

Annual Report 2009



Sheltering Reliably



Reliance Insurance Company Limited

So You Feel Truly Covered



With 28 years of quality service, we at Reliance believe in giving the very best to our customers. With our vision to be recognized as a professional and dependable business entity committed to playing a meaningful role in the development of insurance industry in Pakistan, Reliance continues to soar to greater heights of success and reliability.

We pledge to continue our mission to protecting and securing our patrons' interests and assets.



Reliance Insurance
Company Limited

Head Office:

Reliance Insurance House
181-A, Sindhi Muslim Co-operative Housing Society,
P.O. Box: 13356 Karachi-74400.
Tel: 34539415-17 Fax: 92-21-34539412
E-mail: reli-ins@cyber.net.pk & ric-re@cyber.net.pk
Website: www.relianceins.com

BRANCH NETWORK ALL OVER PAKISTAN

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COMPANY PROFILE

Reliance Insurance Company Limited was incorporated in Pakistan in the year 1981 with a Share Capital of Rs.5.0 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H. Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammad Amin Ahmed Bawany, who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are currently leading industrial groups of Pakistan.

The Present Authorised Capital of the Company is Rs.500 Million while Paid-up Capital has increased to 252.002 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 27 Branches at all important places throughout Pakistan employing a full time work force of 242 persons. It underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional at covers such as Fire, Accident, Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash in-Safe or in Transit etc., it also transacts non-traditional cover such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bond and the like.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs.506.336 Million in 2009. At the end of 2009 General Reserve stood at Rs.87.50 Million and Technical Reserves at Rs.493.359 Million.

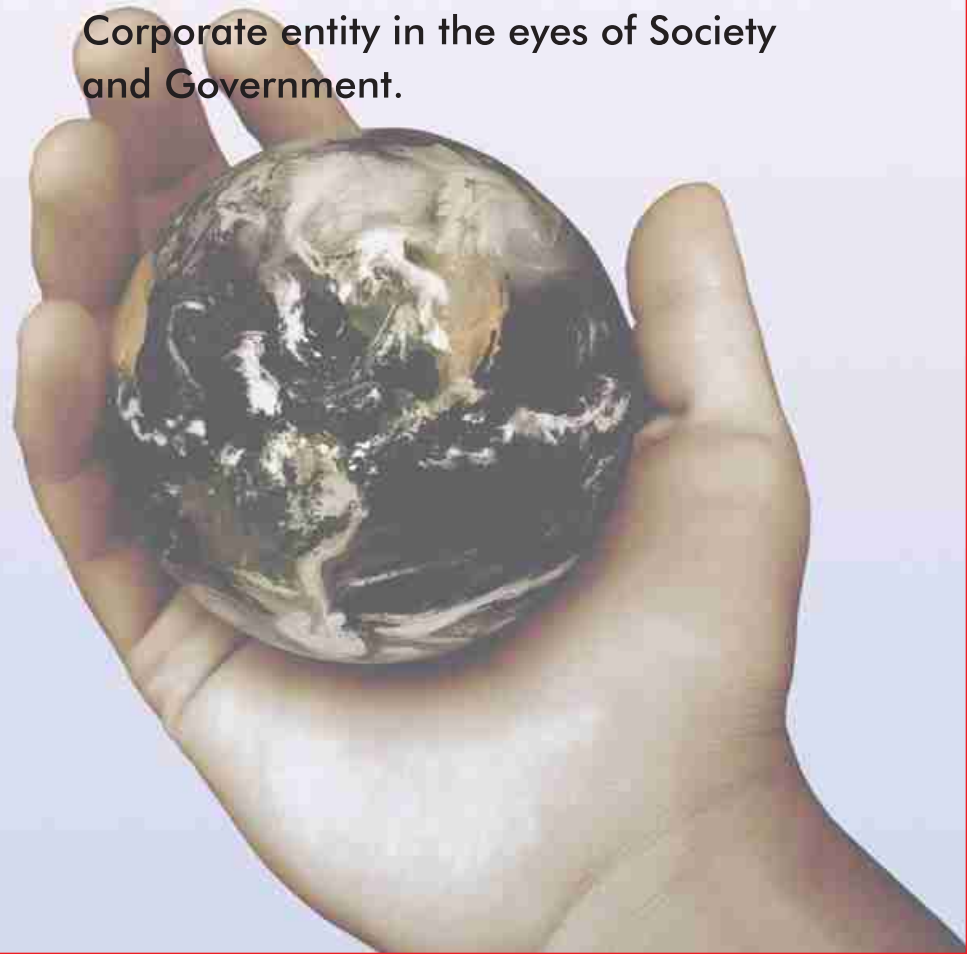


Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders, share-holders, reinsurers, employees and all other business associates/partners.

Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focussing to become a well-known and respected Corporate entity in the eyes of Society and Government.





/ Ismail H. Zakaria /
Chairman



/ M. Amin Ahmed Bawany /
Director



/ A. Aziz Ayoob /
Director



/ Irfan Zakaria Bawany /
Director



/ M. Omer Bawany /
Director



/ Zohair Zakaria /
Director



/ Ahmed Ali Bawany /
Director



/ Noor M. Zakaria /
Director



/ Ashfaq Patel /
Director



/ Yasin Siddik /
Director



/ A. Razak Ahmed /
Chief Executive & M.D



/ Haroon A. Shakoor /
C. A. & Company
Secretary

BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

MOHAMMED AMIN AHMED BAWANY
A. AZIZ AYOOB
IRFAN ZAKARIA BAWANY
MOHAMMAD OMER BAWANY
ZOHAIK ZAKARIA
AHMED ALI BAWANY
NOOR M. ZAKARIA
ASHFAQ PATEL
YASIN SIDDIK

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

MANAGEMENT

BASHARAT M. BARLAS	SEVP
SYED RIZWAN AKHTAR	EVP (Operation)

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

A. AZIZ AYOOB	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
ZOHAIK ZAKARIA	MEMBER

INVESTMENT COMMITTEE

IRFAN ZAKARIA BAWANY	CHAIRMAN
ZOHAIK ZAKARIA	MEMBER
AHMED ALI BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

AUDITORS

HYDER BHIMJI & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

BANKERS

HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
MCB BANK LIMITED
ALLIED BANK OF PAKISTAN LIMITED
UNITED BANK LIMITED
THE ROYAL BANK OF SCOTLAND
NIB BANK LIMITED
BANK ALFALAH LIMITED
FAYSAL BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
THE BANK OF PUNJAB
JS BANK LIMITED

REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative Housing Society,
Karachi.

HEAD OFFICE

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing Society,
P.O. Box No. 13356,
Karachi-74400.
Phone : 34539415-17
Fax : 92-21-34539412
E-mail : reli-ins@cyber.net.pk
ric-re@cyber.net.pk
Website: www.relianceins.com

SHARES REGISTRAR

M/s. C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 53685930

Notice of the Twenty Eighth Annual General Meeting



Notice is hereby given that the 28th Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Friday the 30th April, 2010 at 11.00 a.m. at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society Near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 27th Annual General Meeting of the company held on 30th April, 2009.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2009 together with Directors' and Auditors' Reports thereon.
3. To elect Directors of the Company for a period of three years Under Section 178 of the Companies Ordinance 1984. The number of elected Directors of the Company fixed by the Board of Directors in their meeting held on 25th March, 2010 is Ten (10). The retiring Directors are Messrs. Ismail H. Zakaria, Mohammed Amin Ahmed Bawany, A. Aziz Ayoob, Irfan Zakaria Bawany, Mohammad Omer Bawany, Zohair Zakaria, Ahmed Ali Bawany, Noor M. Zakaria, Ashfaq Patel and Yasin Siddik have indicated their intention to offer themselves for election as Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2010. The present auditors M/s. Hyder Bhimji & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

5. To consider and approve remuneration of the Chief Executive of the Company for a further period of three years effective from 1st November, 2010 to 31st October 2013, as approved by the Board of Directors.

A Statement under section 160 of the Companies Ordinance, 1984 pertaining to the special business referred to above is being circulated to the members alongwith the Notice of Meeting.

OTHER BUSINESS:

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

The Share Transfer Books of the Company will remain closed from 20th April, 2010 to 30th April, 2010 (both days inclusive).

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary

Karachi : 06 April, 2010



NOTES:

1. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Nomination for election to the office of the Directors should be received at the Head Office of the Company not less than 14 days before the Annual General Meeting.
3. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
4. Shareholders are requested to inform the Company of any change in their address, if any immediately.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984 PERTAINING TO THE SPECIAL BUSINESS

The statement set out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2010.

ITEM NO. 5 OF THE AGENDA

Shareholders approval will be sought for the payment of remuneration and provision of certain facilities to the Chief Executive/Managing Director, as approved by the Board in their meeting held on 6th April, 2010. The Chief Executive is interested only in the remuneration payable to him. It is proposed to move the following resolution at the meeting.

Resolved that the Company hereby approve and authorise payment as remuneration to the Chief Executive/Managing Director as follows:

- i) Monthly Basic Salary Rs.246,300/-. The Chairman be and is hereby authorised to determine annual increases.
- ii) All fringe benefits and other perquisites as are allowed to Senior Executives of the Company.

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary

Karachi : 06 April, 2010

OVERVIEW

Year 2009 was a challenging one for financial services sector globally including Pakistan. The economy saw a substantial hike in domestic inflation, slow down of economic growth and devaluation of rupee against major currencies coupled with political crisis and power shortages resulting in slow down of industrial pace. The shortfall in power generation and high tariff rates have a negative and widespread impact. It has brought down industrial production causing shortage at home as well as affecting exports. Country also suffered loss in investor confidence due to threats poised by terrorist attacks which have extended from remote border areas to the main cities. Net foreign investment in Pakistan fell by 45.9 percent to \$1.02 billion in the first eight months of 2009-2010 fiscal year. Textile Sector has been the hardest hit besides other industrial sectors. The plight mainly aggravated by power shortages/frequent load shedding. Insurance being service sector cannot remain isolated and had to take its own brunt.

THE OPERATIONAL RESULTS FOR THE YEAR 2009

The comparative financial highlights of your Company for the year ended 31st December 2009, are as follows:-

	2009	2008
	Rs. in Million	
Gross Premium	506.33	603.193
Net Premium	326.554	445.542
Net Claims including (IBNR)	227.456	208.35
Management Expenses	106.602	138.102
(Loss)/Profit from underwriting business	(51.986)	48.172
Investment Income	53.862	18.262
(Loss)/Profit before Taxation	(30.994)	52.260
(Loss)/Profit after Taxation	(32.644)	40.509
(Loss)/Profit per Share	(1.30)	1.61

Your Company Underwrote gross premium of Rs.506.336 million against Rs.603.193 million of the last year showing a decrease of 16.06%. The net premium revenue stood at Rs.326.555 million against Rs.445.542 million of the last year showing decrease of 26.71%. Investment income increased from Rs.18.262 million to Rs.53.862 million showing an increase of 194.93% . The Pretax loss stood at Rs.30.994 million against Rs.52.259 million profit of last year and after tax loss stood at Rs.32.664 million.

The main factor of decline in premium as also reported earlier in the Annual Report 2008, has been the management's decision to revisiting motor portfolio and take suitable measures to arrest adverse claim experience in this department. The other segment of business like Fire, Marine and Miscellaneous showed underwriting profits.

Claims incurred during the year were Rs.227.456 million against Rs.208.35 million of the previous year, showing increase of 9.17%. Management Expenses reduced to Rs.140.592 million against Rs.153.456 million of the previous year.

It will not be out of place to reiterate that due to intense competition, there has been a constant pressure on premium rates, which does not seem to augur well for the future of insurance industry. The scenario is further clouded by arbitrarily fixing of the so called 'Bank Limits ' and delisting / non listing by banks and financial institutions. The Insurance Associations of Pakistan (IAP) is constantly seized with this matter and are in negotiation with relevant quarters emphasizing the importance of providing level playing field to all the players in the market. Nothing concrete has emerged till now.



INVESTMENT INCOME / CAPITAL GAINS

Investment Income depicts steady growth and it is hoped that it would continue to grow in the coming years, thus supplementing the core income i.e., underwriting profits. Interest and Dividend Income stood at Rs.33.143 million compared to Rs.31.414 million for the last year, registering a growth of 5.50% because of better Dividends received from investment in most of the blue chip companies. Your Company has also booked Rs.8.498 million in Capital gain on sale of Shares. The income from bank deposits had increased from Rs.4.667 million to Rs.5.576 million, in view of return from TFCs and PIBs.

INFORMATION TECHNOLOGY (IT)

Computerization work continues to be in progress in order to meet the challenges of present times and to optimise quality and standard of services to our valued clients. To further enhance the operating capability and efficiency, your company has since entered into an agreement with an experienced & professional software company for implementing Oracle based General Insurance & General Ledger software to bring all branches on line through web base system. The new software system will ensure regular reporting on progress and timely MIS report to the management.

REINSURANCE

Your Company has one of the soundest panel of reinsurers comprising mostly of AA & A rated reinsurers of international repute. The prudent underwriting policy has enabled the management to renew its reinsurance treaty programme for the year 2010 with increased capacity reinforcing leading reinsurers confidence in your Company's underwriting approach.

JCR VIS CREDIT RATING

JCR VIS Credit Rating Company Limited - an affiliate of Japan Credit Rating Agency Limited has reaffirmed your Company's Insurer Financial Strength (IFS) Rating at A- (single A minus) with Stable outlook which signifies High Capacity to meet policy holders and contract obligations.

AUDITORS

Our present auditors M/s. Hyder Bhimji & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, offer themselves for re-appointment for the financial year ending 31st December 2010, at a fee to be mutually agreed. The audit committee has recommended the appointment of M/s. Hyder Bhimji & Co., Chartered Accountants as auditors for the year ending 31st December 2010.

FUTURE OUTLOOK

The Company expects that general economic condition of the Country and the Law and Order situation would improve substantially thus resulting in improved and healthy economic growth in the years ahead. The Insurance Industry will be a direct beneficiary to reap the fruits from this economic growth. The Company will focus on long-term profitable growth through consolidation, improvement in systems and the quality and knowledge of human resources, effective use of technology and management information systems thus facilitating sound and prudent management decisions. Your management is committed about future and Inshallah will strive hard to turn the table around and to make 2010 a better year.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant for the year ended December 31, 2009 have been duly complied with. A statement to this effect is annexed with the report.

BOARD OF DIRECTORS' MEETINGS

During the year Four (4) Board Meetings were held and the number of meetings attended by each Director is given hereunder:

Name of Directors	Attendance
1. MR. ISMAIL H. ZAKARIA	4
2. MR. MOHAMMAD AMIN AHMED BAWANY	4
3. MR. A. AZIZ AYOOB	4
4. MR. IRFAN ZAKARIA BAWANY	3
5. MR. MOHAMMAD OMER BAWANY	4
6. MR. ZOHAIK ZAKARIA	4
7. MR. AHMED ALI BAWANY	3
8. MR. NOOR M. ZAKARIA	3
9. MR. ASHFAQ PATEL	4
10. MR. YASIN SIDDIK	4

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules and other prior engagements.

Chairman of the Board proceeded abroad to perform Umrah and Board Members requested Mr. Mohammad Amin Ahmed Bawany to Chair the meetings.

TRADING OF COMPANY'S SHARES

No trading in the shares of the Company was carried-out by the Directors, CEO, CFO & Company Secretary and their spouses and minor children:

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed and are required to observe these rules of conduct.

COMMITTEE

The Board has constituted Audit Committee and Investment Committee, which comprises of the following Non Executive Directors:

AUDIT COMMITTEE

1. Mr. A. Aziz Ayoob	Chairman
2. Mr. Irfan Zakaria Bawany	Member
3. Mr. Zohair Zakaria	Member
4. Mr. Muhammad Salim Memon	Secretary

INVESTMENT COMMITTEE

1. Mr. Irfan Zakaria Bawany	Chairman
2. Mr. Zohair Zakaria	Member
3. Mr. Ahmed Ali Bawany	Member
4. Mr. A. Razak Ahmed	Member

On behalf of the Board of Directors

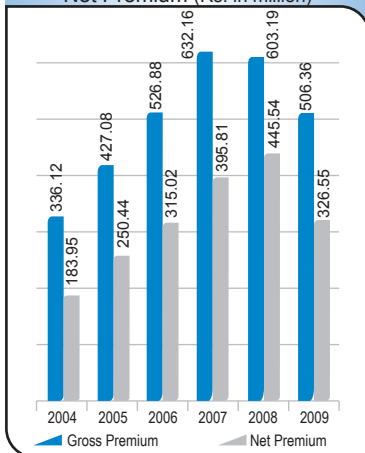


A. Razak Ahmed
Chief Executive & Managing Director

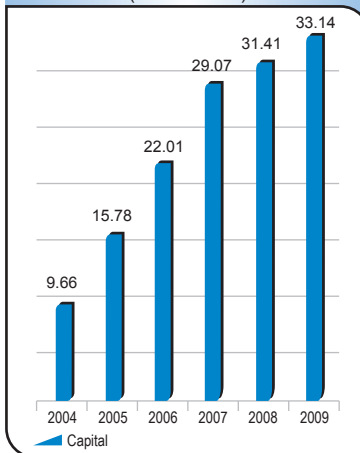
Karachi: 06 April, 2010



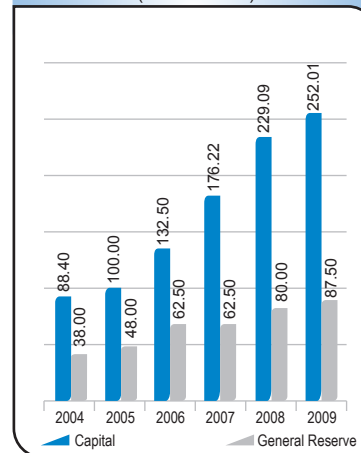
Gross Premium (Rs. in million)
Net Premium (Rs. in million)



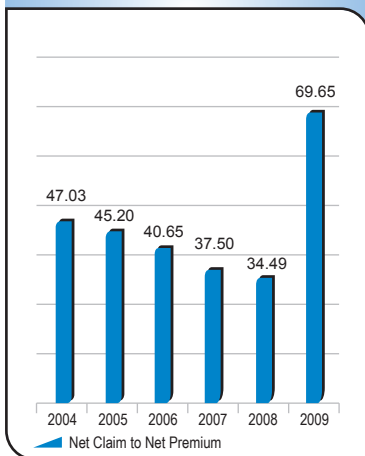
Interest and Dividend (Rs. in million)



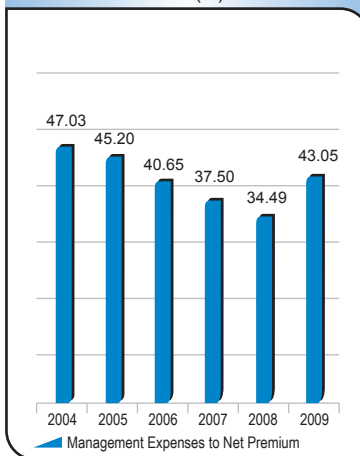
Capital & General Reserve (Rs. in million)



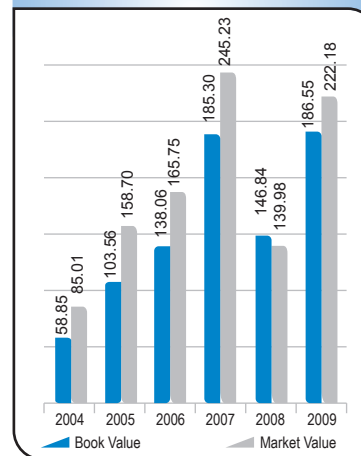
Net Claim to Net Premium Ratio(%)



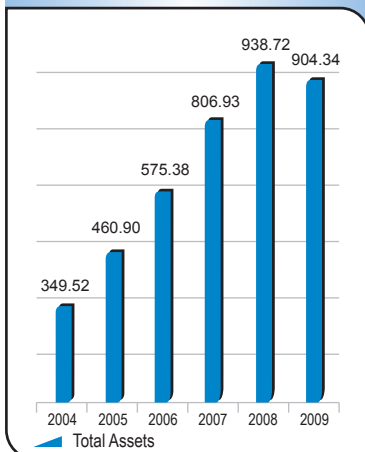
Management Expenses to Net Premium Ratio(%)



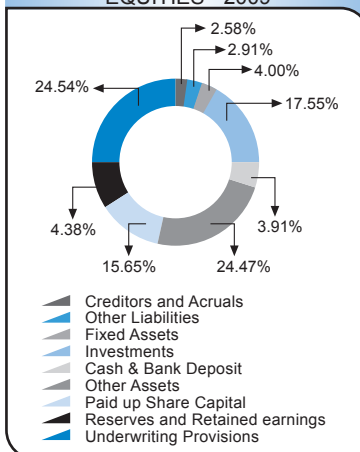
Book Value & Market Value



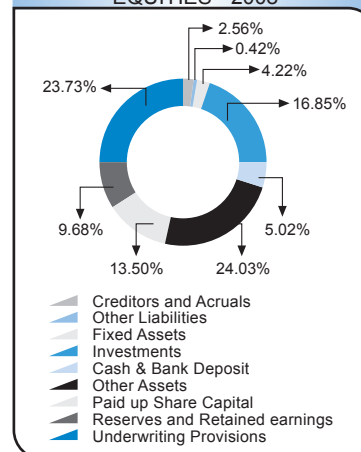
Total Assets (Rs. in million)



ASSETS, LIABILITIES AND EQUITIES - 2009



ASSETS, LIABILITIES AND EQUITIES - 2008



The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:

The Financial statements together with the notes forming integral part of these statements have been prepared by the management of your Company in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000 and present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- a) The financial statements prepared by the management of the Company fairly present its state of affairs, the result of the operations, cash flow and change in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d) The International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) Pattern of Shareholding:
The pattern of shareholding as at 31st December, 2009 is annexed to the accounts.
- g) There are no significant doubts upon the Company's ability to continue as a going concern.
- h) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- i) Key operating and financial data for the last Ten years in summarized form is annexed.
- j) The Value of investments based on the respective audited accounts in respect of the Company's Employees Provident Fund stands at Rs. 21,868,635/-.

ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all Reinsurers including the Pakistan Reinsurance Company Limited, our Bankers, Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their continued guidance and assistance.

The Directors wish to place on record their appreciation for the efforts made by Officers, Field Force and Staff of the Company for their dedication and hard work and for their contribution to the growth of the Company. Your Directors are also grateful to the shareholders for their confidence, support and understanding.

By Order of the Board



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 06 April, 2010



This statement is being present to Comply with the Code of Corporate Governance as contained in the Listing regulations of respective stock exchanges and SRO 68(1)/2003 issued by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 8 independent non-executive directors and 2 non-executive directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose in the Board during the year under consideration.
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, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. 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 is planning to arrange various orientation courses for its directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
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 CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of (3) three members, of whom all 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. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



MOHAMMAD AMIN AHMED BAWANY
Director/Chairman



A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 06 April, 2010

10 Years Growth At a Glance

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
PAID-UP CAPITAL	252.01	229.09	176.25	132.50	100.00	88.40	80.36	80.36	76.53	69.58
GROSS PREMIUM	506.36	603.19	632.16	526.88	427.08	336.12	237.38	191.31	155.86	145.11
NET PREMIUM	326.55	445.54	395.81	315.02	250.44	183.95	136.20	100.59	90.52	77.62
RATIO TO GROSS PREMIUM	64.49%	73.86%	62.61%	59.79%	58.64%	54.73%	57.38%	52.58%	58.08%	53.49%
NET CLAIMS INCURRED	227.46	208.36	156.97	100.21	82.66	64.75	48.37	39.61	33.51	27.58
RATIO TO NET PREMIUM	69.65%	46.77%	39.66%	31.81%	33.01%	35.20%	35.51%	39.38%	37.02%	35.53%
NET EXPENSES	140.59	153.45	148.43	128.06	113.21	86.52	66.20	53.62	39.82	36.38
RATIO TO GROSS PREMIUM	27.76%	25.47%	23.48%	24.31%	26.51%	25.74%	27.89%	28.03%	25.55%	25.07%
RATIO TO NET PREMIUM	43.05%	34.49%	37.50%	40.65%	45.20%	47.03%	48.60%	53.30%	43.98%	46.87%
INVESTMENT	282.68	285.85	298.94	234.97	168.16	95.38	63.37	55.66	55.47	52.42
INVESTMENT INCOME	53.86	18.26	43.23	30.41	23.62	9.85	7.93	6.96	6.61	4.48
PER TAX (LOSS) / PROFIT	(30.99)	52.26	88.34	80.63	57.44	36.03	19.46	16.02	15.95	12.63
(LOSS) / PROFIT EPS	(1.30)	1.77	3.09	4.40	4.22	3.00	1.29	1.25	1.37	1.20
GENERAL RESERVE	87.5	80	62.50	62.50	48.00	38.00	23.00	22.60	20.30	19.50
RESERVE FOR PERMANENT DIMINUTION IN VALUE OF INVESTMENT	5.11	5.11	5.11	5.11	5.11	5.11	5.11	10.11	10.11	10.11
U/w (LOSS) / PROFIT	(51.98)	48.17	58.53	62.46	44.08	35.82	19.60	10.75	17.33	16.38
RESERVE FOR UNEXPIRED RISK	134.59	156.42	197.21	161.54	118.98	90.13	60.00	49.59	36.21	31.05

with the 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 RELIANCE INSURANCE COMPANY LIMITED to comply with the Listing Regulation of the Karachi and Lahore Stock Exchanges where the Company is listed, and the corporate governance applicable to listed Insurance Companies issued under SRO 68(I)/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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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.

Karachi: 06 April, 2010



HYDER BHIMJI & CO.
Chartered Accountants

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
- (vix) statement of investment income

of Reliance Insurance Company Limited ("the Company") as at 31 December 2009 together with the notes forming part thereof, for the year then ended. It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

- a) proper books of 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 except for the changes as described in note 2.5 to the financial statements with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009 and of the loss, 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.



HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: 06 April, 2010

Balance Sheet



as at December 31, 2009

	Notes	2009 Rs.	2008 Rs.
Share Capital and Reserves			
Authorised share capital (2008: 50,000,000 Ordinary Shares of Rs.10/- each)		500,000,000	500,000,000
Paid-up share capital	5	252,001,750	229,092,500
(Accumulated loss) / unappropriated profit		(22,024,570)	41,029,056
Reserves	6	92,605,000	85,105,000
		322,582,180	355,226,556
Underwriting provisions			
Provision for outstanding claims (including IBNR)		227,471,105	252,838,389
Provision for unearned premium		232,763,085	243,900,820
Commission income unearned		33,125,313	30,344,351
Total Underwriting Provisions		493,359,503	527,083,560
Creditors and accruals			
Amounts due to other insurers/reinsurers		38,532,437	35,324,248
Accrued expenses		3,047,417	2,848,472
Taxation - provision less payments		-	5,309,407
Sundry creditors		46,711,534	7,032,961
		88,291,388	50,515,088
Borrowing			
Short term running finance-secured	7	-	5,776,363
Other liabilities			
Unclaimed dividend		115,331	120,535
TOTAL EQUITY AND LIABILITIES		904,348,402	938,722,102
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes from 1 to 28 form an integral part of these financial statements.

Balance Sheet



as at December 31, 2009

FORM GA

	Notes	2009 Rs.	2008 Rs.
Cash and bank deposits			
Cash and other equivalent		111,273	123,719
Current and other accounts		34,909,559	54,184,646
Deposit maturing within 12 months		28,025,000	30,725,000
	9	63,045,832	85,033,365
Loans (secured)			
To employees	10	1,061,059	964,899
Investments			
	11	282,689,979	285,858,481
Current assets-others			
Premiums due but unpaid	12	169,145,269	106,435,031
Amounts due from other insurers/reinsurers		8,534,726	6,225,857
Accrued investment income		10,513,780	30,902,424
Reinsurance recoveries against outstanding claims		144,013,231	214,067,719
Deferred commission expense		53,563,015	47,032,113
Prepaid reinsurance premium ceded		98,174,944	87,473,351
Taxation - provision less payments		6,095,306	-
Trade deposits and prepayments		540,494	540,494
Sundry receivables		662,544	1,400,716
		491,243,309	494,077,705
Fixed assets			
Land and buildings		17,340,766	19,267,518
Furniture, fixtures and office equipment		10,607,651	11,987,922
Motor vehicles		36,531,963	40,255,569
	13	64,480,380	71,511,009
Capital work in progress	13.1	1,827,843	1,276,643
TOTAL ASSETS		904,348,402	938,722,102

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOORB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010

Profit & Loss Account



Financial year ended December 31, 2009

FORM GB
(Amount in Rs.)

	Notes	Fire & Property	Marine Aviation & Transport	Motor	Misc.	2009 Aggregate	2008 Aggregate
Revenue Account							
Net Premium Revenue		112,724,676	53,486,273	155,761,527	4,582,154	326,554,630	445,542,337
Net Claims		(51,202,281)	(12,551,059)	(162,629,581)	(1,073,702)	(227,456,623)	(208,358,530)
Expenses	14	(36,798,370)	(17,460,309)	(50,847,521)	(1,495,820)	(106,602,020)	(138,102,094)
Net Commission		(19,205,649)	(8,063,008)	(22,821,546)	5,608,141	(44,482,062)	(50,908,843)
Underwriting result		5,518,376	15,411,897	(80,537,121)	7,620,773	(51,986,075)	48,172,870
Investment Income						53,861,785	18,262,903
Other Income (Profit on Sale of Fixed Assets)	13.2					1,578,419	1,377,799
Financial Charges						(458,068)	(199,478)
General and administration expenses	14					(33,990,437)	(15,354,251)
(Loss) / Profit before tax during the period						(30,994,376)	52,259,843
Provision for Taxation :	17					(1,650,000)	(11,750,000)
(Loss) / Profit after tax during the period						(32,644,376)	40,509,843
Profit and Loss Appropriation Account							
Balance at Commencement of year						41,029,056	70,886,713
(Loss) / Profit after tax during the period						(32,644,376)	40,509,843
Transfers to reserves (General Reserve)						(7,500,000)	(17,500,000)
Issuance of Bonus Shares for the year 2008:10% (2007:30%)						(22,909,250)	(52,867,500)
Balance Unappropriated (loss) / profit at the end of period						(22,024,570)	41,029,056
(Loss) / Earnings per Share - Basic and Diluted-Restated	18					(1.30)	1.61

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010



Statement of Comprehensive Income



Financial year ended December 31, 2009

	2009 Rs.	2008 Rs.
Profit / (Loss) after tax	(32,644,376)	40,509,843
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(32,644,376)</u>	<u>40,509,843</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010

Statement of Changes in Equity



Financial year ended December 31, 2009

	SHARE CAPITAL	GENERAL RESERVE	PERMANENT DIMINUTION IN VALUE OF INVESTMENT	UNAPPROPRIATED PROFIT / (LOSS)	TOTAL
Balance as at 01-01-2008	176,225,000	62,500,000	5,105,000	70,886,713	314,716,713
Total comprehensive income for the year					
Net Profit after tax for the year	-	-	-	40,509,843	40,509,843
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	40,509,843	40,509,843
Transactions with owners recorded directly in equity					
Issuance of bonus shares and transferred to general reserve	52,867,500	17,500,000	-	(70,367,500)	-
Balance as at 31-12-2008	229,092,500	80,000,000	5,105,000	41,029,056	355,226,556
Total comprehensive income for the year					
Net Loss after tax for the year	-	-	-	(32,644,376)	(32,644,376)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(32,644,376)	(32,644,376)
Transactions with owners recorded directly in equity					
Issuance of bonus shares and transferred to general reserve	22,909,250	7,500,000	-	(30,409,250)	-
Balance as at 31-12-2009	252,001,750	87,500,000	5,105,000	(22,024,570)	322,582,180

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010



Statement of Cash Flows



Financial year ended December 31, 2009

FORM GC

	January to December	
	2009 Rs.	2008 Rs.
Operating Cash Flow		
a) Underwriting activities		
Premium received	438,276,630	556,203,437
Reinsurance premium paid	(200,721,530)	(180,555,056)
Claims paid	(285,946,389)	(331,002,483)
Reinsurance and other recoveries received	103,176,970	124,642,742
Commission paid	(117,198,322)	(82,191,386)
Commission received	64,315,604	66,499,550
Net cash inflow from underwriting activities	<u>1,902,963</u>	<u>153,596,804</u>
b) Other operating activities		
Income tax paid	(13,054,713)	(29,091,261)
General management expenses paid	(106,602,020)	(138,102,094)
Other operating payments	(14,120,338)	(4,784,136)
Loans advanced / repayment received	(96,160)	(24,906)
Other payments on operating assets	39,877,518	4,225,834
Other receipts in respect of operating assets	738,172	362,737
Net cash flow from other operating activities	<u>(93,257,541)</u>	<u>(167,413,826)</u>
Total cash outflow from all operating activities	<u>(91,354,578)</u>	<u>(13,817,022)</u>
Investment activities		
Interest / Dividend received	53,451,409	38,345,192
Payments for Investments	(57,434,211)	(48,128,605)
Proceeds from disposal of investments	81,401,733	19,574,072
Fixed Capital Expenditures	(7,749,251)	(16,652,058)
Proceeds from disposal of fixed assets	5,937,000	5,185,000
Total cash outflow from Investing activities	<u>75,606,680</u>	<u>(1,676,399)</u>

Statement of Cash Flows



Financial year ended December 31, 2009

	January to December	
	2009 Rs.	2008 Rs.
Financing activities		
Unclaimed Dividend paid	(5,204)	(3,443)
Financial Charges	(458,068)	(199,478)
Total cash outflow from financing activities	(463,272)	(202,921)
Net cash Inflow/outflow from all activities	(16,211,170)	(15,696,342)
Cash & other at the beginning of the year	79,257,002	94,953,344
Cash & other at the end of the year	63,045,832	79,257,002
Reconciliation to profit and loss Account		
Operating cash flow	(91,354,578)	(13,817,022)
Depreciation expense	(9,870,099)	(10,570,115)
Financial Charges	(458,068)	(199,478)
Profit on disposal of fixed assets	1,578,419	1,377,799
Increase in assets other than cash	17,650,408	130,964,240
Increase in liabilities other than running finance	(4,052,243)	(85,508,484)
Investment Income	53,861,785	18,262,903
(Loss) / Profit after tax as per profit & loss account	(32,644,376)	40,509,843
Definition of cash		
Cash in hand and at Bank , stamps in hand and short term placements with banks		
Cash for the purposes of the Statement of Cash Flow Consists of:		
Cash and Equivalents	111,273	123,719
Current and Other account	34,909,559	54,184,646
Deposits Maturing Within 12 Months	28,025,000	30,725,000
Short Term Running Finance -Secured	—	(5,776,363)
	63,045,832	79,257,002

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010



Statement of Premiums



Financial year ended December 31, 2009

Business underwritten inside Pakistan.

FORM GD
(Amount in Rs.)

Class	Premium written	Unearned Premium reserve		Premium earned	Reinsurance ceded	Prepaid Reins Premium		Reinsurance expenses	2009 Net Premium revenue	2008 Net Premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and Property Damage	255,639,557	129,628,752	142,981,455	242,286,854	141,267,972	69,254,880	80,960,674	129,562,178	112,724,676	112,383,635
Marine Aviation and Transport	89,887,781	11,086,875	11,792,664	89,181,992	36,260,770	4,377,291	4,942,342	35,695,719	53,486,273	68,098,425
Motor	134,961,077	88,698,266	65,126,960	158,532,383	2,443,307	1,565,083	1,237,534	2,770,856	155,761,527	260,814,260
Miscellaneous	25,847,737	14,486,927	12,862,006	27,472,658	21,648,801	12,276,097	11,034,394	22,890,504	4,582,154	4,246,017
Grand Total	506,336,152	243,900,820	232,763,085	517,473,887	201,620,850	87,473,351	98,174,944	190,919,257	326,554,630	445,542,337

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010

Statement of Claims



Financial year ended December 31, 2009

Business underwritten inside Pakistan.

FORM GE
(Amount in Rs.)

Class	Claims Paid	Outstanding Claims		Claims Expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2009 Net claims expense	2008 Net claims expense
		Opening	Closing			Opening	Closing			
Fire and Property Damage	96,807,434	204,149,600	166,583,720	59,241,554	76,751,145	189,855,623	121,143,751	8,039,273	51,202,281	16,454,835
Marine Aviation and Transport	26,565,447	27,454,450	30,044,255	29,155,252	16,056,979	19,177,266	19,724,480	16,604,193	12,551,059	20,380,069
Motor	152,140,460	18,378,839	28,368,130	162,129,751	1,190,700	2,675,530	985,000	(499,830)	162,629,581	170,266,420
Miscellaneous	10,433,048	2,855,500	2,475,000	10,052,548	9,178,146	2,359,300	2,160,000	8,978,846	1,073,702	1,257,206
Grand Total	285,946,389	252,838,389	227,471,105	260,579,105	103,176,970	214,067,719	144,013,231	33,122,482	227,456,623	208,358,530

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010



Statement of Expenses



Financial year ended December 31, 2009

Business underwritten inside Pakistan.

FORM GF
(Amount in Rs.)

Class	Commissions Paid or payable a	Opening Deferred commission b	Closing Deferred commission c	Net commission expense d=a+b-c	Other Management Expenses e	Underwriting expense f=d+e	Commission from reinsurers g	2009 Net underwriting expense h=f+g	2008 Net underwriting expense
Direct and facultative									
Fire and Property Damage	67,216,326	28,902,351	38,530,642	57,588,035	36,798,370	94,386,405	38,382,386	56,004,019	46,122,465
Marine Aviation and Transport	21,575,151	2,217,375	2,948,168	20,844,358	17,460,309	38,304,667	12,781,350	25,523,317	25,248,962
Motor	19,285,850	13,304,740	9,769,044	22,821,546	50,847,521	73,669,067	-	73,669,067	119,553,903
Miscellaneous	4,470,279	2,607,647	2,315,161	4,762,765	1,495,820	6,258,585	10,370,906	(4,112,321)	(1,914,393)
Grand Total	112,547,606	47,032,113	53,563,015	106,016,704	106,602,020	212,618,724	61,534,642	151,084,082	189,010,937

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010

Statement of Investment Income



Financial year ended December 31, 2009

FORM GG

	2009 Rs.	2008 Rs.
Income from Non-Trading Investments		
Held to maturity		
Return on Government Securities	11,245,346	12,723,243
Return on other fixed income securities and deposits	5,576,744	4,667,391
	16,822,090	17,390,634
Investment Held for Trading		
Dividend Income	15,880,689	13,465,801
Available for sale		
Dividend Income	440,464	557,317
Gain on sale of 'available for sale investment'	8,498,483	1,888,418
Impairment loss/reversal of impairment in the value of investment	12,300,537	(15,000,000)
less: Investment related expenses	(80,478)	(39,267)
Net Investment Income transferred to P&L A/c.	<u><u>53,861,785</u></u>	<u><u>18,262,903</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

MOHAMMAD AMIN AHMED BAWANY
Director/Chairman

ZOHAIR ZAKARIA
Director

A. AZIZ AYOOB
Director

A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010



Financial year ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

The Reliance Insurance Company Limited was incorporated in Pakistan as a Public Limited Company on 4th November, 1981 and is engaged in General Insurance Business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore.

The Registered Office of the Company is situated at 96-A, Sindhi Muslim Co-Operative Housing Society, Karachi.

2. BASIS OF PREPARATION

These financial Statements have been prepared in accordance with the Insurance Ordinance 2000 and the formats prescribed under Insurance Rules vide SRO 938(1) dated 12th December 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Insurance Ordinance 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statement in conformity with the requirements of 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 judgments/estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

Classification of investment

In classifying investment as "held-to-maturity" the company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the company evaluates its intention and ability to hold such investment to maturity.

In classifying investments as "held-for-trading" the company has determined securities, which are acquired with the intention to trade taking advantage of short-term market / interest rate movements.

Financial year ended December 31, 2009

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value. (market value in accordance with the requirements of SRO 938 issued by the SECP in December, 2002).

Income Tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account

Fixed assets and depreciation

In making estimates of the depreciation method the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard-8, Change in Accounting Policies, Changes in accounting Estimates and Errors

Impairment

Available-for-sale

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

Premium Deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims; claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

2.5 Changes in accounting policies

Starting 01 January 2009, the company has changed its accounting policies in the following areas:

The company has applied "Revised IAS 1 Presentation of financial Statements (2007)" which became effective from 01 January 2009. The Company has opted single statement approach to present comprehensive income for the year ended 31 December 2009 and comparative period.

The company has applied IFRS-8 Operating Segments which became effective from 1 January 2009. The application of this IFRS has resulted increased disclosures.

Financial year ended December 31, 2009

The Company has adopted "IFRS 4 Insurance Contract", which become effective for financial period beginning on or after 1 January 2009. Although the Securities and Exchange Commission of Pakistan (SECP) through its circular no. 22/2009 dated 30 June 2009 had deferred the applicability of certain requirements of IFRS-4 for the purposes of quarterly accounts for 1st, 2nd and 3rd quarter of the year ended 2009, SECP through its circular no. 4/2010, dated 23 January 2010 has directed the insurance companies to make full compliance with the requirements of IFRS-4 in the annual financial statement for the year ended 31 December 2009 in accordance with the guidelines as well as make necessary disclosures required to be made in the financial statements as framed by the SECP. Accordingly, disclosures have been presented in these financial statements.

The Company has also applied "IFRS - 7 Financial Instrument: Disclosures " from 1 January 2009. As a result, disclosures have been made relating to financial instruments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. The changes in accounting policies only affects presentation of financial statements and there is no impact on earning per share.

3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009).

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

IAS 24 - Related Party Disclosures (revised 2009) - (effective for annual periods beginning on or after 1 January 2011).

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009).

Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).

Amendment to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

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 1 January 2011).

IFRIC 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statement. These amendments are unlikely to have an impact on the Company's financial statements.

Improvements to IFRS 2008 - Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - (effective for annual periods beginning on or after 1 July 2009)

Financial year ended December 31, 2009

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Insurance Contracts

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

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

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

4.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of Issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as Unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

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

4.1.2 Reinsurance Ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsures are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

4.1.3 Claims Expense

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

Financial year ended December 31, 2009

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

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

4.1.4 Reinsurance Recoveries Against Outstanding Claims

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

4.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as assets and liability as under:-

(a) Commission Income

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

(b) Deferred Commission Expense

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

4.1.6 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 expenses in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

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 this financial statement.

4.2 Creditors, Accruals and Provision

Liabilities for creditors and other amount payable are carried at cost which is the fair value of the consideration to be paid in future for goods and / or services received. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and its probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Financial year ended December 31, 2009

4.3 Cash and Cash equivalents

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks are carried in the balance sheet at cost.

4.4 Taxation

4.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provision of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any. Income Tax assessment of the Company has been finalized up to and including the Tax year 2009.

4.4.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted, or subsequently enacted, at the balance sheet date.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

Deferred Tax liability being immaterial has not been provided for.

4.5 Staff Retirement Benefits

Company maintains recognized contributory Provident Fund for all permanent employees for which contribution equal to one month's basic pay plus cost of living allowance per annum is charged to Profit & Loss Account.

4.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and in which case transaction costs are charged to the profit and loss account.

These are recognized and classified into the following categories.

4.6.1 Held to maturity

These are measured at Cost. Investment with fixed maturity where management has both intent and ability to hold to maturity are classified as held to maturity. Investments held to maturity are initially recognized at cost and subsequently measured at amortized cost.

4.6.2 Available for Sale

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

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value. (Market value in accordance with the requirements of SECP (Insurance) Rules 2002. The Company uses Stock Exchange quotations at the balance sheet date to determine market value.

4.6.3 Held for trading

Quoted investments which are acquired principally for the purpose of selling or purchasing in near future or are part of a portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Financial year ended December 31, 2009

4.7 Operating Fixed Assets

Tangible

These are stated at cost less accumulated depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the reducing balance method on yearly basis at the rates as mentioned in note No.13.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while depreciation on assets disposed off during the year is ignored. Gain or Loss on disposal of fixed assets is taken to Profit & Loss Account.

Maintenance and normal repairs are charged to Profit & Loss Accounts as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceed and carrying value of the asset is recognised as an income or expense.

4.7.1 Capital work in Progress

Intangible

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

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

4.8 Revenue Recognition

4.8.1 Premium Income is recognized at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

4.8.2 Administrative Surcharge recovered from insured is recognized as part of premium.

4.8.3 Dividend income is recognized when right to receive the same is established.

4.8.4 Entitlement of bonus shares is recognized when the right to receive the same is established by increasing the number of shares to which the company is entitled without given any monetary effect in the financial statement either in terms of cost or value thereof which is in accordance with the requirement of the Institute of Chartered Accountant of Pakistan (ICAP) Technical Release-15.

4.8.5 Profit or Loss on sale of investments is charged to Profit & Loss Account for the year at the time of disposal/sale.

4.8.6 Income on bank deposits and Defense Saving Certificates is recognized on accrual Basis.

4.8.7 Income on Held to Maturity investments is recognized on time proportion basis using effective interest method

4.9 Management Expenses

Management Expenses are allocated to various class of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.10 Dividend and Bonus Share

Dividend to shareholders is recognized as liability in the period in which it is declared. Similarly, reserve for issue of bonus share is recognized in the year in which such issue is declared.

Financial year ended December 31, 2009

4.11 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 decision 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 Strategy Committee and Board of Directors which 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 segment for reporting purpose 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 provide comprehensive car coverage and indemnity against third party loss.

Miscellaneous insurance provides cover against health, burglary, Loss of cash in safe and in transit, travel, 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 cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

4.12 Offsetting of financial assets and liabilities

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

4.13 Transactions with Related Parties

All insurance business transactions with the related parties are in normal course of business and are carried out at an arm's length basis.

4.14 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, accrued expenses, other creditors and accruals and unclaimed dividend.

All the financial assets and financial liabilities are recognized 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 assets or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

4.15 Impairment

The carrying amount of the Company's assets is reviewed on an ongoing basis to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the assets is determined and impairment losses are recognized in the Profit & Loss Account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial year ended December 31, 2009

5. PAID-UP SHARE CAPITAL

2009 (Number of shares)	2008		2009 Rs.	2008 Rs.
1,156,680	1,156,680	Ordinary Shares of Rs.10 each fully paid in cash	11,566,800	11,566,800
24,043,495	21,752,570	Ordinary Shares of Rs.10 each Issued as fully paid Bonus Shares	240,434,950	217,525,700
<u>25,200,175</u>	<u>22,909,250</u>		<u>252,001,750</u>	<u>229,092,500</u>

Share of the company held by associates amounting to Rs. 2,965,340 (296,534 Shares of Rs. 10/- each). [2008: Rs. 2,553,680 (255,368 Shares of Rs. 10/- each)].

	2009 Rs.	2008 Rs.
6. RESERVES		
i) General Reserve	87,500,000	80,000,000
ii) Reserve for permanent Diminution in value of Investement	5,105,000	5,105,000
	<u>92,605,000</u>	<u>85,105,000</u>
7. SHORT TERM RUNNING FINANCE-SECURED		
Running Finance	-	5,776,363

A running finance facilities of Rs. 20 million has been arranged from HBL and JS Bank at 2% above TDR profit and 175 bps plus kibar respectively. This facility is secured against pledge on the company's TDR for Rs. 11.10 million and PIBs for Rs. 13.00 million with both the banks respectively. This facility however has not been fully availed by the Company.

8. CONTINGENCIES AND COMMITMENTS

CONTINGENCY

During the year ended 31 December 2009, the Company received notice of demand of Rs. 10,870,153 under section 137 (2) of the Income Tax Ordinance, 2001 from Taxation Officer in respect of non deduction of tax on the remittance made to foreign reinsurance companies during the period from July 2008 to March 2009 under the provisions of subsection (5) read with (5A) of section 152 of the Income Tax Ordinance, 2001. This demand has been made as the Company did not obtain certificate of exemption from Commissioner of Income Tax before making remittance to foreign reinsurance companies as required by the double taxation treaties with the respective country where the reinsurance companies are situated. The Company has filed a writ petition before Honourable High Court of Sindh against the demand. The stay is granted by the Honourable High Court of Sindh. Based on the legal advisor's opinion, the Company is confident that the ultimate outcome of the writ petition will be in its favour. Hence, no provision has been made in these financial statements for the year ended 31 December 2009.

Notes to the Financial Statements



Financial year ended December 31, 2009

9. CASH AND BANK DEPOSITS

Cash and bank deposit comprises of Cash on deposit accounts with Bank, Cash and cheques in hand, in transit and, at banks on current and other accounts and stamps in hand.

	2009 Rs.	2008 Rs.
9.1 Cash / Stamps in hand	111,273	123,719
9.2 Current and other deposit accounts		
Cash at bank		
9.2.1 - on current & other accounts	34,909,559	54,184,646
9.3 - on deposit accounts	28,025,000	30,725,000
TOTAL CASH AND BANK DEPOSITS	<u><u>63,045,832</u></u>	<u><u>85,033,365</u></u>

10. LOANS TO EMPLOYEES-SECURED, CONSIDERED GOOD

1,061,059

964,899

This represent mark up free loans to employees of the company in accordance with the terms of the employment secured against their retirement benefits. These loans are recoverable in monthly installments.

11. INVESTMENTS

Notes

2009
Rs.

2008
Rs.

Held to Maturity

Government Securities

84,016,495

90,773,447

Term Finance Certificates - Quoted

12,316,211

12,694,791

Certificate of Investment

2,500,000

2,500,000

11.1

98,832,706

105,968,238

Available for Sale - Quoted

11.2

25,664,285

53,528,315

Held for Trading

154,334,303

134,803,780

In Related Parties

6,558,148

6,558,148

Provision for Impairment

11.3

(2,699,463)

(15,000,000)

282,689,979

285,858,481

Financial year ended December 31, 2009

11.1 Held to Maturity

Face value	Profit Yield %	Profit payment	Particulars	Maturity date	2009	2008
3,000,000	8.15%	Semi annually	Pakistan Investment Bond	30/10/2011	3,220,694	3,331,040
4,000,000	7.15%	Semi annually	Pakistan Investment Bond	12/11/2009	-	3,994,593
5,000,000	7.95%	Semi annually	Pakistan Investment Bond	24/12/2011	5,313,842	5,470,762
4,000,000	9.40%	Semi annually	Pakistan Investment Bond	14/02/2011	4,204,645	4,341,074
1,000,000	9.40%	Semi annually	Pakistan Investment Bond	18/04/2011	1,053,968	1,089,945
5,000,000	9.43%	Semi annually	Pakistan Investment Bond	19/05/2011	4,979,783	4,966,305
10,000,000	10.00%	Semi annually	Pakistan Investment Bond	19/05/2011	9,915,952	9,859,921
4,000,000	9.75%	Semi annually	Pakistan Investment Bond	19/05/2011	3,979,333	3,965,556
5,000,000	9.62%	Semi annually	Pakistan Investment Bond	19/05/2011	4,982,167	4,970,278
5,000,000	10.23%	Semi annually	Pakistan Investment Bond	22/08/2012	4,899,500	4,866,000
10,000,000	14.35%	Semi annually	Pakistan Investment Bond	30/08/2013	9,262,816	-
5,000,000	13.88%	Semi annually	Pakistan Investment Bond	30/08/2011	4,818,195	-
4,000,000	12.29%	Semi annually	Pakistan Investment Bond	03/09/2014	3,885,600	-
10,000,000	Kibor+ 0.35%	Semi annually	Wapda First Sukuk Bond	7 Years	10,000,000	10,000,000
5,000,000	Kibor-0.25%	Semi annually	Wapda Second Sukuk Bond	10 Years	5,000,000	5,000,000
2,000,000	Kibor+ 0.40%	Semi annually	KSEW Sukuk I Certificates	8 Years	2,000,000	2,000,000
5,000,000	Kibor+ 0.40%	Semi annually	KSEW Sukuk II Certificates	8 Years	5,000,000	5,000,000
-	13.25%	on maturity	Government of Pakistan T. Bills	3 months	-	14,617,973
1,500,000	-	-	Defence Savings Certificates	-	1,500,000	7,300,000
					<u>84,016,495</u>	<u>90,773,447</u>

TERM FINANCE CERTIFICATE (QUOTED)

Number of Certificates 2009	Number of Certificates 2008	Company's Name	Face value per certificates	Maturity	Profit Rate	Profit payment	2009	2008
600	600	Jahangir Siddqui & Co. Ltd. III	4,058	5 Years	KIBOR + 1.75%	Semi annually	2,435,064	2,809,686
600	600	Askari Commercial Bank Ltd. II	4,992	8 Years	KIBOR + 1.50%	Semi annually	2,995,200	2,996,400
379	379	Standard Chartered Bank III	4,993	7 Years	KIBOR + 2.00%	Semi annually	1,892,347	1,893,105
400	400	Pakistan Mobil Comm.Ltd. I	4,993	7 Years	KIBOR + 2.85%	Semi annually	1,997,200	1,998,000
600	600	Allied Bank Limited I	4,994	8 Years	KIBOR + 1.90%	Semi annually	2,996,400	2,997,600
							<u>12,316,211</u>	<u>12,694,791</u>

CERTIFICATE OF INVESTMENT

Number of Certificates 2009	Number of Certificates 2008	Company's Name	Face value per certificates	Maturity	Profit Rate	Profit payment	2009	2008
5	5	Orix Leasing Pak. Ltd.	500,000	7 Years	17.30%	On maturity	2,500,000	2,500,000

Financial year ended December 31, 2009

11.2 Available for sale

MUTUAL FUND OF LISTED COMPANIES INCORPORATED IN PAKISTAN (QUOTED)

Number of Shares		Face value Rs.	Company's Name	2009 Rs.	2008 Rs.
31st December 2009	31st December 2008				
300,000	300,000	10	MEEZAN BALANCED FUNDS	3,000,000	3,000,000
40,763	40,763	10	PICIC INVESTMENT FUND	661,469	661,469
57,500	57,500	10	PAKISTAN PREMIER FUND	758,500	758,500
67,590	67,590	10	JS-GROWTH FUND	1,022,756	1,022,756
0	60,776	50	PAKISTAN INT'L ISLAMIC FUND (OPEN)	-	2,500,000
74,200	116,020	100	UNITED GROWTH & INCOME FUND (OPEN)	6,547,873	10,204,822
0	2,509,268	10	NAFA CASH FUND (OPEN)	-	23,815,154
59,037	35,069	100	MCB DYNAMIC CASH FUND (OPEN)	5,000,000	3,000,000
31,886	28,810	100	HBL INCOME FUND (OPEN)	2,500,000	2,500,000
66,254	64,143	50	ALFALAH GHP INCOME FUND (OPEN)	3,173,688	3,065,614
34,082	32,805	100	UNITED ISLAMIC INCOME FUND (OPEN)	3,000,000	3,000,000
<u>731,312</u>	<u>3,312,744</u>			<u>25,664,285</u>	<u>53,528,315</u>
The Market Value as at 31st December				<u>26,366,420</u>	<u>51,520,150</u>

11.3 Provision for Impairment - Net of Reversals

	Notes	2009 Rs.	2008 Rs.
Opening provision		15,000,000	-
Charge for the year		7,699,463	15,000,000
Reversal during the year		(20,000,000)	-
Closing provision	11	<u>2,699,463</u>	<u>15,000,000</u>

In compliance with the directives of SECP, Pakistan Investment Bonds (P.I.B.) for the face value of Rs. 30 million have been Deposited with the State Bank of Pakistan under clause (a) of Section 29 (2) of Insurance Ordinance 2000 and Commission's Circular 15 of 2008 dated July 7, 2008.

12. PREMIUM DUE BUT UNPAID - UNSECURED

	Notes	2009 Rs.	2008 Rs.
Considered good		169,145,269	106,435,031
Considered doubtful		10,000,000	-
		<u>179,145,269</u>	<u>106,435,031</u>
Provision for doubtful balances	12.1	(10,000,000)	-
		<u>169,145,269</u>	<u>106,435,031</u>

12.1 Reconciliation of provision for doubtful balances

	Notes	2009 Rs.	2008 Rs.
Opening balance		-	-
Provision during the year		(10,000,000)	-
Closing balance		<u>(10,000,000)</u>	<u>-</u>

Notes to the Financial Statements



Financial year ended December 31, 2009

13. FIXED ASSETS

2009

Particulars	COST			Rate %	DEPRECIATION				
	Cost as at 01-01-2009	Addition (Sales/ Adjustments) During the year	Cost as at 31-12-2009		As at 01-01-2009	On Sales & Adjustments	For the year	Total as at 31-12-2009	Book Value as at 31-12-2009
Land & Buildings	30,218,901	-	30,218,901	10	10,951,383	-	1,926,752	12,878,135	17,340,766
Furniture & Fixture	11,103,877	18,600	11,122,477	15	5,742,537	-	805,937	6,548,474	4,574,003
Motor Vehicles	68,309,903	6,420,326 (7,338,130)	67,392,099	15	28,054,334	(2,979,549)	5,785,351	30,860,136	36,531,963
Office Equipments	10,676,084	562,525	11,238,609	15	5,855,313	-	765,845	6,621,158	4,617,451
Office Computer	4,744,031	196,600	4,940,631	30	2,938,221	-	586,214	3,524,435	1,416,196
TOTAL 2009	125,052,796	7,198,051 (7,338,130)	124,912,717		53,541,788	(2,979,549)	9,870,099	60,432,338	64,480,380

2008

Particulars	COST			Rate %	DEPRECIATION				
	Cost as at 01-01-2008	Addition (Sales/ Adjustments) During the year	Cost as at 31-12-2008		As at 01-01-2008	On Sales & Adjustments	For the year	Total as at 31-12-2009	Book Value as at 31-12-2008
Land & Buildings	30,218,901	-	30,218,901	10	8,810,548	-	2,140,835	10,951,383	19,267,518
Furniture & Fixture	10,857,495	246,382	11,103,877	15	4,815,646	-	926,891	5,742,537	5,361,340
Motor Vehicles	61,922,123	14,153,850 (7,766,070)	68,309,903	15	26,004,530	(3,958,869)	6,008,673	28,054,334	40,255,569
Office Equipments	10,194,586	481,498	10,676,084	15	5,039,683	-	815,630	5,855,313	4,820,771
Office Computer	4,250,346	493,685	4,744,031	30	2,260,134	-	678,086	2,938,220	1,805,811
TOTAL 2008	117,443,451	15,375,415 (7,766,070)	125,052,796		46,930,541	(3,958,869)	10,570,115	53,541,787	71,511,009

13.1 Capital Work in Progress

	2009 Rs.	2008 Rs.
Computer software	1,827,843	1,276,643

Financial year ended December 31, 2009

13.2 DISPOSAL OF ASSETS - BY NEGOTIATION

13.2.1 VEHICLES

MOTOR CARS

S. No.	Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Profit / (Loss)	Sold to
1	SUZUKI SWIFT R-1428	258,335	248,772	9,563	80,000	70,437	MR. MUHAMMAD FAISAL H.No.B-288,Jail Quarter Mehrabad Society, J.Road No.3, Karachi.
2	HYUDAI SANTRO LWJ-1332	644,000	264,470	379,530	520,000	140,470	MR. MUHAMMAD YOUNUS H.No.G-267, Block-M, Model Town Lahore.
3	SUZUKI ALTO ADC-337	71,300	55,028	16,272	250,000	233,728	MR. NASEEM BAIG Flat No.9, Bldg.No.3, Block-16, Bagh-e-Rizwan, Gulshan, Karachi.
4	HONDA CITY FS-138	878,265	626,236	252,029	380,000	127,971	MR. KAMRAN DAWOOD H.No.24, Peoples Colony No.1, Block-8 Faisalabad.
5	HONDA CITY U-2517	748,310	144,050	604,260	690,000	85,740	MR. NAZAMULLAH BAHAR H.No.1010, Street No-G-10/4, Islamabad.
6	MUTBS. LANCER LEF-8008	1,179,200	310,523	868,677	900,000	31,323	MR. MUHAMMAD HAROON H.No.632/B, Canal View Housing Society Lahore.
7	SUBARO S-6280	283,150	273,082	10,068	100,000	89,932	MR. SALEEM ISHTEAQ Flat No.105, Ruffi Lake Drive, Gulistan-e- Jauhar, Block-18, Karachi.
8	SUZUKI MEHRAN AGW-365	250,000	-	250,000	240,000	(10,000)	MR. AMIR MUHD. KHAN Mohalla Chorigharwala, Near District Council, Layya.
9	SUZUKI ALTO AER-654	513,200	364,303	148,897	250,000	101,103	MRS. HANIFA BAI H.No.1018/3, Hussainabad, Aliabad, Karachi.
10	HONDA CIVIC LRE-4141	170,050	86,793	83,257	695,000	611,743	MR. MUHAMMAD SHAHID H.No. 345, Millat Town, Block-C, Faisalabad.
11	HONDA CITY FSJ-328	907,470	418,914	488,556	700,000	211,444	MR. MUHD. USMAN YAHYA H.No.3-H, Kohinoor Flats, Kohinoor Textile Mills, Faisalabad.
12	TOYOTA COROLLA LEE-1058	1,379,000	137,900	1,241,100	1,100,000	(141,100)	MRS. RAFIA BASIT H.No.276, West wood Colony, Thokar Niaz Baig, Lahore.
MOTOR CYCLES							
13	SUZUKI LOR-3841	35,500	34,261	1,239	10,000	8,761	Mr. MUHD. UMER FAROOQ H.No.341/C/2, PECHS, Karachi.
14	HONDA KCD-7542	10,000	9,465	535	12,000	11,465	MR. MUHD. NAWAZ H.No.118, Sadat Colony, Shah Faisal Colony, Karachi.
15	HONDA MNY-3819	10,350	5,752	4,598	10,000	5,402	MR.AZHAR ALI NASIR H.No.667/12, Street No.10, Writer Colony, Multan.
TOTAL 2009		7,338,130	2,979,549	4,358,581	5,937,000	1,578,419	
TOTAL 2008		7,766,070	3,958,869	3,807,201	5,185,000	1,377,799	

Financial year ended December 31, 2009

	2009 Rs.	2008 Rs.
14. EXPENSES		
Salary, wages and benefits	64,429,049	68,578,229
Rent, taxes, electricity, gas etc	5,609,212	5,448,298
Communication	4,503,724	6,106,811
Printing & stationery	2,440,980	4,425,780
Travelling & entertainment	4,240,457	7,132,348
Repair and maintenance	2,271,061	4,377,683
Legal & professional fees	283,700	380,930
Advertisement expenses	3,487,196	5,670,575
Fees and subscription	3,105,665	4,535,961
Gift and donation	143,485	124,205
Vehicle running fuel and maintenance	17,279,826	20,443,002
Books and periodicals	186,184	182,290
Provision for doubtful receivables	10,000,000	-
Depreciation	9,870,099	10,570,115
Audit fees	175,000	150,000
Director's fees	185,000	170,000
Bonus to staff	3,993,787	3,544,322
Zakat	762,050	538,884
Others	7,625,982	11,076,912
	<u>140,592,457</u>	<u>153,456,345</u>

14.1 Expenses are allocated as under:

Mangament expenses	106,602,020	138,102,094
Genenal & administrative expenses	33,990,437	15,354,251
	<u>140,592,457</u>	<u>153,456,345</u>

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

16. AUDITOR'S REMUNERATION

i. Audit Fees	150,000	125,000
ii. Half Yearly Review Fees	25,000	25,000
	<u>175,000</u>	<u>150,000</u>

17. PROVISION FOR TAXATION

Current Year	<u>1,650,000</u>	<u>11,750,000</u>
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17.1 Reconciliation of Tax charge

(Loss) / Profit for the year before taxation	<u>(30,994,376)</u>	<u>52,259,843</u>
Tax at the applicable of 35%	(10,848,032)	18,290,945
Capital gain exempt from tax	(2,974,469)	(660,946)
Tax effect of dividend income taxed at lower rate	(4,080,288)	(3,505,779)
Others	-	(2,374,220)
Tax effect of expenses that are not allowable in determining taxable income	<u>19,552,789</u>	-
Charge for the current year	<u>1,650,000</u>	<u>11,750,000</u>

Financial year ended December 31, 2009

	2009 Rs.	2008 Rs.
18. EARNING PER SHARE		
(Loss) / Profit after tax for the year	(32,644,376)	40,509,843
Weighted average number of shares outstanding during the year	25,200,175	25,200,175
Basic (loss)/profit earning per share- Restated	<u>(1.30)</u>	<u>1.61</u>

18.1 No figures for diluted earning per share has been presented as the Company has not issued any instrument, which would have an impact on earning per share when exercised.

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

19. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	Chief Executive		Directors		Executives	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Fees	-	-	185,000	170,000	-	-
Managerial Remuneration	2,556,000	1,848,000	-	-	3,131,100	2,724,900
Bonus	462,000	462,000	-	-	688,125	570,000
Rent	1,156,200	831,600	-	-	1,408,200	1,224,000
Others	247,800	212,400	-	-	1,779,852	1,674,837
TOTAL >>>>	<u>4,422,000</u>	<u>3,354,000</u>	<u>185,000</u>	<u>170,000</u>	<u>7,007,277</u>	<u>6,193,737</u>
No. of Persons	1	1	10	10	6	6

Chief Executive and Executives of the Company are provided with Company's maintained car and residential telephone.

Financial year ended December 31, 2009

20. TRANSACTIONS WITH RELATED PARTIES

Investment in related parties have been disclosed in the relevant balance sheet note. There are no transactions with management personnel other than their terms of employment. Remuneration to the key personnel are included in note 19 to these financial statements and are determined in accordance with the terms of their appointment.

	2009 Rs.	2008 Rs.
Premium Underwritten	34,204,059	34,995,705
Premium Collected	31,841,192	24,256,851
Claims Paid	12,300,929	16,066,522
Commission Paid	342,745	2,687,278
Dividend Received	11,776	532,995

21. SEGMENT REPORTING

	Fire & Property		Marine		Motor		Misc		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
REVENUE												
Premium less re-insurance	112,724,676	112,383,635	53,486,273	68,098,425	155,761,527	260,814,260	4,582,154	4,246,017	-	-	326,554,630	445,542,337
Commission	(19,205,649)	(11,287,582)	(8,063,008)	(4,140,900)	(22,821,546)	(38,710,866)	5,608,141	3,230,505	-	-	(44,482,062)	(50,908,843)
TOTAL	93,519,027	101,096,053	45,423,265	63,957,525	132,939,981	222,103,394	10,190,295	7,476,522	-	-	282,072,568	394,633,494
Segment result	5,518,376	49,806,335	15,411,897	22,469,394	(80,537,121)	(29,006,063)	7,620,773	4,903,204	-	-	(51,986,075)	48,172,870
Investment Income									53,861,785	18,262,903	53,861,785	18,262,903
Other Income (Profit on Sale of Fixed Assets)									1,578,419	1,377,799	1,578,419	1,377,799
Financial Charges									(458,068)	(199,478)	(458,068)	(199,478)
General and administration expenses									(33,990,437)	(15,354,251)	(33,990,437)	(15,354,251)
Profit before tax									20,991,699	4,086,973	20,991,699	4,086,973
Provision for Taxation									1,650,000	11,750,000	(30,994,376)	52,259,843
Profit after tax											1,650,000	11,750,000
											(32,644,376)	40,509,843
OTHER INFORMATION												
Segment assets	129,381,888	66,703,588	61,389,886	34,194,414	178,778,251	135,100,831	5,259,254	2,036,912	-	-	374,809,279	375,701,930
Unallocated corporate assets									529,539,123	563,020,172	529,539,123	563,020,172
Consolidated corporate assets											904,348,402	938,722,102
Segment liabilities	200,782,357	111,625,536	95,268,404	56,930,319	277,438,513	160,080,412	8,161,617	2,651,716			581,650,891	577,595,205
Unallocated corporate liabilities									115,331	5,900,341	115,331	5,900,341
Consolidated corporate liabilities											581,766,222	583,495,546

Financial year ended December 31, 2009

22. 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.

22.1 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.

22.1.1 Exposure to credit risk

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

Financial assets	Notes	2009 Rs.	2008 Rs.
Bank deposits	9	34,909,559	54,184,646
Investments	11	282,689,979	285,858,481
Premiums due but unpaid	12	169,145,269	106,435,031
Amounts due from other insurers / reinsurers		8,534,726	6,225,857
Accrued investment income		10,513,780	30,902,424
Reinsurance recoveries against outstanding claims		144,013,231	214,067,719
Trade deposits and prepayments		540,494	540,494
Sundry receivables		662,544	1,400,716
		651,009,582	699,615,368
Not past due		651,009,582	-
Past due but not impaired		-	-
Past due and impaired		-	-
		651,009,582	-

Age analysis of financial assets are follows:

Not past due and past due but not impaired:

2009	Upto 1 year	1-2 years	2-3 years (Rupees)	Over 3 years	Total
Deposits with Banks	62,934,559	-	-	-	62,934,559
Premiums due but unpaid	147,685,066	19,914,372	1,298,508	247,323	169,145,269
Amounts due from other insurers / reinsurers	6,537,918	1,261,796	317,086	417,926	8,534,726
Reinsurance recovery against outstanding claims	17,827,057	113,816,624	3,198,754	9,170,796	144,013,231
Prepaid reinsurance premium ceded	98,174,944	-	-	-	98,174,944
Sundry receivable	120,325	-	-	542,219	662,544
	333,279,869	134,992,792	4,814,348	10,378,264	483,465,273
2008	Upto 1 year	1-2 years	2-3 years (Rupees)	Over 3 years	Total
Deposits with Banks	84,909,646	-	-	-	84,909,646
Premiums due but unpaid	92,930,582	12,531,691	817,123	155,635	106,435,031
Amounts due from other insurers / reinsurers	3,458,315	2,349,616	83,390	334,536	6,225,857
Reinsurance recovery against outstanding claims	180,834,538	17,464,453	9,801,198	5,967,530	214,067,719
Prepaid reinsurance premium ceded	87,473,351	-	-	-	87,473,351
Sundry receivable	1,040,697	360,019	-	-	1,400,716
	450,647,129	32,705,779	10,701,711	6,457,701	500,512,320

Financial year ended December 31, 2009

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

	Rating		Rating Agency	2009	2008
	Short term	Long term		(Rupees)	
Habib Bank Limited	A1+	AA+	JCR-VIS	14,243,975	10,832,556
National Bank of Pakistan	A-1+	AAA	JCR-VIS	322,826	980,751
MCB Bank Limited	A1+	AA+	PACRA	9,752,034	23,278,464
Allied Bank of Pakistan Limited	A1+	AA	PACRA	1,561,529	201,522
United Bank Limited	A1+	AA+	JCR-VIS	3,981,078	3,747,449
The Royal Bank of Scotland	A1+	AA	PACRA	8,475,526	18,101,043
NIB Bank Limited	A1+	AA	PACRA	12,199	27,912
Bank Alfalah Limited	A1+	AA	PACRA	4,977,850	6,251,755
Habib Metropolitan Bank Islamic Limited	A1+	AA-	PACRA	3,000,000	3,000,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,506,623	2,971,107
Bank of Punjab	A1+	AA	PACRA	3,132,963	2,815,732
Askari Bank Limited	AA	A1+	PACRA	921	921
Albarka Investment Bank	A-	A+	PACRA	16,412	16,410
Industrial Development Bank Of Pakistan	-	-		11,997	8,648
Bank Al- Habib	AA	A1+	PACRA	1,112	(279,218)
Faysal Bank Limited	AA	A1+	PACRA	6,848,508	8,186,815
The Bank Of Khyber	BBB	A2	PACRA	416,475	189,645
Soneri Bank Limited	AA	A1+	PACRA	2,619,334	2,542,714
Arif Habib Bank	A-2	A	JCR-VIS	1,995	1,535,420
JS Bank Limited	A1	A	PACRA	51,202	500,000
				<u>62,934,559</u>	<u>84,909,646</u>

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:

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

	Amounts due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid Reinsurance Premium Ceded	2009	2008
	(Rupees)				
A or above (including PRCL)	4,686,185	127,445,414	96,200,724	228,332,323	269,180,879
BBB	3,848,541	16,567,817	1,974,220	22,390,578	38,586,048
Total	<u>8,534,726</u>	<u>144,013,231</u>	<u>98,174,944</u>	<u>250,722,901</u>	<u>307,766,927</u>

22.1.2 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 effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

Sector	2009	2008
	(Rupees in 000)	
Chemical & Pharmaceutical	10,585	5,816
Textile Composite & Garments	27,503	21,097
Paper & Board	11,947	6,867
Communication & IT	34,960	16,668
Engineering Industry	6,124	3,412
Sugar Industry	17,557	16,353
Banks, FI's & DFI's	15,040	21,097
Cement	8,096	4,972
Food, Oil & Edibles	6,584	2,325
Fertilizer	1,955	1,041
Miscellaneous & Others	28,794	6,787
	<u>169,145</u>	<u>106,435</u>

Financial year ended December 31, 2009

22.2 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:

2009

Financial liabilities	Carrying amount	Contractual cash flows	(Rupees)			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
Provision for outstanding claims	227,471,105	227,471,105	40,840,134	161,054,065	25,576,906	-
Amounts due to other insurers / reinsurers	38,532,437	38,532,437	25,101,128	7,085,755	6,345,554	-
Accrued expenses	3,047,417	3,047,417	3,047,417	-	-	-
Unclaimed dividend	115,331	115,331	-	-	115,331	-
Sundry creditors	46,711,534	46,711,534	28,387,421	18,324,108	-	-
	315,877,824	315,877,824	97,376,100	186,463,928	32,037,791	-

2008

Financial liabilities	Carrying amount	Contractual cash flows	(Rupees)			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
Provision for outstanding claims	252,838,389	252,838,389	194,403,845	34,279,629	24,154,915	-
Amounts due to other insurers / reinsurers	35,324,248	35,324,248	25,611,957	8,203,063	1,509,228	-
Accrued expenses	2,848,472	2,848,472	2,848,472	-	-	-
Unclaimed dividend	120,535	120,535	-	-	120,535	-
Sundry creditors	7,032,961	7,032,961	4,702,819	2,330,142	-	-
	298,164,605	298,164,605	227,567,093	44,812,834	25,784,678	-

22.3 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.

22.3.1 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:

Financial year ended December 31, 2009

	2009	2008	2009	2008
	Carrying amounts Rupees		Effective interest rate %	
Fixed Rate Instruments				
Government Securities	84,016,495	90,773,447	7%-14%	7%-14%
TFC	12,316,211	12,694,791	12%-15%	12%-15%
Variable rate instruments				
Financial Assets				
TFC	12,316,211	12,694,791	12%-15%	12%-15%
PLS Accounts	1,364,769	2,485,189	5%-12%	5%-14%
Term Deposits	28,025,000	30,725,000	10%	10%
Financial Liabilities				
Short Term Finance	-	5,776,363	-	12%-14%

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

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. 790,327 (2008: Rs 803,919).

22.3.1.1 Maturity profile of financial assets and liabilities

The Company's exposure to interest/mark-up rate risk on its financial assets and liabilities as at December 31, 2009 are summarized as follows:

Description	Interest / Mark-up Bearing				Non-Interest / Mark-up Bearing			2009 Total Rs.
	Effective Yield / Mark-up Rate (%)	Maturity upto one year Rs	Maturity after one year Rs	Sub Total Rs.	Maturity upto one year Rs	Maturity after one year Rs	Sub Total Rs.	
Financial Assets								
Investment	7-18	1,500,000	97,332,706	98,832,706	160,892,453	22,964,820	183,857,273	282,689,979
Premium due but unpaid	-	-	-	-	147,685,066	21,460,203	169,145,269	169,145,269
Accrued Investment Income	-	-	-	-	10,513,780	-	10,513,780	10,513,780
Amounts Due from other Insurers/Reinsurers	-	-	-	-	6,537,918	1,996,808	8,534,726	8,534,726
Reinsurance Recovery Against Outstanding Claims	-	-	-	-	17,827,057	126,186,174	144,013,231	144,013,231
Loans and Sundry Receivables	-	-	-	-	1,081,184	642,419	1,723,603	1,723,603
Term deposits	5-12	28,025,000	-	28,025,000	-	-	-	28,025,000
Balance with banks in transit and in-hand	5-13	1,364,769	-	1,364,769	33,656,063	-	33,656,063	35,020,832
		30,889,769	97,332,706	128,222,475	378,193,521	173,250,424	551,443,945	679,666,420
Financial liabilities								
Provision for Outstanding claims	-	-	-	-	40,840,134	186,630,971	227,471,105	227,471,105
Amounts due to other Insurers/Reinsurers	-	-	-	-	25,101,128	13,431,309	38,532,437	38,532,437
Sundry Creditors	-	-	-	-	28,387,421	18,324,108	46,711,529	46,711,529
Unclaimed Dividend	-	-	-	-	-	115,331	115,331	115,331
		-	-	-	94,328,683	218,501,719	312,830,402	312,830,402

Financial year ended December 31, 2009

Description	Interest / Mark-up Bearing				Non-Interest / Mark-up Bearing			2008 Total Rs.
	Effective Yield / Mark-up Rate (%)	Maturity upto one year Rs	Maturity after one year Rs	Sub Total Rs.	Maturity upto one year Rs	Maturity after one year Rs	Sub Total Rs.	
Investment	7-20	48,085,590	90,968,238	139,053,828	-	146,804,653	146,804,653	285,858,481
Premium due but unpaid	-	-	-	-	92,930,582	13,504,449	106,435,031	106,435,031
Accrued Investment Income	-	-	-	-	30,902,424	-	30,902,424	30,902,424
Amounts Due from other Insurers/Reinsurers	-	-	-	-	3,458,315	2,767,542	6,225,857	6,225,857
Reinsurance Recovery Against Outstanding Claims	-	-	-	-	180,834,538	33,233,181	214,067,719	214,067,719
Loans and Sundry Receivables	-	-	-	-	1,675,596	690,019	2,365,615	2,365,615
Term deposits	5-13	30,725,000	-	30,725,000	-	-	-	30,725,000
Balance with banks in transit and in-hand	5-13	2,485,189	-	2,485,189	51,823,176	-	51,823,176	54,308,365
		81,295,779	90,968,238	172,264,017	361,624,631	196,999,844	558,624,475	730,888,492

Financial Assets

Financial liabilities

Provision for Outstanding claims	-	-	-	-	194,403,845	58,434,544	252,838,389	252,838,389
Amounts due to other Insurers/Reinsurers	-	-	-	-	25,611,957	9,712,291	35,324,248	35,324,248
Sundry Creditors	-	-	-	-	4,702,819	2,330,142	7,032,961	7,032,961
Unclaimed Dividend	-	-	-	-	-	120,535	120,535	120,535
Short Term Running Finance	-	5,776,363	-	5,776,363	-	-	-	5,776,363
	-	5,776,363	-	5,776,363	224,718,621	70,597,512	295,316,133	301,092,496

22.3.2 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.183,857,273 (2008 Rs.146,804,653) 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 favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing 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.

Financial year ended December 31, 2009

Sensitivity analysis

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices (Rupees)	Hypothetical increase/ (decrease) in shareholders equity	Hypothetical increase / (decrease) in profit / (loss) before tax
31 December 2009	222,179,263	10% increase 10% decrease	244,397,189 199,961,337	14,441,652 (14,441,652)	22,217,926 (22,217,926)
31 December 2008	139,982,206	10% increase 10% decrease	153,980,427 125,983,985	9,098,843 (9,098,843)	13,998,221 (13,998,221)

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.

22.3.3 Foreign currency risk

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

Insurance risk

22.4 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. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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.

Financial year ended December 31, 2009

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 claims 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.

Financial year ended December 31, 2009

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 a 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 the 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.

Financial year ended December 31, 2009

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 / (loss)		Shareholders' equity	
	2009	2008	2009	2008
	(Rupees)			
10% increase in loss				
Fire	(5,120,228)	(1,645,483)	(3,328,148)	(1,069,564)
Marine	(1,255,106)	(2,038,007)	(815,819)	(1,324,705)
Motor	(16,262,958)	(17,026,642)	(10,570,923)	(11,067,317)
Miscellaneous	(107,370)	(125,720)	(69,791)	(81,718)
	(22,745,662)	(20,835,852)	(14,784,680)	(13,543,304)
10% decrease in loss				
Fire	5,120,228	1,645,483	3,328,148	1,069,564
Marine	1,255,106	2,038,007	815,819	1,324,705
Motor	16,262,958	17,026,642	10,570,923	11,067,317
Miscellaneous	107,370	125,720	69,791	81,718
	22,745,662	20,835,852	14,784,680	13,543,304

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 2009	Net 2008
	2009	2008	2009 (Rupees '000)	2008		
Fire & Property	221,633,145	204,093,359	127,136,946	110,996,060	94,496,199	93,097,299
Marine	57,890,067	55,261,656	25,633,747	23,056,191	32,256,320	32,205,465
Motor	4,410,848	7,583,743	-	1,000	4,410,848	7,582,743
Miscellaneous	7,083,895	4,367,520	6,126,283	3,736,505	957,612	631,015
	291,017,955	271,306,278	158,896,976	137,789,756	132,120,979	133,516,522

Financial year ended December 31, 2009

Claims development tables

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 2009.

Analysis on gross basis

Accident year	2005	2006	2007 (Rupees '000)	2008	2009	Total
Estimate of ultimate claims cost:						
At the end of accident year	3,019	7,566	13,318	184,500	189,106	397,509
One year later	3,079	6,126	13,270	146,056	-	168,531
Two years later	2,429	4,385	11,771	-	-	18,585
Three years later	2,214	4,688	-	-	-	6,902
Four years later	3,117	-	-	-	-	3,117
Current estimate of cumulative claims	3,117	4,688	11,771	146,056	189,106	359,088
Cumulative payments to date	(903)	(1,362)	(2,932)	(9,634)	(120,417)	(135,248)
Liability recognised in the balance sheet	2,214	3,326	8,839	136,422	68,689	223,840
Liability in respect of prior years						3,630
Total liability recognised in balance sheet						227,470

23. 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 11.

24. 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 (Rupees '000)	2011
Minimum paid up capital	200,000	250,000	300,000

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

Financial year ended December 31, 2009

25. EVENTS AFTER BALANCE SHEET DATE

The board of Directors in its meeting held on 06 April, 2010 has announced bonus shares Nil (31 December 2008: 10%) in addition Board has approved transfer of Rs. Nil million (31st December 2008: Rs.7.50 million) to general Reserve from unappropriated profits.

	2009	2008
26. NUMBER OF EMPLOYEES		
Number of employees as at year end	242	236

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 06 April, 2010 by the Board of Directors of the company.

28. GENERAL

28.1 Figures have been rounded off to the nearest rupee.

28.2 Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.



MOHAMMAD AMIN AHMED BAWANY
Director/Chairman



ZOHAIR ZAKARIA
Director



A. AZIZ AYOORB
Director



A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 06 April, 2010

Pattern of Shareholding form "34" Shareholders Statistics



As at December 31, 2009

Number of Shareholders	From	Share Holding	To	Total Shares Held
247	1	-	100	5,630
196	101	-	500	55,598
134	501	-	1000	93,924
270	1001	-	5000	647,805
63	5001	-	10000	462,568
35	10001	-	15000	420,190
16	15001	-	20000	271,458
14	20001	-	25000	306,228
11	25001	-	30000	302,985
6	30001	-	35000	192,836
4	35001	-	40000	147,052
4	40001	-	45000	165,539
3	45001	-	50000	137,810
6	50001	-	55000	309,022
4	55001	-	60000	228,536
1	65001	-	70000	66,654
5	70001	-	75000	363,371
1	75001	-	80000	76,100
4	90001	-	95000	364,130
2	95001	-	100000	195,785
2	100001	-	105000	204,752
6	105001	-	110000	649,440
3	115001	-	120000	351,437
1	120001	-	125000	122,582
1	125001	-	130000	129,620
1	130001	-	135000	134,975
2	150001	-	155000	305,578
2	155001	-	160000	317,852
1	170001	-	175000	170,671
2	185001	-	190000	378,775
1	190001	-	195000	190,249
1	210001	-	215000	212,280
1	235001	-	240000	235,198
1	250001	-	255000	251,925
2	255001	-	260000	512,238
3	265001	-	270000	799,469
1	275001	-	280000	278,218
1	310001	-	315000	311,190
1	335001	-	340000	339,225
1	355001	-	360000	359,745
1	360001	-	365000	362,197
1	380001	-	385000	384,755
1	385001	-	390000	386,927
1	460001	-	465000	464,666
1	470001	-	475000	473,788
1	515001	-	520000	515,906
1	520001	-	525000	524,100
1	700001	-	705000	703,892
1	730001	-	735000	732,278
1	735001	-	740000	735,746
1	740001	-	745000	740,606
1	760001	-	765000	760,780
1	805001	-	810000	807,664
1	985001	-	990000	985,749
1	1515001	-	1520000	1,516,618
1	4035001	-	4040000	4,035,863
1076				25,200,175

S/R No.	Categories of Shareholders	Number of Shareholders	Total Share Held	Percentage %
1	INDIVIDUALS	1031	23,304,762	92.48
2	INVESTMENT COMPANIES	6	486	0.00
3	INSURANCE COMPANIES	2	45,342	0.18
4	JOINT STOCK COMPANIES	26	844,434	3.35
5	FINANCIAL INSTITUTIONS	3	388,707	1.54
6	MODARABAS	1	256,814	1.02
7	STOCK EXCHANGE	1	925	0.00
8	WELFARE SOCIETY	1	26,950	0.11
9	MANUFACTURER	1	305	0.00
10	COOPERATIVE SOCIETIES	1	8,024	0.03
11	CHARITABLE TRUSTS	1	71,500	0.28
12	MODARABA MANAGEMENT COMPANIES	1	1	0.00
13	WAKF ALAL AULAD	1	251,925	1.00
		1076	25,200,175	100.00

As at December 31, 2009

Categories of Shareholders	Number	Shares held	%
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
First Al-Noor Modaraba	1	256,814	1.02
Anam Fabrics	1	39,720	0.16
NIT / ICP/ IDBP			
Investment Corporation of Pakistan	7	492	0.00
DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN	22	11,412,214	45.29
The details are as under:			
MR. ISMAIL H. ZAKARIA	1	255,424	
MR. MOHD. AMIN AHMED BAWANY	1	29,468	
MR. A. AZIZ AYOOB	1	107,809	
MR. IRFAN ZAKARIA BAWANY	1	1,568,444	
MR. MOHD. OMER BAWANY	1	151,767	
MR. ZOHAIK ZAKARIA	1	115,084	
MR. AHMED ALI BAWANY	1	40,552	
MR. NOOR M. ZAKARIA	1	101,509	
MR. ASHFAQ PATEL	1	4,035,863	
MR. YASIN SIDDIK	1	3,199	
MRS. ZARINA BAI ISMAIL	1	235,198	
MRS. ROSHANARA AMIN	1	473,788	
MRS. MEHRUNNISA A. AZIZ	1	119,727	
MRS. SHEHLA IRFAN	1	1,517,411	
MRS. RUKHSANA BAI OMER	1	515,906	
MRS. AMBREEN AHMED ALI	1	985,749	
MRS. SHAHNAZ NOOR MOHAMMAD	1	158,983	
ANAM IRFAN ZAKARIA	1	134,975	
BILAL OMER	1	37,429	
RABEEHA OMER	1	28,979	
ALTAMASH AHMED ALI	1	59,204	
MOIN NOOR MOHAMMAD	1	735,746	
EXECUTIVE	-	-	
PUBLIC SECTOR COMPANIES AND CORP.	-	-	
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	6	434,974	1.73
JOINT STOCK COMPANIES	24	804,714	3.19
INDIVIDUALS	1,009	11,893,034	47.19
OTHERS	6	358,705	1.42
TOTAL :-	1,076	25,200,175	100.00

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST

Mr. Ashfaq Patel	-	4,035,863	-
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Chief Executive & Managing Director

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Extension : 204

Mr. Haroon A. Shakoor
Chief Accountant &
Company Secretary

Direct : 34539409
Extension : 203

Mr. Syed Rizwan Akhtar
Executive Vice President (Operations)

Direct : 34304067
Extension : 210

Mr. M. Amin Bawany
Vice President (Marine & Accident)

Direct : 34557079
Extension : 201

Mr. Muhammad Ishaque Azim
Vice President (Fire)

Direct : 34304068
Extension : 212

Mr. Sadruddin Hussain
Vice President (Claims)

Direct : 34550403
Extension : 208

Mr. Abdul Rahim Patni
Deputy Chief Manager (Reinsurance)

Direct : 34539411
Extension : 215

Mr. Muhammad Salim Memon
Deputy Chief Manager (Investment/shares)

Extension : 214

Mr. Ghulam Mujaddid
Chief Manager (Accounts)

Extension : 205

Mr. Muhammad Masood Alam
Manager (Administration)

Direct : 34539411
Extension : 206

Mr. Muhammad Masood Ali
Deputy Chief Manager (I.T. Deptt.)

Extension : 202

Mr. Ramesh Kumar
Assistant Manager (Internal Audit)

Extension : 209

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Executive Vice President

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Vice President

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Executive Vice President

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Assistant Vice President

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Fax : (021) 32628779

Hyderabad Branch

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Tilak Road, Hyderabad.

Mr. Abdullah Ahmed
Regional Manager

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Fax : (022) 2623029

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Zonal Office, Lahore (North Zone)

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Mr. Sh. Khushnood Ashraf
Executive Vice President

PABX : (042) 7239063, 7353292
7234255, 7351353
Direct : (042) 7354689
Fax : (042) 7312526

Regional Office, Lahore

90-A/3, 1st Floor, Canal Park,
Gulberg-II, Lahore.

Mr. Basharat M. Barlas
Senior Executive Vice President

Ph : (042) 35761077, 35761078
35763446, 35763447
Fax : (042) 35761235

Gulberg Branch

House No.17-A, Block-E/1,
Gulberg-III, Lahore.

Mr. Tehseen Ahmed Khan
Executive Vice President

Ph : (042) 35752245, 35752989
35751971, 35756557
Fax : (042) 35756217

Eden Centre Branch

321, Eden Centre,
43 Ghausal Azam Road, (Jail Road)
Lahore.

Mr. Ch.H.S.Asghar
Vice President

Ph : (042) 37599277, 37599377
37589669
Fax : (042) 37576032

Al-Rehman Branch

2nd Floor, Al-Rehman Building ,
Regal Cinema Lane, 65, The Mall,
Lahore.

Mr. Nisar Ahmed Chughtai
Senior Vice President

Ph : (042) 7323113, 7322473
7354848
Fax : (042) 7247925

Garden Town Branch

Suit No.17, 1st Floor, Shan Arcade,
New Garden Town, Lahore.

Mr. Basit Anwar Butt
Executive Vice President

Ph : (042) 35889258, 35889259
Fax : (042) 35889260

Khan Plaza Branch

4th Floor, Khan Plaza,
G. T. Road, Gujranwala.

Mr. Sohailuddin Zafar
Assistant Vice President

Ph : (055) 4215422, 4216422
Fax : (055) 4448139

Model Town Branch

438/1-B, Mini Market,
Model Town, Gujranwala.

Mr. Ch. H.S. Asghar
Vice President

Ph : (055) 3254415, 3259421
Fax : (055) 3253086

Gujrat Branch

Shams Plaza, Near Prince Cinema,
West Circular Road, Gujrat.

Mr. Ch. M. Nazir Ahmed
Vice President

Ph : (053) 3522127

Faisal Complex Branch

3rd Floor, Faisal Complex,
Bilal Road, Civil Lines, Faisalabad.

Mr. A. Majeed Abid
Vice President

Ph : (041) 2611938, 2611939
2626480

Fax : (041) 2621033

Taj Plaza Branch

Room No.16, 2nd Floor, Taj Plaza,
Kotwali Road, Faisalabad.

Mr. Muhammad Akhlaq
Vice President

Ph : (041) 2617277, 2622182
2615922

Fax : (041) 2412010

Circular Road Branch

P-156, 6th Floor, Ashraf Butt Centre,
Circular Road,
Faisalabad.

Mr. Mushtaq Ahmed
Vice President

Ph : (041) 2638034, 2635640
2412067

Fax : (041) 2412068

Rawalpindi Branch

43/C, 2nd Floor, Bank Road,
Near NBP, Rawalpindi Cantt.

Mr. Abdul Karim Siddiqi
Vice President

Ph : (051) 5700223, 5523260

Fax : (051) 5514384

Peshawar Branch

T-3 & 4, Bilour Shopping Plaza,
3rd Floor, Saddar Road, .
Peshawar Cantt.

Mr. Abdul Salam Niazi
Vice President

Ph : (091) 5274617, 5277328
5250830

Fax : (091) 5284683

Regional Office Multan

1st Floor, 5-Commercial Plaza,
Opp. Civil Hospital, Abdali Road,
Multan.

Mr. Syed Bahar Shah Bukhari
Senior Vice President &
Regional Head

Ph : (061) 4517349

Fax : (061) 4510049

Khanpur Branch

Old Ghalla Mandi, Khanpur,
Distt. Rahimyar Khan.

Mr. Abdul Razzak Choudhry
Vice President

Ph : (068) 5572772

Fax : (068) 5572772

Hasilpur Branch

27-B, 1st Floor, Main Bazar,
Hasilpur.

Mr. Muhammad Shafi Anjum
Vice President

Ph : (062) 2442473

Fax : (062) 2448073

Sahiwal Branch

147, Railway Road,
Sahiwal.

Mr. Muhammad Saeed
Branch Manager

Ph : (040) 4467477

Fax : (040) 4467477

Sialkot Branch

Room No.4 & 5, 1st Floor,
Mughal Plaza, Kutchery Road,
Sialkot.

Mr. Ghulam Rasool Farrukh Zahidi
Branch Manager

Ph : (052) 4296075, 4296076

Fax : (052) 4296077

Gojra Branch

P-132, Post Office Road,
Gojra.

Mrs. Shahnaz Akhtar
Branch Manager

Ph : (046) 3511917

Fax : (046) 3513111

Notes

Annual General Meeting

On Friday the 30th April, 2010 at 11.00 a.m.

at "RELIANCE INSURANCE HOUSE"

181-A Sindhi Muslim Housing Society

Near Mehdi Tower, Sharah-e-Faisal, Karachi.

I/We _____
of _____ being a Member of Reliance Insurance Company Limited
and holder of _____ Ordinary Shares as per Share Register Folio No. _____
(Number of Shares)
and / or CDC Participant I.D. No. _____ and Investor Account / Sub Account No. _____
hereby appoint _____
of _____
or failing him _____
of _____
as my proxy to vote for me on my behalf at the annual general meeting of the Company to be held on Friday, the 30th April,
2010 and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Witnesses:

1. Signature: _____
Name: _____
Address: _____
CNIC No. Or Passport No. _____
2. Signature: _____
Name: _____
Address: _____
CNIC No. Or Passport No. _____

Signature

Affix
Rs. 5/-
Revenue
Stamp

(Signature should agree with the
specimen signature registered with
the Company)

Note:

1. This form of Proxy, duly completed, must be deposited at the Company's Head Office at Reliance Insurance House, 181-A, Sindhi Muslim Co-operative Housing Society, Karachi, not later than 48 hours before the time appointed for the meeting.
2. CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
3. No person shall act as proxy unless he/ she is a member of the Company.
4. CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.





Reliance Insurance Company Limited

181-A, Sindhi Muslim Co-operative Housing Society,
Karachi-74000.