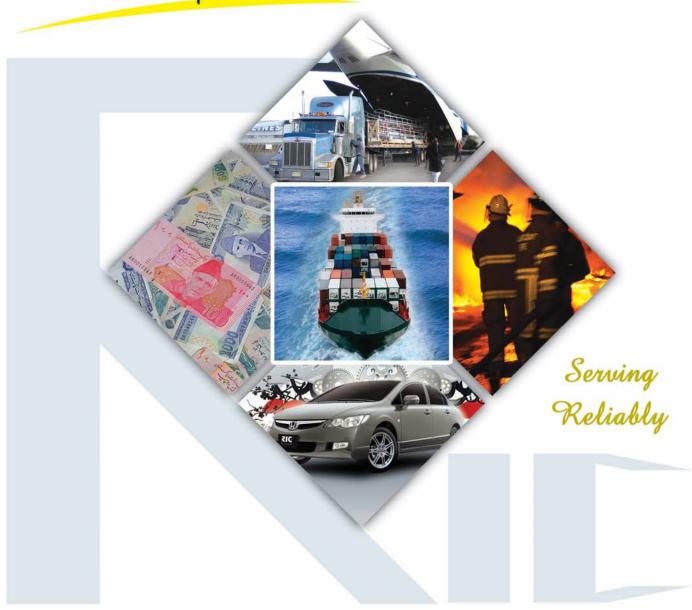
Annual Report 2010





Reliance Insurance Company Limited





Annual Report December 31, 2010

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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 reputed 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 25 Branches at all important places throughout Pakistan employing a full time work force of 220 persons. It underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional 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 covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bond, Aviation 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.529.544 Million in the year 2010. At the end of 2010 General Reserve stood at Rs.87.50 Million and Technical Reserves at Rs.437.162 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 /



/ Infan Zakarla Bawany Director



M. Omer Bawany Director



Zohair Zakaria / Director



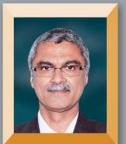
/Ahmed All Bawany/ Director



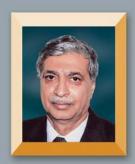
/ Noor M. Zakaria Director



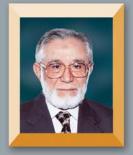
/ Ashfaq Patel Director



/ 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
ZOHAIR 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 ZOHAIR ZAKARIA MEMBER

INVESTMENT COMMITTEE

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

AUDITORS

HYDER BHIMJI & COMPANY CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

HABIB BANK LIMITED

BANKERS

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

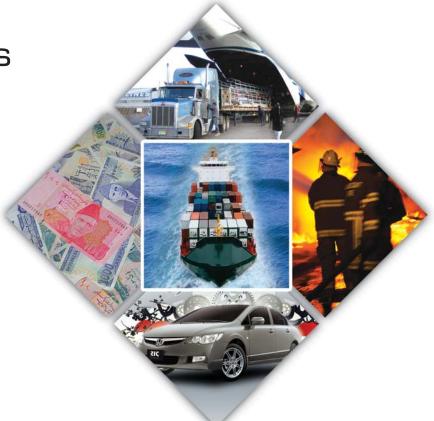
SHARES REGISTRAR

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





Services



Reliance Insurance Company Limited underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire and Allied perils, Accident, Motor, Marine (Import and Exports), Loss of Profits, personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Fidelity Guarantee, Public Liability Products Liability, Travel Insurance, Cash-in-Safe or in Transit etc., we also transact non-traditional covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bonds, Aviation Hull and Liabilities and the like.





The Standard Fire Policy covers loss and/or damage caused by fire and lightning.

The basic fire policy can be extended to include a number of additional/extraneous risks known as special perils or allied perils. These include: riot and strike damage, malicious damage, atmospheric disturbance (including flood), earthquake fire and shock, explosion, impact damage, aircraft damage.

The property insured normally includes residential/commercial buildings, factory/warehouse buildings, household goods, stock and stock in process, fixtures and fittings, plant and machinery etc.

Consequential Loss Due to Fire

RICL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.





Marine cargo insurance provides protection to Imports and Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail.

Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all risks as per Institute Cargo Clauses A. For lesser risk Institute Cargo Clauses B & C are available. Even cover on TLO (Total Loss only, due to total loss of the vessel/aircraft) basis is also available.

Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport within the territory of Pakistan.





The minimum requirement by law under Motor Vehicles Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person The following policies are available under this section:

Act Liability only: provides cover in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under Motor Vehicles Act, 1939.

Third Party: provides cover as above plus damage to third party property.

Comprehensive Insurance: provides cover for third party liability plus protection against loss and/or damage to the car/vehicle itself as well as snatching/theft.

The policy can be extended to include accidental personal injuries to and death of the Driver and Passengers.





Engineering policies mainly cover damage to, or breakdown of specific items of plant and machinery, cost of repair of own/surrounding property, legal liability for damage to property of others, caused by the aforesaid damage of breakdown.

Cover for loss of profits and standing charges following machinery breakdown is also available. Cover against Contractor s All Risks (CAR), Erection All Risks (EAR), Contractor s Plant and Machinery insurance, Boiler & Pressure vessel insurance, Electronic Equipment insurance etc. are also available.





Contractors undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc., are usually required to furnish guarantees/bonds guaranteeing the fulfillment of their contractual obligations to the principals.

Traditionally, Bid Bonds, Advance Payments/Mobilization Bonds, Performance Bonds, Supply Bonds, Maintenance Bonds & Customs and Excise Bonds are available.





The wide range of products available under miscellaneous head includes, but not limited to, Personal Accident Insurance, House-breaking and Burglary Insurance, Travel Insurance, Cash-in-safe/Cash-in-transit Insurance, Public Liability and Products Liability Insurance General Third Party Liability, Fidelity Guarantee, Workmen's Compensation/Employer's Liability Insurance, Group Hospitalization Insurance, Plate glass Insurance, Baggage Insurance etc.





Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance plans to the commercial as well as private airlines. Our comprehensive aviation insurance plan protects the insured from probable risks. Reliance Insurance provides amongst others following aviation insurance services:-

- Aviation Hull All Risks
- Aviation Legal Liabilities
- Aviation Hull War & Allied Perils
- Loss of License of Pilots
- Aircraft's Ferry Flight Insurance
- Crew Legal Liabilities
- Airline s Airport Booth Insurance

Notice of the Twenty Ninth Annual General Meeting



Notice is hereby given that the 29th Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Saturday the 30th April, 2011 at 2..00 p.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 28th Annual General Meeting of the company held on 30th April, 2010.
- 2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2010 together with Directors' and Auditors' Reports thereon.
- 3. To appoint auditors and fix their remuneration for the year ending December 31, 2011. The present auditors M/s.Hyder Bhimji & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

4. To approve the issuance of bonus shares @ 12.50% i.e. 1 ordinary share for every 8 ordinary shares held, out of the profit for the year ended December 31, 2010, as recommended by the Directors by passing the following Ordinary Resolution:

"Resolved that a sum of Rs. 31,500,220 out of the Company's Reserve for the issue of Bonus Shares be capitalized and applied to the issue of 3,150,022 ordinary shares of Rs.10/- each and allotted as fully paid up Bonus Shares to the Members who are registered in the Book of the Company as at close of business on April 21, 2011 in the proportion of 1 new share for every 8 existing ordinary shares held and that such new Shares shall rank pari passu with existing ordinary shares of the Company.

Further, resolved that Bonus Shares forming part of such fraction holding which is not in exact multiple of 1:8 Shares will be sold in the Stock Market and proceeds for such shares shall be distributed amongst the Shareholders in accordance with their entitlement

That for the purpose of giving effect to the foregoing, the Chief Executive and Company Secretary be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractions."

A Statement under section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to the special business referred to above is being sent to the members alongwith the Notice of the Meeting.

OTHER BUSINESS:

Karachi: 29 March, 2011

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

By order of the Board

HAROON A. SHAKOOR

Chief Accountant & Company Secretary

Notice of the Twenty Ninth Annual General Meeting



NOTES:

- 1. The Share Transfer Book of the company shall remain closed from April 22, 2011 to April 30, 2011 (both days inclusive). Transfer received in order at the office of the Registrar, M/s. C & K Management Associates (Pvt.) Ltd., Trade Tower, Abdullah Haroon Road, Karachi-75530 by the close of business on April 21, 2011 will be treated in time for the purpose to determine entitlement of Bonus Shares and to attend the meeting.
- 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.
- 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:

Karachi: 29 March, 2011

- 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, 2011.

Your Directors have recommended the issue of Bonus Shares in the Proportion of 1 Shares for every 8 ordinary shares held on April 21, 2011. The Directors are interested. In this business to the extent of their entitlement to Bonus Shares as Shareholders.

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary



Your Directors take pleasure in presenting the Twenty-Ninth Annual Report alongwith the Audited Accounts of the Company for the year ended December 31, 2010.

OVERVIEW

Year 2010 was yet another challenging year for the economy of the country. Unprecedented floods inflected heavy losses to the already depressed economy. Escalating prices particularly of food items, upward revision of electricity, gas and fuel tariffs, power shortages, frequent load shedding of electricity and gas, deteriorating law and order situation - all these factors coupled with political uncertainty have contributed in slow down of business and industrial activities.

Additionally, country also suffered loss in investor's - confidence particularly foreign investors due to threats poised by terrorist attacks which have extended and travelled from remote border areas to main cities.

However despite these challenging environment, your Company has managed to increase the Gross Premium by Rs.23.183 million - an increase of 4.58% over the previous year.

OPERATIONAL RESULTS FOR THE YEAR 2010

The comparative financial highlights of your Company for the year ended 31st December, 2010 are as follows:-

	2010 _	2009
	Rs. in Mi	llion
Gross Premium	529.544	506.336
Net Premium	267.920	326.554
Net Claims (including IBNR)	96.430	227.456
Management Expenses	99.462	106.602
Profit/Loss from U/W Business	31.929	(51.986)
Investment Income	54.861	53.862
Profit/Loss before Taxation	56.684	(30.994)
Profit/Loss after Taxation	51.934	(32.644)
Profit/Loss per Share (EPS)	2.06	(1.30)

Your Company underwrote gross premium of Rs.529.544 million against Rs.506.336 million of the last year showing an increase of 4.58%. The net premium has decreased to Rs.267.920 million against Rs.326.555 million of the last year showing decrease of 17.96%.

Claims incurred during the year were Rs.96.430 million against Rs.227.456 million of the previous year, showing decrease of 131.03%. Management Expenses and General & Administration Expenses reduced to Rs.130.781 million against Rs.140.592 million of the previous year.

At the cost of repetition, we may again, like previous years reiterate that due to intense competition, there has been a constant pressure on premium rates. This does not seem to augur well for the future of insurance industry. We can only hope and pray that better sense would prevail in the larger interest of the insurance industry. The scenario is further clouded by arbitrarily fixing of the so called 'Bank Limits' and delisting / non listing by Banks, DFI's and Financial institutions. The Insurance Associations of Pakistan (IAP) is constantly seized with this issue and are in negotiation with relevant quarters emphasizing the importance of providing a level playing field to all the players operating in the market. However, nothing concrete has emerged till date.

INVESTMENT

The investment strategy of your Company to invest in high credit debt instruments (TFCs), Government Securities (PIB), Sukuk Bond, COI, Mutual Funds, and shares of selected blue chip companies remains unchanged. Conscious of the fact



that capital market is historically volatile the share portfolio of RICL is well spread and diversified amongst various sectors, primarily focusing on regular dividend paying scrips. The book value of your company's investment is Rs.284.605 million as at 31st December, 2010, compared to Rs.282.690 million of the corresponding period of last year.

The company will continue to place special efforts in generating a significant portion of its investment income from sustainable sources such as interest & dividends. The market value of Investment portfolio stood at Rs.348.834 million and Company's investment in Bank Deposits Accounts stood at Rs.25.075 million.

INVESTMENT INCOME / CAPITAL GAINS

Investment Income depicts steady growth and it is hoped that it would continue to grow satisfactorily in the coming years, thus supplementing the core business income i.e., underwriting profits. Investment Income including Capital gain stood at Rs.54.861 million against Rs.53.862 million of corresponding period of last year.

Interest and Dividend Income stood at Rs.34.881 million compared to Rs.33.143 million for the last year registering a growth of 5.24% in view of better dividends received from most of the blue chip scrips. The Company was able to realize capital gain of Rs.23.355 million compared to Rs. 8.498 million last year. Income from bank and fixed income securities had enhanced from Rs.5.576 million to Rs.5.664 million.

Appropriation of Profit:

The profit before tax amounted to Rs.56.684 million (2009 loss Rs.30.994 million). Profit after tax stood at Rs.51.934 million - earning per Share Rs.2.06 per ordinary share of Rs.10 each.

Profit / Loss for the year 2009 brought forward Profit after Tax for the year 2010	Rs. (22,024,570) Rs. 51,934,488	
Transfer from Reserve for permanent	Rs. 29,909,918	
Diminution in value of Investment	Rs. 5,105,000	
Available for Appropriation	Rs. 35,014,918	

Your directors recommended that the above amount be appropriated in the following manner:

Appropriation:

Transfer to General Reserve	2,500,000
Proposed issue of bonus shares @ 12.5%	31,500,220
Carry forward to next year	1,014,698
Total	35,014,918

PAID- UP CAPITAL AND GENERAL RESERVES

Your Company believes in strengthening the Capital base and reserves commensurate with the growth of the Company and also to meet the mandatory minimum capital requirement (MCR). In line with this strategy, above noted appropriations would increase Paid-up Capital to Rs.283.502 million and General Reserve to Rs.90.000 million, while the total Assets stands at Rs.903.459 million.



INFORMATION TECHNOLOGY (IT)

Computerization work continues to be in progress to meet the challenges of present day requirements and to optimize quality and standard of services to our valued clients. To further enhance the operating capability and efficiency, your company has implemented Oracle based General Insurance & General Ledger software to bring all branches on line through web base system. The new software system will not only ensure regular reporting but would also provide timely MIS report to management, thus facilitating management to make prompt decisions. This will also improve our customer service.

REINSURANCE

Your Company has one of the soundest panel of world renowned reinsurers comprising mostly of AA & A rated reputed reinsurers. The prudent underwriting policy has enabled the management to renew its reinsurance treaty programme for the year 2011 with increased capacity reinforcing leading reinsurers confidence in your Company's underwriting policy and 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.

FUTURE OUTLOOK

The country's current account deficit has narrowed down during the first eight months of fiscal year 2010\2011- which is a positive indication for country's economy. The exchange rate has almost remained stable and appears to continue to follow the same trend. We are optimistic about the general economic condition of the country and government's efforts for improving the Law and Order situation, despite various constraints which, inter alia, includes energy shortages, high interest rates and depressed global scenario. The Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent decisions.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchange in their listing Rules, relevant for the year ended December 31, 2010 have been duly complied with. A statement to this effect is annexed with the report.

BOARD OF DIRECTOR'S MEETINGS

During the year Five (5) 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	2
2.	Mr. Mohammad Amin Ahmed Bawany	4
3.	Mr. A. Aziz Ayoob	4
4.	Mr. Irfan Zakaria Bawany	5
5.	Mr. Mohammad Omer Bawany	5
6.	Mr. Zohair Zakaria	5
7.	Mr. Ahmed Ali Bawany	3
8.	Mr. Noor M. Zakaria	3
9.	Mr. Ashfaq Patel	3
10.	Mr. Yasin Siddik	2



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.

TRADING OF COMPANY'S SHARES

Except as stated below, no trading in the shares of the Company was carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

Name Sale No. of Shares

Mr. Ashfaq Patel 3,581,360

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.

COMMITTEES

The Board has constituted Audit and Investment Committees, which comprises of the following :- .

AUDIT COMMITTEE

1.	Mr. A. Aziz Ayoob	Chairmar
2.	Mr. Irfan Zakaria Bawany	Member
3.	Mr. Zohair Zakaria	Member

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

The Board has also constituted underwriting, claims and reinsurance committees which met as and when required during the year.

CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAM:

Pakistan Institute of Corporate Governance (PICG), with the technical assistance of International Finance Corporation (IFC), is a recognized body established for improving the quality of Corporate Governance in Pakistan.

In recognition of Program's significance and relevance, Security and Exchange Commission of Pakistan (SECP) directed and accordingly Karachi Stock Exchange (KSE), made an amendment in the Listing Regulations making mandatory for all directors of the listed companies to have certification under "The Board Development Series" of atleast one director to require such certification upto June 2011 and thereafter every following year minimum one director on the Board shall require the said certification under this program.



Your directors are pleased to report that the following Directors were nominated to participate in the said program to comply with the mandatory requirement:

- 1. Mr. Irfan Zakaria Bawany
- 2. Mr. Zohair Zakaria
- 3. Mr. Ahmed Ali Bawany

Insha Allah before the end of June 2011, all the above named directors would successfully acquire the required Certification of the "PICG" programme.

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, 2011, 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, 2011.

ACKNOWLEDGMENT

Karachi: 29 March, 2011

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all Reinsurers including Pakistan Reinsurance Company Limited.

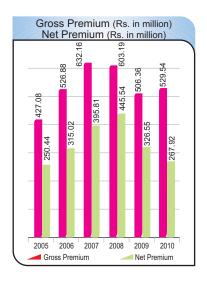
We would also like to record our appreciation for the continued co-operation extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

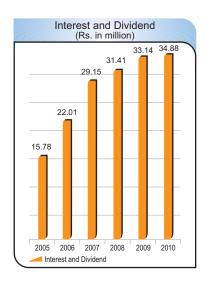
The Directors wish to place on record their appreciation for the efforts made by Officers, Field Force and Staff for their dedication and hard work and for their contribution to the growth of the Company. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

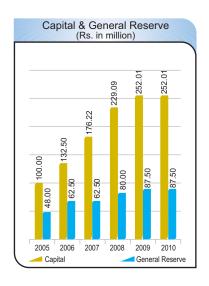
On behalf of the Board of Directors

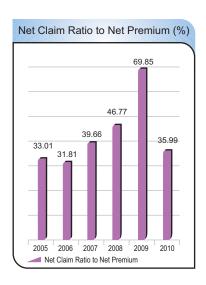
A. Razak Ahmed
Chief Executive & Managing Director

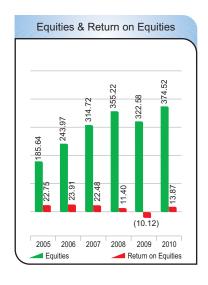


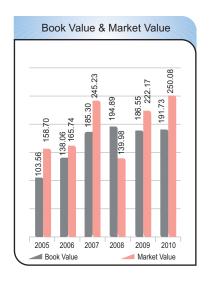


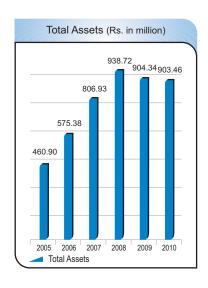


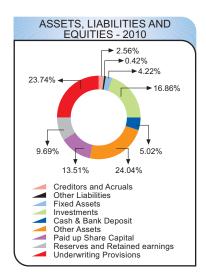


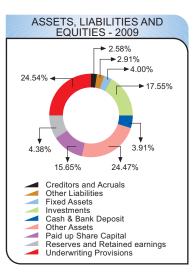












Key Financial Data



10 Years Growth At a Glance

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
PAID-UP CAPITAL	252.01	252.01	229.09	176.25	132.50	100.00	88.40	80.36	80.36	76.53
GROSS PREMIUM	529.54	506.36	603.19	632.16	526.88	427.08	336.12	237.38	191.31	155.86
NET PREMIUM	267.92	326.55	445.54	395.81	315.02	250.44	183.95	136.20	100.59	90.52
RATIO TO GROSS PREMIUM	50.59%	64.49%	73.86%	62.61%	59.79%	58.64%	54.73%	57.38%	52.58%	58.08%
NET CLAIMS INCURRED	96.43	227.46	208.36	156.97	100.21	82.66	64.75	48.37	39.61	33.51
RATIO TO NET PREMIUM	35.99%	69.65%	46.77%	39.66%	31.81%	33.01%	35.20%	35.51%	39.38%	37.02%
NET EXPENSES	130.78	140.59	153.45	148.43	128.06	113.21	86.52	66.20	53.62	39.82
RATIO TO GROSS PREMIUM	24.69%	27.76%	25.47%	23.48%	24.31%	26.51%	25.74%	27.89%	28.03%	25.55%
RATIO TO NET PREMIUM	48.81%	43.05%	34.49%	37.50%	40.65%	45.20%	47.03%	48.60%	53.30%	43.98%
INVESTMENT	284.60	282.68	285.85	298.94	234.97	168.16	95.38	63.37	55.66	55.47
INVESTMENT INCOME	54.86	53.86	18.26	43.23	30.41	23.62	9.85	7.93	6.96	6.61
PER TAX PROFIT / (LOSS)	56.68	(30.99)	52.26	88.34	80.63	57.44	36.03	19.46	16.02	15.95
PROFIT / (LOSS) EPS	2.06	(1.30)	1.77	3.09	4.40	4.22	3.00	1.29	1.25	1.37
GENERAL RESERVE	87.5	87.5	80	62.50	62.50	48.00	38.00	23.00	22.60	20.30
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
U/W PROFIT / (LOSS)	31.93	(51.98)	48.17	58.53	62.46	44.08	35.82	19.60	10.75	17.33

Code of Corporate Governance Statement of Directors Responsibilities



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.
- 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, 2010 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. 23,778,401/-.

By Order of the Board

A. Razak Ahmed Chief Executive & Managing Director

Statement of Compliance with the Code of Corporate Governance



This statement is being presented 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 non-executive directors and 2 independent 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 NBFI 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.
- 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.

Statement of Compliance with the Code of Corporate Governance



- 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.

ISMAIL H. ZAKARIA

Chairman

A. RAZAK AHMED

Chief Executive & Managing Director

Karachi: 29 March, 2011

Review Report to the Members on Statement of Compliance



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** ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 effectiveness of such internal controls.

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

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

HYDER BHIMJI & CO.

Jose Ohing 6

Karachi: 29 March, 2011 Chartered Accountants

Auditor's Report to the Members



We have audited the annexed financial statements comprising of:

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

of Reliance Insurance Company Limited ("the Company") as at 31 December 2010 together with the notes forming part thereof, for the year then ended. It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (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;
- 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 2010 and of the profit, its comprehensive income, 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: 29 March, 2011

Balance Sheet



as at December 31, 2010

	Notes	2010 Rs.	2009 Rs.
Share Capital and Reserves			
Authorised share capital (50,000,000 Ordinary Shares of Rs.10/ each)		500,000,000	500,000,000
Paid-up share capital Retained earnings Reserves Underwriting provisions	5 6	252,001,750 35,014,918 87,500,000 374,516,668	252,001,750 (22,024,570) 92,605,000 322,582,180
Provision for outstanding claims (including IBNR) Provision for unearned premium Commission income unearned Total Underwriting Provisions		148,990,324 258,879,604 29,292,558 437,162,486	227,471,105 232,763,085 33,125,313 493,359,503
Creditors and accruals		437,102,400	430,000,000
Amounts due to other insurers/reinsurers Accrued expenses Other Creditors and Accuruals Borrowings		49,552,405 2,137,978 39,974,347 91,664,730	38,532,437 3,047,417 46,711,534 88,291,388
Short term running finance	7	-	-
Other liabilities			
Unclaimed dividend		115,331	115,331
TOTAL EQUITY AND LIABILITIES		903,459,215	904,348,402
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, 2010			FORM GA
	Notes	2010	2009
		Rs.	Rs.
Cash and bank deposits			
Cash and other equivalent		147,888	111,273
Current and other accounts		32,318,846	34,909,559
Deposit maturing within 12 months		25,075,000	28,025,000
	9	57,541,734	63,045,832
Loans (secured)			
To employees	10	755,614	1,061,059
Investments	11	284,604,777	282,689,979
livestinents	11	204,004,777	202,009,979
Current assets-others			
Premiums due but unpaid	12	176,919,203	169,145,269
Amounts due from other insurers/reinsurers		4,659,779	8,534,726
Accrued investment income		3,790,906	10,513,780
Reinsurance recoveries against outstanding claims		98,242,108	144,013,231
Deferred commission expense		45,943,667	53,563,015
Prepaid reinsurance premium ceded		159,777,804	98,174,944
Taxation - provision less payments		5,283,460	6,095,306
Trade deposits and prepayments		534,069	540,494
Sundry receivables		746,971	662,544
		495,897,967	491,243,309
Fixed assets			
Tangible	13		
Land and buildings		15,606,690	17,340,766
Furniture, fixtures and office equipment		9,694,181	10,607,651
Motor vehicles		36,412,409	36,531,963
		61,713,280	64,480,380
Intagible			
Computer software		2,945,843	-
			1.00=0.10
Capital work in progress		-	1,827,843
TOTAL ASSETS		903,459,215	904,348,402

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Karachi : 29 March, 2011

Profit & Loss Account



FORM GB

Financial year ended December 31, 2010

							(Amount in Rs.)
	Notes	Fire & Property	Marine Aviation & Transport	Motor	Misc.	2010 Aggregate	2009 Aggregate
Revenue Account							
Net Premium Revenue		101,072,280	52,778,747	109,767,438	4,301,262	267,919,727	326,554,630
Net Claims		(7,729,966)	(19,810,211)	(68,197,634)	(691,937)	(96,429,748)	(227,456,623)
Expenses	14 & 14.1	(37,521,732)	(19,593,404)	(40,749,693)	(1,596,786)	(99,461,615)	(106,602,020)
Net Commission		(19,912,870)	(8,085,569)	(16,053,894)	3,953,354	(40,098,979)	(44,482,062)
Underwriting result		35,907,712	5,289,563	(15,233,783)	5,965,893	31,929,385	(51,986,075)
Investment Income						54,860,926	53,861,785
Other Income	45					4 400 540	4 570 440
(Profit on Sale of Fixed Assets) Financial Charges	15					1,406,516 (193,498)	1,578,419 (458,068)
General and administration expense	ae 1/1 & 1/1 1	l				(31,318,841)	(33,990,437)
Profit before tax during the period		l.				56,684,488	(30,994,376)
Provision for Taxation :	16					(4,750,000)	(1,650,000)
Profit after tax during the period						51,934,488	(32,644,376)
Profit and Loss Appropriation Acc	nunt						
Balance at Commencement of year						(22,024,570)	41,029,056
Profit after tax during the period						51,934,488	(32,644,376)
Transfers to reserves (General Re	eserve)					-	(7,500,000)
Issuance of Bonus Shares for the		nil (2008: 10%)				-	(22,909,250)
Transfers from Reserve for Perma	anent Diminu	ution in value of in	vestment			5,105,000	-
Balance Unappropriated profit at t	the end of pe	eriod				35,014,918	(22,024,570)
Earnings per Share - Basic and D	iluted 17					2.06	(1.30)

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

ISMAIL H. ZAKARIA Chairman

Karachi: 29 March, 2011

MOHAMMAD AMIN AHMED BAWANY

Director

A. AZIZ AYOOB

Director

A. RAZAK AHMED

Chief Executive & Managing Director

Statement of Comprehensive Income



Financial year ended December 31, 2010

	2010 Rupees	2009 Rupees
Profit / (Loss) after tax	51,934,488	(32,644,376)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	51,934,488	(32,644,376)

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

ISMAIL H. ZAKARIA

Chairman Karachi: 29 March, 2011 MOHAMMAD AMIN AHMED BAWANY

Director

A. AZIZ AYOOB

Director

A. RAZAK AHMED

Chief Executive & Managing Director

Statement of Changes in Equity



Financial year ended December 31, 2010

	SHARE CAPITAL	GENERAL RESERVE	PERMANENT DIMINUTION IN VALUE OF INVESTMENT	UNAPPRO- PRIATED PROFIT / (LOSS)	TOTAL	
			— Rupees —			
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 transfered 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	
Total comprehensive income for the year						
Net Profit after tax for the year	-	-	-	51,934,488	51,934,488	
Other comprehensive income	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	51,934,488	51,934,488	
Transactions with owners recorded directly in equity	/					
Issuance of bonus shares and transfered to general reserve	-	-	-	-	-	
Transfer during the year	-	-	(5,105,000)	5,105,000	-	
Balance as at 31-12-2010	252,001,750	87,500,000	-	35,014,918	374,516,668	

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

ISMAIL H. ZAKARIA Chairman

KARIA MOHAMMAD AMIN AHMED BAWANY
n Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 29 March, 2011

Statement of Cash Flows



Financial year ended December 31, 2010

FORM GC

	January to 2010	December 2009
	Rupees	Rupees
Operating Cash Flow		
a) Underwriting activities		
Premium received	515,583,004	438,276,630
Reinsurance premium paid	(282,215,662)	(200,721,530)
Claims paid	(311,923,241)	(285,946,389)
Reinsurance and other recoveries received	182,783,835	103,176,970
Commission paid	(92,734,069)	(117,198,322)
Commission received	62,608,708	64,315,604
Net cash inflow from underwriting activities	74,102,575	1,902,963
b) Other operating activities		
Income tax paid	(3,938,154)	(13,054,713)
General management expenses paid	(99,461,615)	(106,602,020)
Other operating payments	(21,907,778)	(14,120,338)
Loans advanced / repayment received	305,445	(96,160)
Other payments on operating assets	(7,646,626)	39,877,518
Other receipts in respect of operating assets	(78,002)	738,172
Net cash flow from other operating activities	(132,726,730)	(93,257,541)
Total cash outflow from all operating activities	(58,624,155)	(91,354,578)
Investment activities		
Interest / Dividend received	41,654,660	53,451,409
Payments for Investments	(84,388,148)	(57,434,211)
Proceeds from disposal of investments	102,402,490	81,401,733
Fixed Capital Expenditures	(11,312,447)	(7,749,251)
Proceeds from disposal of fixed assets	4,957,000	5,937,000
Total cash outflow from Investing activities	53,313,555	75,606,680

Statement of Cash Flows



Financial year ended December 31, 2010

	January to December 2010 2009 Rupess Rupees		
Financing activities	Nuposs	Nupccs	
H. I. I. I. I. I. I.		(5.004)	
Unclaimed Dividend paid Financial Charges	- (193,498)	(5,204) (458,068)	
Total cash outflow from financing activities	(193,498)	(463,272)	
Net cash Inflow/outflow from all activities	(5,504,098)	(16,211,170)	
Cash & other at the beginning of the year	63,045,832	79,257,002	
Cash & other at the end of the year	57,541,734	63,045,832	
Reconciliation to profit and loss Account			
Operating cash flow Depreciation expense Financial Charges Profit on disposal of fixed assets Increase in assets other then cash Increase in liabilities other than running finance Investment Income Profit after tax as per profit & loss account Definition of cash Cash in hand and at Bank, stamps in hand and short term placements with Cash for the purposes of the Statement of Cash Flow Consists of:	(58,624,155) (9,411,063) (193,498) 1,406,516 11,072,087 52,823,675 54,860,926 51,934,488	(91,354,578) (9,870,099) (458,068) 1,578,419 17,650,408 (4,052,243) 53,861,785 (32,644,376)	
Cash and Equivalents	147,888	111,273	
Current and Other account	32,318,846	34,909,559	
Deposits Maturing Within 12 Months	25,075,000 57,541,734 57,541,734	28,025,000 63,045,832 63,045,832	

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

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 29 March, 2011

Statement of Premiums



Financial year ended December 31, 2010

Business underwritten inside Pakistan.

FORM GD (Amount in Rs.)

Class Premium written	5 .	Unearned Premium reserve		Premium earned	Reinsurance ceded	Prepaid Reins Premium		.	2010	2009
	Opening	Closing	Opening			Closing	Reinsurance expenses	Net Premium revenue	Net Premium revenue	
Direct and facultative										
Fire and Property Damage	226,494,140	142,981,455	124,719,281	244,756,314	143,400,458	80,960,674	80,677,098	143,684,034	101,072,280	112,724,676
Marine Aviation and Transport	191,630,980	11,792,664	79,757,578	123,666,066	136,725,385	4,942,342	70,780,408	70,887,319	52,778,747	53,486,273
Motor	91,469,695	65,126,960	44,963,907	111,632,748	1,297,325	1,237,534	669,549	1,865,310	109,767,438	155,761,527
Miscellaneous	19,949,148	12,862,006	9,438,838	23,372,316	15,687,409	11,034,394	7,650,749	19,071,054	4,301,262	4,582,154
Grand Total	529,543,963	232,763,085	258,879,604	503,427,444	297,110,577	98,174,944	159,777,804	235,507,717	267,919,727	326,554,630

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

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Karachi: 29 March, 2011

Statement of Claims



Financial year ended December 31, 2010

Business underwritten inside Pakistan.

FORM GE (Amount in Rs.)

Class	Claims Paid	Outstandin Opening	ng Claims Closing	Claims Expenses	Reinsurance and other recoveries	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries	2010 Net claims	2009 Net claims
					received	Opening	Closing	revenue	expense	expense
Direct and facultative										
Fire and Property Damage	194,620,058	166,583,720	78,138,053	106,174,391	153,806,796	121,143,751	65,781,380	98,444,425	7,729,966	51,202,281
Marine Aviation and Transport	42,890,351	30,044,255	36,922,170	49,768,266	22,035,476	19,724,480	27,647,059	29,958,055	19,810,211	12,551,059
Motor	68,114,432	28,368,130	30,159,104	69,905,406	1,273,000	985,000	1,419,772	1,707,772	68,197,634	162,629,581
Miscellaneous	6,298,400	2,475,000	3,770,997	7,594,397	5,668,563	2,160,000	3,393,897	6,902,460	691,937	1,073,702
Grand Total	311,923,241	227,471,105	148,990,324	233,442,460	182,783,835	144,013,231	98,242,108	137,012,712	96,429,748	227,456,623

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

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Statement of Expenses



Financial year ended December 31, 2010

Business underwritten inside Pakistan.

FORM GF (Amount in Rs.)

Class	Commissions	Opening Deferred	Closing Deferred	Net commission	Other Management		Commission from	2010 Net underwriting	2009 Net underwriting
	Paid or payable a	commission b	commission	expense d=a+b-c	Expenses e	expense f=d+e	reinsurers g	expense h=f+g	expense
Direct and facultative									
Fire and Property Damage	59,608,513	38,530,642	33,544,810	64,594,345	37,521,732	102,116,077	44,681,475	57,434,602	56,004,019
Marine Aviation and Transport	22,859,318	2,948,168	3,955,280	21,852,206	19,593,404	41,445,610	13,766,637	27,678,973	25,523,317
Motor	13,029,436	9,769,044	6,744,586	16,053,894	40,749,693	56,803,587	-	56,803,587	73,669,067
Miscellaneous	3,423,827	2,315,161	1,698,991	4,039,997	1,596,786	5,636,783	7,993,351	(2,356,568)	(4,112,321)
Grand Total	98,921,094	53,563,015	45,943,667	106,540,442	99,461,615	206,002,057	66,441,463	139,560,594	151,084,082

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

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Statement of Investment Income



Financial year ended December 31, 2010

		FORM GG
	2010 Rs.	2009 Rs.
Income from Non-Trading Investments		
Held to maturity Return on Government Securities Return on other fixed income securities, other securities and deposits	9,316,458 5,664,511	11,276,745 5,576,744
Amortization of premium-net	(322,710)	(31,399)
	14,658,259	16,822,090
Investment Held for Trading Dividend Income	19,817,073	15,880,689
Available for sale Dividend Income	405,758	440,464
Gain on sale of investments Available for sale Held for trading	5,025,219 18,330,602	3,319,374 5,179,109
Impairment / Reversal in the value of investment - net	(3,174,216)	12,300,537
less: Investment related expenses	(201,769)	(80,478)
Net Investment Income transferred to P&L A/c.	54,860,926	53,861,785

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

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director

A. RAZAK AHMED
Chief Executive & Managing Director



Financial year ended December 31, 2010

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.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

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:

2.2.1 Initial application of a standard or an interpretation

Amendments to IFRS - 7 Financial Instrument: Disclosure became effective resulting in increased disclosures, following standards, interpretations and amendments became effective during the year. However, these amendments to IFRS and interpretations did not have any material effect on the Company's financial statements.

Improvements to IFRS's 2009

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued.
- Amendments to IFRS 8 Operating Segments.
- Amendments to IFRS 1 Presentation of Financial Statements.
- Amendments to IFRS 7 Statement of Cash Flows.
- Amendments to IFRS 17 Leases.
- Amendments to IFRS 36 Impairment of Assets.
- Amendments to IFRS 39 Financial Instruments: Recognition and Measurement.

Improvements to IFRS's 2010

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemption for First-time Adopters.

- Amendments to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions.
- Amendments to (IAS 32 Financial Instruments: Presentation Classification of Right Issues, IFRIC 19
 Extinguishing Financial Liabilities with Equity Instruments.



Financial year ended December 31, 2010

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards Limited Exemption from Comprehensive IFRS 7 Disclosures for First-time Adopters.
- Improvements to IFRSs 2010 Amendments to IFRS 3 Business Combinations.
- Improvements to IFRSs 2010 Amendments to IAS 27 Consolidated and Separate Financial Statements.
- IAS 24 Related Party Disclosures (revised 2009).

2.2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 01, 2011:

- Amendments to IAS 32 Financial Instruments: Presentation Classification of Right Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government - related entities. The amendment may result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Assets, Minimum Funding requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.
- Improvements to IFRSs 2010 in May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programs to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments may result in increased disclosures in the financial statements.
- Amendments IAS 12 Deferred Tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.
- Amendments to IFRS 7 Disclosures Transfers of Financial Assets (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets are not derecognized in their entirety, and financial assets are derecognized in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.



Financial year ended December 31, 2010

3. Use of estimates and judgments

The preparation of financial statements 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:

3.1 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.

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).

3.2 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.

3.3 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 accounting estimates and Errors.

3.4 Impairment

Available-for-sale

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

3.5 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.



Financial year ended December 31, 2010

3.6 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.

3.7 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.

3.8 Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

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.

In addition to direct insurance, at times the company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the company. The nature of the risks udertaken such arrangement is consistent with the risks in each class of business as stated above.

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.

Provision for unearned premium

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

Administration surcharge

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.

Premiums due but unpaid

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.



Financial year ended December 31, 2010

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.

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 is being taken to profit & loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

(b) Deferred Commission Expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.



Financial year ended December 31, 2010

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 is 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 it is 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.

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 2010.

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 asset 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.



Financial year ended December 31, 2010

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 SRO 938 issued by the SECP in December 2002).

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.

4.7 Operating Fixed Assets

Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying 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.

4.7.1 Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

4.7.2 Capital work in Progress

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

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.



Financial year ended December 31, 2010

- 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.

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 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 purposes namely fire, marine, motor and miscellaneous.

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

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

Motor insurance 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.



Financial year ended December 31, 2010

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 recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.13 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when company becomes a party to the contractual provisions of the instrument. Any gain or losses on de-recognition of the financial assets and financial liabilities are taken to the profit & loss account.

4.14 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such an indication exists, the recoverable amount of such assets is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5. PAID-UP SHARE CAPITAL

Issued, subscribed and paid up share capital:

2010 (Number of s	2009 shares)		2010 Rupees	2009 Rupees
1,156,680	1,156,680	Ordinary Shares of Rs.10 each alloted for consideration paid in cash	11,566,800	11,566,800
24,043,495	24,043,495	Ordinary Shares of Rs.10 each alloted as Bonus Shares	240,434,950	240,434,950
25,200,175	25,200,175		252,001,750	252,001,750

Share of the company held by associates amounting to Rs. 38,790,610 (3,879,061 Shares of Rs. 10/- each). [2009: Rs. 2,965,340 (296,534 Shares of Rs. 10/- each)].



Financial year ended December 31, 2010

6.	RESERVES	2010 Rupees	2009 Rupees
i)	General Reserve	87,500,000	87,500,000
ii)	Reserve for permanent Diminution in value of Investement	-	5,105,000
		87,500,000	92,605,000
6.(ii)1	Opening balance - January 01 Transfer to profit & loss appropriation account	5,105,000 (5,105,000)	5,105,000 -
	Closing balance - December 31	-	5,105,000
7.	SHORT TERM RUNNING FINANCE-SECURED		
	Running Finance	-	

An aggregate running finance facility of Rs. 20 million (2009: 20 Million) has been arranged from the commercial banks at mark up rate of 2% above TDR from one bank and 175 bps plus 3 months KIBOR from another bank. This facility is secured against pledge of the Company's TDR of Rs. 11.10 Million and PIBs of Rs. 13 Million with the respective banks. This facility has been availed during the year by the Company. As at the year end, the Company has fully paid during the year. The above facility is renewable annually.

8. CONTINGENCIES AND COMMITMENTS

CONTINGENCY

There are no material contingencies and commitments existing as at the year end.

		Notes	2010 Rupees	2009 Rupees
9.	CASH AND BANK DEPOSITS		Raposo	Napooo
9.1	Stamps in hand		147,888	111,273
9.2	Current and other deposit accounts			
	Cash at bank			
	- in current accounts - in saving accounts		31,938,513 380,333	33,544,790 1,364,769
			32,318,846	34,909,559
9.3	- on deposit accounts	9.3.1	25,075,000	28,025,000
	TOTAL CASH AND BANK DEPOSITS		57,541,734	63,045,832

9.3.1 The above term deposits are placed with commercial banks having maturity with in 12 months period and interest bearing. The deposits having profit range from 5.80% to 12.50% per annum (2009: from 5.00% to 11.50% per annum). The above term deposits includes an amuont of Rs.11.10 Million (2009: 11.10 Million) which are pledged against the running finance facility obtained from the commercial bank.



Financial year ended December 31, 2010

	Notes	2010 Rupees	2009 Rupees
10.	LOANS TO EMPLOYEES - SECURED - CONSIDERED GOOD	755,614	1,061,059

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

The investments comprise of the following:

	Held to maturity	11.1	98,747,019	98,832,706
	Available for sale	11.2	22,585,944	32,222,433
	Held for trading	11.3	169,145,493	154,334,303
			290,478,456	285,389,442
	Provision for Impairment	11.4	(5,873,679)	(2,699,463)
			284,604,777	282,689,979
11.1	Held to maturity			
	Government Securities	11.1.1	86,796,601	84,016,495
	Term Finance Certificates-Quoted	11.1.2	9,450,418	12,316,211
	Certificate of Investment	11.1.3	2,500,000	2,500,000
			98,747,019	98,832,706

11.1.1 Held to maturity

Particulars	Face value	Profit Yield %	Profit payment	Maturity date	2010 Rupees	2009 Rupees
Pakistan Investment Bond	3,000,000	8.15%	Semi annually	30/10/2011	3,115,038	3,220,694
Pakistan Investment Bond	5,000,000	7.95%	Semi annually	24/12/2011	5,187,409	5,313,842
Pakistan Investment Bond	4,000,000	9.40%	Semi annually	14/02/2011	4,022,266	4,204,645
Pakistan Investment Bond	1,000,000	9.40%	Semi annually	18/04/2011	1,021,430	1,053,968
Pakistan Investment Bond	5,000,000	9.43%	Semi annually	19/05/2011	4,944,455	4,979,783
Pakistan Investment Bond	10,000,000	10.00%	Semi annually	19/05/2011	9,973,936	9,915,952
Pakistan Investment Bond	4,000,000	9.75%	Semi annually	19/05/2011	3,992,922	3,979,333
Pakistan Investment Bond	5,000,000	9.62%	Semi annually	19/05/2011	4,994,013	4,982,167
Pakistan Investment Bond	5,000,000	10.23%	Semi annually	22/08/2012	4,928,165	4,899,500
Pakistan Investment Bond	10,000,000	14.35%	Semi annually	30/08/2013	9,388,974	9,262,816
Pakistan Investment Bond	5,000,000	13.88%	Semi annually	30/08/2011	4,773,873	4,818,195
Pakistan Investment Bond	4,000,000	12.29%	Semi annually	03/09/2014	3,907,026	3,885,600
Pakistan Investment Bond	5,000,000	14.26%	Semi annually	22/07/2015	4,547,094	-
Wapda First Sukuk Bond	10,000,000	Kibor+ 0.35%	Semi annually	7 Years	10,000,000	10,000,000
Wapda Second Sukuk Bond	5,000,000	Kibor-0.25%	Semi annually	10 Years	5,000,000	5,000,000
KSEW Sukuk I Certificates	2,000,000	Kibor+ 0.40%	Semi annually	8 Years	2,000,000	2,000,000
KSEW Sukuk II Certificates	5,000,000	Kibor+ 0.40%	Semi annually	8 Years	5,000,000	5,000,000
Defence Savings Certificates	1,500,000	-	-	-	-	1,500,000
					86,796,601	84,016,495

The Pakistan Investment Bonds of Rs. 30 million are placed as statutory deposit with State Bank Of Pakistan in accordance with the requirments of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.



Financial year ended December 31, 2010

11.1.2 Term Finance Certificate - Quoted

Name of investee company	Number of 2010	Certificates 2009	Profit payment	Maturity	Face value per certificates	Profit Rate	2010 Rupees	2009 Rupees
Jahangir Siddqui & Co. Ltd. III	-	600	Semi annually	5 Years	4,058	KIBOR + 1.75%	-	2,435,064
Askari Commercial Bank Ltd. II	I 600	600	Semi annually	8 Years	4,990	KIBOR + 1.50%	2,994,000	2,995,200
Standard Chartered Bank III	379	379	Semi annually	7 Years	4,742	KIBOR + 2.00%	1,797,218	1,892,347
Pakistan Mobil Comm.Ltd. I	400	400	Semi annually	7 Years	4,160	KIBOR + 2.85%	1,664,000	1,997,200
Allied Bank Limited I	600	600	Semi annually	8 Years	4,992	KIBOR + 1.90%	2,995,200	2,996,400
							9,450,418	12,316,211
.3 Certificate of investment Name of investee	Number of	Certificates	Profit		Face value		2010	2009
company	2010	2009	payment	Maturity	per certificates	Profit Rate	Rupees	
								Rupees
Orix Leasing Pak. Ltd.	5	5	On maturity	7 Years	500,000	17.30%	2,500,000	2,500,000
Orix Leasing Pak. Ltd.	5	5	On maturity	7 Years	500,000	17.30% 2010 Rupees	2,500,000	' '
·		5	On maturity	7 Years	500,000	2010	2,500,000	2,500,000
•		5	On maturity	7 Years	500,000 11.2.1 11.2.2	2010		2,500,000

11.2.1 Others

Name of investor commons	Number of S	Shares/ Units	Face value	Book Value		
Name of investee company	2010	2009		2010	(Rupees)	2009
MEEZAN BALANCED FUND	300,000	300,000	10	3,000,000		3,000,000
PICIC INVESTMENT FUND	40,763	40,763	10	661,469		661,469
PAKISTAN PREMIER FUND	265,437	57,500	10	2,343,571		758,500
IS-GROWTH FUND	67,590	67,590	10	1,022,756		1,022,756
JNITED GROWTH & INCOME FUND (OPEN)	-	74,200	100	-		6,547,873
MCB DYNAMIC CASH FUND (OPEN)	86,451	59,037	100	9,000,000		5,000,000
HBL INCOME FUND (OPEN)	-	31,886	100	-		2,500,000
ALFALAH GHP INCOME FUND (OPEN)	-	66,254	50	-		3,173,688
JNITED ISLAMIC INCOME FUND (OPEN)	-	34,082	100	-		3,000,000
				16,027,796	_	25,664,285

22,585,944

32,222,433



Financial year ended December 31, 2010

11.2.2 Related party

	No	Number of Shares		Face	2010	2009
	Name of investee company	2010	2009	value	Rupees	Rupees
	AL-NOOR MODARABA	521,220	521,220	10	5,212,200	5,212,200
	B.F MODARABA	115,724	105,204	10	512,566	512,566
	FARAN SUGAR MILLS LTD.	15,780	15,870	10	369,220	369,220
	SHAHMURAD SUGAR MILLS LTD.	23,551	23,551	10	464,162	464,162
				;	6,558,148	6,558,148
	The agregate market value as at 31st December				16,848,419	28,801,871
11.3	Held for trading-Quoted			:	169,145,493	154,334,303
	The aggregate market value of Held f as at December 31	for trading s	ecurities		233,239,536	193,377,392
11.4	Provision for impairment - net of reve	rsal				
	Opening provision				2,699,463	15,000,000
	Charge for the year				4,075,871	7,699,463
					6,775,334	22,699,463
	Reversal during the year				(901,655)	(20,000,000)
	Closing provision				5,873,679	2,699,463
12.	PREMIUM DUE BUT UNPAID - UNS	ECURED				
	Considered good				176,919,203	169,145,269
	Considered doubtful				10,000,000	10,000,000
				'	186,919,203	179,145,269
	Provision for doubtful balances			12.1	(10,000,000)	(10,000,000)
					176,919,203	169,145,269
12.1	Reconciliation of provision for doubtfu	ıl balances				
	Opening balance				(10,000,000)	-
	Provision made during the year				-	(10,000,000)
	Closing balance				(10,000,000)	(10,000,000)



Financial year ended December 31, 2010

13.	FIXED	ASSETS

Tangible assets	13.1	61,713,280
Intangible assets	13.2	2,945,843
		64,659,123

13.1 Tangible assets

Tangible assets	Land & Buildings	Furniture & Fixtures	Motor Vehicles	Office Equipment	Office Computers	Total
Net carrying value basis year ended December 31, 2010			In Ru	ipees —		
Opening net book value (NBV)	17,340,766	4,574,003	36,531,963	4,617,451	1,416,196	64,480,379
Addition (At Cost)	-	70,750	9,176,235	422,347	525,115	10,194,447
Disposal	-		(3,550,484)	-	-	(3,550,484)
Depreciation	1,734,076	690,528	5,745,305	724,198	516,955	9,411,062
Closing net book value =	15,606,690	3,954,225	36,412,409	4,315,600	1,424,356	61,713,280
Gross carrying value basis as at December 31, 2010						
Cost	30,218,901	11,193,227	68,961,664	11,660,956	5,465,746	127,500,494
Accumulated depreciation	14,612,212	7,239,001	32,549,255	7,345,356	4,041,390	65,787,214
Net book value	15,606,689	3,954,226	36,412,409	4,315,600	1,424,356	61,713,280
Net carrying value basis year ended December 31, 2009						
Opening net book value (NBV)	19,267,518	5,361,340	40,255,569	4,820,771	1,805,811	71,511,009
Addition (At Cost)	-	18,600	6,420,326	562,525	196,600	7,198,051
Disposal	-	-	(4,358,581)	-	-	(4,358,581)
Depreciation	1,926,752	805,937	5,785,351	765,845	586,214	9,870,099
Closing net book value =	17,340,766	4,574,003	36,531,963	4,617,451	1,416,197	64,480,380
Gross carrying value basis as at December 31, 2009						
Cost	30,218,901	11,122,477	67,392,099	11,238,609	4,940,632	124,912,718
Accumulated depreciation	12,878,135	6,548,474	30,860,136	6,621,158	3,524,435	60,432,338
Net book value =	17,340,766	4,574,003	36,531,963	4,617,451	1,416,197	64,480,380
Depreciation rate per annum	10%	15%	15%	15%	30%	
Intangible assets	Computer & Software	Total				

13.1 Intangible assets

Net carrying value basis year ended December 31, 2010			
Opening net book value (NBV)	-	-	
Addition (At Cost)	2,945,843	2,945,843	
Disposal	-	-	
Amortization	-	-	
Closing net book value	2,945,843	2,945,843	
Gross carrying value basis as at December 31, 2010			
Cost	2,945,843	2,945,843	
Accumulated amortization	-	-	
Net book value	2,945,843	2,945,843	
Depreciation rate per annum	33%		



Financial year ended December 31, 2010

13.2 DISPOSAL OF ASSETS - BY NEGOTIATION

	T		10		184.144	0:	0:1	I
S. No.	Descripti	on of Assets	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss)	Sold to
	<u> </u>		1 0031	Doproviduoii	Donn fulue	110000	[(2000)	
	MOTOR	CARS						
1	SUZUKI CULTU	JS - ANH-689	600,000	217,075	382,925	490,000	107,075	MR. ASIF IBRAHIM House No. 275, Block B, Adamjee Nagar, Karachi.
2	TOYOTA-COR	OLLA 20D - AKS-418	1,069,000	564,396	504,604	625,000	120,396	MR. MOHAMMAD ANIS MEMON Flat No. A-8, First Floor, Mehran View Plaza, Bundar Road, Sukkur.
3	TOYOTA CORO AKU-935	DLLA SALOON -	1,279,000	675,269	603,731	645,000	41,269	MR. LAL CHAND House No. A-374, Masoom Shah Colony, Kalapul, Karachi.
4	HONDA-VTI - A	ANK-112	1,504,570	544,341	960,229	1,395,000	434,771	MR. ASIF IBRAHIM House No. 275, Block B, Adamjee Nagar, Karachi.
5	DIHATSU-COU	RE - FDY-9214	350,000	251,601	98,399	130,000	31,601	MRS. ULFAT TAHIRA House No. P-615, Gali No. 4, Firdous Colony, Faisalabad.
6	TOYOTA-COR	OLLA - FS-984	965,000	747,960	217,040	750,000	532,960	MR. IFTIKHAR AHMED House No. P-49/C, Mughal Pura No. 1, Main Bazar, P.O. Nishatabad, Faisalabad.
7	HONDA -CITY	- LRD-1900	935,000	676,746	258,254	375,000	116,746	MR. MOHAMMAD YASEEN House No. P-187, Konal Road, Saeed Colony, Faisalabad.
8	SUZUKI CULTU	JS - MNA-1942	625,000	218,594	406,406	425,000	18,594	MR. MANZOOR HUSSAIN BHUTTA House No. 65, Welayatabad Colony No. 1,
	MOTOR	CYCLES						Multan.
9	STAR - KBG-50)49	42,000	25,816	16,184	12,000	(4,184)	MR. KHALID MAHMOOD House No. 4/80, Shah Faisal Colony No. 4, Karachi.
10	YAMAHA - KB	J-9478	59,300	32,336	26,964	13,000	(13,964)	M/S DAWOOD EQUITY, KARACHI
11	YAMAHA - LRE	3-9866	69,800	55,753	14,047	15,000	953	MR. MOHAMMAD AKRAM E-1, Pani Wali Tanki, Block 3, Ghalib Market, Gulberg, Lahore.
12	PAK-HERO - LZ	ZL-2977	37,500	23,339	14,161	12,000	(2,161)	MR. ZULFIQAR ALI House No. 219, Mohalla Shekhan, Shalamar, Lahore Cantt, Lahore.
13	HONDA 125 - F	-DN-07-4099	70,500	22,960	47,540	70,000	22,460	Claim
		TOTAL 2010	7,606,670	4,056,186	3,550,484	4,957,000	1,406,516	
		TOTAL 2009	7 220 420	2 070 540	A 250 504	E 027 000	1 570 440	
		======================================	7,338,130	2,979,549	4,358,581	5,937,000	1,578,419	



Financial year ended December 31, 2010

	2010 Rupees	2009 Rupees
14. EXPENSES		
Salaries, wages and benefits	58,199,971	64,429,049
Rent, taxes, electricity, gas etc.	5,785,636	5,609,212
Communication	4,064,387	4,503,724
Printing & stationery	1,700,066	2,440,980
Travelling & entertainment	3,786,921	4,240,457
Repair and maintenance	2,399,570	2,271,061
Advertisement and sales promotion	4,655,601	3,487,196
Provision for doubtful receivable	-	10,000,000
Depreciation	9,411,063	9,870,099
Auditors` remuneration 14.2	225,000	175,000
Fees and subscription	6,958,579	3,105,665
Workers welfare fund	1,156,826	405.000
Director's fees	180,000	185,000
Gift and donation	205,120	143,485
Bonus to staff	4,817,513	3,993,787
Vehicle running and maintenance Zakat	19,140,361	17,279,826
Others	285,000	762,050
Books and periodicals	7,346,320 161,462	7,625,982 186,184
Legal &professional	301,060	283,700
Legal optolessional		
Total 14.1	130,780,456	140,592,457
14.1 Expenses are allocated as under		
Management expenses	99,461,615	106,602,020
General & administrative expenses	31,318,841	33,990,437
	130,780,456	140,592,457
14.2 Auditors` remuneration		
i. Annual audit fees	200,000	150,000
ii. Half yearly review fees	25,000	25,000
15. OTHER INCOME	225,000	175,000
Income from non financial asset:		
Profit on sale of tangible fixed assets	1,406,516	1,578,419
	1,406,516	1,578,419
16. PROVISION FOR TAXATION		
Current Year	8,264,529	1,650,000
Prior Year	(3,514,529)	-
	4,750,000	1,650,000



Financial year ended December 31, 2010

40.45	Notes	2010 Rupees	2009 Rupees
16.1 Reconciliation of Tax charge			
Profit for the year before taxation		56,684,488	(30,994,376)
Tax at the applicable of 35% Capital gain exempt from tax Tax effect of dividend income taxed at lower rate Prior year Tax effect of expenses that are not allowable in		19,839,571 (8,174,537) (5,055,708) (3,514,529)	(10,848,032) (2,974,469) (4,080,288)
determining taxable income		-	19,552,789
Others		1,655,203	-
Charge for the current year		4,750,000	1,650,000
The applicable tax rate is 35% (2009: 35%).			
17. EARNING PER SHARE			
Profit after tax for the year		51,934,488	(32,644,376)
Weighted average number of shares outstanding during the year		25,200,175	25,200,175
Basic earning per share	17.1	2.06	(1.30)

^{17.1} 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. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	Chief Ex	Chief Executive		ctors	Executives		
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	
Fees	-	-	180,000	185,000	-	-	
Managerial Remuneration	3,435,600	2,556,000	-	-	3,505,500	3,131,100	
Bonus	639,000	462,000			789,675	688,125	
Rent	1,546,020	1,156,200	-	-	1,574,400	1,408,200	
Others	171,780	247,800	-	-	1,985,292	1,779,852	
TOTAL>>>>	5,792,400	4,422,000	180,000	185,000	7,854,867	7,007,277	
No. of Persons	1	1	10	10	6	6	

^{18.1} Chief Executive and executives of the Company are provided with Company's maintained Car and residential telephone.

19. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies with common directorship, group companies, key management personnel and retirement benefit fund, remuneration to the key personnel are included in note 18 to these financial statements and are determined in accordance with the terms of their appointments.



Financial year ended December 31, 2010

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

	2010 Rupees	2009 Rupees
Premium Underwritten	40,532,890	34,204,059
Premium Collected	30,245,220	31,841,192
Claims Paid	16,820,157	12,300,929
Commission Paid	3,367,958	342,745
Dividend Received	351,608	11,776

20. SEGMENT REPORTING

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

	Fire & I	Property	Ма	rine	Mo	otor	M	isc	Unallo	ocated	Tot	al
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE Premium less re-insurance	101,072,280	112,724,676	52,778,747	53,486,273	109,767,438	155,761,527	4,301,262	4,582,154	-	-	267,919,727	326,554,630
Commission	(19,912,870)	(19,205,649)	(8,085,569)	(8,063,008)	(16,053,894)	(22,821,546)	3,953,354	5,608,141			(40,098,979)	(44,482,062)
TOTAL	81,159,410	93,519,027	44,693,178	45,423,265	93,713,544	132,939,981	8,254,616	10,190,295		-	227,820,748	282,072,568
Segment result	35,907,712	5,518,376	5,289,563	15,411,897	(15,233,783)	(80,537,121)	5,965,893	7,620,773		-	31,929,385	(51,986,075)
Investment Income									54,860,926	53,861,785	54,860,926	53,861,785
Other Income (Profit on Sale of Fixed Assets)									1,406,516	1,578,419	1,406,516	1,578,419
Financial Charges General and administration expenses									(193,498) (31,318,841) 24,755,103	(458,068) (33,990,437) 20,991,699	(193,498) (31,318,841) 24,755,103	(458,068) (33,990,437) 20,991,699
Profit before tax Provision for Taxation Profit after tax OTHER INFORMATION									4,750,000	1,650,000	56,684,488 4,750,000 51,934,488	(30,994,376) 1,650,000 (32,644,376)
Segment assets	123,377,493	141,396,189	64,426,265	73,835,415	133,991,549	153,560,377	5,250,489	6,017,298		-	327,045,797	374,809,279
Unallocated corporate assets									576,413,418	529,539,123	576,413,418	529,539,123
Consolidated corporate assets											903,459,215	904,348,402
Segment liabilities	199,499,205	200,782,357	104,176,121	95,268,404	216,661,943	277,438,513	8,489,947	8,161,617			528,827,216	581,650,891
Unallocated corporate liabilities									115,331	5,900,341	115,331	115,331
Consolidated corporate liabilities											528,942,547	581,766,222



Financial year ended December 31, 2010

21. 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.

21.1 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.

21.1.1 Exposure to credit risk

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

Financial assets		2010 Rs.	2009 Rs.
Cash & bank deposits	9	57,541,734	63,045,832
Loans to employees	10	755,614	1,061,059
Investments	11	290,478,456	285,389,442
Premiums due but unpaid	12	186,919,203	179,145,269
Amounts due from other insurers / reinsurers		4,659,779	8,534,726
Accrued investment income		3,790,906	10,513,780
Reinsurance recoveries against outstanding claims		98,242,108	144,013,231
Sundry receivables		746,971	662,544
Gross financial assets		643,134,771	692,365,883
Not past due		597,164,745	559,310,809
Past due but not impaired		45,970,026	133,055,074
Past due and impaired		(15,873,679)	(12,699,463)
Net financial assets		627,261,092	679,666,420

Age analysis of financial assets are follows:

2010	Upto 1 year	1-2 years	2-3 years — (Rupees)——	Over 3 years	Total
Deposits with Banks	57,541,734	-	-	-	57,541,734
Loans to employees	755,614	-	-	-	755,614
Investments	214,752,921	14,380,112.00	3,908,480.00	57,436,943.00	290,478,456
Premiums due but unpaid	161,661,079	14,612,915	645,209	10,000,000	186,919,203
Amounts due from other insurers / reinsurers	3,503,435	115,555	354,671	686,118	4,659,779
Accrued investment income	3,790,906	-	-	-	3,790,906
Reinsurance recovery against outstanding claims	22,990,847	35,457,932	29,090,465	10,702,864	98,242,108
Sundry receivable	164,752	-	-	582,219	746,971
	465,161,288	64,566,514	33,998,825	79,408,144	643,134,771



Financial year ended December 31, 2010

2009	Upto 1 year	1-2 years	2-3 years — (Rupees)——	Over 3 years	Total
Deposits with Banks	63,045,832	-	-	-	63,045,832
Loans to employees	1,061,059	-	-	-	1,061,059
Investments	165,091,916	2,435,064.00	39,329,190.00	78,533,272.00	285,389,442
Premiums due but unpaid	147,685,066	19,914,372	1,298,508	10,247,323	179,145,269
Amounts due from other insurers / reinsurers	6,537,918	1,261,796	317,086	417,926	8,534,726
Accrued investment income	10,513,780	-	-	-	10,513,780
Reinsurance recovery against outstanding claims	17,827,057	113,816,624	3,198,754	9,170,796	144,013,231
Sundry receivable	120,325	-	-	542,219	662,544
	411,882,953	137,427,856	44,143,538	98,911,536	692,365,883

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	2010	2009
A or above (including PRCL)	4,610,777	93,072,111	159,777,804	257,460,692	228,332,323
BBB	49,002	5,169,997		5,218,999	22,390,578
Total	4,659,779	98,242,108	159,777,804	262,679,691	250,722,901

21.1.2 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. The Company manager's concentration of credit risk through diversification of activities among individuals groups and industry segments.

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

Sector wise analysis of Premiums due but unpaid.

	2010	2009
	R	upees
Chemichal & pharmaceutical	13,316,064	10,585,359
Textile composit & garments	20,911,112	27,502,535
Paper & board	31,164,668	11,947,185
Communication & IT	6,758,734	34,959,667
Engineering industry	4,671,422	6,124,345
Sugar Industry	25,626,731	17,556,661
Banks, FI's & DFI's	8,988,170	15,040,000
Cement	2,816,532	8,095,643
Food, oil & edibles	4,476,627	6,584,269
Fertilizer	82,520	1,954,866
Miscellaneous & others	58,106,623	28,794,739
	176,919,203	169,145,269



Financial year ended December 31, 2010

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

	Rat	ting	Rating Agency	2010	2009
	Short term	Long term		(Rupe	es)
Habib Bank Limited	A-1+	AA+	JCR-VIS	4,968,621	14,243,975
National Bank of Pakistan	A-1+	AAA	JCR-VIS	17,620	322,826
MCB Bank Limited	A1+	AA+	PACRA	18,020,867	9,752,034
Allied Bank of Pakistan Limited	A1+	AA	PACRA	4,311,164	1,561,529
United Bank Limited	A1+	AA+	JCR-VIS	570,834	3,981,078
The Royal Bank of Scotland	A1+	AA	PACRA	5,984,913	8,475,526
NIB Bank Limited	A1+	AA-	PACRA	149,365	12,199
Bank Alfalah Limited	A1+	AA	PACRA	64,431	4,977,850
Habib Metropolitan Bank Islamic Limited	A1+	AA-	PACRA	3,000,000	3,000,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,169,924	3,506,623
Bank of Punjab	A1+	AA-	PACRA	3,660,084	3,132,963
Askari Bank Limited	A1+	AA	PACRA	921	921
Albarka Investment Bank	A2	Α	PACRA	16,412	16,412
Industrial Development Bank Of Pakistan	-	-		11,657	11,997
Bank Al- Habib	A1+	AA+	PACRA	988	1,112
Faysal Bank Limited	A-1+	AA	PACRA	5,821,095	6,848,508
The Bank Of Khyber	A2	A-	PACRA	412,834	416,475
Soneri Bank Limited	A1+	AA-	PACRA	2,557,218	2,619,334
Arif Habib Bank	A-2	Α	JCR-VIS	1,995	1,995
JS Bank Limited	A1	Α	PACRA	103,583	51,202
Standard Chartered bank	A1+	AAA	PACRA	6,549,320	-
				57,393,846	62,934,559

21.2 Liquidity risk

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

The following are contractual maturities of financial liabilities:

2010

Financial liabilites	Carrying amount	Contractual flows	Less than 1 year (Rupees)	1-2 years	2-5 years	More than 5 years
Provision for outstanding claims Amounts due to other insurers / reinsurer Accrued expenses Unclaimed dividend	148,990,324 rs 49,552,405 2,137,978 115.331	148,990,324 49,552,405 2,137,978 115,331	44,345,043 29,011,822 2,137,978	49,027,013 10,838,639 -	55,618,268 8,327,761 - 115.331	- 1,374,183 - -
Creditors and other accruals	39,974,347	39,974,347	39,974,347	-	-	-
	240,770,385	240,770,385	115,469,190	59,865,652	64,061,360	1,374,183

2009

Financial liabilites	Carrying amount	Contractual flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
			——— (Rupees	s)———		
Provision for outstanding claims	227,471,105	227,471,105	40,840,134	161,054,065	25,576,906	-
Amounts due to other insurers / reinsurer	s 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	-
Creditors and other accruals	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	-



Financial year ended December 31, 2010

21.3 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.

21.3.1 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:

		2009 ing amounts Rupees	2010 Effective int	2009 terest rate %
Fixed Rate Instruments				
Government Securities	86,796,601	84,016,495	8.15 - 14%	7-14%
TFC	9,450,418	12,211,316	13-16%	12-15%
Term Deposits	25,075,000	28,025,000	12.50% -	10%
Variable rate instruments Finacial Assets				
TFC	9,450,418	12,211,316	13-15%	12-15%
PLS Accounts	380,333	1,364,769	5-9%	5-12%

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 Rate 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.94,504 (2009: Rs 122,113).

21.3.1.1- 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, 2010 are summarized as follows:



Financial year ended December 31, 2010

2010

		Interest / Mar	k-up Bearing		Non-Int	erest / Mark-up B	earing	
	Effective	Maturity	Maturity	Sub Total	Maturity	Maturity	Sub Total	2010
Description	Yield /	upto one	after one		upto one	after one		Total
	Mark-up	year	year		year	year		Rs.
	Rate (%)	Rs	Rs	Rs.	Rs	Rs	Rs.	
Financial Assets								
Investment	8-16%	37,251,469	61,495,552	98,747,021	171,627,773	14,229,983	185,857,756	284,604,777
Premium due but unpaid	-			-	176,919,203		176,919,203	176,919,203
Accrued Invvestment Income	-			-	3,790,906		3,790,906	3,790,906
Amounts Due from other Insurers/Reinsurer	-			-	4,659,779		4,659,779	4,659,779
Reinsurance Recovery Against Outstanding	Claims				22,990,847	75,251,261	98,242,108	98,242,108
Loans and Sundry Receivables	-			-	755,614	746,971	1,502,585	1,502,585
Term deposits	6 - 12.5%	25,075,000		25,075,000			-	25,075,000
Balance with banks in transit and in-hand	5-9%	380,333		380,333	32,086,401		32,086,401	32,466,734
		62,706,802	61,495,552	124,202,354	412,830,523	90,228,215	503,058,738	627,261,092
Financial liabilities								
Provision for Outstanding claims		-	-	-	44,345,043	104,645,281	148,990,324	148,990,324
Amounts due to other Insurers/Reinsurers	-		-	-	29,011,822	20,540,583	49,552,405	49,552,405
Creditors and other accruals	-	-	-	-	39,974,347		39,974,347	39,974,347
Unclaimed Dividend	-	-	-	-		115,331	115,331	115,331
	-	-	-	-	113,331,212	125,301,195	238,632,407	238,632,407

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:

		Interest / Mar	k-up Bearing		Non-Interest / Mark-up Bearing			
	Effective	Maturity	Maturity	Sub Total	Maturity	Maturity	Sub Total	2009
Description	Yield /	upto one	after one		upto one	after one		Total
	Mark-up	year	year		year	year		Rs.
	Rate (%)	Rs	Rs	Rs.	Rs	Rs	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	-	-	-	-	169,145,269	-	169,145,269	169,145,269
Accrued Invvestment Income	-	-	-	-	10,513,780	-	10,513,780	10,513,780
Amounts Due from other Insurers/Reinsurers	-	-	-	-	8,534,726	-	8,534,726	8,534,726
Reinsurance Recovery Against Outstanding Cla	aims -	-	-	-	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	401,650,532	149,793,413	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, 2010

21.3.2 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.189,933,630 (2009 Rs.183,857,273) 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 descipline in internal risk management and investment policies.

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

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2009 and 2010 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 2010	250,087,955	10% increase 10% decrease	275,096,751 225,079,160	16,255,717 (16,255,717)	25,008,796 (25,008,796)
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)

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.

21.3.3 Foreign currency risk

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



Financial year ended December 31, 2010

21.4 Insurance risk

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

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

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 reputtable 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.



Financial year ended December 31, 2010

- 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.

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 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.



Financial year ended December 31, 2010

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

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

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

	Pre ta	x profit	Shareholders' equity		
	2010	2009	2010	2009	
		(Ruj	pees) —		
10% increase in loss					
Fire Marine Motor	(772,997) (1,981,021) (6,819,763)	(5,120,228) (1,255,106) (16,262,958)	(502,448) (1,287,664) (4,432,846)	(3,328,148) (815,819) (10,570,923)	
Miscellaneous	(69,194) (9,642,975)	(107,370) (22,745,662)	(44,976)	(69,791)	
10% decrease in loss					
Fire Marine Motor Miscellaneous	772,997 1,981,021 6,819,763 69,194	5,120,228 1,255,106 16,262,958 107,370	502,448 1,287,664 4,432,846 44,976	3,328,148 815,819 10,570,923 69,791	
	9,642,975	22,745,662	6,267,934	14,784,680	

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.



Financial year ended December 31, 2010

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

	Gross sum insured 2010 2009 2		Reinsu	rance	Net	Net
-			2010 —— (Rupees '0	2009	2010	2009
Fire & Property	202,783,919	221,633,145	140,475,644	127,136,946	62,308,275	94,496,199
Marine & Aviation	174,308,308	57,890,067	135,689,169	25,633,747	38,619,139	32,256,320
Motor	3,100,771	4,410,848	-	-	3,100,771	4,410,848
Miscellaneous	6,410,008	7,083,895	5,754,486	6,126,283	655,522	957,612
	386,603,006	291,017,955	281,919,299	158,896,976	104,683,707	132,120,979

Claims developments 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 2010.

Analysis on gross basis						
Accident year	2006	2007	2008	2009	2010	Total
			(Rupees i	n 000) ———		
Estimate of ultimate claims cost:						
At the end of accident year	7,566	13,318	184,500	113,966	207,095	526,445
One year later	6,126	13,270	136,422	83,337	-	239,155
Two years later	4,385	8,839	151,575	-	-	164,799
Three years later	3,306	8,582	-	-	-	11,888
Four years later	2,691	-	-	-	-	2,691
Current estimate of cumulative claims	2,691	8,582	151,575	83,337	207,095	453,280
Cumulative payments to date		(3,205)	(130,098)	(53,829)	(122,856)	(309,988)
Liability recognised in the balance sheet	2,691	5,377	21,477	29,508	84,239	143,292
Liability in respect of prior years						5,698
Total liability recognised in balance sheet						148,990

22. 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.



Financial year ended December 31, 2010

23. 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:

2010 2011 Rupees Rupees

Minimum paid up capital 250,000,000 300,000,000

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

24. EVENTS AFTER BALANCE SHEET DATE

The board of Directors in its meeting held on 29 March, 2011 has announced bonus shares of 12.50% (31 December 2009: nil). In addition Board has approved transfer of Rs. 2.5 million (31st December 2009: Rs. nil) to General Reserve from unappropriated profits. These financial statements for year ended 31st December 2010 do not include the effect of appropriations which will be accounted for subsequent to the year end.

2010 2009

25. NUMBER OF EMPLOYEES

Number of employees as at year end 220 242

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 29th March, 2011 by the Board of Directors of the company.

27. GENERAL

Figures have been rounded off to the nearest rupee.

28. CORRESPONDING FIGURES

Corresponding figures have been rearranged and regrouped, wherever necessary for the prurpose of comparison and better presentation.

ISMAIL H. ZAKARIA Chairman MOHAMMAD AMIN AHMED BAWANY
Director

A. AZIZ AYOOB Director A. RAZAK AHMED
Chief Executive & Managing Director

Pattern of Shareholding form 34 Shareholders Statistics



As at December 31, 2010

Number		Share Holding		Total Shares
Shareholders	From	Holding	То	Held
of Shareholders 270 183 126 240 555 30 13 14 12 3 4 5 3 6 5 1 5 2 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	From 1 101 501 1001 10001 15001 15001 25001 30001 35001 45001 55001 65001 70001 75001 90001 115001 105001 115001 115001 125001 115001 125001 125001 130001 155001 155001 170001 125001 130001 155001 170001 1355001 170001 185001 170001 185001 170001 185001 170001 185001 170001 185001 170001 185001 190001	Holding	100 5000 10000 5000 10000 10000 150000 200000 250000 350000 450000 550000 550000 600000 70000 750000 80000 100000 110000 125000 110000 125000 135000 135000 155000	5,706 52,994 90,304 596,237 398,099 364,204 217,060 310,960 336,035 101,203 147,052 207,115 137,810 309,022 285,804 66,654 363,371 152,100 364,130 98,985 204,752 649,440 351,437 122,582 129,386 134,975 305,578 317,657 1378,775 190,249 212,280 235,198 251,925 512,238 799,469 278,218 311,190 339,245 362,197 384,755 362,197 384,755 362,197 384,755 362,197 384,755 362,197 384,755 386,927 400,666
1 1 1	470001 515001 575001	- - -	475000 520000 580000	454,503 473,788 515,906 578,318
1 1 1 1 1	70001 735001 760001 805001 830001 855001	- - - - -	705000 740000 765000 810000 835000 860000	703,892 735,746 760,780 807,664 831,755
1	985001 1515001 3580001	<u> </u>	990000 1520000 3585000	859,521 985,749 1,516,618 3,581,360
1033				25,200,175

S/R No.	Categories of Shareholders	Number of Shareholders	Total Share Held	Percentage %
1	INDIVIDUALS	993	19,736,768	78.32
2	INVESTMENT COMPANIES	6	414	0.00
3	INSURANCE COMPANIES	2	45,342	0.18
4	JOINT STOCK COMPANIES	22	4,411,018	17.50
5	FINANCIAL INSTITUTIONS	2	387.139	1.54
6	MODARABAS	1	256,814	1.02
7	STOCK EXCHANGE	1	925	0.00
8	WELFARE SOCIETY	1	30,000	0.12
9	COOPERATIVE SOCIETIES	1	8.024	0.03
10	CHARITABLE TRUSTS	1	71,500	0.28
11	MODARABA MANAGEMENT COMPANIES	1	[′] 1	0.00
12	WAKF ALAL AULAD	1	251,925	1.00
13	TRADE	1	305	0.00
		1033	25,200,175	100.00

Categories of Shareholding



As at December 31, 2010

Categories of Shareholders	Number	Shares held	%
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES			
First Al-Noor Modaraba	1	256,814	1.02
Anam Fabrics	1	40,887	0.16
rfan Ashfaq & Co. (Pvt.) Ltd.,	1	3,581,360	14.21
NIT / ICP/ IDBP			
nvestment Corporation of Pakistan	7	626	0.00
DIRECTORS, CEO & OTHER SPOUSES AND			
MINOR CHILDREN	22	7,830,854	31.07
Γhe detail 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. ZOHAIR ZAKARIA	1	115,084	
MR. AHMED ALI BAWANY	1	40,552	
MR. NOOR M. ZAKARIA	1	101,509	
MR. ASHFAQ PATEL	1	454,503	
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, NSURANCE COMPANIES, MODARABAS AND	5	433,195	1.72
MUTUAL FUNDS			
JOINT STOCK COMPANIES	20	531,957	2.11
NDIVIDUALS	971	11,905,914	47.25
OTHERS	5	618,568	2.45
TOTAL :-	1,033	25,200,175	100.00
SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST			
No Inform Ashford & Commony (D. 4) 144		2 504 200	
//s. Irfan Ashfaq & Company (Pvt.) Ltd.	-	3,581,360	-



As at December 31, 2010

Head Office

"Reliance Insurance House" PABX 34539415-17 181-A, Sindhi Muslim Co-operative Fax 34539412

Housing Society, E-mail reli-ins@cyber.net.pk. Karachi.

ric-re@cyber.net.pk.

: www.relianceins.com Web

Mr. A. Razak Ahmed Direct 34539413, 34539414

Chief Executive & Managing Director Extension 204

Mr. Haroon A. Shakoor Direct 34539409 Chief Accountant & Extension 203

Company Secretary

Mr.Syed Rizwan Akhtar Direct 34304067

Executive Vice President (Operations) Extension

34557079 Mr. M. Amin Bawany Direct

Vice President (Marine & Accident) Extension 201

Mr. Muhammad Ishaque Azim Direct 34304068

Vice President (Fire) Extension 212

Mr. Sadruddin Hussain Direct 34550403

Vice President (Claims) Extension 208

Mr. Ghulam Mujaddid Extension: 205

Chief Manager (Accounts)

Mr. Abdul Rahim Patni Direct 34539411 Deputy Chief Manager (Reinsurance) Extension 215

Mr. Muhammad Masood Ali Extension: 202 Deputy Chief Manager (I.T. Deptt.)

Mr. Muhammad Saleem Memon Extension: 214

Deputy Chief Manager (Investment/shares)

34539411 Mr. Muhammad Masood Alam Direct Manager (Administration) Extension 206

South Zone Offices & Branches

M. A. Jinnah Road Branch

101, Japan Plaza, Ph 32727076, 32729961 (021)

M. A. Jinnah Road, Karachi. (021)32722601 Fax

Business Plaza Branch

407, 4th floor, Business Plaza, Mr.Muhammad Iqbal Dhedhi Ph (021)32419581, 32419582 Off. I.I.Chundrigar Road, Karachi. **Executive Vice President** Fax (021)32421314, 32421317

Namco Centre Branch

1-A, 5th Floor, Campbell Street, Mr. Iqbal Umer Bawany Ph (021)32625716, 32624427

Karachi. Vice President Fax (021) 32624783



As at December 31, 2010

South Zone Offices & Branches

Tariq Road Branch Room No. A-2 & A-3, 1st Floor, Rahat Jo Daro, Plot No.172/L, Block-2, PECHS, Main Tariq Road, Karachi.	Mr. Zafar A. Pasha Executive Vice President	Ph Fax	(021) (021)	34527806, 34532427 34525376, 34322642 34522829
Land Mark Plaza Branch 405, 4th Floor, Land Mark Plaza, Off. I. I. Chundrigar Road, Karachi.	Mr. Muhammad Reza Rajani Assistant Vice President	Ph Fax	(021) (021)	32628777, 32628778 32628779
Hyderabad Branch 1st Floor, Al-Falah Chamber, Tilak Road, Hyderabad.	Mr. Abdullah Ahmed Regional Manager	Ph Fax	(022) (022)	2615774 2623029
North Zone Offices & Branches				
Zonal Office, Lahore (North Zone) 4th Floor, Gardee Trust Building. No.2, Napier Road, Lahore.	Mr. Sh. Khushnood Ashraf Executive Vice President	Direc	X(042) ct(042) (042)	37239063, 37353292 37234255, 37351353 37354689 37312526
Regional Office, Lahore 90-A/3, 1st Floor, Canal Park, Gulberg-II, Lahore.	Mr.Basharat M. Barlas Senior Executive Vice President	Ph Fax	(042) (042)	35761077, 35761078 35763446, 35763447 35761235
Gulberg Branch House No.17-A, Block-E/1, Gulberg-III, Lahore.	Mr. Tehseen Ahmed Khan Executive Vice President	Ph Fax	(042)	35752245, 35752989 35751971, 35756557 35756217
Eden Centre Branch 321, Eden Centre, 43 Ghausal Azam Road, (Jail Road) Lahore.	Mr. Ch. H.S. Asghar Vice President	Ph Fax	(042) (042)	37599277, 37599377 37589669 37576032
Al-Rehman Branch 2nd Floor, Al-Rehman Building, Regal Cinema Lane, 65, The Mall, Lahore.	Mr. Nisar Ahmed Chughtai Senior Vice President	Ph Fax	(042) (042)	37323113, 37322473 37354848 37247925
Garden Town Branch Suit No.17, 1st Floor, Shan Arcade, New Garden Town, Lahore.	Mr. Basit Anwar Butt Executive Vice President	Ph Fax	(042) (042)	35889258, 35889259 35889260
Khan Plaza Branch 4th Floor, Khan Plaza, G. T. Road, Gujranwala.	Mr. Sohailuddin Zafar Assistant Vice President	Ph Fax	(055) (055)	4215422, 4216422 4448139
Model Town Branch 438/1-B, Mini Market, Model Town, Gujranwala.	Mr. Ch. H.S. Asghar Vice President	Ph Fax	(055) (055)	3254415, 3840750 3253086



As at December 31, 2010

North Zone Offices & Branches

Gujrat Branch Marhaba Tower (Top Floor) Opp. Ram Piary Mahal Near Fawara Chawk,. 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
Taj Plaza Branch Room No.16, 2nd Floor, Taj Plaza, Kotwali Road, Faisalabad.	Mr. Muhammad Akhlaq Vice President	Fax Ph	(041)	2621033 2617277, 2622182 2615922
Rawalpindi Branch	Vice i resident	Fax	(041)	2412010
43/C, ² nd Floor, Bank Road, Near NBP, Rawalpindi Cantt.	Mr. Abdul Karim Siddiqi Vice President	Ph Fax	(051) (051)	5700223, 5523260 5514384
Peshawar Branch T-3 & 4, Bilour Shopping Plaza, 3rd Floor, Saddar Road, .	Mr. Abdul Salam Niazi Vice President	Ph	(091)	5274617, 5277328 5250830
Peshawar Cantt.	vice riesident	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 Fax	(061) (061)	4517349 4510049
Khanpur Branch Old Ghalla Mandi, Khanpur, Distt. Rahimyar Khan.	Mr. Abdul Razzak Choudhry Vice President	Ph Fax	(068) (068)	5572772 5572772
Hasilpur Branch 27-B, 1st Floor, Main Bazar, Hasilpur.	Mr. Muhammad Shafi Anjum Vice President	Ph Fax	(062) (062)	2442473 2448073
Sialkot Branch Room No.4 & 5, 1st Floor, Mughal Plaza, Kutchery Road, Sialkot.	Mr. Ghulam Rasool Farrukh Zahidi Branch Manager	Ph Fax	(052) (052)	4296075, 4296076 4296077
Gojra Branch P-132, Post Office Road, Gojra.	Mrs. Shahnaz Akhtar Branch Manager	Ph Fax	(046) (046)	3511917 3513111

Proxy Form



I/We	e			
of _		being a	a Member of Reliance Insurance	ce Company Limited
and	holder of	Ordinary Shares as per	Share Register Folio No.	
	(Number of Shar	es)		
and	/ or CDC Participant I.D. No	and In	vestor Account / Sub Account I	No
here	eby appoint			
of _				
or fa	ailing him			
of _				
as n	my proxy to vote for me on my bel	nalf at the annual general meeting	g of the Company to be held o	n Saturday, the 30th
Apri	il, 2011 and at any adjournment th	ereof.		•
·				
Sigr	ned this	day of 2011.		
Witr	nesses:			
1.	Signature:		-	
	Name:		-	Affix
				Rs. 5/-
	CNIC No. Or Passport No			Revenue
2.	Signature:		Signature -	Stamp
				hould agree with the
GNIC NO. OF PASSPORT NO			specimen sig	nature registered with Company)
Note	e:			
1.	This form of Proxy, duly comp	oleted, must be deposited at the Co erative Housing Society, Karachi,		

- 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.