroon Mahenti
Shafiq Ahmed
Shahid Hamid Pracha

Board Audit Committee
Shahid Hamid Pracha (Chairman)
Aziz Moon
Haroon Mahenti
Shafiq Ahmed

Board Compensation Committee
Isar Ahmad (Chairman)
A. Samad Dawood
Shahid Hamid Pracha

Board Investment Committee
Isar Ahmad (Chairman)
A. Samad Dawood
Shahid Hamid Pracha

COO & Company Secretary
Sulaiman S. Mehdi

CFO
Ghulam Haider

Internal Auditor
The Internal Audit Function has been outsourced to Ernst & Young Ford Rhodes Sidat Hyder

Auditors
KPMG Taseer Hadi & Co. (Chartered Accountants)
Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi
Website: www.kpmg.com.pk

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

Legal Advisors
Zahid & Tariq Advocates
65, Hussain Manzil, Chestnut Street, Garden East, Karachi

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

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

Branch Office, Lahore
35-A, Empress Road, Lahore-54000

Website
www.ceninsure.com

E-mail
info.cic@dawoodgroup.com

Rating Agency: JCR-VIS
Insurer Financial Strength Rating: "A"
Outlook: Stable

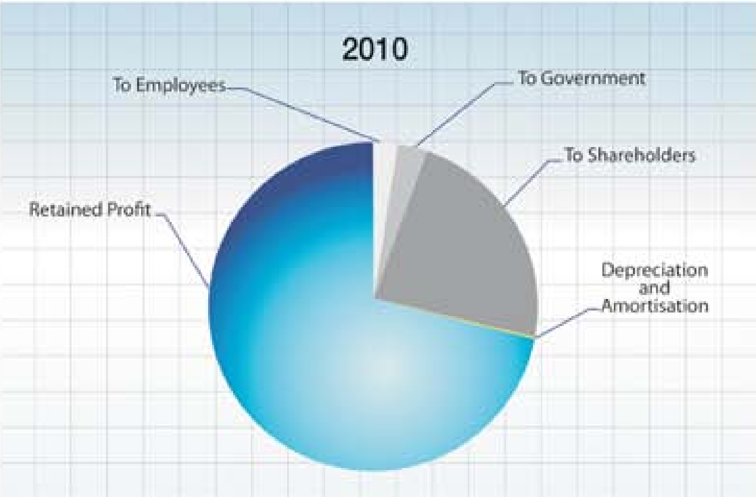
Statement of Value Addition

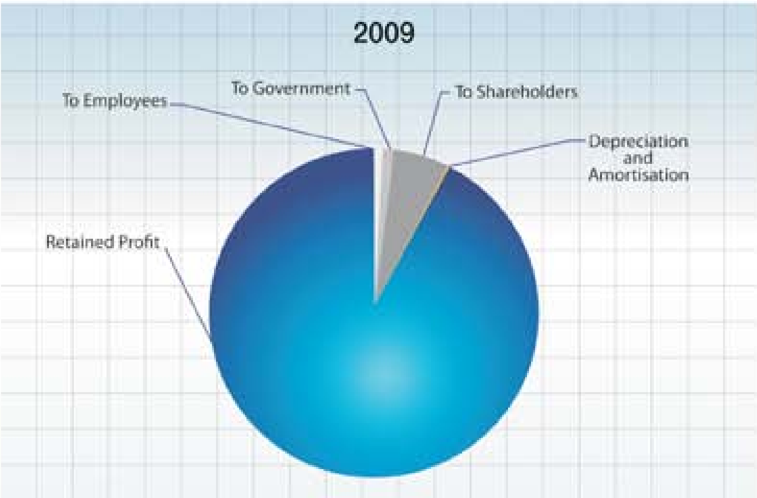
Wealth Generated

	2010		2009	
	Rupees '000	%	Rupees '000	%
Gross Premium Earned	117,092		123,891	
Investment and Other Income	533,875		(827,780)	
	650,967		(703,889)	
Management and Other Expenses	(130,796)		(131,848)	
	520,171	100.00	(835,737)	100.00

Wealth Distributed

	2010		2009	
	Rupees '000	%	Rupees '000	%
To Employees	12,907	2.48%	8,140	0.97%
To Government	15,500	2.98%	10,500	1.26%
To Shareholders				
Cash Dividend	45,684	8.78%	38,762	4.64%
Bonus Shares	76,140	14.64%	18,458	2.21%
	121,824	23.42%	57,220	6.85%
Retained in business				
Depreciation and Amortisation	540	0.10%	741	0.09%
Retained Profit / (loss)	369,400	71.02%	(912,338)	-109.17%
	369,940	71.12%	(911,597)	-109.08%
	520,171	100.00	(835,737)	100.00





key financial data

Key Financial Data
Ten Years at a Glance

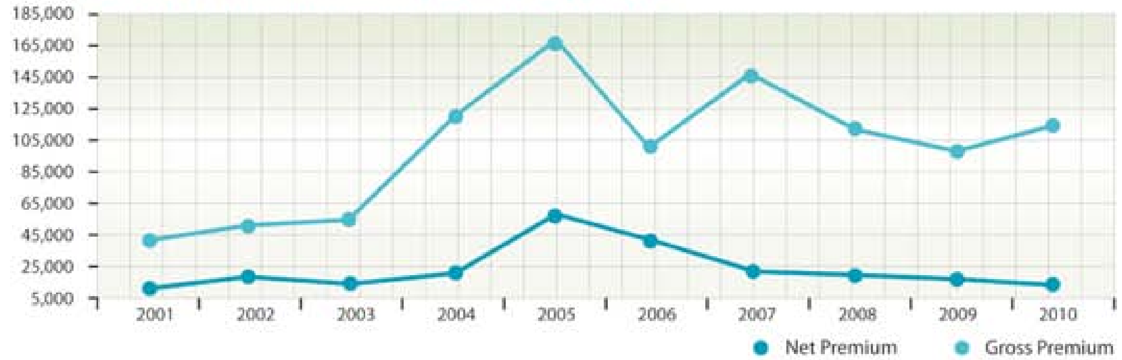
Particulars	2010	2009	2008
Earnings			
Gross Premium	113,521	98,610	110,070
Net Premium	10,509	13,397	14,758
Underwriting Profit	3,996	10,774	14,993
Investment Income	177,501	(111,619)	142,741
Reversal / (Provision) for impairment in value of investments	339,438	(737,444)	(14,322)
Profit / (Loss) before taxation	497,180	(844,897)	133,687
Profit / (Loss) after taxation	491,224	(855,118)	116,421
Pay Out Information (%)			
Cash Dividend	25	20	20
Stock Dividend	50	25	20
Balance Sheet			
Paid-up Capital	279,179	203,039	184,581
Equity	3,738,730	3,293,190	4,187,070
Investments - Book Value	3,774,216	3,249,876	4,124,141
Investments - Market Value	3,929,320	3,272,340	1,991,293
Cash & Cash Equivalents	10,296	65,136	64,773
Fixed Assets	1,944	2,558	3,187
Total Assets	3,918,377	3,448,921	4,343,680
Operating Performance			
Earnings per Share Basic and Diluted (Rupees)	17.60	(30.63)	5.73
Break-up Value per Share (Rupees)	133.92	162.19	227.13
Underwriting Result to Net Premium (%)	38.02	80.42	101.59
Return on Investments (%)	4.70	(3.43)	3.46

Rupees in '000

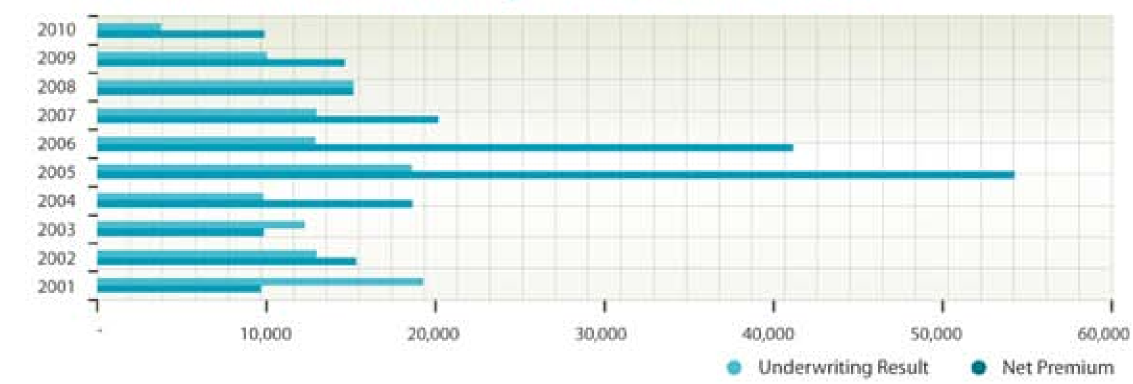
2007	2006	2005	2004	2003	2002	2001
145,629	101,327	166,022	119,033	52,763	47,174	40,419
20,851	42,073	56,969	18,590	9,987	14,512	8,990
12,612	12,453	18,405	10,008	12,012	13,182	19,672
2,752,567	768,169	243,127	127,560	89,391	107,117	81,347
-	-	-	-	-	-	-
2,764,738	730,310	222,449	156,116	102,555	117,925	99,055
2,747,982	750,090	200,640	131,621	77,369	104,817	76,855
50	50	40	60	40	80	100
20	-	10	20	10	20	-
139,834	139,834	127,122	105,935	96,305	80,254	80,254
4,115,396	1,458,306	754,615	579,399	511,340	472,493	431,879
4,017,496	1,146,086	1,099,115	455,708	365,150	360,175	363,698
4,108,830	2,769,434	3,127,928	1,831,616	1,506,640	1,009,625	484,417
97,520	307,548	87,857	109,758	154,156	135,723	119,573
4,103	5,624	6,158	4,633	2,471	492	551
4,303,732	1,585,050	1,359,547	772,550	712,644	551,992	540,939
148.88	53.64	14.35	10.35	7.30	10.88	10.69
294.31	104.29	59.36	54.69	53.09	58.88	48.94
60.48	29.60	32.31	53.84	120.28	90.84	218.82
68.51	67.03	22.12	27.99	24.48	29.74	22.37

Graphical Presentation

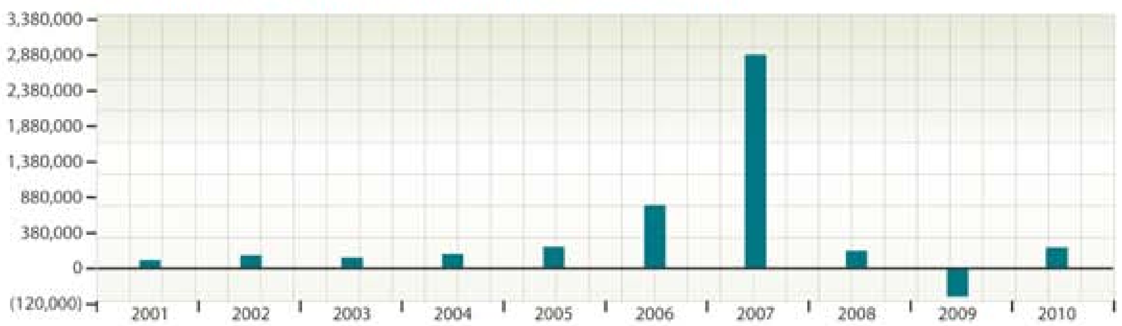
Gross & Net Premium (Rs. in thousand)



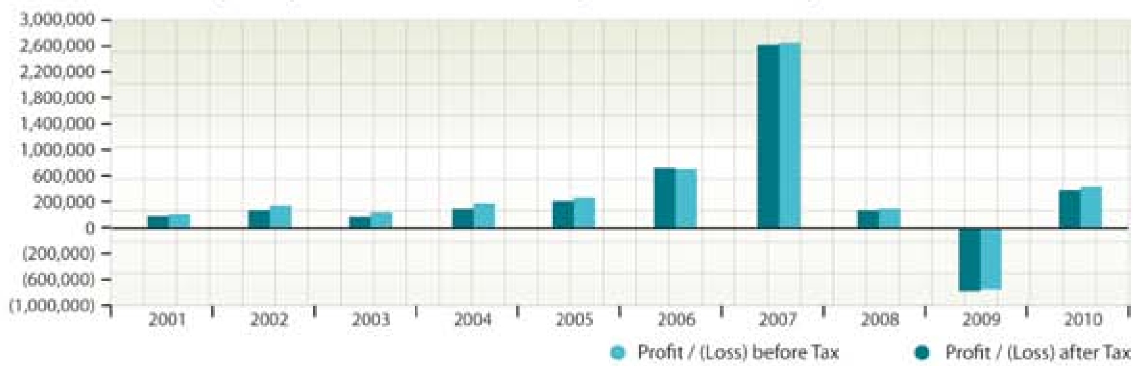
Net Premium & Underwriting Result (Rs. in thousand)



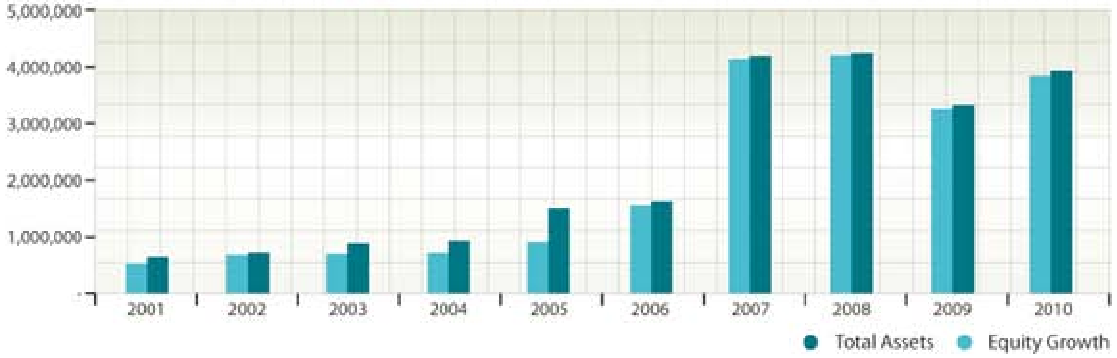
Investment Income / (Loss) (Rs. in thousand)



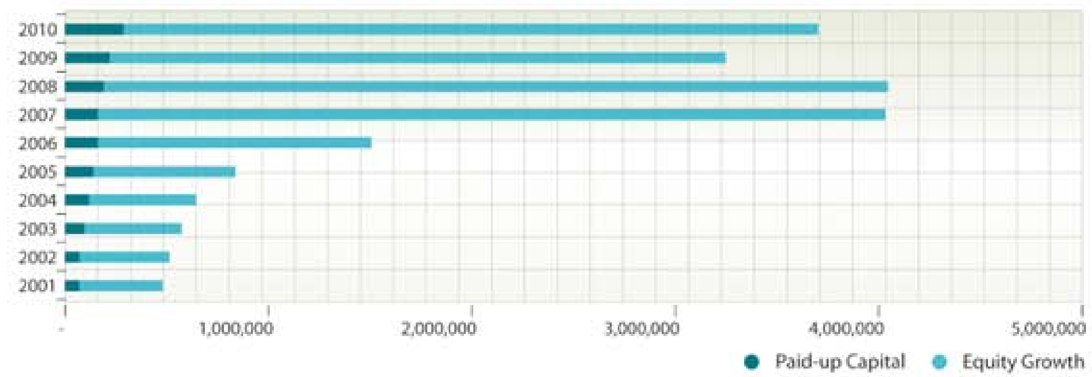
Profit / (Loss) before & after Tax (Rs. in thousand)



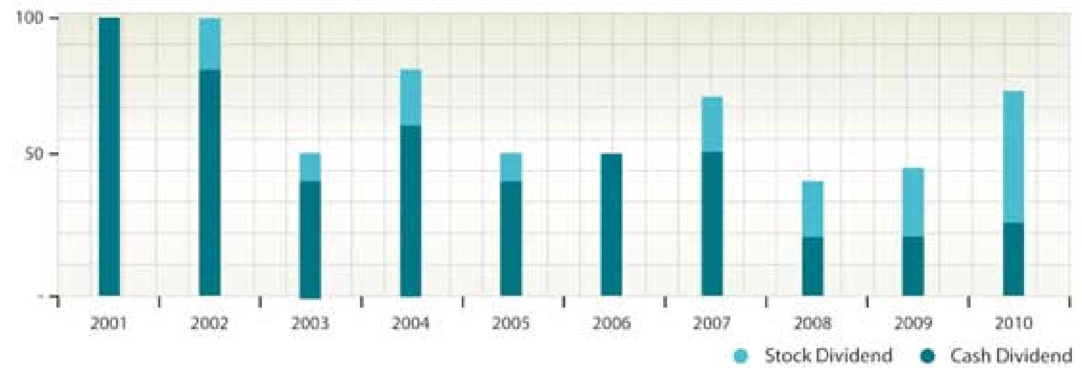
Total Assets & Equity Growth (Rs. in thousand)



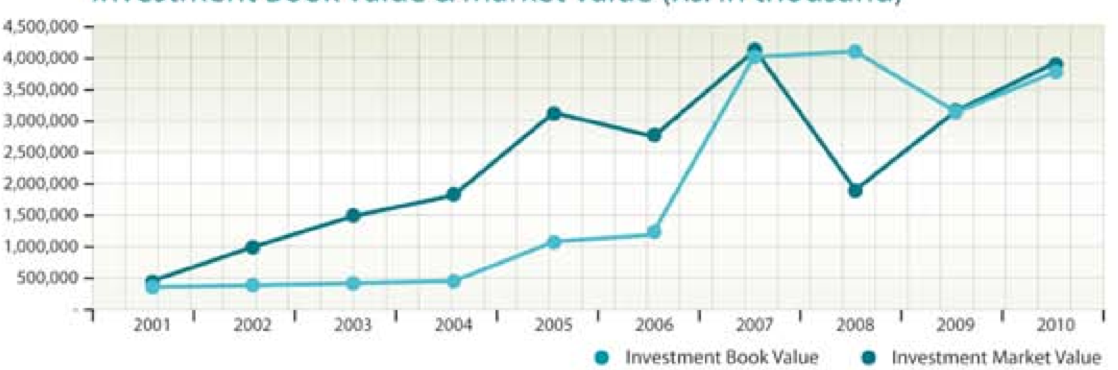
Paid-up Capital & Total Equity Growth (Rs. in thousand)



Cash & Stock Dividend (%)



Investment Book Value & Market Value (Rs. in thousand)



financial analysis

Horizontal Analysis

Balance Sheet

Particulars	2006	2007
	Rupees in '000	
Cash and bank deposits	307,548	97,520
Loan to employee	-	-
Investments (Book Value)	1,146,086	4,017,496
Deferred tax	16,254	10,498
Premiums due but unpaid	9,381	17,006
Amounts due from other insurers / reinsurers	10,741	29,464
Accrued investment income	58	1,162
Reinsurance recoveries against outstanding claims	21,558	20,795
Prepaid reinsurance premium ceded	22,796	66,933
Deferred commission expense	7,951	861
Taxation - payments less provision	35,695	34,986
Sundry receivables	1,358	2,908
Fixed assets	5,624	4,103
Total Assets	**1,585,050**	**4,303,732**
Paid-up share capital	139,834	139,834
Retained earnings	1,185,384	3,842,474
Reserves	133,088	133,088
Provision for outstanding claims (including IBNR)	43,849	41,021
Provision for unearned premium	31,442	70,993
Commission income unearned	3,950	5,958
Deferred liabilities	1,260	780
Premiums received in advance	1,073	13
Amounts due to other insurers / reinsurers	13,320	28,272
Accrued expenses	12,124	2,100
Other creditors and accruals	12,241	11,844
Short term running finance	-	-
Unclaimed dividend	7,485	27,355
Total Shareholders' Equity and Liabilities	**1,585,050**	**4,303,732**

2008	2009	2010	07 Over 06	08 Over 07	09 Over 08	10 Over 09
Rupees in '000			Percentage Change			
64,773	65,136	10,296	-68.29%	-33.58%	0.56%	-84.19%
-	-	6,930	-	-	-	100.00%
4,124,141	3,249,876	3,774,216	250.54%	2.65%	-21.20%	16.13%
850	828	7,231	-35.41%	-91.90%	-2.59%	773.31%
6,528	3,983	1,440	81.28%	-61.61%	-38.99%	-63.85%
10,730	4,304	13,692	174.31%	-63.58%	-59.89%	218.12%
1,229	386	657	1903.45%	5.77%	-68.59%	70.21%
32,528	69,396	48,337	-3.54%	56.42%	113.34%	-30.35%
60,413	32,415	29,495	193.62%	-9.74%	-46.34%	-9.01%
269	110	253	-89.17%	-68.76%	-59.11%	130.00%
37,737	19,688	21,477	-1.99%	7.86%	-47.83%	9.09%
1,295	241	2,409	114.14%	-55.47%	-81.39%	899.59%
3,187	2,558	1,944	-27.04%	-22.33%	-19.74%	-24.00%
4,343,680	**3,448,921**	**3,918,377**	**171.52%**	**0.93%**	**-20.60%**	**13.61%**
184,581	203,039	279,179	0.00%	32.00%	10.00%	37.50%
3,869,401	2,957,063	3,326,463	224.15%	0.70%	-23.58%	12.49%
133,088	133,088	133,088	0.00%	0.00%	0.00%	0.00%
52,768	93,719	71,416	-6.45%	28.64%	77.61%	-23.80%
59,914	34,633	31,062	125.79%	-15.61%	-42.20%	-10.31%
3,351	2,833	1,974	50.84%	-43.76%	-15.46%	-30.32%
845	923	1,136	-38.10%	8.33%	9.23%	23.08%
-	-	-	-98.79%	-100.00%	0.00%	0.00%
21,862	10,164	5,782	112.25%	-22.67%	-53.51%	-43.11%
2,833	2,468	8,438	-82.68%	34.90%	-12.88%	241.90%
5,430	2,776	17,179	-3.24%	-54.15%	-48.88%	518.84%
-	-	33,852	0.00%	0.00%	0.00%	100.00%
9,607	8,215	8,808	265.46%	-64.88%	-14.49%	7.22%
4,343,680	**3,448,921**	**3,918,377**	**171.52%**	**0.93%**	**-20.60%**	**13.61%**

Vertical Analysis

Balance Sheet

Particulars	2006	2007	2008
	Rupees in '000		
Cash and bank deposits	307,548	97,520	64,773
Loan to employee	-	-	-
Investments (Book Value)	1,146,086	4,017,496	4,124,141
Deferred tax	16,254	10,498	850
Premiums due but unpaid	9,381	17,006	6,528
Amounts due from other insurers / reinsurers	10,741	29,464	10,730
Accrued investment income	58	1,162	1,229
Reinsurance recoveries against outstanding claims	21,558	20,795	32,528
Prepaid reinsurance premium ceded	22,796	66,933	60,413
Deferred commission expense	7,951	861	269
Taxation - payments less provision	35,695	34,986	37,737
Sundry receivables	1,358	2,908	1,295
Fixed assets	5,624	4,103	3,187
Total Assets	**1,585,050**	**4,303,732**	**4,343,680**
Paid-up share capital	139,834	139,834	184,581
Retained earnings	1,185,384	3,842,474	3,869,401
Reserves	133,088	133,088	133,088
Provision for outstanding claims (including IBNR)	43,849	41,021	52,768
Provision for unearned premium	31,442	70,993	59,914
Commission income unearned	3,950	5,958	3,351
Deferred liabilities	1,260	780	845
Premiums received in advance	1,073	13	-
Amounts due to other insurers / reinsurers	13,320	28,272	21,862
Accrued expenses	12,124	2,100	2,833
Other creditors and accruals	12,241	11,844	5,430
Short term running finance	-	-	-
Unclaimed dividend	7,485	27,355	9,607
Total Shareholders' Equity and Liabilities	**1,585,050**	**4,303,732**	**4,343,680**

2009	2010	2006	2007	2008	2009	2010
Rupees in '000		Percentage Change				
65,136	10,296	19.40%	2.27%	1.49%	1.89%	0.26%
-	6,930	-	-	-	-	0.18%
3,249,876	3,774,216	72.31%	93.35%	94.95%	94.23%	96.32%
828	7,231	1.03%	0.24%	0.02%	0.02%	0.18%
3,983	1,440	0.59%	0.40%	0.15%	0.12%	0.04%
4,304	13,692	0.68%	0.68%	0.25%	0.12%	0.35%
386	657	-	0.03%	0.03%	0.01%	0.02%
69,396	48,337	1.36%	0.48%	0.75%	2.01%	1.23%
32,415	29,495	1.44%	1.56%	1.39%	0.94%	0.75%
110	253	0.50%	0.02%	0.01%	-	0.01%
19,688	21,477	2.25%	0.81%	0.87%	0.57%	0.55%
241	2,409	0.09%	0.07%	0.03%	0.01%	0.06%
2,558	1,944	0.35%	0.10%	0.07%	0.07%	0.05%
3,448,921	**3,918,377**	**100%**	**100%**	**100%**	**100%**	**100%**
203,039	279,179	8.82%	3.25%	4.25%	5.89%	7.12%
2,957,063	3,326,463	74.79%	89.28%	89.08%	85.74%	84.89%
133,088	133,088	8.40%	3.09%	3.06%	3.86%	3.40%
93,719	71,416	2.77%	0.95%	1.21%	2.72%	1.82%
34,633	31,062	1.98%	1.65%	1.38%	1.00%	0.79%
2,833	1,974	0.25%	0.14%	0.08%	0.08%	0.05%
923	1,136	0.08%	0.02%	0.02%	0.03%	0.03%
-	-	0.07%	-	-	-	-
10,164	5,782	0.84%	0.66%	0.50%	0.29%	0.15%
2,468	8,438	0.76%	0.05%	0.07%	0.07%	0.22%
2,776	17,179	0.77%	0.28%	0.13%	0.08%	0.44%
-	33,852	-	-	-	-	0.86%
8,215	8,808	0.47%	0.64%	0.22%	0.24%	0.22%
3,448,921	**3,918,377**	**100%**	**100%**	**100%**	**100%**	**100%**

Horizontal Analysis
Profit and Loss

Particulars	2006	2007
	Rupees in '000	
Net premium revenue	42,073	20,851
Net claims	(26,344)	(8,713)
Expenses	(7,228)	(7,510)
Net commission	3,952	7,984
Investment income	768,169	2,752,567
Reversal / (Provision) for impairment in value of investment	-	-
Other income	843	12,184
Financial charges	(40,691)	(161)
General and administration expenses	(10,464)	(12,464)
Provision for taxation	19,780	(16,756)
Profit / (Loss) after tax	**750,090**	**2,747,982**
Earnings / (Loss) per share - (Rupees)	53.64	148.88

Vertical Analysis
Profit and Loss

Particulars	2006	2007	2008
	Rupees in '000		
Net premium revenue	42,073	20,851	14,758
Net claims	(26,344)	(8,713)	(6,562)
Expenses	(7,228)	(7,510)	(6,263)
Net commission	3,952	7,984	13,060
Investment income	768,169	2,752,567	142,741
Reversal / (Provision) for Impairment in value of investment	-	-	(14,322)
Other income	843	12,184	3,392
Financial charges	(40,691)	(161)	(141)
General and administration expenses	(10,464)	(12,464)	(12,976)
Provision for taxation	19,780	(16,756)	(17,266)
Profit / (Loss) after tax	**750,090**	**2,747,982**	**116,421**

2008	2009	2010	07 Over 06	08 Over 07	09 Over 08	10 Over 09
Rupees in '000			Percentage Change			
14,758	13,397	10,509	-50.44%	-29.22%	-9.22%	-21.56%
(6,562)	(7,695)	(4,701)	-66.93%	-24.69%	17.27%	-38.91%
(6,263)	(10,075)	(15,315)	3.90%	-16.60%	60.87%	52.01%
13,060	15,147	13,503	102.02%	63.58%	15.98%	-10.85%
142,741	(111,619)	177,501	258.33%	-94.81%	-178.20%	259.02%
(14,322)	(737,444)	339,438	-	100.00%	5049.03%	146.03%
3,392	6,136	3,433	1345.31%	-72.16%	80.90%	-44.05%
(141)	(402)	(5,103)	-99.60%	-12.42%	185.11%	1169.40%
(12,976)	(12,342)	(22,085)	19.11%	4.11%	-4.89%	78.94%
(17,266)	(10,221)	(5,956)	-184.71%	3.04%	-40.80%	-41.73%
116,421	**(855,118)**	**491,224**	**266.35%**	**-95.76%**	**-834.50%**	**157.45%**
5.73	(30.63)	17.60	177.55%	-96.15%	-634.55%	157.45%

2009	2010	2006	2007	2008	2009	2010
Rupees in '000			Percentage Change			
13,397	10,509	5.61%	0.76%	12.68%	-1.57%	2.14%
(7,695)	(4,701)	-3.51%	-0.32%	-5.64%	0.90%	-0.96%
(10,075)	(15,315)	-0.96%	-0.27%	-5.38%	1.18%	-3.12%
15,147	13,503	0.53%	0.29%	11.22%	-1.77%	2.75%
(111,619)	177,501	102.41%	100.17%	122.61%	13.05%	36.13%
(737,444)	339,438	-	-	-12.30%	86.24%	69.10%
6,136	3,433	0.11%	0.44%	2.91%	-0.72%	0.70%
(402)	(5,103)	-5.42%	-0.01%	-0.12%	0.05%	-1.04%
(12,342)	(22,085)	-1.40%	-0.45%	-11.15%	1.44%	-4.50%
(10,221)	(5,956)	2.64%	-0.61%	-14.83%	1.20%	-1.21%
(855,118)	**491,224**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

notice of the 51st annual general meeting

Notice of the 51st Annual General Meeting

Notice is hereby given that the Fifty First (51st) Annual General Meeting (AGM) of Central Insurance Company Limited will be held at Karachi Marriot Hotel, Abdullah Haroon Road, Karachi at 3:00 p.m. on Saturday the April 30, 2011, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting of the company held on March 10, 2011.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2010, together with the Directors' and Auditors' Reports thereon.

3. To consider and if thought fit, approve payment of final cash dividend at the rate of 15% (Rs.1.5/- per share) for the year ended December 31, 2010, as recommended by the Board of Directors. This is in addition to the interim cash dividend of 10% (Rs.1/- per share) already paid during the year.

4. To appoint Auditors for the year ending December 31, 2011, and to fix their remuneration. The retiring Auditors M/s. KPMG Taseer Hadi & Company, being eligible, offer themselves for re-appointment.

5. To elect seven (7) Directors as fixed by the Board pursuant to the provisions of Section 178(1) of the Companies Ordinance, 1984 for a term of three years. The term of the present Board expires on April 30, 2011, and the new Board will assume office on the same day. The following retiring directors are eligible to offer themselves for re-election:

   i. Mr. Isar Ahmad
   ii. Mr. Shahid Hamid Pracha
   iii. Mr. Shafiq Ahmed
   iv. Mr. A. Samad Dawood
   v. Mr. Aleem A. Dani
   vi. Mr. Haroon Mahenti
   vii. Mr. Aziz Moon

Special Business

6. To consider and if thought fit, approve increase in the authorized share capital of the Company from Rs.300,000,000 (Rupees three hundred million) to Rs.1,000,000,000 (Rupees one billion) as recommended by the Board of Directors in their meeting held on March 25, 2011, and to pass with or without modification(s), the following resolutions as special resolutions:

   RESOLVED that the Authorized Share Capital of the Company be increased from Rs.300,000,000 (Rupees three hundred million) to Rs.1,000,000,000 (Rupees one billion) divided into 100,000,000 (one hundred million) Ordinary Shares of Rs.10/-(Rupees ten) each.

   FURTHER RESOLVED that the Memorandum of Association of the Company be altered by substituting the figures and words Rs.300,000,000 (Rupees three hundred million) and 30,000,000 (thirty million) Ordinary Shares appearing in clause V by the figures and words Rs.1,000,000,000 (Rupees one billion) and 100,000,000 (one hundred million) Ordinary Shares respectively.

   FURTHER RESOLVED that the Articles of Association of the Company be altered by substituting the figures and words Rs.300,000,000 (Rupees three hundred million) and 30,000,000 (thirty million) Ordinary Shares appearing in Article 3 by the figures and words Rs.1,000,000,000 (Rupees one billion) and 100,000,000 (one hundred million) Ordinary Shares respectively.

7. To approve the issue of Bonus Shares in the ratio of four (4) bonus shares for every ten (10) existing Ordinary Shares held by the shareholders (40%) as recommended by the Board of Directors in their meeting held on March 25, 2011. This is in addition to interim bonus shares of 10% already paid during the year. To give effect to the above, the Directors have recommended to consider and, if thought fit, pass, with or without modification(s), the following resolutions as ordinary resolutions:

   RESOLVED that a sum of Rs.111,671,852 (Rupees one hundred eleven million six hundred seventy one thousand eight hundred fifty two only) be capitalized out of the un-appropriated profit of the Company and applied towards the issue of 11,167,185.2 Ordinary Shares of Rs.10/- each as fully paid bonus shares to be allotted to the shareholders in proportion of four (4) shares for every ten (10) existing Ordinary Shares held by the Members of the Company who are registered on the books of the Company at the close of business on April 21, 2011, and that, after allotment, such new shares shall rank pari passu in all respects with the existing Ordinary Shares of the Company. These bonus shares will not be eligible for the final cash dividend of 15% for the year ended December 31, 2010.

   FURTHER RESOLVED that Members' fractional entitlement to Bonus Shares may be consolidated and sold on the Karachi Stock Exchange and net sale proceeds of such fractional entitlements when realized be paid to a charitable institution.

   FURTHER RESOLVED that for the purpose of giving effect to the foregoing, the Chief Executive and the Company Secretary be and are hereby singly authorized to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said Bonus Shares or in the payment of the sale proceeds of the fractions.

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

   Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the resolutions contained in item No.6 and 7 of the notice, which will be considered for adoption at the Meeting.

By order of the Board

SULAIMAN S. MEHDI
COO & Company Secretary

Karachi March 25, 2011

Notes:

Notice of Intention to Contest the Election

Any person who seeks to contest the election of directors 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 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 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.

Closure of Share Transfer Books

The Share transfer books of the Company will remain closed from Friday April 22, 2011 to Saturday April 30, 2011 (both days inclusive). Transfer received in order at the office of our Registrar, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi-75530 by the close of business (6:00 p.m.) on Thursday April 21, 2011 will be treated in time for the purpose to determine entitlement of Final Cash Dividend, Bonus Shares and to attend the meeting.

Participation in the Annual General Meeting

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

Proxy

A member of the Company may appoint another member as his/her Proxy to attend and vote instead of him/her. A Corporation being a member may appoint any person, whether or not a member of the Company, as its Proxy. In the case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company's Registered Office with the Proxy Form.

In order to be effective, Proxy Forms, duly filled and signed, must be received at the Registered Office of the Company not less than forty eight (48) hours before the Meeting. A blank Proxy Form is attached at the end of the report.

Change of Address

Members are requested to immediately notify the change of address, if any, to the Company's Registrar, M/s. C & K Management Associates (Pvt.) Ltd., 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi-75530.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984, REGARDING THE SPECIAL BUSINESS

This statement sets out the material facts concerning the Special Business, given in agenda items No.6 and 7 of the Notice, to be transacted at the Fifty First (51st) Annual General Meeting of the Company.

Item (6) of the Agenda

The Authorized Share Capital of the Company presently stands at Rs.300 million in shares of Rs.10/- each. To accommodate issuance of further bonus shares in future, it is, therefore, considered advisable to increase the Authorized Share Capital of the Company from Rs.300 million to Rs.1,000 million divided into 100 million shares of Rs.10/- each.

Item (7) of the Agenda

The Board of Directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs.111,671,852 for the issue of Bonus Shares in the ratio of four (4) Bonus Shares for every ten (10) Ordinary Shares held i.e. 40%. The Directors of the Company, directly or indirectly, are not personally interested in this business except to the extent of their shareholding in the company.

directors' report

Directors' Report

The Board of Directors is pleased to present the 51st Annual Report of the company together with the audited financial statements for the financial year ended December 31, 2010.

The Economy

Pakistan as a country is facing various challenges in translating its inherent strengths into an economic cycle that would generate prosperity for its citizens. The nation has the sixth largest population base in the world and is endowed with natural resources (coal, hydro, renewable, fertile soils, and mining) which, if utilized properly, can form the basis for sustained economic growth in the future. Moreover, the country's geographical proximity to two of the fastest growing economies - India and China - as well as energy surplus countries to its north and west, provide enormous room for the development of regional trade. Overall, the economic potential of the country holds great promise in the longer term, provided the country has sustainable economic policies that are geared towards building on the positives.

During the year 2010, the Government of Pakistan (GOP) attempted to continue implementing its economic stabilization program. GOP's key focus area was taming inflation, which reached high double digits last year, and results in the earlier parts of the year were encouraging. By July of 2010, inflation dropped to 12.3% and economic growth for the year was forecast at 4.1%. However, the floods in July and August ravaged large parts of the country, causing widespread loss of life and livelihoods. The damage to the country's infrastructure, in particular the agriculture sector, was extensive. Given Pakistan's industrial sector's high reliance on agriculture, the effects were transmitted throughout the economy. Initial damage assessment of the floods by the ADB was to the tune of USD 9.8 billion. For a government that was already under fiscal distress before the catastrophe, the floods are likely to aggravate its fiscal challenges for some time to come.

The supply side shock caused inflation to spiral from 12.9% in March 2010, to 15.71% in September 2010. As a result, the State Bank responded by increasing its policy rate from 12.5% in June to 14% by November in three 50 basis point increases and revised its estimates of GDP growth to 2-3%. By December, CPI was recorded at 15.5% and the Government had revised its fiscal deficit target of 2010-2011 to 5% from the earlier 4%. The budget deficit continued to be financed from the State Bank and commercial banks. Whilst the former lead to an increase in the monetary base (15.04% growth in M2) and hence inflation, the latter is crowding out the private sector from the credit market. Resultantly, private sector credit growth was recorded at 6.78%, far below what is required for economic growth and job creation.

There has been a silver lining on the external front, where a combination of higher exports and strong remittance flows led to a significant reduction in the current account deficit in 2HCY10. Exports have improved largely as a result of higher commodity prices. During the period, the country's foreign exchange reserves increased to USD 17.2 billion (IMF component of USD 8.7 billion - 51%) by December 2010 resulting in minimal currency devaluation. However negotiations pending with IMF and the rising cost of oil remain key risks for foreign currency reserves going forward.

In order to bring about economic growth, the Government must bring about economic reforms that target an increase in the current tax to GDP ratio of 9.8% by widening the tax base of the country rather than taxing the current taxpayers. This must be complemented by bringing more transparency and accountability to Government expenditures thus helping to reduce the Government's reliance on banking sector finances and creating space to fund private sector growth. Furthermore, the Government must develop and implement long term economic policies to develop regional trade, dramatically increase investment in human resources and reduce the impediments for small and medium sized businesses by improving law and order and making investments in the energy sector. Finally, the nation must believe in the long term prosperity and stability of the country and work towards increasing the level of confidence for the future so that investment that is urgently needed for the benefit of all can be attracted from both within and outside the country.

Insurance Industry Review

As a result of the general economic conditions in the country, the growth in the Insurance Industry has been very slow. The figures released recently by the Insurance Association of Pakistan for the nine months ended September 30, 2010, showed a slight upward trend as the total Gross Written Premium recorded during the nine months of 2010 stood at Rs.29,019 million as against Rs.27,313 million in corresponding period of 2009, recording a growth of 6.25%. Claims for the industry during the same period increased by 6.6% to Rs.9,919 million whilst the underwriting results decreased by 48.15% to Rs.853 million. The profit after tax for the industry was recorded at Rs.710 million depicting a drop of 62.60% compared to Rs.1,900 million recorded for the same period last year.

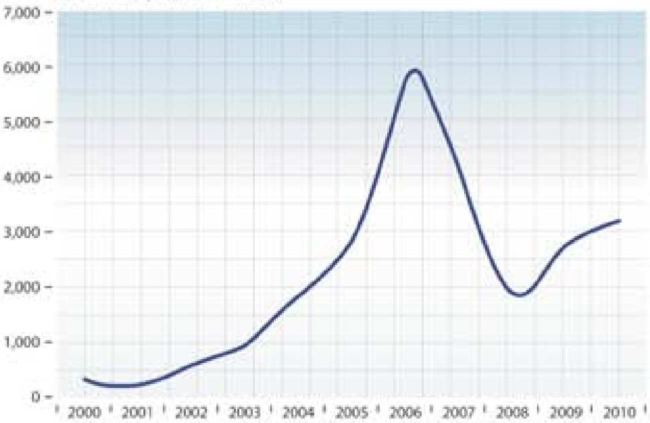
Stock Market Performance

The Karachi Stock Exchange performed well in the year 2010 as the benchmark KSE-100 Index appreciated by 28%, despite the economic challenges. Moreover, inspite of the shallowness of the equities market, imposition of capital gains tax and political instability, foreign interest in the market remained evident as FIPI for 2010 was recorded at USD 520 million due to attractive corporate earnings and cheap valuations relative to the region.

On the other hand, volumes remained low as the market spent another year without a leverage product. Average daily volumes for 2010 dropped to a mere 121 million shares (2009 average daily volumes stood at 171 million shares).

As can be seen, daily traded value is at its lowest for the last decade. Taking this in relation to overall market capitalization depicts that the overall market turnover is at its lowest. This illiquidity not only makes it difficult to accumulate and liquidate significant investment positions in the market, but also reduces the overall efficiency of the market to determine true values of listed equities.

Market Cap (Rs. in billion)



Average Daily Turnover (Rs. in billion)

Company Performance

Insurance

During the year under review, the gross premium income of the company has been recorded at Rs.113.52 million compared to Rs.98.61 million last year, reflecting growth of 15%. Despite this growth, the net premium declined by 22% to Rs.10.51 million compared to Rs.13.40 million last year due to the reason that 98% of the entire new business generated from one client had to be passed to the reinsurer at highly discounted rates. The brief summary of the operational highlights for the year is as under:

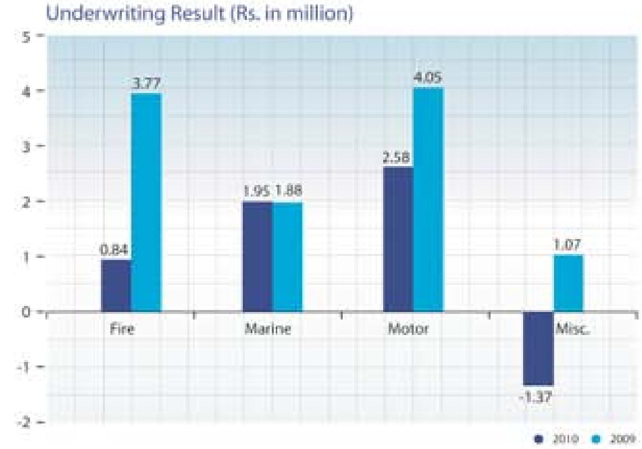
Particulars	2010	2009	Change
Gross Premium	**113.52**	98.61	15%
Net Premium	**10.51**	13.40	-22%
Net Claims	**4.70**	7.69	-39%
Underwriting Result	**4.00**	10.77	-63%
Investment & Other Income	**520.37**	(842.93)	162%
Profit Before Tax	**497.18**	(844.90)	159%
Profit After Tax	**491.22**	(855.12)	157%
Earnings Per Share (Rupees)	**17.60**	(30.63)	157%

Underwriting Result

The underwriting result of the company as at December 31, 2010, decreased to Rs.4.00 million compared to Rs.10.77 million last year, reflecting a decline of 63% attributable to reduced net premium and commission income and increased management expenses.

Turnover - % of Market Cap

Underwriting Result (Rs. in million)



Segments at a Glance

Fire

The net premium during the year increased to Rs.1.64 million compared to Rs.1.16 million last year, depicting growth of 41%. Net Claims expense increased by 43% to Rs.0.76 million compared to Rs.0.53 million in 2009. The underwriting profit for the year was Rs.0.84 million compared to Rs.3.77 million last year depicting a decline of 78% attributable to increase in the management expenses by 87% to Rs.8.06 million.

Marine, Aviation and Transport

The net premium during the year decreased to Rs.2.40 million compared to Rs.3.33 million last year, depicting decline of 28%. Net Claims expense decreased by 60% to Rs.1.21 million compared to Rs.3.06 million in 2009. The underwriting profit for the year was Rs.1.95 million compared to Rs.1.88 million last year depicting an increase of 4%.

Motor

The net premium during the year decreased to Rs.5.90 million compared to Rs.8.58 million last year, depicting decline of 31%. Net Claims expense decreased by 30% to Rs.2.52 million compared to Rs.3.62 million in 2009. The underwriting profit for the year was Rs.2.58 million compared to Rs.4.05 million last year depicting a decline of 36% attributable to reduction in net premium income.

Miscellaneous

The net premium during the year increased to Rs.0.58 million compared to Rs.0.32 million last year, depicting growth of 81%. Net Claims expense decreased by 56% to Rs.0.21 million compared to Rs.0.48 million in 2009. The underwriting loss for the year was Rs.1.37 million compared to profit of Rs.1.07 million last year depicting a decline of 228% attributable to substantial increase in management expenses by 171% to Rs.5.58 million.

Reinsurance

During the year under review, the Company adopted the policy of optimizing retention of risk through a carefully designed program of reinsurance of high quality and structured the reinsurance program to protect the value at risk.

Investments

Investment Income

The company has realigned its portfolio to compliment its allocation towards high growth, low yield investments. To this effect, a sizable investment was made in energy companies which now constitute over 16% of the investment portfolio. These investments, by nature, are high yielding defensive positions that not only improve cash flows from our investments but also provide protection from currency devaluations and are positively skewed towards rising oil prices. As a result, dividends from our portfolio have increased by 66% to Rs.147.23 million for the year 2010 as opposed to Rs.88.86 million earned last year. This combination of investments in high growth companies along with high yielding defensive plays, positions the company well to provide sustained long term capital growth whilst generating healthy cash flows to fund future investments. The company also earned capital gains of Rs.29.04 million during the year as opposed to a loss of Rs.200.42 million recorded in 2009. However, this improvement in capital gains realized fell short of management expectations which signals room for further improvement in the company's trading operations. Resultantly, the total investment income amounted to Rs.177.50 million compared to a loss of Rs.111.62 million last year.

The market value of available for sale investments increased to Rs.3,898.32 million on December 31, 2010, from Rs.3,253.03 million on December 31, 2009, reflecting an increase of 20%.The reversal of impairment in value of available for sale investments on December 31, 2010, stood at Rs.339.44 million compared to provision of
impairment of Rs.737.44 million on December 31, 2009.

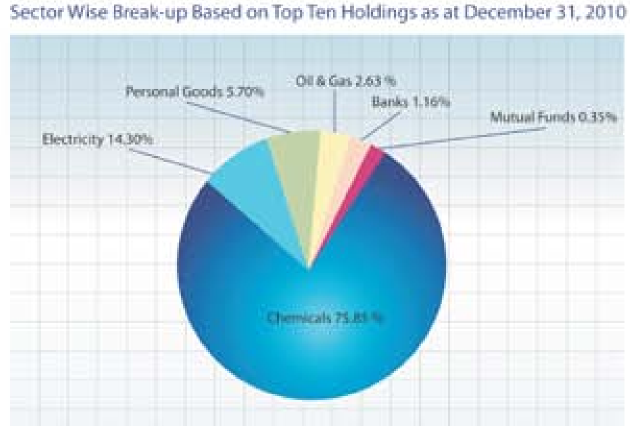
The break-up of investment income is as under:

Particulars	2010	2009	Change
Dividend Income	**147.23**	88.86	66%
Return on Government Securities	**2.33**	1.78	31%
Amortisation on PIBs	**0.90**	1.12	-20%
Gain on Sale of 'available for sale' investments	**29.04**	-200.42	114%
Reversal/(Provision) for impairment	**339.44**	-737.44	146%
Investment related expenses	**2.00**	2.96	-32%
Total Investment Income	**516.94**	-849.06	161%

Portfolio Break-up Based on Top Ten Holdings as at December 31, 2010

Top Ten Holdings Represents 97.39% of the Total Portfolio

Sector Wise Break-up Based on Top Ten Holdings as at December 31, 2010

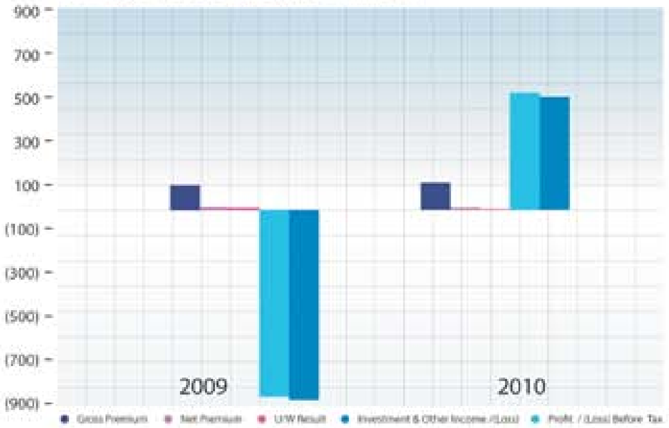


Top Ten Holdings Represents 97.39% of the Total Portfolio

Earnings of the Company

The significant increase in the earnings of the company has been mainly due to increase in the investment income. Both the profit before and after tax figures reflects this trend. Profit before tax has increased by 159% to Rs.497.18 million compared to loss of Rs.844.90 million recorded last year. Likewise, the profit after tax rose to Rs.491.22 million from loss of Rs.855.12 million last year, reflecting increase of 157%.

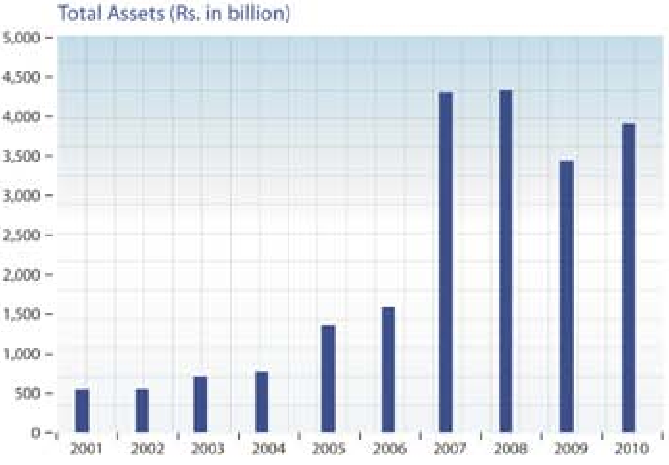
Earnings of the Company (Rs. in million)



Company's Assets

The total assets of the company as on December 31, 2010, stood at Rs.3,918.37 million compared to Rs.3,448.92 million last year reflecting a growth of 14%. The total cash and bank balance at the end of the year was Rs.10.30 million as against Rs.65.14 million last year. The management ensures optimum utilization of funds and to make use of better investment opportunities.

Total Assets (Rs. in billion)



Earnings per Share

During the year the company posted earnings per share of Rs.17.60 compared to loss per share of Rs.30.63 (restated) in 2009.

Appropriation and Dividend

The Company's profit after tax for the year ended December 31, 2010, stood at Rs.491.22 million compared to loss after tax of Rs.855.12 million.

During 2010 the company declared interim cash and stock dividend of 10% each to the shareholders.

The Board now recommends a final cash dividend and bonus shares of 15% and 40% respectively, making a total of 25% cash dividend and 50% bonus shares for the year ended 2010.

Credit Rating

On March 01, 2011, JCR-VIS has reaffirmed the Insurer Financial Strength (IFS) rating of Central Insurance Company Limited (CICL) at 'A'. Outlook of the rating remains 'Stable'.

Related Party Transactions

During the year all transactions made with associated companies/related parties were duly approved by the Board of Directors of the company. All transactions with related parties are on arms length basis.

Material Information

The New Business Model

Under the new business model, the company envisages to learn from its past successes and failures and to institutionalize its learning to generate long term returns from effectively managing its portfolio. The company plans to develop a team of highly motivated individuals of competence and integrity who can leverage on the strengths of the group. This will be done by conducting thorough economic analysis to develop an asset allocation that best fits the current and future direction of the economy. The asset allocation will then be executed by relying on the relationships, market access and opportunities available to the group as well as those offered in the market. The ability to identify profitable and growing running businesses with effective management teams will be the critical factor for success of the company.

The company proposes to induct an incentive program that will underpin the delivery of sustained management performance and returns over the long term as opposed to encouraging short term profit generating behaviors. Appropriate changes to the Company's Memorandum of Association have been proposed to provide the flexibility to the management to implement its new business model in order to generate optimum risk adjusted returns for its shareholders and other stakeholders of the Company.

Business Restructuring

The Board of Directors of Central Insurance Company Limited at its meeting held on Thursday the 27th January, 2011, approved the Business Restructuring Plan ("BRP") of the company, in order to enhance stakeholders' value. As a result the Company's insurance business shall be discontinued, subject to the passing of Special Resolutions by the shareholders at an Extraordinary General Meeting and the revocation of the Company's Insurance Registration by the Securities and Exchange Commission of Pakistan ("SECP") under Section 9 of the Insurance Ordinance, 2000, and that henceforth the Company shall not write any further policies.

The Board has further decided that the Company's other businesses and in particular, business of investments in securities and financial instruments of all kinds be continued, the name of the Company be changed so as to remove the word "insurance" and alteration of the object Clauses of the Company's Memorandum of Association and provisions of the Articles of Association. All legal, corporate and procedural formalities will be fulfilled.

We are pleased to inform that, based on the Board's decision of 27th January, 2011, an Extraordinary General Meeting of the shareholders was convened on Thursday March 10, 2011, for the above purposes, whereat all Special Resolutions proposed were passed by more the required majority of shareholders without any dissent.

At present the company is extensively involved in the process of revocation of the Company's Insurance Registration by the Securities and Exchange Commission of Pakistan ("SECP") under Section 9 of the Insurance Ordinance, 2000.

The existing Policies that expire before the date of the revocation of registration of the company as an insurance company will not be renewed. All the subsisting policies which do not expire prior to the revocation of registration will be passed on to other insurance companies or the policy holders would be given the option to cancel the policies prematurely, amicably. The company has not renewed its reinsurance treaties and accordingly till the time of cancellation of policies, the risk of the insured (except motor) is covered through run off arrangements with the reinsurers whereas the company stands responsible for its retention. However, in case of Motor, Excess of Loss (XOL) arrangements have already been made with Mitsui Sumitomo Reinsurance Limited (65%) and Pakistan Reinsurance Company Limited (35%).

New Identity of the Company

The Board of Directors of Central Insurance Company Limited at its meeting held on Thursday the 27th January, 2011, proposed new name for the company as "Cyan Limited" and the same has also been approved by the shareholders at the Extraordinary General Meeting.

Management Appointments

On October 23, 2010, the Board accepted resignation of Viquar Siddiqui and appointed A. Samad Dawood as the Chief Executive Officer of the company with immediate effect. Sulaiman S. Mehdi, who had been appointed as the Chief Operating Officer on October 01, 2010, was assigned the additional responsibilities of the Company Secretary, replacing Ghulam Haider with effect from November 01, 2010. Viquar Siddiqui continues to be employed by the Company in an advisory capacity.

Reconstitution of the Board and Committees

On October 23, 2010, A. Samad Dawood on his appointment as CEO stepped down as Chairman of the Board and in his place, the Board elected Isar Ahmad as the Chairman. A. Samad Dawood shall continue as a Director in addition to his new role as CEO. Viquar Siddiqui resigned as a Director and the vacancy on the Board was filled by the appointment of Shafiq Ahmed as Director.

Board Audit Committee

Due to the aforesaid changes, the Board Audit Committee comprising of Aleem A. Dani as Chairman, Shahid Hamid Pracha, Aziz Moon and Haroon Mahenti as members was reconstituted as Shahid Hamid Pracha as Chairman, Aziz Moon, Haroon Mahenti and Shafiq Ahmed as members, effective October 23, 2010.

Board Compensation Committee

The Board HR Committee comprising of Shahid Hamid Pracha as Chairman, Isar Ahmad and Viquar Siddiqui as members was reconstituted as Board Compensation Committee comprising of Isar Ahmad as Chairman, Shahid Hamid Pracha and A. Samad Dawood as members, effective October 23, 2010.

Board Investment Committee

The Board Investment Committee comprising of A. Samad Dawood as Chairman, Aleem A. Dani and Haroon Mahenti as members was reconstituted as Isar Ahmad as Chairman, Shahid Hamid Pracha and A. Samad Dawood as members, effective October 23, 2010.

Future Outlook

The economy is showing early signs of revival and with the change in the business model of the company, whereby it would discontinue its insurance business in entirety and undertake only strategic and portfolio investment business, the outlook is positive. The management team under its new CEO is fully committed to effectively implement the new business model to deliver a superior risk adjusted return to the shareholders. Going forward the management has planned to achieve this through proper asset allocation strategy, excellence in execution and development of a talented team with a strong foundation of values.

Statement of Ethics and Business Practices

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

Corporate and Financial Reporting Framework

a) The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow and statement of changes in equity.
b) The company has maintained proper books of accounts as required under the Companies Ordinance 1984.
c) The Company has followed consistent and appropriate accounting policies in the preparation of the financial

statements. Changes, wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.

d) The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.

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

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

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

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

i) The value of investments of provident fund on the basis of un-audited accounts as on December 31, 2010 is Rs.2.67 million

j) Trading of shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year were:

Purchase of Shares

Sulaiman S. Mehdi - COO 107,877 Shares

Sale of Shares

A. Samad Dawood - CEO/Director 379,103 Shares

Board Meetings

During the year under review, five (5) meetings of the Board of Directors were held and attendance by the respective directors was as follows:

		No. of meetings held during tenure of the director	No. of meetings attended
Isar Ahmad	(Chairman)	5	5
A. Samad Dawood	(CEO/Director)	5	5
Aziz Moon	(Director)	5	4
Haroon Mahenti	(Director)	5	4
Shahid Hamid Pracha	(Director)	5	5
Aleem A. Dani	(Director)	5	0
Shafiq Ahmed	(Director)	1	1
Viquar Siddiqui	(Ex-Director/CEO)	4	4

Viquar Siddiqui resigned and was replaced by Shafiq Ahmed on October 23, 2010.

Ownership

As at December 31, 2010, there were 683 shareholders on the record of the Company.

Pattern of Shareholding

The pattern of Shareholding of the Company as at 31st December 2010, along with the necessary information is available at the end of this report along with the proxy form.

Auditors

The auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, being eligible, offer themselves for reappointment. The Board of Directors on suggestion of the Audit Committee recommended the appointment of M/s. KPMG Taseer Hadi & Company as Statutory Auditors of the company till the conclusion of the next AGM.

Key Operating and Financial Data

A Statement summarizing the key financial and operating data for the last nine years along with the current year is included in the report.

Acknowledgement

We would like to thank all our stakeholders, especially our valued investors, who have placed their confidence in us and also appreciate the efforts put in by the management team for their unswerving commitment and hard work. The Board would also like to place its appreciation for the Securities & Exchange Commission of Pakistan, State Bank of Pakistan, the management of the Karachi and Lahore Stock Exchanges and the Auditors for their continued support and cooperation.

On behalf of the Board

Isar Ahmad
Chairman

A. Samad Dawood
Chief Executive

Karachi Mach 25, 2011

statement of compliance with the code of corporate governance

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No.35 (chapter XI) of Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board comprises of all non-executive directors except the Chief Executive Officer.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. During the year Mr. Viquar Siddiqui (CEO and Director) tendered his resignation and Mr. Shafiq Ahmed was appointed as a Director 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 a vision/mission statement and overall corporate strategy, whereas formal documentation for significant policies of the Company will be developed and approved in due course.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises of senior corporate executives and professionals who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.
10. There was no new appointment of CFO. However, the appointment of Company Secretary and outsourcing of Internal Audit Function have been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the committee.
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 and as required by the Code except for the second quarter ended on June 30, 2010.

17. The Board has formed underwriting, claims settlement, reinsurance and co-insurance committees.

18. The Board has outsourced the internal audit function to M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the company and they are involved in the internal audit function on a full time basis.

19. All related party transactions entered during the year were on arms length basis and these have been placed before the Audit Committee and Board of Directors. These transactions were duly reviewed and approved by the Audit Committee and the Board of Directors alongwith pricing method.

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

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

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

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

Karachi March 25, 2011

A. Samad Dawood
Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2010.

Karachi March 25, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
(Muhammad Taufiq)

financial statements

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Central Insurance Company Limited** ("the Company") as at 31 December 2010, together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of Company's affairs as at 31 December 2010 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

We draw attention to Note 1 to the financial statements which describes that the Company will discontinue its insurance business and will undertake strategic and portfolio investment business. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.

Karachi March 25, 2011

Chartered Accountants

(Muhammad Taufiq)

Balance Sheet

As at December 31, 2010

	Note	2010	2009
		(Rupees in '000)	
Share capital and reserves			
Authorised share capital	5	**300,000**	300,000
Paid-up share capital	5	**279,179**	203,039
Retained earnings		**3,326,463**	2,957,063
Reserves	6	**133,088**	133,088
		3,738,730	3,293,190
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**71,416**	93,719
Provision for unearned premium		**31,062**	34,633
Commission income unearned		**1,974**	2,833
Total underwriting provision		**104,452**	131,185
Deferred liabilities			
Staff retirement benefit	7	**1,136**	923
Creditors and accruals			
Amounts due to other insurers / reinsurers	8	**5,782**	10,164
Accrued expenses		**8,438**	2,468
Other creditors and accruals	9	**17,179**	2,776
		31,399	15,408
Borrowings			
Short term running finance	10	**33,852**	-
Other liabilities			
Unclaimed dividend		**8,808**	8,215
TOTAL LIABILITIES		**179,647**	155,731
TOTAL EQUITY AND LIABILITIES		**3,918,377**	3,448,921

CONTINGENCIES AND COMMITMENTS 11

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

	Note	2010	2009
		(Rupees in '000)	
Cash and bank deposits	12		
Cash and other equivalents		**66**	187
Current and other accounts		**7,862**	62,581
Deposits maturing within 12 months		**2,368**	2,368
		10,296	65,136
Loans - secured, considered good			
To employee	13	**6,930**	-
Investments	14	**3,774,216**	3,249,876
Deferred taxation	15	**7,231**	828
Other assets			
Premiums due but unpaid	16	**1,440**	3,983
Taxation - payment less provision		**21,477**	19,688
Amounts due from other insurers / reinsurers	17	**13,692**	4,304
Accrued investment income		**657**	386
Reinsurance recoveries against outstanding claims		**48,337**	69,396
Deferred commission expense		**253**	110
Prepayments - prepaid reinsurance premium ceded	18	**29,495**	32,415
Sundry receivable	19	**2,409**	241
		117,760	130,523
Fixed assets	20		
Tangible			
Furniture, fixtures and office equipment		**791**	770
Motor vehicles		**1,140**	1,770
Intangible - computer software		**13**	18
		1,944	2,558
TOTAL ASSETS		**3,918,377**	3,448,921

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Profit and Loss Account

For the year ended 31 December 2010

	Note	Fire and Property	Marine, Aviation and Transport	Motor	Others	Aggregate 2010	Aggregate 2009
		(Rupees in '000)					
Revenue account							
Net premium revenue		1,638	2,403	5,891	577	**10,509**	13,397
Net claims		(759)	(1,215)	(2,520)	(207)	**(4,701)**	(7,695)
Expenses	21.2	(8,055)	(775)	(902)	(5,583)	**(15,315)**	(10,075)
Net commission		8,013	1,539	112	3,839	**13,503**	15,147
Underwriting result		837	1,952	2,581	(1,374)	**3,996**	10,774
Investment income / (loss)						**177,501**	(111,619)
Reversal / (provision) of impairment in value of available-for-sale investments	14.2.7					**339,438**	(737,444)
Other income	22					**3,433**	6,136
Financial charges	21.4					**(5,103)**	(402)
General and administration expenses	21.2					**(22,085)**	(12,342)
						493,184	(855,671)
Profit / (loss) before tax						**497,180**	(844,897)
Provision for taxation	23.1						
Current						**(15,500)**	(10,500)
Prior						**3,141**	301
Deferred						**6,403**	(22)
						(5,956)	(10,221)
Profit / (loss) after tax						**491,224**	(855,118)
							Restated
Earnings / (loss) per share - basic and diluted	30				Rupees	**17.60**	(30.63)
Profit and loss appropriation account							
Balance at commencement of year						**2,957,063**	3,869,401
Profit / (loss) after tax for the year						**491,224**	(855,118)
Issue of bonus shares @ 25% (2009: 10%)						**(50,760)**	(18,458)
Final dividend for the year ended 31 December 2009 at Rs.1per share (2008: Rs.1per share)						**(20,304)**	(18,458)
Issue of bonus shares @ 10% (2009: Nil)						**(25,380)**	-
Interim dividend at Rs.1 per share (2009: Rs.1per share)						**(25,380)**	(20,304)
						369,400	(912,338)
Balance of unappropriated profit at end of year						**3,326,463**	2,957,063

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Comprehensive Income
For the year ended 31 December 2010

	(Rupees in '000) 2010	2009
Profit / (loss) after tax	**491,224**	(855,118)
Other comprehensive income	-	-
Total Comprehensive income for the year	**491,224**	(855,118)

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	**A. Samad Dawood**	**Shahid Hamid Pracha**	**Shafiq Ahmed**
Chairman	Chief Executive	Director	Director

Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Capital reserves			Revenue reserves		Total
	Issued, subscribed and paid-up	Reserve for exceptional losses	Reserve for bonus shares	Capital gain reserve	General reserve	Retained earnings	
	(Rupees in '000)						
Balance as at 01 January 2009	184,581	10,535	-	2,553	120,000	3,869,401	4,187,070
Total comprehensive income for the year							
Net loss for the year ended 31 December 2009	-	-	-	-	-	(855,118)	(855,118)
Transactions with owners recorded directly in equity							
Transfer to reserve for issue of bonus shares	-	-	18,458	-	-	(18,458)	-
Issue of bonus shares @ 10%	18,458	-	(18,458)	-	-	-	-
Final dividend of Rs.1 per share for the year ended 31 December 2008	-	-	-	-	-	(18,458)	(18,458)
Interim dividend of Rs.1 per share	-	-	-	-	-	(20,304)	(20,304)
	18,458	-	-	-	-	(57,220)	(38,762)
Balance as at 31 December 2009	203,039	10,535	-	2,553	120,000	2,957,063	3,293,190
Total comprehensive income for the year							
Net profit for the year ended 31 December 2010	-	-	-	-	-	491,224	491,224
Transactions with owners recorded directly in equity							
Transfer to reserve for issue of bonus shares	-	-	50,760	-	-	(50,760)	-
Issue of bonus shares @ 25%	50,760	-	(50,760)	-	-	-	-
Final dividend of Rs.1 per share for the year ended 31 December 2009	-	-	-	-	-	(20,304)	(20,304)
Transfer to reserve for issue of bonus shares	-	-	25,380			(25,380)	-
Issue of bonus shares @ 10%	25,380	-	(25,380)	-	-	-	-
Interim dividend @ Rs.1 per share	-	-	-	-	-	(25,380)	(25,380)
	76,140	-	-	-	-	(121,824)	(45,684)
Balance as at 31 December 2010	**279,179**	**10,535**	**-**	**2,553**	**120,000**	**3,326,463**	**3,738,730**

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Cash Flows

For the year ended 31 December 2010

	(Rupees in '000) 2010	2009
Operating activities		
(a) Underwriting activities		
Premiums received	116,064	101,155
Reinsurance premiums paid	(108,045)	(96,925)
Claims paid	(21,208)	(9,865)
Reinsurance and other recoveries received	5,875	12,907
Commission paid	(1,835)	(1,892)
Commission received	14,374	16,960
Other underwriting payments (management expenses)	(12,727)	(10,116)
Net cash (outflow) / inflow from underwriting activities	(7,502)	12,224
(b) Other operating activities		
Income tax paid	(14,147)	(9,751)
General management expenses paid	(11,863)	(11,123)
Other operating payments	(810)	(153)
Other operating receipts	289	18,322
Net cash outflow from other operating activities	(26,531)	(2,705)
Total cash (outflow) / inflow from all operating activities	(34,033)	9,519
Investment activities		
Profit / return received	6,196	6,006
Dividend received	147,228	90,092
Payments for investments	(1,187,557)	(1,815,436)
Proceeds from disposal of investments	1,033,563	1,750,449
Long term loan to employee	(9,231)	-
Fixed capital expenditure	(286)	(128)
Proceeds from disposal of fixed assets	519	15
Total cash (outflow) / inflow from investing activities	(9,568)	30,998
Financing activities		
Dividends paid	(45,091)	(40,154)
Total cash outflow from financing activities	(45,091)	(40,154)
Net cash (outflow) / inflow from all activities	(88,692)	363
Cash at the beginning of the year	65,136	64,773
Cash at the end of the year	(23,556)	65,136

Isar Ahmad Chairman	A. Samad Dawood Chief Executive	Shahid Hamid Pracha Director	Shafiq Ahmed Director

Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	(Rupees in '000)	
Reconciliation to profit and loss account		
Operating cash flows	(34,033)	9,519
Depreciation / amortisation expense	(540)	(741)
Profit on disposal of fixed assets	159	-
Decrease in assets other than cash	(14,842)	(20,206)
Increase in liabilities other than running finance	13,705	(513)
	(35,551)	(11,941)
Others		
Investment and other income	180,934	(105,483)
Reversal / (provision) for impairment in value of available-for-sale investments	339,438	(737,444)
Reversal of provision for doubtful debts	-	(228)
Deferred taxation	6,403	(22)
Profit / (loss) after taxation	491,224	(855,118)

Definition of cash

Cash comprises of cash in hand, policy stamps, bank balances and short term placements with banks which are readily convertible to cash in hand and short term finance which are used in the cash management on a day-to-day basis.

	2010	2009
Cash and Other Equivalents		
Cash in hand	3	29
Stamps in hand	63	158
	66	187
Current and Other Accounts		
Current Accounts	541	541
PLS accounts	7,321	62,040
	7,862	62,581
Deposits maturing within 12 months		
Term deposit receipts with bank	2,000	2,000
Statutory deposit with State Bank of Pakistan	368	368
	2,368	2,368
Short term running finance	(33,852)	-
	(23,556)	65,136

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Premiums

For the year ended 31 December 2010

	Class	Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Re-insurance ceded	Prepaid Re-insurance Ceded Opening	Prepaid Re-insurance Ceded Closing	Re-insurance expense	Net premium revenue 2010	Net premium revenue 2009
		(Rupees in '000)									
Direct and Facultative	1. Fire and property damage	56,552	18,532	20,392	54,692	54,943	18,297	20,186	53,054	**1,638**	1,164
	2. Marine, aviation and transport	12,231	3,215	1,562	13,884	10,003	2,867	1,389	11,481	**2,403**	3,329
	3. Motor	7,993	1,191	1,195	7,989	2,096	87	85	2,098	**5,891**	8,582
	4. Miscellaneous	36,745	11,695	7,913	40,527	36,621	11,164	7,835	39,950	**577**	322
	Total	**113,521**	**34,633**	**31,062**	**117,092**	**103,663**	**32,415**	**29,495**	**106,583**	**10,509**	**13,397**

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Claims

For the year ended 31 December 2010

Class		Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Re-insurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Re-insurance and other recoveries revenue	Net claims expense 2010	Net claims expense 2009
		(Rupees in '000)									
Direct and Facultative	1. Fire and property damage	9,591	30,825	16,984	(4,250)	9,097	21,715	7,609	(5,009)	**759**	529
	2. Marine, aviation and transport	993	24,388	25,939	2,544	586	17,917	18,660	1,329	**1,215**	3,057
	3. Motor	4,890	10,491	5,511	(90)	-	2,956	346	(2,610)	**2,520**	3,624
	4. Miscellaneous	5,734	28,015	22,982	701	5,580	26,808	21,722	494	**207**	485
	Total	21,208	93,719	71,416	(1,095)	15,263	69,396	48,337	(5,796)	**4,701**	7,695

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Expenses

For the year ended 31 December 2010

Class		Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense 2010	Net underwriting expense 2009
		a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
		(Rupees in '000)								
Direct and Facultative	1. Fire and property damage	894	107	251	750	8,055	8,805	8,763	**42**	(3,140)
	2. Marine, aviation and transport	970	-	-	970	775	1,745	2,509	**(764)**	(1,606)
	3. Motor	5	-	2	3	902	905	115	**790**	909
	4. Miscellaneous	4	3	-	7	5,583	5,590	3,846	**1,744**	(1,235)
	Total	1,873	110	253	1,730	15,315	17,045	15,233	**1,812**	(5,072)

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

Statement of Investment Income

For the year ended 31 December 2010

	(Rupees in '000) 2010	2009
Income from Non-Trading Investments		
Held-to-maturity		
Return on Government Securities	2,331	1,776
Amortisation on PIBs	902	1,124
Available-for-sale		
Dividend income:		
- Related parties	88,324	73,146
- Others	58,904	15,717
	147,228	88,863
Gain / (loss) on sale of available-for-sale investments	29,039	(200,423)
Investment related expenses	(1,999)	(2,959)
Net investment income / (loss)	177,501	(111,619)

The annexed notes 1 to 34 form an integral part of these financial statements.

Isar Ahmad	A. Samad Dawood	Shahid Hamid Pracha	Shafiq Ahmed
Chairman	Chief Executive	Director	Director

1. STATUS AND NATURE OF BUSINESS

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

Subsequent to the year end, a Business Restructuring Plan (BRP) was presented in the Board meeting held on 27 January 2011, by virtue of which the Company will discontinue its insurance business and will undertake only strategic and portfolio investment business and develop an effective asset allocation strategy to diversify risk and manage volatility.

As per its BRP it has been decided that the Company will not issue further insurance policies and all the subsisting policies which do not expire prior to revocation of registration will be cancelled or passed on to other insurance companies. The shareholders of the Company have also approved the BRP at the Extraordinary General Meeting held on 10 March 2011. An application will be submitted to SECP in terms of Section 9 of the Insurance Ordinance, 2000 for revocation of the Company's insurance registration.

2. BASIS OF PREPARATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except held for trading investments which have been measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

i Provision for outstanding claims (including IBNR) (Note: 4.2)
ii Reinsurance recoveries against outstanding claims (Note: 4.13)
iii Income taxes (Note: 4.11 and 23.1)
iv Classification of investment and provision for Impairment there against (Note: 4.10 and 14)
v Staff retirement benefits (Note: 4.6 and 7)
vi Depreciation and amortization (Note: 4.14 and 20)

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

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011:

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 01 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 01 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 01 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

Amendments to IAS 12 – Deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 01 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

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

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

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

4.2 Provision for outstanding claims (including IBNR)

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

4.2.1 Provision for outstanding claims

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is based on the best estimate of the claims intimated or assessed on or before the end of the financial year and measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

4.2.2 Claims reported but not settled

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

4.2.3 Claims incurred but not reported (IBNR)

Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.3 Provision for unearned premium

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

4.4 Premium deficiency reserve

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

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

4.5 Commission

4.5.1 Commission expense

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

4.5.2 Commission income

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

4.6 Employee benefits

4.6.1 Defined contribution plan

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

4.6.2 Defined benefit plan

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

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

4.6.3 Employees' compensated absences

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

4.7 Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance contracts as required by Insurance Ordinance, 2000.

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

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

4.8 Creditors, accruals and provisions

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

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

4.9 Cash and cash equivalents

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

4.10 Investments

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

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

4.10.1 Investment at fair value through profit and loss

Held for trading

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

4.10.2 Available-for-sale

Quoted

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

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

Unquoted

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

Fixed income securities

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

4.10.3 Held-to-maturity

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

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

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

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

4.10.4 Fair values

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

4.11 Taxation

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

4.11.1Current

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

4.11.2 Deferred

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

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

4.12 Premiums due but unpaid

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

4.13 Reinsurance recoveries against outstanding claims

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

4.14 Fixed assets

4.14.1 Tangible

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

Depreciation on tangible fixed assets is charged to profit and loss by applying the reducing balance method whereby the depreciable amount of an asset is written-off over its estimated useful life at the rates specified in note 20. Depreciation is charged on additions from the date asset is available for use whereas depreciation on disposals is charged till the date of disposal.

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

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

4.14.2 Capital work in progress

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

4.14.3 Intangible

Intangible assets comprise software license, and are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the useful life of the asset on a systematic basis to profit and loss by applying the straight line method at the rates specified in note 20 to the financial statements.

4.15 Impairment

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

4.16 Revenue recognition

4.16.1 Premium income

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

i) For direct business, evenly over the period of the policy.
ii) For proportional reinsurance business, evenly over the period of the underlying insurance policies.
iii) For non-proportional reinsurance business, in accordance with the pattern of reinsurance service.

4.16.2 Investment income

i) Dividend income and entitlement of bonus shares is recognised when the right to receive the dividend and bonus shares is established.
ii) Gain or loss on sale of investment is included in profit and loss account in the current year.

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

4.16.3 Profit on bank accounts and deposits

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

4.16.4 Administrative surcharge

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

4.17 Management expenses

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

4.18 Earnings per share

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

4.19 Segment reporting

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

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

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

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

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

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

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

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

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

4.20 Financial instruments

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

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

4.21 Foreign currencies

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

4.22 Off-setting of financial assets and liabilities

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

4.23 Dividend declaration and reserve appropriation

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

5. SHARE CAPITAL

Number of shares 2010	Number of shares 2009		(Rupees in '000) 2010	(Rupees in '000) 2009
		Authorised		
		30,000,000 (2009: 30,000,000) Ordinary shares of Rs. 10/- each	**300,000**	300,000
		Issued, subscribed and paid-up capital		
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	**2,500**	2,500
27,667,963	20,053,973	Ordinary shares of Rs.10 each issued as bonus shares	**276,679**	200,539
27,917,963	20,303,973		**279,179**	203,039

5.1 Movement in share capital during the year

Number of shares 2010	Number of shares 2009		(Rupees in '000) 2010	(Rupees in '000) 2009
20,303,973	18,458,158	At 1 January	**203,039**	184,581
7,613,990	1,845,815	Ordinary shares of Rs.10 each issued during the year ended 31 December as bonus shares	**76,140**	18,458
27,917,963	20,303,973		**279,179**	203,039

5.2 As at 31 December 2010, related parties hold 20,522,094 (2009: 15,113,774) ordinary shares of Rs.10/- each.

6. RESERVES

	Note	2010	2009
		(Rupees in '000)	
Capital reserves			
- Reserve for exceptional losses	6.1	**10,535**	10,535
- Capital gain reserve		**2,553**	2,553
		13,088	13,088
Revenue reserve			
- General reserve		**120,000**	120,000
		133,088	133,088

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

7. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS

7.1 The latest actuarial valuation of the gratuity scheme was carried out as of 31 December 2010. The principal actuarial assumptions used for the purpose of the valuation were as follows:

- Valuation discount rate is 13% per annum (2009: 15%).
- Expected rate of increase in salaries is 12% (2009: 12%).
- Average expected service length of the employees is 13 years (2009: 08 years).

7.2 Reconciliation of payable to defined benefit plan

	2010	2009
Present value of defined benefit obligation	**1,110**	845
Net actuarial gains not recognised	**26**	78
Balance at the end of the year	**1,136**	923

7.3 Movement in net liability recognised in the balance sheet

	2010	2009
Balance at the beginning of the year	**923**	845
Charge for the year	**260**	187
Payments during the year	**(47)**	(109)
Balance at the end of the year	**1,136**	923

7.4 Amount recognised in the profit and loss account

	2010	2009
Current service cost	**133**	81
Interest cost	**127**	106
Amount charged to profit and loss account	**260**	187

7.5 Historical information

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	**1,110**	845	707	334	820
Unrecognised actuarial (losses) / gains	**26**	78	138	446	440
Net liability in balance sheet	**1,136**	923	845	780	1,260

8. AMOUNT DUE TO OTHER INSURERS / REINSURERS – UNSECURED, CONSIDERED GOOD

	2010	2009
Foreign companies	**2,761**	4,843
Local companies	**3,021**	5,321
	5,782	10,164

9. OTHER CREDITORS AND ACCRUALS

		2010	2009
		(Rupees in '000)	
Commission payable		**2,704**	2,666
Withholding tax payable		**-**	9
Workers' welfare fund		**10,023**	86
Premium refundable to policy holders		**947**	15
Sundry creditors		**106**	-
Payable against purchase of investments		**3,399**	-
		17,179	2,776

10. SHORT TERM RUNNING FINANCE

		2010	2009
Running finance	10.1	33,852	-

10.1 This represents running finance facility of Rs.200 million (2009: Nil) obtained from Bank Al Habib Limited at a mark-up rate of 3 month average KIBOR plus 0.85 percent per annum and is valid upto 8 August 2011. The facility is secured against the pledge of shares held by the Company having a market value of Rs.445.045 million as at 31 December 2010. (Note 14.2.1 and 14.2.6).

11. CONTINGENCIES AND COMMITMENTS

	2010	2009
11.1 Guarantees issued on behalf of the Company by commercial banks	5,205	5,205
11.2 Claim not acknowledged as debt	-	1,500

12. CASH AND BANK DEPOSITS

		2010	2009
Cash and other equivalents			
Cash in hand		3	29
Stamps in hand		63	158
		66	187
Current and other accounts			
Current accounts		541	541
PLS accounts	12.1	7,321	62,040
		7,862	62,581
Deposits maturing within 12 months			
Term deposit receipts with banks	12.2	2,000	2,000
Statutory deposit with State Bank of Pakistan	12.3	368	368
		2,368	2,368
		10,296	65,136

12.1 These accounts carry effective mark-up rate, ranging between 5% to 9.75% (2009: 4% to 17%) per annum.

12.2 This includes a deposit of Rs.2 million (2009: Rs.2 million) under lien with National Bank of Pakistan in respect of fire claims lodged by M/s Safdar Cotton Ginner settlement of which is pending in high court. This deposit carries profit rate of 5.8% (2009: 5.8%) per annum.

12.3 This represents statutory deposit kept with State Bank of Pakistan (SBP) in accordance with the requirements of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000. Under the said provision, Insurance Companies are required to maintain with the State Bank of Pakistan (SBP), a minimum statutory deposit at the higher of Rs.10 million and 10% of insurer's paid-up capital. The Company has complied with above provision.

13. LOANS - SECURED, CONSIDERED GOOD

	Note	2010	2009
		(Rupees in '000)	
Loan to employee	13.1	**6,930**	-

13.1 This represents present value of loan given to Chief Operating Officer of the Company at the mark-up of 6% per annum discounted at 12.5% (risk free rate of return). Loan is receivable in 107 monthly instalments. Difference between present value and amount advanced is prepaid employee benefit and amortisable over the tenure of loan. (Note 19)

13.2 Following is the movement of loan to employees:

	2010	2009
Opening balance	-	-
Disbursed during the year	7,154	-
Repayments	(224)	-
Closing balance	6,930	-

13.2 The maximum aggregate amount of loans and advances outstanding at any time since previous balance-sheet was Rs.7,154 million.

14. INVESTMENTS

The investments comprise the following:

	Note	2010	2009
Held-to-maturity investments			
Defense Saving Certificate	14.1.1	**41**	41
Pakistan Investment Bonds and Treasury Bills	14.1.2	**28,934**	18,908
		28,975	18,949
Available-for-sale investments	14.2	**3,745,241**	3,230,927
		3,774,216	3,249,876

14.1 Held-to-maturity investments

14.1.1

Number of Certificates 2010	Number of Certificates 2009	Face value per certificate	Particulars	2010	2009
1	1	9,300	Defense Saving Certificate	**9**	9
-	-		Accrued interest	**32**	32
				41	41

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

14.1.2

Face value	Profit rate %	Profit payment	Particulars	Maturity Date	2010	2009
20,000,000	8	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	6-Oct-2013	**17,564**	16,876
2,000,000	11	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	18-Jun-2012	**2,020**	2,032
1,500,000	12	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	30-Aug-2018	**1,467**	-
6,000,000	12	Semi-annually	Pakistan Investment Bond Tenure - 10 Years	30-Aug-2018	**6,082**	-
1,920,000	13	Semi-annually	Treasury Bills Tenure - 6 Months	30-Jun-2011	**1,801**	-
					28,934	18,908

Market value as at 31 December 2010 of Pakistan Investment Bond (PIB) and Treasury Bills are Rs.29.199 million (2009: 19.311 million) and Rs.1.8 million respectively. The market value was determined on the basis of certificate obtained from the State Bank of Pakistan (SBP). The PIB is placed with the SBP as statutory deposit in accordance with the requirements of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000. The Company has complied with above provision.

14.2 Available-for-sale investments

		(Rupees in '000) 2010	2009
Quoted shares	14.2.1	**700,079**	377,796
Un-quoted shares	14.2.2	**-**	-
Mutual funds	14.2.3	**20,048**	51,170
Un-quoted debentures	14.2.4	**-**	-
Government bonds	14.2.5	**54**	54
Quoted shares - related parties	14.2.6	**3,025,060**	2,801,907
		3,745,241	3,230,927

Market value of quoted available for sale investments is Rs.3,898.320 million (31 December 2009: Rs.3,253.029 million).

14.2.1 Quoted shares

Number of shares 2010	2009	Face value per share (Rupees)	Name of investee company	Cost 2010	2009
			Fertilizers		
400,000	75,000	10	Fauji Fertilizer Company Limited	**48,097**	7,738
			Chemicals		
1,000	1,000	10	Pakistan PVC Limited	**5**	5
-	500,000	10	Descon Oxychem Limited	**-**	4,592
			Fuel and Energy		
43	43	10	Pakistan Refinery Limited	**4**	4
			Oil and Gas Exploration		
200,000	175,000	10	Pakistan Oilfields Limited	**49,492**	37,537
-	200,000	10	Oil & Gas Development Company Limited	**-**	21,910
250,000	166,160	10	Pakistan Petroleum Limited	**39,587**	28,997
			Technology and Communication		
-	1,007,600	10	Pakistan Telecommunication Company Limited	**-**	27,884
-	250,000	10	Telecard Limited	**-**	1,031
			Insurance		
-	300,000	10	Adamjee Insurance Company Limited	**-**	36,341
12	12	10	PICIC Insurance Limited	**-**	-
			Cement		
-	100,000	10	Lucky Cement Limited	**-**	6,411
-	187,570	10	D.G Khan Cement Limited	**-**	5,571
-	1,000,000	10	Lafarage Pakistan Cement Limited	**-**	3,113
			General Industries		
75,000	-	10	Packages Limited	**9,078**	-
			Power Generation & Distribution		
14,500,000	3,800,000	10	The Hub Power Company Limited *	**483,847**	110,446
-	375,000	10	Nishat Power Limited	**-**	4,709
			Automobiles Assemblers		
1,700	1,700	10	Ghandhara Industries Limited	**16**	16

Number of shares 2010	Number of shares 2009	Face value per share (Rupees)	Name of investee company	Cost (Rupees in '000) 2010	Cost (Rupees in '000) 2009
			Commercial Banks		
-	280,537	10	Bank Alfalah Limited	-	4,109
-	30	10	MCB Bank Limited	-	5
900,000	4,814	10	NIB Bank Limited	**2,783**	28
-	242,500	10	United Bank Limited	-	14,539
-	430,579	10	Meezan Bank Limited	-	6,082
1,225,000	-	10	Bank Al Habib Limited	**39,343**	-
			Textile Composite		
-	325,000	10	Nishat Mills Limited	-	21,478
1,200,000	-	10	Nishat (Chunian) Limited	**27,827**	-
			Jute		
9	9	10	Crescent Jute Product Limited **	-	-
			Investment Banks/ Co's / Securities		
-	750,000	10	Jahangir Siddiqui & Company Limited	-	25,239
-	2,000,000	10	JS Bank Limited	-	13,396
-	550,000	10	JS Investments Limited	-	9,661
-	1,000,000	10	IGI Investment Bank Limited	-	4,063
			Miscellaneous		
-	700,000	10	Pace (Pakistan) Limited	-	4,135
			Cost as on 31 December	**700,079**	399,040
			Provision for impairment in value of investment	-	(21,244)
				700,079	377,796
			Market value as on 31 December	**790,281**	394,414

* 5,835,000 shares are pledged against running finance facility obtained from Bank Al Habib Limited.
**As at 31 December 2010, the company was listed on default counter of Karachi Stock Exchange.

14.2.2 Unquoted shares

Number of shares 2010	Number of shares 2009	Face value per share (Rupees)	Name of investee company	Cost (Rupees in '000) 2010	Cost (Rupees in '000) 2009
28,600	28,600	10	Aslo Electrical Industries Limited	**162**	162
1,800	1,800	10	Adamjee Paper and Boards Limited	**7**	7
1,700	1,700	10	Adamjee Floorings Limited	**13**	13
13,465	13,465	10	Bankers Equity Limited	**117**	117
45,900	45,900	10	Electric Lamp Manufacturers	**305**	305
500	500	10	Punjab Lamp Works Limited	**2**	2
8,900	8,900	10	Saifi Development Corporation Limited	**34**	34
			Cost as on 31 December	**640**	640
			Provision for impairment in value of investment	**(640)**	(640)
				-	-

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

14.2.3 Mutual Funds

Number of shares 2010	Number of shares 2009	Face value per share (Rupees)	Name of investee company	Cost (Rupees in '000) 2010	Cost (Rupees in '000) 2009
240,500	240,500	50	National Investment Unit Trust (NIT)	**3,131**	3,131
-	4,440,335	50	ABL Income Fund	-	43,099
1,000,000	1,000,000	10	JS Growth Fund	**4,943**	4,944
2,490,796	-	10	JS Value Fund	**11,974**	-
			Cost as on 31 December	**20,048**	51,174
			Provision for impairment in value of investment	-	(4)
				20,048	51,170
			Market value as on 31 December	**25,211**	56,708

14.2.3.1 NIT units amounting to Rs. 3.131 million, are under lien against a bank guarantee issued by Habib Bank Limited (Refer note 11.1).

14.2.4 Unquoted debenture

Number of units 2010	Number of units 2009	Par value per unit (Rupees)	Name of investee company	2010	2009
240,500	240,500	10	Hyson Sugar Mills Limited	**60**	60
			Cost as on 31 December	**60**	60
			Provision for impairment in value of investment	**(60)**	(60)
				-	-

14.2.5 Government Bonds

Number of Bonds 2010	Number of Bonds 2009	Face value per bond (Rupees)	Name of investee company	2010	2009
5	5	10,000	Government Bonds	**52**	52
17	17	100	Government Bonds	**2**	2
			Cost as on 31 December	**54**	54

14.2.6 Quoted shares - related parties

Number of Shares 2010	Number of Shares 2009	Face value per share (Rupees)	Name of investee company	2010	2009
			Chemicals		
3,574,940	3,249,946	10	Dawood Hercules Chemicals Limited Equity held: 2.97% (2009: 2.97%)	**584,372**	857,794
11,608,251	10,780,229	10	Engro Corporation Limited* (formerly Engro Chemical Pakistan Limited) Equity held: 3.54% (2009: 3.62%)	**1,934,041**	2,239,804

Number of shares 2010	Number of shares 2009	Face value per share (Rupees)	Name of investee company	Cost (Rupees in '000) 2010	Cost (Rupees in '000) 2009
			Textile Composite		
2,795,735	2,853,778	10	Dawood Lawrencepur Limited Equity held: 5.44% (2009: 5.56%)	**165,004**	245,837
			Oil and gas		
88,900	2,960,138	10	Sui Northern Gas Pipelines Limited Equity held: 0.02% (2009: 0.54%)	**2,205**	174,668
			Cost as on 31 December	**2,685,622**	3,518,103
			Reversal / (provision) of impairment in value of investment during the year (For as at position refer note 14.2.7)	**339,438**	(716,196)
				3,025,060	2,801,907
			Market value as on 31 December	**3,082,828**	2,801,907

* 1,170,000 shares are pledged against running finance facility obtained from Bank Al Habib Limited.

14.2.7 Reversal / (Provision) for impairment - net of provision

	2010	2009
Opening provision	**(738,144)**	(15,022)
Reversal - net of provision	**339,438**	(737,444)
Adjusted / Released on disposals	**127,137**	14,322
Closing provision	**(271,569)**	(738,144)

Reversal of impairment of Rs. 382.659 million has been recognized in these financial statements on account of increase in market value of certain securities to the extent of their original cost and Rs. 43.473 million has been charged for impairment on securities due to fall in value.

15. DEFERRED TAXATION

	2010	2009
Deductible temporary differences		
Staff gratuity	**521**	323
Provision against amount due from other insurers / reinsurers	**-**	26
Unused tax losses	**5,929**	-
Others	**901**	610
	7,351	959
Taxable temporary differences		
Accelerated tax depreciation	**(120)**	(131)
	7,231	828

15.1 Reconciliation of deferred tax asset

	2010	2009
Opening balance	**828**	850
Recognised / (reversal) for the year	**6,403**	(22)
Closing balance	**7,231**	828

16. PREMIUMS DUE BUT UNPAID - UNSECURED

	2010	2009
Considered good	**1,440**	3,983

16.1 Premium due but unpaid comprises of the following:

		(Rupees in '000) 2010	2009
Related parties			
Dawood Corporation (Private) Limited		**347**	-
Dawood Lawrencepur Limited		**-**	35
Dawood Hercules Chemicals Limited		**-**	7
Inbox Business Technologies (Private) Limited		**884**	1,267
Pebbles (Private) Limited		**137**	-
		1,368	1,309
Others		**72**	2,674
		1,440	3,983

17. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - UNSECURED

		2010	2009
Considered good - foreign		**2,674**	-
- local		**11,018**	4,304
Considered doubtful		**74**	74
		13,766	4,378
Provision against amounts due from other insurers / reinsurers	17.1	**(74)**	(74)
		13,692	4,304

17.1 Provision against amount due from other insurers / reinsurers

	2010	2009
Opening balance	**(74)**	(302)
Provision made during the year	**-**	-
Recovery during the year	**-**	228
Closing balance	**(74)**	(74)

18. PREPAYMENTS

	2010	2009
Prepaid reinsurance premium ceded	**29,495**	32,415
Others	**-**	-
	29,495	32,415

19. SUNDRY RECEIVABLES

	2010	2009
Profit on bank deposits		
- Saving accounts	**79**	38
- Term deposits	**82**	82
Prepaid employee benefit	**2,078**	-
Advance and deposit	**100**	100
Others	**70**	21
	2,409	241

20. FIXED ASSETS

20.1 Tangible

	2010							
	Cost			Accumulated depreciation			Written down value at 31 December 2010	Rate (%)
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year / (disposals)	At the end of the year		
	(Rupees in '000)							
Furniture and fixtures	860	-	860	(696)	(16)	(712)	148	10%
Office equipment	3,153	265	3,418	(2,547)	(228)	(2,775)	643	15 % & 33%
Vehicles	4,861	20 (519)	4,362	(3,091)	(285) 154	(3,222)	1,140	20%
	8,874	285 (519)	8,640	(6,334)	(529) 154	(6,709)	1,931	

	2009							
	Cost			Accumulated depreciation			Written down value at 31 December 2009	Rate (%)
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year / (disposals)	At the end of the year		
	(Rupees in '000)							
Furniture and fixtures	860	-	860	(678)	(18)	(696)	164	10%
Office equipment	3,067	106 (20)	3,153	(2,301)	(250) 4	(2,547)	606	15 % & 33%
Vehicles	4,861	- -	4,861	(2,649)	(442)	(3,091)	1,770	20%
	8,788	106 (20)	8,874	(5,628)	(710) 4	(6,334)	2,540	

20.2 Intangible

	2010							
	Cost			Accumulated amortisation			Written down value at 31 December 2010	Rate (%)
	At the beginning of the year	Additions / (disposals)	At the end of the year	At the beginning of the year	For the year / (disposals)	At the end of the year		
	(Rupees in '000)							
Computer software	2,157	6	2,163	(2,139)	(11)	(2,150)	13	33.33%
	2,157	6	2,163	(2,139)	(11)	(2,150)	13	

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

20.3 Details of tangible fixed assets disposed off are as follows:

	2010					
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers / others
	(Rupees in '000)					
Daihatsu Coure (AQT-173)	519	154	365	520	Insurance claim	IGI Insurance Limited

21. EXPENSES

	Note	2010	2009
		(Rupees in '000)	
Salaries, wages and other benefits	21.1	**12,907**	8,140
Levy, cess and insurance		**509**	793
Rent, rates and taxes		**3,458**	3,007
Depreciation	20.1	**529**	710
Amortisation	20.2	**11**	31
Legal and professional charges		**1,675**	3,848
Printing and stationery		**458**	717
Utilities		**522**	583
Vehicle running expenses		**398**	333
Advertisement expenses		**88**	254
Security guards expenses		**407**	358
Auditors' remuneration	21.3	**500**	450
Entertainment		**309**	272
Medical expenses		**103**	96
Travelling expenses		**-**	30
Fees and subscription		**1,450**	1,343
Postage and telegram		**211**	160
Books and periodicals		**11**	27
Repairs, renewal and decoration		**293**	207
Workers' welfare fund		**9,937**	86
Others		**1,519**	1,016
Service charges		**2,105**	(44)
		37,400	22,417

21.1 This include Rs.0.399 million (2009: Rs.0.211 million) in respect of employees' provident fund.

21.2 Expenses are allocated as under

	2010	2009
Management expenses	**15,315**	10,075
General and administration expenses	**22,085**	12,342
	37,400	22,417

21.3 Auditors' remuneration

	2010	2009
Annual audit fee	**250**	225
Review and certifications	**250**	225
	500	450

21.4 Financial charges

	2010	2009
Bank charges	**204**	138
Bank guarantee charges	**115**	264
Mark-up on short term running finance	**4,784**	-
	5,103	402

22. OTHER INCOME

	2010	2009
INCOME FROM FINANCIAL ASSETS		
Profit on bank deposits	**3,274**	5,720
Income from non-financial assets		
Gain on sale of fixed assets	159	-
Others	-	416
	3,433	6,136

23. TAXATION

Tax Returns have been filed up to Tax year 2010 (Accounting year 2009) which are deemed as assessment completed in terms of section 120(1) of the Income Tax Ordinance 2001 (ITO). However, the Company has filed appeals in respect of certain assessment years which relate to the following:

The Additional Commissioner of Inland Revenue has passed an order under Section 122(5A) of the ITO for the tax year 2004 on account of apportionment of management and general expenses against capital gain and dividend income and reversal of provision for impairment in value of investment resulting in an additional tax liability of Rs. 3.967 million. An Appeal was filed before the Commissioner of Inland Revenue (Appeals-I), Karachi. No provision has been booked against the additional tax demand as company's Tax Consultant and management expects that the decision would be in favour of the Company.

The Deputy Commissioner of Inland Revenue (DCIR) has finalized the Tax year 2007 under Section 122 (4) (5) of the ITO and has disallowed management and general expenses, amortization of intangibles assets, financial charges, retirement benefits, commission expenses and provision for IBNR; being pro rata share of investment income under Section 67 of ITO and a demand of Rs. 13.025 million has been created. Against the said order an appeal has been filed before the Commissioner Inland Revenue, (Appeals-I), Karachi. No provision has been booked against the additional tax demand as company's Tax Consultant and management expects that the decision would be in favour of the Company.

The Additional Commissioner Inland Revenue has issued notice under Section 122(9) of the ITO in respect of Tax year 2010 whereby he has proposed to disallow provision for IBNR, commission income unearned, reinsurance premium paid to non-resident companies, management and general expenses apportioned against capital gain and dividend income. No additional demand has been made till the year end.

23.1 Provision for taxation

	(Rupees in '000) 2010	2009
Current		
- for the year	**(15,500)**	(10,500)
- for prior years	**3,141**	301
Deferred	**6,403**	(22)
	(5,956)	(10,221)

23.2 Relationship between tax expense and accounting profit

	2010	2009
Profit / (loss) for the year before taxation	**497,180**	(844,897)
Tax at the applicable rate of 35% (2009: 35%)	**174,013**	(295,714)
Tax effect of capital (gain) / loss exempt from tax	**(9,391)**	70,148
Tax effect of dividend income taxed at a lower rate	**(36,807)**	(22,216)
Reversal of prior year charge	**(3,141)**	(301)
Tax effect of (income) / expenses that are not considered in determining taxable income	**(118,803)**	258,107
Others	**85**	197
	5,956	10,221

24. REMUNERATION OF EXECUTIVES

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

	Chief Executive		Executives		Total	
	2010	2009	**2010**	2009	**2010**	2009
	----------------(Rupees in '000)----------------					
Managerial remuneration	**1,392**	1,104	**3,460**	812	**4,852**	1,916
House rent, conveyance, gratuity etc.	**932**	709	**2,356**	748	**3,288**	1,457
Medical expenses	**139**	110	**347**	82	**486**	192
Bonus for the year	**-**	360	**647**	244	**647**	604
	2,463	2,283	**6,810**	1,886	**9,273**	4,169
Number of persons	**1**	1	**4**	2	**5**	3

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

24.2 Out of four executives three executives are provided with free use of Company vehicles for official and personal use.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies with common directors, group companies, staff retirement fund, directors and key management personnel. Transactions with related parties are entered at rates negotiated with them. Remuneration to key management personnel are in accordance with their terms of engagements. Transactions with related parties other than those which have been disclosed elsewhere in the financial statements are as follows:

	(Rupees in '000)	
	2010	2009
Premium under-written	**90,669**	70,939
Premium collected	**103,001**	115,201
Claims paid	**11,998**	4,738
Rent paid	**3,458**	3,007
Dividend received	**88,324**	73,146
Dividend paid	**31,951**	28,010
Bonus shares received (face value)	**14,030**	-
Bonus shares issued (face value)	**53,253**	12,809
Brokerage	**1,999**	2,959
Purchase of fixed assets	**-**	11
Contribution to provident fund	**399**	144
Key management personnel and close family members		
Dividend paid	**2,053**	1,377
Bonus shares issued	**3,423**	657
Loan to employees	**6,930**	-
Remuneration of key management personnel	**9,273**	4,169

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

26. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2010 and December 2009, unallocated capital expenditures and non-cash expenses during the year.

	Fire and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)									
Segment assets	**32,353**	47,025	**26,368**	41,456	**15,923**	49,835	**31,074**	39,710	**105,718**	178,026
Unallocated corporate assets									**3,812,659**	3,270,895
Consolidated corporate assets									**3,918,377**	3,448,921
Segment liabilities	**43,770**	52,468	**35,329**	32,005	**24,955**	22,097	**32,933**	40,946	**136,987**	147,516
Unallocated corporate liabilities									**42,660**	8,215
Consolidated corporate liabilities									**179,647**	155,731
Capital expenditure	**45**	12	**67**	32	**163**	81	**16**	3	**291**	128
Depreciation / amortisation	**84**	67	**123**	186	**303**	475	**30**	13	**540**	741

Major policy holders

Revenues from four customers of the Company's "Fire and Property", "Marine / Aviation and Transport", "Motor" and "Miscellaneous" segments represent Rs.94.021 million (2009: Rs.75.029 million) of the its total revenues.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

27.1 Credit risk

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

27.1.1 Exposure to credit risk

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

Financial assets - unsecured

		2010	2009
		(Rupees in '000)	
Investments		**3,774,216**	3,249,876
Deposits with Banks	12	**10,230**	64,949
Premiums due but unpaid	16	**1,440**	3,983
Amounts due from other insurers / reinsurers	17	**13,766**	4,378
Reinsurance recovery against outstanding claims		**48,337**	69,396
Prepaid reinsurance premium ceded		**29,495**	32,415
Loan to employee		**6,930**	-
Sundry receivable		**2,339**	159
		3,886,753	3,425,156
Not past due		**3,615,028**	2,684,916
Past due but not impaired		**82**	2,022
Past due and impaired		**271,643**	738,218
		3,886,753	3,425,156

Age analysis of financial assets other than investments are as follows:

Not past due and past due but not impaired:

2010	**Upto 1 year**	**1 - 2 years**	**2-3 years**	**Over 3 years**	**Total**
	(Rupees in '000)				
Loan to employees	**-**	**-**	**-**	**6,930**	**6,930**
Deposits with Banks	**10,230**	**-**	**-**	**-**	**10,230**
Premiums due but unpaid	**1,439**	**1**	**-**	**-**	**1,440**
Amounts due from other insurers / reinsurers	**13,399**	**293**	**-**	**-**	**13,692**
Reinsurance recovery against outstanding claims	**418**	**37,658**	**109**	**10,152**	**48,337**
Prepaid reinsurance premium ceded	**29,493**	**2**	**-**	**-**	**29,495**
Sundry receivable	**161**	**100**	**-**	**2,078**	**2,339**
	55,140	**38,054**	**109**	**19,160**	**112,463**

2009					
Deposits with Banks	64,949	-	-	-	64,949
Premiums due but unpaid	3,983	-	-	-	3,983
Amounts due from other insurers / reinsurers	2,439	1,865	-	-	4,304
Reinsurance recovery against outstanding claims	48,861	6,272	832	13,431	69,396
Prepaid reinsurance premium ceded	25,837	907	5,658	13	32,415
Sundry receivable	159	-	-	-	159
	146,228	9,044	6,490	13,444	175,206

Past due and impaired:

	Upto 1 year	1 - 2 years	1-3 years	Over 3 years	Total
2010	----------	----------	(Rupees in '000)	----------	----------
Amounts due from other insurers / reinsurers	**-**	**-**	**-**	**74**	**74**
2009					
Amounts due from other insurers / reinsurers	-	-	-	74	74

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

2010	**Rating**		**Rating Agency**	**(Rupees in '000)**
	Short term	**Long term**		
Barclays Bank PLC	A-1+	AA-	Standard & Poor's	**2,494**
Bank AL Habib Limited	A1+	AA+	PACRA	**821**
Summit Bank Limited (formerly Atlas Bank Limited)	A-2	A	JCR-VIS	**3,914**
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**278**
MCB Bank Limited	A1+	AA+	PACRA	**263**
Meezan Bank Limited	A-1	AA-	JCR-VIS	**92**
				7,862

2009	Rating		Rating Agency	(Rupees in '000)
	Short term	Long term		
Barclays Bank PLC	A-1+	AA-	Standard & Poor's	46,145
Bank AL Habib Limited	A1+	AA+	PACRA	12,076
Atlas Bank Limited	A 2	A-	PACRA	3,732
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	278
MCB Bank Limited	A1+	AA+	PACRA	263
Meezan Bank Limited	A-1	A+	JCR-VIS	87
Habib Bank Limited	A-1+	AA+	JCR-VIS	-
				62,581

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

	2010			
	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	Total
Ratings	(Rupees in '000)			
AA	8,230	22,310	-	30,540
AA-	468	3,084	8,848	12,400
A	2,533	9,282	10,323	22,138
A+	144	763	-	907
A-	1,349	7,920	5,899	15,168
BBB	-	-	-	-
BB+	-	2,716	-	2,716
B+	601	1,508	2,950	5,059
B++	256	754	1,475	2,485
Others	111	-	-	111
	13,692	48,337	29,495	91,524

	2009			
	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	Total
Ratings	(Rupees in '000)			
AA	324	32,301	9,725	42,350
AA-	2,424	-	-	2,424
A	305	16,687	11,346	28,338
A+	-	765	-	765
A-	945	9,400	3,242	13,587
BBB	354	4,516	4,862	9,732
BB+	-	2,717	-	2,717
B+	-	3,010	3,240	6,250
Others	26	-	-	26
	4,378	69,396	32,415	106,189

Premium due but unpaid

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

27.1.2 Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid, amounts due from other insurers / reinsurers, reinsurance recovery against outstanding claims and prepaid reinsurance premium ceded at the reporting date was:

Industry sector	2010		2009	
	(Rupees in '000)	%	(Rupees in '000)	%
Textile composite	-	0.00%	35	0.03%
Fertilizer	-	0.00%	7	0.01%
Fuel and energy	-	0.00%	2,668	2.42%
Insurance (Re / co-insurance)	91,598	98.45%	106,190	96.39%
Miscellaneous	1,440	1.55%	1,272	1.15%
	93,038	100.00%	110,172	100%

27.2 Liquidity risk

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

The following are contractual maturities of financial liabilities:

	2010					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	(Rupees in '000)					
Provision for outstanding claims	71,416	71,416	14,459	18,314	32,991	5,652
Staff retirement benefits	1,136	1,136	-	-	-	1,136
Amount due to other insurers / reinsurers	5,782	5,782	5,782	-	-	-
Accrued expenses	8,438	8,438	8,438	-	-	-
Other creditors and accruals	7,156	7,156	7,156	-	-	-
Running Finance	33,852	33,852	33,852	-	-	-
Unclaimed dividend	8,808	8,808	8,808	-	-	-
	136,588	136,588	78,495	18,314	32,991	6,788

	2009					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Financial liabilities	(Rupees in '000)					
Provision for outstanding claims	93,719	93,719	89,392	-	4,327	-
Staff retirement benefits	923	923	-	-	-	923
Amount due to other insurers / reinsurers	10,164	10,164	10,164	-	-	-
Accrued expenses	2,468	2,468	2,468	-	-	-
Other creditors and accruals	2,690	2,690	2,690	-	-	-
Unclaimed dividend	8,215	8,215	8,215	-	-	-
	118,179	118,179	112,929	-	4,327	923

27.3 Market risk

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

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

27.3.1 Interest rate risk

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

	Carrying amounts (Rupees in '000)		Effective interest rate in %	
	2010	2009	**2010**	2009
Financial Assets				
Fixed rate instruments				
-Government Securities	28,934	18,908	8% to 13.35%	8% to 11%
Variable rate instruments				
-PLS accounts	7,321	62,040	5% to 9.75%	4% to 17%
-Term deposits	2,000	2,000	5.80%	5.80%
Financial Liabilities				
Short term running finance	33,852	-	13.14% to 13.94%	-

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments and short term running finance

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs. 0.02 million (2009: Rs 0.02 million).

27.3.1.1 Maturity profile of financial assets and liabilities

2010

	Profit rate % per annum	Interest / mark-up bearing: Maturity up to 1 year	Interest / mark-up bearing: Maturity after 1 Year	Interest / mark-up bearing: Sub Total	Non-interest / non-mark-up bearing: Maturity up to 1 year	Non-interest / non-mark-up bearing: Maturity after 1 Year	Non-interest / non-mark-up bearing: Sub Total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	5% to 9.75%	9,689	-	9,689	607	-	607	10,296
Loans - secured	6%	-	9,008	9,008	-	-	-	9,008
Investment	8% to 13.35%	-	28,975	28,975	-	3,745,241	3,745,241	3,774,216
Premium due but unpaid		-	-	-	1,440	-	1,440	1,440
Amounts due from other insurers / reinsurers		-	-	-	13,692	-	13,692	13,692
Accrued investment income	8% to 13.35%	657	-	657	-	-	-	657
Reinsurance recoveries against outstanding claims		-	-	-	46,457	1,880	48,337	48,337
Sundry receivables	5% to 9.75%	161	-	161	70	100	170	331
		10,507	**37,983**	**48,490**	**62,266**	**3,747,221**	**3,809,487**	**3,857,977**
Financial Liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	67,215	4,201	71,416	71,416
Amount due to other insurers / reinsurers		-	-	-	5,782	-	5,782	5,782
Accrued expenses		-	-	-	8,438	-	8,438	8,438
Other creditors and accruals		-	-	-	17,179	-	17,179	17,179
Running Finance					33,852		33,852	33,852
Unclaimed dividend		-	-	-	8,808	-	8,808	8,808
		-	-	-	141,274	4,201	145,475	145,475
31 December 2010		**10,507**	**37,983**	**48,490**	**(79,008)**	**3,743,020**	**3,664,012**	**3,712,502**

2009

	Profit rate % per annum	Interest / mark-up bearing: Maturity up to 1 year	Interest / mark-up bearing: Maturity after 1 Year	Interest / mark-up bearing: Sub Total	Non-interest / non-mark-up bearing: Maturity up to 1 year	Non-interest / non-mark-up bearing: Maturity after 1 Year	Non-interest / non-mark-up bearing: Sub Total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	4% to 17%	64,040	-	64,040	1,096	-	1,096	65,136
Investment	8% to 11%	-	18,949	18,949	-	3,230,927	3,230,927	3,249,876
Premium due but unpaid		-	-	-	3,983	-	3,983	3,983
Amounts due from other insurers / reinsurers		-	-	-	4,304	-	4,304	4,304
Accrued investment income	8% to 11%	386	-	386	-	-	-	386
Reinsurance recoveries against outstanding claims		-	-	-	67,822	1,574	69,396	69,396
Sundry receivables	4% to 17%	120	-	120	21	100	121	241
		64,546	18,949	83,495	77,226	3,232,601	3,309,827	3,393,322
Financial Liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	89,392	4,327	93,719	93,719
Amount due to other insurers / reinsurers		-	-	-	10,164	-	10,164	10,164
Accrued expenses		-	-	-	2,468	-	2,468	2,468
Other creditors and accruals		-	-	-	2,690	-	2,690	2,690
Unclaimed dividend		-	-	-	8,215	-	8,215	8,215
		-	-	-	112,929	4,327	117,256	117,256
31 December 2009		64,546	18,949	83,495	(35,703)	3,228,274	3,192,571	3,276,066

27.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted securities amounting to Rs.3,745 million (2009: Rs.3,231 million) at the balance sheet date.

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

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

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2010 and 2009 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	(Rupees in '000)		-----------------(Rupees in '000)--------------		
31 December 2010	**3,873,109**	***10% increase**	**4,260,420**	**251,752**	**387,311**
		10% decrease	**3,485,798**	**(251,752)**	**(387,311)**
31 December 2009	3,196,321	*10% increase	3,515,953	207,761	319,632
		10% decrease	2,876,689	(207,761)	(319,632)

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

27.3.3 Foreign currency risk

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

27.4 Insurance risk

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

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

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

(a) Frequency and severity of claims

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

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

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

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

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

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

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

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

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

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

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

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

(c) Process used to decide on assumptions

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

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

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

(d) Changes in assumptions

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

e) Sensitivity analysis

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

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

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

	Pre tax profit		Shareholders' equity	
	2010	2009	**2010**	2009
	-------------------------(Rupees in '000)		------------------------	
10% increase in loss				
Fire	**(76)**	(53)	**(49)**	(34)
Marine	**(122)**	(306)	**(79)**	(199)
Motor	**(252)**	(362)	**(164)**	(236)
Miscellaneous	**(21)**	(49)	**(13)**	(32)
	(471)	(770)	**(305)**	(501)
10% decrease in loss				
Fire	**76**	53	**49**	34
Marine	**122**	306	**79**	199
Motor	**252**	362	**164**	236
Miscellaneous	**21**	49	**13**	32
	471	770	**305**	501

Concentration of insurance risk

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

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

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

	Gross sum insured		Reinsurance		Net	
	2010	2009	**2010**	2009	**2010**	2009
			(Rupees in '000)			
Fire	**35,793,203**	25,075,717	**32,977,964**	24,717,737	**2,815,239**	357,980
Marine	**15,771,899**	16,276,574	**13,917,436**	14,873,226	**1,854,463**	1,403,348
Motor	**439,776**	315,839	**35,472**	10,027	**404,304**	305,812
Miscellaneous	**17,652,185**	16,085,554	**17,539,310**	15,315,381	**112,875**	770,173
	69,657,063	57,753,684	**64,470,182**	54,916,371	**5,186,881**	2,837,313

Claims development table

The following table shows the development of claims over the period. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2010.

Analysis on gross basis

	2005	2006	2007	2008	2009	**2010**	**Total**
	(Rupees in '000)						
Estimate of ultimate claims cost:							
At the end of accident year	49,780	49,609	21,948	24,777	62,806	**21,057**	**229,977**
One year later	47,819	47,477	20,771	14,085	55,655	**-**	**185,807**
Two years later	46,796	47,617	21,065	9,443	-	**-**	**124,921**
Three years later	46,578	47,754	21,459	-	-	**-**	**115,791**
Four years later	46,722	44,485	-	-	-	**-**	**91,207**
Five years later	46,741	-	-	-	-	**-**	**46,741**
Current estimate of cumulative claims	46,741	44,485	21,459	9,443	55,655	**21,057**	**198,840**
Cumulative payments to date	(43,554)	(39,176)	(19,404)	(9,277)	(18,458)	**(4,517)**	**(134,386)**
Liability recognised in the balance sheet	3,187	5,309	2,055	166	37,197	**16,540**	**64,454**
Liability in respect of prior years							**6,962**
Total liability recognised in balance sheet							**71,416**

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair values of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments, fair value of which have been stated in note 14.

29. CAPITAL RISK MANAGEMENT

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

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

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

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

The Company currently meets the externally imposed capital limit.

30. EARNINGS / (LOSS) PER SHARE – BASIC AND DILUTED

		2010	2009
		(Rupees in '000)	
Net profit / (loss) for the year attributable to ordinary shareholders		**491,224**	(855,118)
Weighted average number of ordinary shares outstanding during the year	Number	27,917,963	(Restated) 27,917,963
Basic earnings / (loss) per share	Rupees	17.60	(Restated) (30.63)

31. UNAVAILED CREDIT FACILITIES

As at the balance sheet date, the Company has following unavailed credit facilities:

	2010	2009
	(Rupees in '000)	
In respect of short term running finance:		
Bank Al Habib Limited	166,148	-

32. SUBSEQUENT EVENTS

32.1 Subsequent to the year end, a Business Restructuring Plan (BRP) was presented in the board meeting held on 27 January 2011, by virtue of which the Company will discontinue its insurance business and will undertake only strategic and portfolio investment business and develop an effective asset allocation strategy to diversify risk and manage volatility. BRP has been approved in the board meeting and the Extraordinary General Meeting as discussed in note 1 to financial statements.

32.2 The Board of Directors in its meeting held on 25 March 2011 has announced a final cash dividend of Rs.1.50 per share (2009: Rs.1 per share) and bonus shares in the proportion of 4 shares for every 10 shares held (2009: 2.5 share for every 10 shares held) in respect of the year ended 31 December 2010 amounting to Rs.41.88 million (2009: Rs.20.30 million) and Rs.111.67 million (2009: Rs.50.76 million) respectively. These financial statements for the year ended 31 December 2010 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

33. GENERAL

Corresponding figures

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	(Rupees in '000)
General and administration expenses	Financial charges	**5,103**

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 25 March 2011 by the Board of Directors of the Company.

Isar Ahmad Chairman	A. Samad Dawood Chief Executive	Shahid Hamid Pracha Director	Shafiq Ahmed Director

pattern of shareholding

Pattern of Shareholding as at December 31, 2010

Disclosure Requirement under the Code of Corporate Governance

S.No.	Categories of Shareholders	Shares Held	Percentage
1.	**Directors, Chief Executive Officer (including holding of their spouses and minor children)**	**888,033**	3.18%
	Mr. Samad Dawood - CEO	856,715	
	Mr. Aleem A. Dani - Director	1	
	Mr. Aziz Moon - Director	22,522	
	Mr. Haroon Mehanti - Director	8,795	
2.	**Associated Companies, undertakings and related parties**	**19,281,722**	69.07%
	Dawood Corporation (Pvt.) Ltd.	13,819,356	
	Dawood Industries (Pvt.) Ltd.	1,635	
	Sach International (Pvt.) Ltd.	2,509,045	
	Patek (Pvt.) Ltd.	1,535,953	
	Pebbles (Pvt.) Ltd.	1,415,733	
3.	**NIT & ICP**		
	Investment Corporation of Pakistan	**36**	-
4.	**Banks, Development Financial Institutions, Non Banking Financial Institutions and Joint Stock Companies**	**416,112**	1.49%
5.	**Insurance Companies**	**5,552**	0.02%
6.	**Modarabas and Mutual Funds**	**569**	-
7.	**General Public**	**7,081,477**	25.37%
	a. Local	7,081,477	
	b. Foreign	-	
8.	**Others**		
	Cooperative Societies	**244,462**	0.88%
	TOTAL	**27,917,963**	**100%**
9.	**Shareholders holding 10% or more shares**		
	Dawood Corporation (Pvt.) Ltd.	13,819,356	

Pattern of Shareholding

As at December 31, 2010

Number of Shareholders	Shareholding Range From	-	To	Total Shares Held
164	1	-	100	4,245
161	101	-	500	44,486
80	501	-	1,000	60,198
167	1,001	-	5,000	394,004
46	5,001	-	10,000	342,473
25	10,001	-	15,000	317,366
8	15,001	-	20,000	137,635
5	20,001	-	25,000	110,549
5	25,001	-	30,000	151,698
2	35,001	-	40,000	76,075
5	40,001	-	45,000	238,772
4	50,001	-	180,000	467,756
2	200,001	-	500,000	523,747
4	500,001	-	1,000,000	3,426,860
2	1,000,001	-	1,600,000	2,951,686
2	1,600,001	-	2,600,000	4,851,057
1	2,600,001	-	15,000,000	13,819,356
683				**27,917,963**

S. No	Categories of Shareholders	Number of Shareholders	Total Shares Held	Percentage
1	Individuals	644	7,969,510	28.55
2	Financial Institutions	5	12,939	0.05
3	Joint Stock Companies	30	19,684,895	70.51
4	Insurance Companies	1	5,552	0.02
5	Investment Companies	1	36	-
6	Cooperative Societies	1	244,462	0.88
7	Modarabas & Mutual Funds	1	569	-
		683	**27,917,963**	**100**

For Notes

Central Insurance Company Limited

I/We ______________________________ of ______________________________

being a member of Central Insurance Company Limited and holder of ______________ ordinary shares, as per:

Share Register Folio No. ______________ and/or

CDC participant ID No. ______________ and Sub Account No. __________,

hereby appoint Mr./Ms. ______________________________ of

______________________________, another member of the Company* (or failing him/her

Mr./Ms. ______________ of ______________, another member of the Company*) as my/our

proxy to attend, speak and vote for me/us and on my/our behalf, at the Fifty First Annual General Meeting of the company to be held on Saturday April 30, 2011 at Karachi Marriot Hotel, Abdullah Haroon Road, Karachi and at any adjournment thereof.

Signed this ______________ day of __________ 2011

Witness 1

Signature ______________

Name ______________

CNIC No. or ______________

Passport No. ______________

Address ______________

____

Signature on Revenue
Stamps of Rupees Five

Signature should agree
with specimen signature with the Company

Witness 2

Signature ______________

Name ______________

CNIC No. or ______________

Passport No. ______________

Address ______________

____

* Proxy representing a Corporation may or may not himself/herself be a member of the Company

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's registered office, not less than forty eight hours before the meeting.
2. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the company.
3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

The Company Secretary
Central Insurance Company Limited
Dawood Centre, M.T. Khan Road
Karachi-75530

AFFIX
CORRECT
POSTAGE

Central Insurance Company Limited

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Dawood Centre, M. T. Khan Road,
Karachi - 75530
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Fax: (92-21) 35680218

Lahore Office:
35-A, Shahrah-e-Abdul Hameed Bin Badees
(Empress Road), Lahore
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