The United Insurance Co. of Pakistan Ltd.

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated on October 20, 1959, as a Public Limited Company and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The Registered Office of the Company is situated at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi and Head Office is in Lahore. The principal activity of the Company is General Insurance Business and qualifies as a domestic insurance company under Insurance Ordinance, 2000 and undertakes Fire, Marine, Motor and Miscellaneous General insurance. It has not transacted any business outside Pakistan.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format of financial statements prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 31, 2002.

2.1 Statement of compliance

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

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

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

2.2.1 Initial application of standard or interpretation

The following standards, amendments and interpretations of approved accounting standards became effective during the year:

- Revised IAS 23 - Borrowing cost has removed the option to expense borrowing cost and require that an entity capitalize borrowing cost as part of the cost of the asset. This standard did not affect the Company's financial statements.

- IAS 27 - Consolidated and separate financial statements. The amendment removed the definition of cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not relevant to the Company's financial statements.

- IFRS 4 - Insurance contracts. The IFRS make limited improvements to accounting for insurance contracts until the board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these financial statements. The IFRS 4 has been implemented to the extent and manner as applicable to the company, with no changes in accounting policies. Clearifactory explanation has been added for additional information.

- IFRS 7 - Financial instruments: Disclosures (effective for annual period beginning on or after 28 April, 2008) supersedes IAS 30 - Disclosures in the financial statements of banks and similar financial institutions and disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- Amendments to IFRS 7 - Improving disclosures about Financial Instruments. These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduced a three level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment did not effect the Company's financial statements.

- IFRS 8 - Operating segments introduced the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. The application of standard has resulted in increase in disclosures only.

- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of financial statements – puttable financial instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to an other party a pro rata share of the net assets of the company only on liquidation, to be classified as equity if certain conditions are met. The amendments, which required retrospective application, had no impact on the Company's financial statements.

- Amendments to IFRS 2 - Share based payment- Vesting Conditions and Cancellation clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non vesting conditions and cancellations.

The application of this standard did not have any effect on the Company's financial statements.

- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives. Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not relative to Company's financial statements.

- IFRIC 16 - Hedge of Net Investment in a foreign operation has clarified that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in amount equal to or less then the net assets of the foreign operations, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation. The cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step by step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to company's operations.

- IFRIC 18 - Transfer of Assets from Customers clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with an ongoing access to a supply of goods or services. The interpretation is not relevant to Company's operations.

- The International Accounting standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments however did not have an impact on the Company's financial statements. The implementation / changes / amendments have not necessitated change in accounting policies.

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 only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

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

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

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

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

- Amendment to IFRS 2 – Share-based Payment Group Cash-Settled Share based payment transaction (effective for annual periods beginning on or after 1 February 2010)

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

- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets. Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2011)

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

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

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

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

Furthermore, International Accounting Standard – 1 (IAS – 1) (Revised) "Presentation of Financial Statement" was effective for financial years beginning on or after January 01, 2009. However, since the Company has followed the format of financial statement as prescribed by the Securities and Exchange Commission of Pakistan through SEC (Insurance) Rules, 2002 vide its Circular No. 7 of 2003 dated August 27, 2003, therefore changes introduced through IAS – 1 (Revised) have not been taken into consideration in preparation of these financial statements.

3 BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention, except for certain investments, which are stated at fair value.

3.1 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, 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 an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Provision for outstanding claims including IBNR
- Provision for taxation and deferred tax
- Useful lives and residual values of fixed assets
- Premium deficiency reserve

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee, unless otherwise stated.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine, aviation and transport
- Motor
- Miscellaneous

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost.

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

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

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

4.1.1 Premium

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

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

Receivables under insurance contracts are recognized when due at the fair value of 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 profit and loss account.

4.1.2 Reinsurance ceded

The Company enters in to 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 balance 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 provisions for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

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

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

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance assets 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 upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of incident giving rise to the claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provisions for liability in respect of unpaid reported claims are made on the basis of individual case estimates. Provisions 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 recoverable 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 expenses and other acquisition costs

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

4.1.6 Premium Deficiency Reserve

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

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

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

4.2 Creditors, accruals and provisions

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

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

4.3 Taxation

Current

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

Deferred

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, pay orders, demand drafts and balances with banks.

4.5 Investments

4.5.1 All investments are initially recognized at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the profit and loss account. These are classified into the following categories:

- Held to maturity
- Available for sale

4.5.1.1 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield.

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of investment.

4.5.1.2 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale .

Subsequent to initial recognition at cost, these 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 requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002. The Company uses latest stock exchange quotation to determine the market value of its quoted investments.

Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established.

Gain / (loss) on sale of available for sale investments are recognized in profit and loss account.

4.6 Rental & Other income

Rental income from investment properties and other income are recognized on accrual basis.

4.7 Fixed assets

Owned

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost, and certain building which is stated at revalued amount.

Depreciation on all fixed assets is charged to profit and loss account on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 26. Depreciation on additions to fixed assets is charged on "number of days basis".

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

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities.

Assets acquired are amortized over their expected useful life on reducing balance method on the basis of number of days, at the rates mentioned in the relevant note.

4.8 Investment property

Investment properties are accounted for under the cost model where building is depreciated at 5% using the reducing balance method.

4.9 Staff retirement benefits

The Company’s retirement benefits plan comprises of gratuity scheme for all the eligible employees, who have completed the minimum qualified period of service.

The actuarial valuation of gratuity scheme is carried out by an independent valuer as at December 31, 2009 using the projected unit credit method. The basic assumptions used for actuarial valuation are disclosed in note 8.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains or losses and unrecognized transitional liability. Actuarial gains and losses are recognized on the basis of “minimum 10% corridor” approach.

4.10 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, investments, premium due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves detained by decants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.10.1 Offsetting of financial assets and financial liabilities

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

4.11 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

Based on its classification of insurance contracts issued, the Company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the Financial Statements.

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

4.12 Impairment

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

4.12.1 Available for sale

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged required 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.

4.12.2 Reinsurance Assets

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

4.12.3 Related party transactions

Party is said to be related if they are able to influence the operating and financial decisions of the company and vice versa. The company in the normal course of business carries out transactions with such party. Transactions with related party are priced at comparable uncontrolled market price and are carried out at arm’s length prices.

4.13 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.14 Management and administrative expenses

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

4.15 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & Ushr Ordinance, 1980.

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Note	2009 Rupees	2008 Rupees

5 SHARE CAPITAL

5.1 Authorized share capital

2009	2008			
Number of shares				
75,000,000	50,000,000	Ordinary shares of Rs. 10/- each	**750,000,000**	500,000,000

Reconciliation of authorized share capital

2009	2008			
Number of shares				
50,000,000	50,000,000	At the beginning of the year	**500,000,000**	500,000,000
25,000,000	-	Increase during the year	**250,000,000**	-
75,000,000	50,000,000	At the end of the year	**750,000,000**	500,000,000

5.2 Paid-up share capital

Issued subscribed and paid up share capital

2009	2008			
Number of shares				
10,963,475	10,963,475	Ordinary shares of Rs. 10/- each fully paid in cash	**109,634,750**	109,634,750
23,536,525	19,277,203	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**235,365,250**	192,772,030
34,500,000	30,240,678		**345,000,000**	302,406,780

Reconciliation of issued subscribed and paid up share capital

2009	2008			
Number of shares				
30,240,678	25,200,565	At the beginning of the year	**302,406,780**	252,005,650
4,259,322	5,040,113	Bonus shares issued during the year	**42,593,220**	50,401,130
34,500,000	30,240,678	At the end of the year	**345,000,000**	302,406,780

5.3 No ordinary shares of the company are held by the associated companies (2008: Nil).

		Note	2009 Rupees	2008 Rupees
6	**RESERVES**			
	Reserve for bonus shares	**6.1**	-	-
	Revenue reserve	**6.2**	**75,115,917**	75,115,917
			75,115,917	75,115,917
6.1	**Reserve for bonus shares**			
	Balance at the beginning of the year		**-**	-
	Transfer from unappropriated profit		**42,593,220**	50,401,130
	Transfer from general reserve		**-**	-
	Bonus share issued		**(42,593,220)**	(50,401,130)
	Balance at the end of the year		**-**	-
6.2	**Revenue reserve**			
	General reserve			
	Balance at the beginning of the year		**75,115,917**	75,115,917
	Transfer from profit and loss appropriation account		**-**	-
	Transferred to reserve for issue of bonus shares		**-**	-
	Balance at the end of the year		**75,115,917**	75,115,917

7 SURPLUS ON REVALUATION OF FIXED ASSETS

7.1

The building of the company is revalued by the independent valuer as on December 31, 2006 resulting in surplus of Rs. 2,654,211 which was charged to Surplus on Revaluation of Fixed Assets as per requirements of Section 235 of Companies Ordinance 1984. Revaluation surplus is carried at the amount after adjustments of deferred taxation.

7.2 Movement in revaluation surplus

	2009 Rupees	2008 Rupees
Surplus on building	**2,654,211**	2,654,211
Less:		
Incremental depreciation charged in previous years	**(258,786)**	(132,711)
Incremental depreciation charged in current year	**(119,771)**	(126,075)
	(378,557)	(258,786)
	2,275,654	2,395,425
Related deferred tax liability	**(838,399)**	(882,525)
Less: Related deferred tax liability on incremental depreciation transferred to retained earnings	**41,920**	44,126
	(796,479)	(838,399)
Closing balance	**1,479,175**	1,557,026

7.3 Incremental depreciation is the difference between the actual depreciation expense and depreciation at the historical cost values.

	Note	2009 Rupees	2008 Rupees

8 STAFF RETIREMENT BENEFITS

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

- Discount rate : 12 % (2008: 15%) per annum
- Expected rate of increase in the salaries of the employees: 11% (2008: 14 %) per annum
- Expected service length of employees: 6 years (2008: 6 years)

8.1 Balance sheet liability

	2009 Rupees	2008 Rupees
Present value of defined benefits obligations as at the end of the year	**24,591,632**	17,309,683
Unrecognized actuarial gains /(loss)	**(2,376,990)**	(2,544,930)
Unrecognized transitional liability	**(1,283,968)**	(2,567,936)
Total liability at the end of the year	**20,930,674**	12,196,817

8.2 Reconciliation of present value of defined benefits obligations

	2009 Rupees	2008 Rupees
Present value of defined benefits obligations as at the beginning of the year	**17,309,683**	9,646,266
Current service cost	**5,841,414**	5,354,400
Interest cost	**2,596,452**	964,627
Benefits paid	**(1,123,637)**	(447,470)
Actuarial (gain)/ loss on present value of defined benefits obligations	**(32,280)**	1,791,860
Present value of defined benefits obligations as at the end of the year	**24,591,632**	17,309,683

8.3 Reconciliation of actuarial gain/(loss)

	2009 Rupees	2008 Rupees
Unrecognized actuarial gains /(loss) as at the beginning of the year	**(2,544,930)**	(753,070)
Actuarial gains /(loss) arising during the year	**32,280**	(1,791,860)
Actuarial (gains) /loss charged to profit and loss account during the year	**135,660**	-
Unrecognized actuarial gains /(loss) as at the end of the year	**(2,376,990)**	(2,544,930)

8.4 Charged to profit and loss account

Management expenses include retirement benefits in respect of gratuity, amounting to Rs. 9,857,494 (2008: Rs. 7,602,995)

	2009 Rupees	2008 Rupees
Current service cost	**5,841,414**	5,354,400
Interest cost	**2,596,452**	964,627
Actuarial (gain)/losses charge	**135,660**	-
Liability/(assets) charged due to the application of IAS-19	**1,283,968**	1,283,968
Total amount charged to profit and loss account	**9,857,494**	7,602,995

8.5 Transitional liability due to adoption of IAS 19

	2009 Rupees	2008 Rupees
Unrecognized transitional liability at the beginning of the year	**2,567,936**	3,851,904
Less: Transitional liability recognized during the year	**(1,283,968)**	(1,283,968)
Unrecognized transitional liability at the end of the year	**1,283,968**	2,567,936

		Note	2009 Rupees	2008 Rupees
9	**DEFERRED TAXATION**			
	Deferred tax liabilities/(assets) arising in respect of:			
	Accelerated depreciation on property, plant and equipment		**19,054,393**	9,182,445
	Liability against assets subject to finance lease		**3,951,282**	5,089,113
	Premium due but unpaid		**(9,052,252)**	(5,008,203)
	Provision for gratuity		**(7,325,736)**	(4,268,886)
	Liability relating to revaluation surplus on building		**796,479**	838,399
			7,424,166	5,832,868
10	**AMOUNT DUE TO OTHER INSURERS / REINSURERS**			
	Foreign reinsurers		**25,697,719**	19,793,505
	Local reinsurers		**-**	-
	Coinsurers		**-**	-
			25,697,719	19,793,505
11	**ACCRUED EXPENSES**			
	Utilities		**89,575**	128,118
	Salaries / wages		**4,508,049**	3,327,159
	Finance charge payable		**8,475**	303,032
	Auditors remuneration		**695,000**	350,000
	General expenses		**63,433**	33,757
			5,364,532	4,142,066
12	**OTHER CREDITORS AND ACCRUALS**			
	Provision for Government levies		**24,742,532**	9,167,738
	Miscellaneous		**7,531,298**	10,553,558
			32,273,830	19,721,296
13	**SHORT TERM FINANCE - SECURED**			
	Bank borrowings		**-**	13,972,546
			-	13,972,546

13.1 The above renewable finance is obtained from Habib Bank Limited against sanctioned limit of Rs. 4.5 million (2008 the facility was obtained from various banking companies against sanctioned limit of Rs. 18.075 millions). This finance is secured against pledge of TDR's/MPDC's at varying margins. The markup rate on above facility is 20% (2008: ranging from 9.0% to 14%). The mark up was payable on various dates.

14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE-SECURED

Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

	2009		2008	
	Minimum lease payments (MLP)	Present value of MLP	Minimum lease payments (MLP)	Present value of MLP
	------------------------------ Rupees		--------------------------------	
Due within one year	**31,606,944**	**28,230,799**	28,642,963	28,312,999
Due after one year but not later than five year	**47,982,173**	**41,154,844**	35,215,472	28,229,893
Total minimum lease payments	**79,589,117**	**69,385,643**	63,858,435	56,542,892
Less: Lease finance charges allocable to future periods	**(10,203,474)**	**-**	(7,315,543)	-
Present value of MLP	**69,385,643**	**69,385,643**	56,542,892	56,542,892
Less : Current maturity under finance lease	**(28,230,799)**	**(28,230,799)**	(28,312,999)	(28,312,999)
Long term liability	**41,154,844**	**41,154,844**	28,229,893	28,229,893

The company intends to exercise its option to acquire leased vehicles upon completion of lease period. The average rate of interest implicit in the lease ranges from 13% to 25% per annum (2008 : 13% to 25%). These are secured against personal guarantees of directors and chief executive of the company, demand promissory note for full lease rental plus residual value, security deposit and title of ownership of leased vehicles. These rentals are payable in equal monthly installments and there is no financial restriction in the lease agreements.

15 CONTINGENCIES & COMMITMENTS

15.1 Contingencies

There is no known contingent liability as at balance sheet date. (2008 : Rs 0.361 million regarding Civil Commotion Compensation Funds Ordinance, 1971. The company was of the view that this will never arise).

15.2 Commitments

There were no capital commitments as at balance sheet date. (2008 : Nil).

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

		Note	2009 Rupees	2008 Rupees
16	**CASH AND OTHER EQUIVALENTS**			
	Cash in hand		**39,598**	26,662
			39,598	26,662
17	**CURRENT AND OTHER ACCOUNTS**			
	Current & other accounts		**105,023,170**	156,011,153
			105,023,170	156,011,153
18	**DEPOSITS MATURING WITHIN 12 MONTHS**			
	Fixed and term deposits	**18.1**	**71,050,000**	14,900,000
	Lease security deposits		**4,406,000**	5,787,169
			75,456,000	20,687,169

18.1 The rate of return on Term Deposits Certificates issued by various banking companies range from 3.25% to 17.00% (2008 : 2.09% to 11.68%) per annum . These Term Deposit Certificates have maturity upto December 31, 2010.

		Note	2009 Rupees	2008 Rupees
19	**DEPOSITS MATURING AFTER 12 MONTHS**			
	Fixed and term deposits	**19.1**	**20,200,348**	18,500,000
	Lease security deposits		**17,323,997**	10,157,945
	Deposits with State Bank of Pakistan		**-**	351,512
	Others		**799,648**	167,094
			38,323,993	29,176,551

19.1 The rate of return on Term Deposits Certificates issued by various banking companies range from 3.25% to 17.00% (2008 : 2.09% to 11.68%) per annum . These Term Deposit Certificates have maturity upto September 14, 2015.

			2009 Rupees	2008 Rupees
20	**LOAN TO EMPLOYEES AND AGENTS-UNSECURED**			
	Employees and agents		**1,663,500**	1,630,954
			1,663,500	1,630,954

20.1 These are considered good, further these are unsecured and interest free loans.

		Note	2009 Rupees	2008 Rupees
21	**INVESTMENTS**			
	Available for sale investments			
	Marketable securities - cost	**21.1**	**10,176,984**	11,806,692
	Less: Provision for impairment in value in investment	**21.2**	**(185,013)**	(2,644,620)
			9,991,971	9,162,072
	Held to maturity	**21.3**	**42,499,012**	32,086,406
			52,490,983	41,248,478
21.1	**Marketable securities available for sale**			
	- Listed shares	**21.1.1**	**4,417,851**	5,471,273
	- Unlisted / delisted shares	**21.1.3**	**5,259,133**	5,259,133
	- Mutual fund certificates	**21.1.5**	**500,000**	1,076,286
			10,176,984	11,806,692

21.1.1 Shares in quoted companies

2009	2008	Percentage equity held	Face Value Rs	Quoted companies / Listed companies	2009 Rupees	2008 Rupees
---No. of Shares---						
				Commercial Banks		
-	9,435	-	10	Askari Bank Limited	**-**	703,710
1,300	2,303	0.0001%	10	National Bank Of Pakistan	**99,209**	490,400
1,642	2,500	0.0001%	10	United Bank Limited.	**100,057**	373,930
-	361	-	10	P.I.C.I.C. (NIB Bank Limited)	**-**	3,009
787	-	0.0001%	10	Habib Bank Limited	**99,936**	-
1,647	-	0.0002%	10	Allied Bank Limited	**100,005**	-
6,000	-	0.0011%	10	Meezan Bank Limited	**97,048**	-
10,000	-	0.0007%	10	Bank Alfalah Limited	**142,996**	-
10,000	-	0.0016%	10	Bank Alhabib Limited	**329,937**	-
2,000	-	0.0004%	10	Bank of Punjab Limited	**41,280**	-
2,000	-	0.0003%	10	Faysal Bank Limited	**29,400**	-
				Textile Spinning		
-	736	-	10	Fazal Cloth Mills Limited	**-**	3,162
100	100	0.0200%	10	Island Textile Mills Limited	**844**	844
-	522	-	10	Janana De Malucho Textile Mills Limited	**-**	5,070
-	1,150	-	10	Kohat Textile Mills Limited	**-**	11,595
-	931	-	10	Shahzad Textile Mills Limited	**-**	8,160
232	232	0.0030%	10	Sunshine Cotton Mills Limited	**1,834**	1,834
				Textile Composite		
5,000	250	0.0010%	10	Azgard Nine	**104,483**	-
-	64	-	10	Colony Thal Textile mills Limited	**-**	466
-	44	-	10	Kohinoor Textile Mills Limited	**-**	253
				Woolen		
530	530	0.0212%	10	Valika Woolen Mills Limited	**1,980**	1,980
				Jute		
-	2,023	-	10	Thal Limited	**-**	7,940
				Sugar and Allied industries		
-	463	-	10	Bawany Sugar Mills Limited	**-**	1,290
-	2,335	-	10	Habib Sugar Mills Limited	**-**	1,606
-	396	-	10	Kohinoor Sugar Mills Limited	**-**	3,400
-	415	-	10	Mirpurkhas Sugar Mills Limited	**-**	5,667
-	146	-	10	Shakarganj Mills Limited	**-**	964
-	1,429	-	10	Colony Sugar Mills Limited	**-**	-
				Refinery		
-	2,333	-	10	Pakistan Refinery Limited	**-**	543,990

2009	2008	Percentage equity held	Face Value Rs	Quoted companies / Listed companies	2009	2008
---No. of Shares---						
				Power Generation and Distribution		
3,000	-	0.0003%	10	Hub Power Companies Limited	**94,800**	-
3,000	-	0.0003%	10	Kot Addu Power Company	**136,950**	-
5,000	-	0.0014%	10	Nishat Power Limited	**62,730**	-
				Oil and Gas Exploration Companies		
-	2,000	-	10	Oil & Gas Development Co.Limited	**-**	253,580
				Engineering		
1,008	1,008	0.0569%	10	Quality Steel Mills Limited	**5,530**	5,530
2,400	2,400	0.0725%	10	Climax Engineering	**88,896**	88,896
				Automobile Assembler		
-	2,000	-	10	Indus Motor Company Limited	**-**	694,650
				Cable and Electrical Goods		
-	872	-	10	Pakistan Cables Limited	**-**	2,800
				Technology and Communication		
-	3,200	-	10	Pakistan Telecommunication Co. Limited	**-**	197,780
				Fertilizer		
950	1,650	0.0001%	10	Fauji Fertilizer Co. Limited	**100,197**	195,704
3,700	-	0.0004%	10	Fauji Fertilizer Bin Qasim	**97,606**	-
				Pharmaceuticals		
-	14	-	10	Abbot Laboratories (Pakistan) Limited	**-**	106
-	720	-	10	Ferozsons Laboratories Limited	**-**	2,190
-	1,100	-	10	Highnoon Laboraties Limited	**-**	88,700
				Chemicals		
500	50	0.0004%	10	ICI Pakistan	**76,271**	1,377
395	-	0.0001%	10	Engro Chemical Pakistan	**74,805**	-
				Paper and Board		
-	1,638	-	10	Packages Limited	**-**	62,815
1,000		0.0012%	10	Tri Pack Films	**106,000**	-
				Investment Securities		
3,000	-	0.0004%	10	Jahangir Siddique & co.	**91,410**	-
3,000	-	0.0008%	10	Arif Habib & Co	**148,950**	-
				Glass and Ceramics		
-	130	-	10	Tariq Glass Industries Limited	**-**	2,875
				Insurance		
5,000	666	0.0017%	10	Pakistan Reinsurance	**131,988**	-
760	-	0.0007%	10	E.F.U General Insurance	**75,482**	-
828	-	0.0014%	10	IGI Insurance	**74,924**	-
2,300	-	0.0069%	10	Atlas Insurance	**97,609**	-
5,000	-	0.0237%	10	Silver Star Insurance Company Limited	**69,948**	-
5,000	-	0.0238%	10	Universal Insurance Company Limited	**29,746**	-
				Leasing		
155,000	155,000	0.4844%	10	SME Leasing Company limited	**1,705,000**	1,705,000
242,079	201,156				**4,417,851**	5,471,273

21.1.2 Market value of listed shares is Rs 4,284,904 (December 31, 2008 : Rs 3,690,001)

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

21.1.3 Shares in Unlisted Companies

2009	2008	Face Value Rs	Unlisted/Delisted Companies	Note	2009	2008
---No. of Shares---						
206	206	10	Kakakhail Pakistan Limited		**3,380**	3,380
172	172	10	Adamjee Industries Limited		**1,818**	1,818
640	640	10	Pakistan Paper Sack Limited		**206**	206
33	33	10	Valika Usman Textile Mills Limited		**729**	729
200,000	200,000	10	Fazal Sugar Mills Limited		**3,502,000**	3,502,000
100,000	100,000	10	Punjab Cables Limited		**1,751,000**	1,751,000
301,051	301,051				**5,259,133**	5,259,133

21.1.4 Due to non-availability of break up value of investment in unquoted shares of the companies, the cost and break up value of unquoted shares are considered to be same.

21.1.5 Mutual fund certificates (Open Ended)

2009	2008	Mutual fund certificates	2009	2008
---No. of Shares---				
-	5,630	JS Income Fund	**-**	576,286
471	409	Atlas Income Fund	**250,000**	250,000
525	535	Atlas Stock Market Fund	**250,000**	250,000
996	6,574		**500,000**	1,076,286

21.1.6 Market value of mutual funds certificates is Rs 486,128 (December 31, 2008 : Rs 889,402).

21.2 Provision for impairment in value of investment

	2009	2008
Balance at the beginning of the year	**2,644,620**	-
Add: Provision / (reversal) for the year	**(2,459,607)**	2,644,620
	185,013	2,644,620

21.3 Held to maturity

	Note	2009	2008
Government securities	**21.3.1**	**38,130,752**	27,717,798
Term finance certificates	**21.3.2**	**868,260**	868,608
Investment in Musharika	**21.3.3**	**3,500,000**	3,500,000
		42,499,012	32,086,406

21.3.1 Government securities

Particulars	Maturity year	Effective yield %	Profit payment	2009 Rupees	2008 Rupees
Pakistan investment bonds	2018-2020	11.09 - 14.52	Half yearly	**38,130,752**	27,717,798

Market value of Pakistan Investments Bonds as at December 31, 2009 is Rs. 42,158,346.

The Pakistan Investment Bond is placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of clause (a) of the sub-section 2 of section 29 of the Insurance Ordinance 2000.

21.3.2 Term finance certificates

Name of the investee company	Rating	Maturity year	Effective yield %	Profit payment	2009 Rupees	2008 Rupees
Bank Alhabib limited	AA	2012	12.00%	Half yearly	**868,260**	868,608
					868,260	868,608

21.3.3 Investments in Musharika

Name of the investee company	Maturity year	Effective yield %	Profit payment	2009 Rupees	2008 Rupees
First Punjab Mudaraba	2010	9.50%	Quarterly	**1,000,000**	1,000,000
B.R.R Guardian Modaraba	2010	12.00%	Annual	**2,500,000**	2,500,000
				3,500,000	3,500,000

22 INVESTMENT PROPERTY

2009

	Cost				Depreciation				Written Down Value
	As at 01 January 2009	Transfer	As at 31 December 2009	Rate %	As at 01 January 2009	Transfer	For the year	As at 31 December 2009	As at 31 December 2009
	---- Rupees ----				---- Rupees ----				
Free Hold Land	23,128,210	-	23,128,210	-	-	-	-	-	23,128,210
Buildings	24,336,460	-	24,336,460	5	3,370,102	-	1,048,318	4,418,420	19,918,040
Total 2009	47,464,670	-	47,464,670		3,370,102	-	1,048,318	4,418,420	43,046,250

2008

	Cost				Depreciation				Written Down Value
	As at 01 January 2008	Transfer	As at 31 December 2008	Rate %	As at 01 January 2008	Transfer	For the year	As at 31 December 2008	As at 31 December 2008
	---- Rupees ----				---- Rupees ----				
Free Hold Land	23,128,210	-	23,128,210	-	-	-	-	-	23,128,210
Buildings	24,336,460	-	24,336,460	5	2,266,609	-	1,103,493	3,370,102	20,966,358
Total 2008	47,464,670	-	47,464,670		2,266,609	-	1,103,493	3,370,102	44,094,568

22.1 Market value of land and building as at December 31, 2009 was Rs. 45,055,650/- (2008: Rs. 43,875,000/-).

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2009 Rupees	2008 Rupees
23	**PREMIUM DUE BUT UNPAID**			
	Unsecured			
	- Considered good		**202,540,289**	149,066,036
	- Considered doubtful		**7,150,501**	14,309,151
			209,690,790	163,375,187
	Less : Provision for doubtful receivables	**23.1**	**(21,459,652)**	(14,309,151)
			188,231,138	149,066,036
23.1	**Provision for doubtful receivables**			
	Balance at the beginning of the year		**14,309,151**	-
	Provision made during the year		**7,150,501**	14,309,151
			21,459,652	14,309,151
24	**AMOUNT DUE FROM OTHER INSURERS/ REINSURERS**			
	Unsecured			
	- Considered good		**7,788,462**	14,287,348
	- Considered doubtful		**4,403,925**	-
			12,192,387	14,287,348
	Less : Provision for doubtful receivables		**(4,403,925)**	-
			7,788,462	14,287,348
25	**SUNDRY RECEIVABLES**			
	Rent deposits		**3,791,400**	2,614,800
	Advance against auctioned property		**1,705,000**	1,705,000
	Others		**10,987,974**	1,492,090
			16,484,374	5,811,890

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

26 SCHEDULE OF FIXED ASSETS TANGIBLE

	Owned Assets								Leased Assets		
	Freehold Land	**Building**	**Furniture and fixture**	**Office equipment**	**Computer equipment**	**Vehicles**	**Cycles**	**Total**	**Vehicles**	**Total**	**Gra**
COST											
Balance as at January 01, 2008	2,800,000	64,812,773	62,505,195	7,437,468	2,920,844	65,777,561	65,388	206,319,229	83,111,596	83,111,596	2
Additions during the year	-	-	5,987,735	2,090,289	1,437,281	1,990,260	13,900	11,519,465	28,139,300	28,139,300	
Disposals	-	-	-	-	-	(406,000)	-	(406,000)	-	-	
Transfers/Adjustments	-	-	-	-	-	16,470,000	-	16,470,000	(16,470,000)	(16,470,000)	
Balance as at December 31, 2008	2,800,000	64,812,773	68,492,930	9,527,757	4,358,125	83,831,821	79,288	233,902,694	94,780,896	94,780,896	3
Balance as at January 01, 2009	2,800,000	64,812,773	68,492,930	9,527,757	4,358,125	83,831,821	79,288	233,902,694	94,780,896	94,780,896	3
Additions during the year	53,100,000	7,500,000	4,048,673	2,145,160	1,424,650	4,373,888	13,350	72,605,721	46,608,000	46,608,000	1
Transfers/Adjustments	-	-	-	-	-	35,629,096	-	35,629,096	(35,629,096)	(35,629,096)	
Balance as at December 31, 2009	55,900,000	72,312,773	72,541,603	11,672,917	5,782,775	123,834,805	92,638	342,137,511	105,759,800	105,759,800	4
DEPRECIATION											
Balance as at January 01, 2008	-	4,149,919	8,267,971	2,153,571	1,165,763	42,225,670	29,343	57,992,237	15,888,569	15,888,569	
Charge for the year	-	3,033,142	5,775,209	639,375	821,099	6,005,013	8,570	16,282,408	15,373,747	15,373,747	
Depreciation on disposal	-	-	-	-	-	(361,271)	-	(361,271)	-	-	
Transfers/Adjustments	-	-	-	-	-	7,564,634	-	7,564,634	(7,564,634)	(7,564,634)	
Balance as at December 31, 2008	-	7,183,061	14,043,180	2,792,946	1,986,862	55,434,046	37,913	81,478,008	23,697,682	23,697,682	1
Balance as at January 01, 2009	-	7,183,061	14,043,180	2,792,946	1,986,862	55,434,046	37,913	81,478,008	23,697,682	23,697,682	1
Charge for the year	-	2,976,266	5,651,675	780,017	1,062,210	8,421,115	9,408	18,900,691	16,462,982	16,462,982	
Transfers/Adjustments	-	-				15,075,885		15,075,885	(15,075,885)	(15,075,885)	
Balance as at December 31, 2009	-	10,159,327	19,694,855	3,572,963	3,049,072	78,931,046	47,321	115,454,584	25,084,779	25,084,779	1
Written down values as at December 31, 2008	**2,800,000**	**57,629,712**	**54,449,750**	**6,734,811**	**2,371,263**	**28,397,775**	**41,375**	**152,424,686**	**71,083,214**	**71,083,214**	**22**
Written down values as at December 31, 2009	**55,900,000**	**62,153,446**	**52,846,748**	**8,099,954**	**2,733,703**	**44,903,759**	**45,317**	**226,682,927**	**80,675,021**	**80,675,021**	**30**
Rate of depreciation in %	-	5	10	10	33.33	20	20		20		

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6.1 The revaluation of fixed assets was carried out by an independent valuer M/S FRANK OBSERVERS (PRIVATE) LIMITED, 16-Carvan Building, 8-Link McLeod Roa Lahore, on December 31, 2006 resulting in surplus of Rs. 2,654,211/- which was credited to surplus on revaluation of fixed assets in order to comply with th requirements of section 235 of the Companies Ordinance, 1984.

6.2 Had there been no revaluation , the cost, accumulated depreciation and book value of revalued assets as at December 31, 2009 would have been as follows:

DESCRIPTION	COST				Rate %	DEPRECIATION				Written Down Value
	January 01,2009	Additions	Deletions	December 31,2009		January 01,2009	For the Year	Adjustment	December 31,2009	
Building	1,517,673	-	-	1,517,673	5	216,458	65,061	-	281,519	1,236,15
2009	1,517,673	-	-	1,517,673		216,458	65,061	-	281,519	1,236,15
2008	1,517,673	-	-	1,517,673		147,973	68,485	-	216,458	1,301,21

		Note	2009 Rupees	2008 Rupees
27	**ADMINISTRATIVE SURCHARGE**			
	Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:			
	Fire and property damage		**8,557,883**	6,319,006
	Marine, aviation and transport		**1,979,099**	1,295,854
	Motor		**5,435,205**	5,372,145
	Miscellaneous		**3,195,497**	4,250,318
			19,167,684	17,237,323
28	**MANAGEMENT EXPENSES**			
	Vehicle expense & workshop bills		**7,106,359**	3,845,507
	Advertisement & selling expenses		**6,957,115**	5,626,497
	Fire service charges		**347,971**	247,247
	Accident service charges		**-**	48,195
	Provision for doubtful debts	**23.1 & 24**	**11,554,426**	14,309,151
	Marine service charges		**294,731**	215,611
	Staff salaries		**33,389,490**	33,097,789
	Miscellaneous expenses		**285,818**	1,022,074
			59,935,910	58,412,071
29	**OTHER INCOME**			
	Income from financial assets / liabilities			
	Creditors no longer considered payable written back		**81,111**	-
	Others		**86,155**	102,632
			167,266	102,632
	Income from non financial assets			
	Gain on sale of fixed assets		**-**	10,271
	Discount income		**1,800**	-
			1,800	10,271
			169,066	112,903
30	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, allowances and benefits		**30,066,506**	21,223,662
	Travelling, conveyance and vehicle charges		**13,737,453**	9,148,539
	Printing & stationery		**4,218,671**	3,975,526
	Repair & renewal		**646,616**	856,830
	Electricity charges		**4,501,680**	3,556,511
	Tele phone charges		**4,606,454**	4,456,954
	Office rent		**12,092,283**	9,190,315
	Charity & donation		**135,000**	16,500
	Bank charges		**1,870,690**	1,514,819
	Leavy charges		**1,674,600**	566,871
	Interest charges		**1,444,299**	2,082,974
	General expenses		**8,028,398**	3,398,076
	Legal & professional fee		**5,376,026**	4,152,885
	Auditors' remuneration	**30.1**	**970,000**	450,000
	Depreciation	**30.2**	**36,411,991**	32,759,648
	Zakat		**179,013**	126,780
	Gratuity		**9,857,494**	7,602,995
			135,817,174	105,079,885

30.1	**AUDITORS' REMUNERATION**	**AVAIS HYDER LIAQUAT NAUMAN**	**SARWARS**	**Total 2009 Rupees**	**Total 2008 Rupees**
	Annual audit fee	255,000	255,000	**510,000**	275,000
	Half yearly review	75,000	75,000	**150,000**	100,000
	Other certifications	130,000	130,000	**260,000**	50,000
	Out of pocket expenses	35,000	15,000	**50,000**	25,000
		495,000	475,000	**970,000**	450,000

		Note	2009 Rupees	2008 Rupees
30.2	**Depreciation**			
	Investment property	**22**	**1,048,318**	1,103,493
	Fixed assets	**26**	**35,363,673**	31,656,155
			36,411,991	32,759,648
31	**PROVISION FOR TAXATION**			
	Current		**6,779,183**	6,382,053
	Prior		**-**	(1,723,568)
	Deferred		**1,591,298**	(2,348,673)
			8,370,481	2,309,812

31.1 Reconciliation between effective and applicable tax rate

	Percentage %	Percentage %
Applicable tax rate	**35.00**	35.00
- Effect of income charged at different rates	**(4.37)**	(1.08)
- Effect of tax on amounts deductible for tax purposes	**(16.33)**	(22.61)
- Effect of opening deferred tax	**(2.80)**	(4.39)
Effective tax rate	**11.50**	6.92

32 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average no of shares as at the year end as follows:

	2009	2008
Profit after tax for the year	**64,421,207**	55,913,191
Weighted average number of shares of Rs 10/- each	**34,500,000**	34,500,000
Earnings per share of Rs 10/- each - basic and diluted	**1.87**	1.62

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

33 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Directors	Executives	Total 2009	Total 2008
Managerial remuneration	562,320	180,000	13,344,468	**14,086,788**	7,837,644
Housing	233,448	120,000	4,006,008	**4,359,456**	783,764
Medical allowance	56,232	-	1,214,448	**1,270,680**	3,687,892
	852,000	300,000	18,564,924	**19,716,924**	12,309,300
Number of persons	1	1	16	**18**	12

The Chief Executive is also provided with free use of the Company's maintained car.

34 RELATED PARTY TRANSACTIONS

The company has relationship of associated undertakings with "United Track Systems (Private) Limited" due to common directorship. Transactions with related party is summarized as follows:

	2009	2008
Purchases of Track Systems	**52,150,000**	46,350,790

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35 SEGMENT REPORTING

The company has four primary business segments for reporting purposes namely Fire, Marine, Motor, and Miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of premium written by each segment.

	FIRE		MARINE		MOTOR		MISCELLANEOUS		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2
OTHER INFORMATION										
Segment assets	143,934,973	148,496,109	30,708,276	25,876,150	62,253,143	69,030,171	136,120,024	76,698,075	373,016,415	32
Unallocated assets									645,305,719	52
TOTAL ASSETS									**1,018,322,134**	**844**
Segment liabilities	97,693,952	73,508,180	18,392,806	18,505,127	88,688,992	89,260,224	122,184,461	59,407,875	326,960,211	24
Unallocated liabilities									141,538,391	11
TOTAL LIABILITIES									**468,498,603**	**359**
Capital expenditure	39,473,797	14,538,450	8,828,185	2,981,436	26,087,776	12,359,961	44,823,962	9,778,918	**119,213,721**	**39**
Depreciation	12,056,662	12,009,313	2,696,433	2,462,780	7,968,109	10,209,798	13,690,787	8,077,758	**36,411,991**	**32**

	Note	2009 Rupees	2008 Rupees

36 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

36.1 Credit risk and concentration of credit risk

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

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

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

	2009 Rupees	2008 Rupees
Bank deposits	**63,326,259**	28,360,772
Investments	**868,260**	868,608
Premium due but unpaid	**188,231,138**	149,066,036
Amounts due from other insurers / reinsurers	**7,788,462**	14,287,348
Accrued investment income	**4,333,963**	2,357,577
Reinsurance recoveries against outstanding claims	**9,445,668**	6,520,026
Sundry receivables	**16,484,374**	5,811,890
	290,478,124	**207,272,257**

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rs. 11.55 million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in notes 23.1 and 24. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers/reinsurers for whom there is no recent history of default.

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

	Rating	Rating Agency	2009 Rupees	2008 Rupees
Bank Alfalah Limited	AA	PACRA	**3,117,479**	2,652,764
Allied Bank Limited	AA	PACRA	**6,763,954**	3,117,241
Habib Metroploitan Bank Limited	AA+	PACRA	**275,668**	192,307
Habib Bank Limited	AA+	JCR-VIS	**4,898,504**	2,212,600
Arif Habib Bank Limited	A	JCR-VIS	**169,259**	-
Bank Al-Habib Limited	AA+	PACRA	**1,014,302**	502,110
KASB Bank Limited	A	PACRA	**1,786,574**	61,791
Soneri Bank Limited	AA-	PACRA	**3,054,402**	4,375,654
Atlas Bank Limited	A-	PACRA	**1,122,849**	300,712
Albaraka Islamic Bank Limited	A	JCR-VIS	**141,274**	149,667
Askari Bank Limited	AA	PACRA	**5,858,738**	1,420,652
Zarai Tarqiati Bank	AAA	JCR-VIS	**65,964**	65,964
I.D.B.P	Rating not available		**37,019**	35,602
Bank of Khyber	BBB	PACRA	**72,415**	173,206
Bank of Punjab	AA-	PACRA	**1,266,282**	1,277,310
Bank Islami	AA-	PACRA	**38,152**	102,431
Samba Bank Limited	AA-	JCR-VIS	**100,000**	100,000
Dawood Islamic Bank Limited	A-	JCR-VIS	**959,758**	-
Faysal Bank Limited	AA-	PACRA	**2,978,475**	1,777,026
First Women Bank	BBB+	PACRA	**106,797**	275,308
Barclays Bank Limited	AA-	STANDARD & POOR	**3,806,049**	-
MCB Bank Limited	A	PACRA	**2,048,071**	849,885
My Bank Limited	A	PACRA	**56,576**	90,223
National Bank of Pakistan Limited	A-	JCR-VIS	**2,458,275**	1,201,227
NIB Bank Limited	AA-	PACRA	**1,939,083**	872,008
Punjab Provincial Co-operative Bank Limited	CCC	JCR-VIS	**498,275**	497,944
Royal Bank of Scotland	AA-	PACRA	**1,915,856**	1,431,413
Silk Bank Limited	A-	JCR-VIS	**504,135**	468,510
SME Bank Limited	BBB	JCR-VIS	**231,880**	1,133,466
Standard Chartered Bank Limited	AAA	PACRA	**4,759,950**	641,497
United Bank Limited	AA+	JCR-VIS	**11,280,244**	2,382,254
			63,326,259	28,360,772

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

Bank Al-Habib Limited	AA+	PACRA	**868,260**	868,608

36.2 Liquidity risk

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

On the balance sheet date the company has cash and bank balance and unutilized credit lines of Rs. 4.50 million (2008 : Rs. 4.102 million).

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

	2009			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
	--------------------Rupees----------------------			
Financial liabilities				
Provision for outstanding claims	17,537,920	17,537,920	17,537,920	-
Amount due to other insurers / reinsurers	25,697,719	25,697,719	25,697,719	-
Accrued expenses	5,364,532	5,364,532	5,364,532	-
Sundry creditors	32,273,830	32,273,830	32,273,830	-
Finance lease	69,385,643	79,589,117	31,606,944	47,982,173
	150,259,644	**160,463,118**	**112,480,945**	**47,982,173**

	2008			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
	--------------------Rupees----------------------			
Financial liabilities				
Provision for outstanding claims	13,452,365	13,452,365	13,452,365	-
Amount due to other insurers / reinsurers	19,793,505	19,793,505	19,793,505	-
Accrued expenses	4,142,066	4,142,066	4,142,066	-
Sundry creditors	19,721,296	19,721,296	19,721,296	-
Finance lease	56,542,892	63,858,435	28,642,963	35,215,472
Short term finance	13,972,546	14,396,543	14,396,543	-
	127,624,670	135,364,210	100,148,738	35,215,472

36.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the result. The market risks associated with the Company's business activities are interest / mark-up rate risk and price risk. The company is not exposed to material currency risk.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent 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.

a) Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatched through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

FINANCIAL ASSETS AND LIABILITIES

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments were as follows:

		2009						
		Interest/markup bearing			Non interest/markup bearing			
FINANCIAL ASSETS AND LIABILITIES	Effective Yield/ Mark-up rate	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Total
	%	Rs						
FINANCIAL ASSETS								
Loan to employees and agents		-	-	-	1,663,500	-	1,663,500	1,663,500
Investments	11.09-14.52	-	42,499,012	42,499,012	9,991,971	-	9,991,971	52,490,983
Premium due but unpaid		-	-	-	188,231,138	-	188,231,138	188,231,138
Interest outstanding		-	-	-	4,333,963	-	4,333,963	4,333,963
Amount due from other insurers/reinsurers				-	7,788,462	-	7,788,462	7,788,462
Reinsurance recoveries against O/S claims		-	-	-	9,445,668	-	9,445,668	9,445,668
Sundry receivables		-	-	-	16,484,374	-	16,484,374	16,484,374
Cash & bank balances	8 - 15	71,050,000	20,200,348	91,250,348	127,592,413	-	127,592,413	218,842,761
		71,050,000	62,699,360	133,749,360	365,531,489	-	365,531,489	499,280,849
FINANCIAL LIABILITIES								
Claims outstanding		-	-	-	17,537,920	-	17,537,920	17,537,920
Amount due to other insurers/reinsurer		-	-	-	25,697,719	-	25,697,719	25,697,719
Other creditors & accruals		-	-	-	37,638,362		37,638,362	37,638,362
Short term bank borrowings			-	-	-	-	-	-
Liabilities against asset subject to finance lease	13 - 25	28,230,799	41,154,844	69,385,643	-	-	-	69,385,643
		28,230,799	41,154,844	69,385,643	80,874,001	-	80,874,001	150,259,644

		2008						
		Interest/markup bearing			Non interest/markup bearing			
FINANCIAL ASSETS AND LIABILITIES	Effective Yield/ Mark-up rate	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Total
	%	Rs						
FINANCIAL ASSETS								
Loan to employees and agents		-	-	-	1,630,954	-	1,630,954	1,630,954
Investments	12.38 - 14.47	-	32,086,406	32,086,406	9,162,072	-	9,162,072	41,248,478
Premium due but unpaid		-	-	-	149,066,036	-	149,066,036	149,066,036
Interest outstanding		-	-	-	2,357,577	-	2,357,577	2,357,577
Amount due from other insurers/reinsurers		-	-	-	14,287,348	-	14,287,348	14,287,348
Reinsurance recoveries against O/S claims		-	-	-	6,520,026	-	6,520,026	6,520,026
Sundry receivables		-	-	-	5,811,890	-	5,811,890	5,811,890
Cash & bank balances	3 - 5	14,900,000	18,500,000	33,400,000	172,501,535		172,501,535	205,901,535
		14,900,000	**50,586,406**	**65,486,406**	**361,337,438**	**-**	**361,337,438**	**426,823,844**
FINANCIAL LIABILITIES								
Claims outstanding		-	-	-	13,452,365	-	13,452,365	13,452,365
Amount due to other insurers/reinsurer		-	-	-	19,793,505	-	19,793,505	19,793,505
Other creditors & accruals		-	-	-	23,863,362		23,863,362	23,863,362
Short term bank borrowings		13,972,546	-	13,972,546	-	-	-	13,972,546
Liabilities against asset subject to finance lease	13 - 25	28,312,999	28,229,893	56,542,892	-	-	-	56,542,892
		42,285,545	**28,229,893**	**70,515,438**	**57,109,232**	**-**	**57,109,232**	**127,624,670**

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
As at December 31, 2009			
Cash flow sensitivity - Variable rate financial liabilities	100	(102,035)	(66,323)
	(100)	102,035	66,323
Cash flow sensitivity - Variable rate financial assets	100	511,124	332,231
	(100)	(511,124)	(332,231)
As at December 31, 2008			
Cash flow sensitivity - Variable rate financial liabilities	100	(73,155)	(47,551)
	(100)	73,155	47,551
Cash flow sensitivity - Variable rate financial assets	100	191,428	124,428
	(100)	(191,428)	(124,428)

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by 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 equity securities amounting to Rs. 4.285 million (2008: Rs. 3.690 million) at the balance sheet date.

Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

Available for sale equity instruments 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 requirements 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 and consequently the amount realized in the subsequent 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 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 2008 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, indeed results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Had all equity investments been measured at fair values as required by IAS 39 "Financial Instruments Recognition and Measurement", the impact of hypothetical change would be as follows;

	Fair Value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (Decrease) in shareholder's equity	Hypothetical increase / (Decrease) in profit/(loss) before tax
December 31, 2009	4,284,904	10 % increase	4,713,394	428,490	-
		10 % decrease	(3,856,414)	(428,490)	-
December 31, 2008	3,690,001	10 % increase	4,059,001	369,000	-
		10 % decrease	(3,321,001)	(369,000)	-

36.4 Fair value of financial instruments

Flair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximates their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

36.5 Reinsurance risk

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

To minimize it's exposure to significant losses from reinsurers insolvencies, the Company obtains reinsurers ratings from a number of reinsurers, who are dispersed over several geographical regions.

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

	Amount due from other insurers / reinsurers	**Reinsurance recoveries against outstanding claims**	**Other reinsurance assets**	**2009**	**2008**
A or above (including PRCL)	7,272,023	9,445,668	113,894,179	130,611,870	121,890,689
BBB	516,439	-	-	516,439	514,583
Total	7,788,462	9,445,668	113,894,179	131,128,309	122,405,272

36.6 Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limit and criteria. Reinsurance is purchased to mitigate the risk of potential loss to the Company. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single insurance contract issued to particular demographic 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 reinsureres. who are dispersed over several geographical regions.

Geographical concentration of insurance risk

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

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

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

Reinsurance arrangements

Reinsurance arrangements are key components in the global economy as a means of supporting acceptance of risk by insurance organizations. Arrangements are the most effective ways of getting risks of all types, underwritten of the company. The company has prestigious reinsurance arrangements with the world wide acclaimed reinsurers.

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
	---------- Rupees in '000' ----------					
Fire	123,751,472	109,326,434	89,770,829	77,729,273	33,980,643	31,597,161
Marine	33,201,877	25,191,313	15,456,682	12,604,322	17,745,194	12,586,990
Motor	7,752,364	9,307,263	-	-	7,752,364	9,307,263
Miscellaneous	35,563,831	13,626,992	18,865,530	8,399,040	16,698,301	5,227,953
	200,269,543	157,452,002	124,093,041	98,732,635	76,176,502	58,719,367

Sensitivity analysis

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

	Profit before tax		Share holders' equity	
10% increase in loss	**2009**	**2008**	**2009**	**2008**
	Rupees			
Net				
Fire	(3,614,324)	(3,538,378)	(2,349,310)	(2,299,945)
Marine	(512,870)	(587,747)	(333,366)	(382,035)
Motor	(5,215,604)	(4,642,438)	(3,390,143)	(3,017,584)
Miscellaneous	(2,813,194)	(1,528,891)	(1,828,576)	(993,779)
	(12,155,992)	(10,297,454)	(7,901,395)	(6,693,343)

	Profit before tax		Share holders' equity	
10% decrease in loss	**2009**	**2008**	**2009**	**2008**
	Rupees			
Net				
Fire	3,614,324	3,538,378	2,349,310	2,299,945
Marine	512,870	587,747	333,366	382,035
Motor	5,215,604	4,642,438	3,390,143	3,017,584
Miscellaneous	2,813,194	1,528,891	1,828,576	993,779
	12,155,992	10,297,454	7,901,395	6,693,343

Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2009.

	2007	**2008**	**2009**	**Total**
	Rupees			
Estimate of ultimate claims cost				
At the end of accident year	64,195,229	53,864,348	50,692,363	168,751,940
One year later	43,981,976	53,248,361	-	97,230,337
Two year later	2,560,543	-	-	2,560,543
Estimate of cumulative claims	110,737,748	107,112,709	50,692,363	268,542,820
Cumulative payments to date	(110,737,748)	(103,801,684)	(48,590,873)	(263,130,305)
Liability recognized in the balance sheet date	-	3,311,025	2,101,490	5,412,515

37 CAPITAL MANAGEMENT

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

38 EVENTS AFTER BALANCE SHEET DATE

The board of directors have proposed bonus shares for the year ended December 31, 2009 of Rs. 1.6 per share (2008 : Rs 1.4 per share), amounting to Rs 55,200,000 (2008 : Rs 42,593,220) at their meeting held on March 26,2010 for the approval of the members at the annual general meeting to be held on April 29,2010.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 26, 2010 by the Board of Directors of the company.

40 RECLASSIFICATION

Balance Sheet	**From**	**To**	**RUPEES**
Term finance certificates	Deposits maturing after 12 months	Available for sale investments	868,608

Khawas Khan Niazi **Chief Executive**	**Huma Waheed** **Director**	**Ch. Habib-ur-Rehman** **Director/President**	**Mian M. A. Shahid** **Chairman**

PATERN OF SHAREHOLDING
AS AT DECEMBER 31, 2009

Shareholding		Number of Shareholders	Total Shares Held
From	To		
1	100	133	4,545
101	500	75	21,214
501	1000	36	27,156
1001	5000	51	111,426
5001	10000	28	207,625
10001	20000	26	363,549
20001	30000	7	170,167
30001	40000	2	70,205
40001	50000	0	0
50001	60000	3	174,208
60001	70000	6	384,515
70001	80000	6	465,265
80001	90000	3	253,908
90001	100000	4	377,556
100001	200000	79	11,869,069
200001	300000	38	9,448,916
300001	400000	17	5,795,584
400001	600000	5	2,376,947
600001	800000	1	685,049
800001	1700000	1	1,693,096
Total		521	34,500,000

CATEGORIES OF SHAREHOLDERS

As per Code of Corporate Governance
As at December 31, 2009

Sr. No.	Categories of Shareholders	Number of Shareholders	Share held	Percentage
1	Associated Undertaking and Related Parties	6	473,948	1.37
2	NDFC (List "A" Attached)	Nill	Nill	Nill
3	Director and CEO (List "B" Attached)	7	580,584	1.68
4	Executives	Nill	Nill	Nill
5	Public Sector Corporation	Nill	Nill	Nill
6	Banks, Insurance and Modaraba Companies (List "C" Attached)	4	4,037	0.01
7	Individuals (Physical)	144	31,743,133	92.01
8	Others	4	5,202	0.02
9	CDC	356	1,693,096	4.91
	Total	**521**	**34,500,000**	**100**

PATTERN OF SHARES HOLDING

LIST "A"
NDFC

Sr. No	Name	No. of Shares
1	National Development Finance Corporation	Nil

LIST "B"

Detail of CEO and Directors

Sr. No	Name	No. of Shares
1	Mian M.A Shahid Chairman	464,615
2	Ch. Habib ur Rehman	13,998
3	Ch. Najib ur Rehman	13,102
4	Ch. Maqsood Ahmed	68,992
5	Ch. Aziz ur Rehman	13,560
6	Huma Waheed	2,904
7	Khawas Khan Niazi	3,413
		580,584

LIST "C"

Banks, Insurance and Modaraba Companies

Sr. No	Name	No. of Shares
1	Eastern Federal Union Ins. Company	1,416
2	Pakistan Re.Insurance Company	NIL
3	Habib Bank Limited	111
4	National Bank Investor Account	2,328
5	Al-Zamin Leasing Modaraba	182
		4,037

List if Associated Companies

Sr. No	Name	No. of Shares
1	Aziz Coal Mines Ltd	14,829
2	Indus Coal Mines Ltd	212,267
3	Shahab Coal Mines (Pvt.) Ltd.	11,661
4	Zahid Steel (Pvt.) Ltd.	5,300
5	Zahid Chemical (Pvt.) Ltd.	5,300
6	Margala News International	222, 591
		473,948

List of Others

Sr. No	Name	No. of Shares
1	Kazi & Kazi Ltd.	666
2	Mehr Dastgir Textile Mills Ltd.	4,526
3	Mehr Dastgir Leather & Footware Ind. Ltd	Nil
4	Sarfaraz Mahmood (Pvt.) Ltd	10
		5,202

FORM OF PROXY

I/We……………………………………………………………………………………………

Of…………………………………………………………………………………………..

Being member of THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED

Hereby appoint……………………………………………………………………………….

Our failing him ……………………………………………………………………………….

Of ……………………………………………………………………………………….

As my/our proxy in my/our absence to attend and vote for me;/ us and on my/our behalf

at the fiftieth annual general meeting of the company to be held on April 29, 2010 at any

adjournment thereof.

Witness………………………………………………

………………………………………………………

Place ………………………………………………..   Signature

Date………………………………………………….

Affix revenue
Stamp of five
rupees

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

Important:

A member entitle to attend and vote at the general meeting in entitled to appointing a proxy must be received at the registered office of the company not later then forty eight hours be fore the time appointed for the meeting. A member shall not be entitled to appoint more then one proxy. If a member appoints more then one proxy and more then one instrument of proxy are deposited by a member. All such instruments of proxy shall be rendered invalid.

The company secretary
The UNITED INSURANCE COMPANY OF PAKISTAN LTD.
204,2 nd floor,Madina City Mall,
Abdullah Haroon Road.
Sadar. Karachi

BALANCE SHEET
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Note	2009 Rupees	2008 Rupees
Share capital and reserves			
Authorized share capital	5	**750,000,000**	500,000,000
Paid-up share capital	5	**345,000,000**	302,406,780
Retained earnings		**128,228,439**	106,322,601
Reserves	6	**75,115,917**	75,115,917
		548,344,356	483,845,298
Surplus on revaluation of fixed assets	7	**1,479,175**	1,557,026
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**17,537,920**	13,452,365
Provision for unearned premium		**251,563,186**	174,797,915
Commission income unearned		**32,161,386**	32,637,621
Total underwriting provisions		**301,262,492**	220,887,901
Deferred liabilities			
Staff retirement benefits	8	**20,930,674**	12,196,817
Deferred tax liabilities	9	**7,424,166**	5,832,868
		28,354,840	18,029,685
Creditors and accruals			
Amounts due to other insurers/reinsurers	10	**25,697,719**	19,793,505
Accrued expenses	11	**5,364,532**	4,142,066
Provision for taxation - net		**6,159,547**	6,161,192
Other creditors and accruals	12	**32,273,830**	19,721,296
		69,495,628	49,818,059
Borrowings			
Short-term finance	13	**-**	13,972,546
Other liabilities			
Liabilities against assets subject to finance lease	14	**69,385,643**	56,542,892
Total liabilities		**468,498,603**	359,251,083
TOTAL EQUITY AND LIABILITIES		**1,018,322,134**	844,653,407

Contingencies & Commitments 15

The annexed notes 1 to 40 form an integral part of these financial statements.

	Note	2009 Rupees	2008 Rupees
Cash & bank deposits			
Cash and other equivalents	16	39,598	26,662
Current and other accounts	17	105,023,170	156,011,153
Deposits maturing within 12 months	18	75,456,000	20,687,169
Deposits maturing after 12 months	19	38,323,993	29,176,551
		218,842,761	205,901,535
Loans			
To employees & agents	20	1,663,500	1,630,954
Investments	21	52,490,983	41,248,478
Investment property	22	43,046,250	44,094,568
Other assets			
Premiums due but unpaid	23	188,231,138	149,066,036
Amounts due from other insurers/reinsurers	24	7,788,462	14,287,348
Prepaid reinsurance premium ceded		113,894,179	101,597,898
Reinsurance recoveries against outstanding claims		9,445,668	6,520,026
Deferred commission expense		53,656,968	48,629,197
Accrued investment income		4,333,963	2,357,577
Sundry receivables	25	16,484,374	5,811,890
		393,834,752	328,269,972
Fixed assets - Tangible	26		
Owned			
Land freehold		55,900,000	2,800,000
Buildings		62,153,446	57,629,712
Furniture, fixtures, office & computer equipments		63,680,405	63,555,823
Motor vehicles		44,949,076	28,439,151
Capital work in progress		1,085,940	-
		227,768,867	152,424,686
Leased			
Motor vehicles		80,675,021	71,083,214
TOTAL ASSETS		1,018,322,134	844,653,407

Khawas Khan Niazi
Chief Executive

Huma Waheed
Director

Ch. Habib-ur-Rehman
Director/President

Mian M. A. Shahid
Chairman

PROFIT AND LOSS ACCOUNT
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Note	Fire & Property Damage	Marine, Aviation & Transport	Motor	Miscellaneous	2009 Aggregate	2008 Aggregate
		Rupees					
Revenue account							
Net premium revenue		86,191,605	32,312,068	152,830,244	152,396,693	**423,730,610**	356,522,535
Net claims		(36,143,237)	(5,128,703)	(52,156,041)	(28,131,938)	**(121,559,919)**	(102,974,528)
Management expenses	**28**	(19,845,853)	(4,438,460)	(13,115,895)	(22,535,702)	**(59,935,910)**	(58,412,071)
Net commission		578,471	(1,114,892)	(27,634,220)	(8,592,415)	**(36,763,056)**	(26,549,107)
Underwriting results		30,780,986	21,630,013	59,924,088	93,136,638	**205,471,725**	168,586,829
Investment income						**10,824,125**	1,661,787
Rental income						**725,850**	480,000
Other income	**29**					**169,066**	112,903
General & admin expenses	**30**					**(135,817,174)**	(105,079,885)
Finance charge on lease rentals						**(8,581,904)**	(7,538,631)
						(132,680,037)	(110,363,826)
Profit/ (loss) before tax						**72,791,688**	58,223,003
Provision for taxation	**31**					**(8,370,481)**	(2,309,812)
Profit/ (loss) after tax						**64,421,207**	**55,913,191**
Profit & loss appropriation account							
Balance at commencement of year						**106,322,601**	100,728,591
Incremental depreciation net of deferred tax						**77,851**	81,949
Profit / (loss) after tax for the year						**64,421,207**	55,913,191
Profit available for appropriation						**170,821,659**	156,723,731
Issuance of bonus shares for the year ended 2008 : 14% (2007 : 20% per share of Rs 10/- each)						**(42,593,220)**	(50,401,130)
Balance un-appropriated profit at end of year						**128,228,439**	**106,322,601**
Earnings per share of Rs 10/- each - basic and diluted					**(Note 32)**	**1.87**	1.62

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi	Huma Waheed	Ch. Habib-ur-Rehman	Mian M. A. Shahid
Chief Executive	Director	Director/President	Chairman

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	2009 Rupees	2008 Rupees
Operating cash flows:		
a) Underwriting activities:		
Premium received	**675,866,019**	551,208,978
Reinsurance premium paid	**(220,927,307)**	(186,076,871)
Claims paid	**(235,417,607)**	(210,355,589)
Reinsurance and other recoveries received	**121,516,487**	108,929,632
Commission paid	**(107,849,537)**	(95,751,125)
Commission received	**65,582,475**	61,765,158
Net cash flow from underwriting activities	**298,770,530**	229,720,183
b) Other operating activities:		
Income tax paid	**(8,372,126)**	(3,373,969)
General management expenses paid	**(145,414,140)**	(139,633,001)
Other operating receipts/(payments)	**(9,980,155)**	(2,809,810)
Loan to employees and agents	**(32,546)**	(377,420)
Net cash flow from other operating activities	**(163,798,967)**	(146,194,200)
Total cash flow from all operating activities	**134,971,563**	83,525,983
Investment activities:		
Investment income received	**8,847,739**	538,892
Rental income received	**725,850**	480,000
Sale/(Purchase) of investment and fixed deposits	**(75,158,778)**	(856,081)
Fixed capital expenditure	**(72,605,721)**	(11,519,465)
Proceeds from disposal of fixed assets	**-**	55,000
Net cash flow from investing activities	**(138,190,910)**	(11,301,654)
Financing activities:		
Bank borrowings	**(13,972,546)**	(152,029)
Lease liability paid	**(33,783,154)**	(30,240,591)
Net cash flow from financing activities	**(47,755,700)**	(30,392,620)
Net cash inflow from all activities	**(50,975,047)**	41,831,709
Cash and cash equivalents at the beginning of the year	**156,037,815**	114,206,106
Cash and cash equivalents at the end of the year	**105,062,768**	**156,037,815**

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	2009 Rupees	2008 Rupees
Reconciliation of profit and loss account		
Net cash flow from operating activities	**134,971,563**	83,525,983
Depreciation	**(36,411,991)**	(32,759,648)
Lease finance charges	**(9,857,494)**	(7,602,995)
Gain on disposal of fixed assets	**-**	10,271
Increase/(Decrease) in Assets other than cash	**63,551,643**	12,267,295
(Increase)/Decrease in Liabilities	**(95,274,974)**	(6,478,742)
Provision for impairment in value of investments	**(2,459,607)**	2,644,620
Others		
Dividend income	**313,127**	273,512
Dividend and other investment income	**9,588,940**	4,032,895
Profit after Taxation	**64,421,207**	**55,913,191**

Definition of cash

Cash for the purpose of the statement of cash flows comprises of cash in hand, bank balances and other assets which are readily convertible to cash and used for cash management for day to day business operations.

Cash for the purpose of cash flows comprises of:

Cash and other equivalents		
- cash in hand	**39,598**	26,662
Current and other accounts	**105,023,170**	156,011,153
	105,062,768	**156,037,815**

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi **Chief Executive**	**Huma Waheed** **Director**	**Ch. Habib-ur-Rehman** **Director/President**	**Mian M. A. Shahid** **Chairman**

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2009

DESCRIPTION	Note	SHARE CAPITAL	RESERVE FOR ISSUE OF BONUS SHARES	GENERAL RESERVE	RETAINED EARNINGS	TOTA
		Rupees				
Balance as at January 01, 2008		252,005,650	-	75,115,917	100,728,591	427
Transfer to reserve for issue of bonus shares		-	50,401,130	-	(50,401,130)	
Bonus Share reserve capitalized		50,401,130	(50,401,130)	-	-	
Incremental depreciation net of deferred tax		-	-	-	81,949	
Net profit for the year		-	-	-	55,913,191	55
Balance as at December 31, 2008		302,406,780	-	75,115,917	106,322,601	483
Balance as at January 01, 2009		302,406,780	-	75,115,917	106,322,601	483
Transfer to reserve for issue of bonus shares		-	42,593,220	-	(42,593,220)	
Bonus Share reserve capitalized		42,593,220	(42,593,220)	-	-	
Incremental depreciation net of deferred tax		-	-	-	77,851	
Net profit for the year		-	-	-	64,421,207	64
Balance as at December 31, 2009		**345,000,000**	**-**	**75,115,917**	**128,228,439**	**548,**

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi **Chief Executive**	**Huma Waheed** **Director**	**Ch. Habib-ur-Rehman** **Director/President**	**Mian M. A.** **Chairm**

STATEMENT OF PREMIUMS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written (Note 27)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expenses	Net premium rev
		Opening	Closing			Opening	Closing		2009
	Rupees								
Direct & facultative									
1. Fire and property damage	236,759,604	38,207,921	64,178,579	210,788,946	111,544,887	63,727,518	50,675,064	124,597,341	**86,191,605**
2. Marine, aviation and transport	52,950,510	11,506,953	12,337,742	52,119,721	22,623,864	9,066,209	11,882,420	19,807,653	**32,312,068**
3. Motor	156,471,685	78,316,382	76,156,695	158,631,372	6,871,876	2,559,404	3,630,152	5,801,128	**152,830,244**
4. Miscellaneous	268,849,322	46,766,659	98,890,170	216,725,811	85,790,894	26,244,767	47,706,543	64,329,118	**152,396,693**
GRAND TOTAL	715,031,121	174,797,915	251,563,186	638,265,850	226,831,521	101,597,898	113,894,179	214,535,240	**423,730,610**

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi
Chief Executive

Huma Waheed
Director

Ch. Habib-ur-Rehman
Director/President

Mian M. A. Sh
Chairmar

TATEMENT OF CLAIMS

NANCIAL YEAR ENDED DECEMBER 31, 2009

USINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expenses	
		Opening	Closing			Opening	Closing		2009	2008
	Rupees									
rect & facultative										
Fire and property damage	101,088,752	5,813,371	7,519,878	102,795,259	66,101,971	4,033,298	4,583,349	66,652,022	**36,143,237**	35,383,77
Marine, aviation and transport	18,910,515	2,863,951	621,596	16,668,160	12,264,914	1,260,544	535,087	11,539,457	**5,128,703**	5,877,46
Motor	56,967,096	4,775,043	6,908,814	59,100,867	5,687,620	1,226,184	2,483,390	6,944,826	**52,156,041**	46,424,37
Miscellaneous	58,451,244	-	2,487,632	60,938,876	30,963,096	-	1,843,842	32,806,938	**28,131,938**	15,288,91
RAND TOTAL	235,417,607	13,452,365	17,537,920	239,503,162	115,017,601	6,520,026	9,445,668	117,943,243	**121,559,919**	102,974,52

e annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi **Chief Executive**	**Huma Waheed** **Director**	**Ch. Habib-ur-Rehman** **Director/President**	**Mian M. A. Shahid** **Chairman**

STATEMENT OF EXPENSES
FINANCIAL YEAR ENDED DECEMBER 31, 2009

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses (Note 28)	Underwriting expenses	Commission on reinsurance	Unearned commission		Net commission on reinsurance	Net underwriting
		Opening	Closing					Opening	Closing		2009
	Rupees										
Direct & facultative											
1. Fire and property damage	45,569,419	20,851,808	23,770,961	42,650,266	19,845,853	62,496,119	38,484,442	22,230,815	17,486,520	43,228,737	**19,267,382**
2. Marine, aviation and transport	7,450,170	3,268,941	3,774,844	6,944,267	4,438,460	11,382,727	6,713,637	2,646,202	3,530,464	5,829,375	**5,553,352**
3. Motor	26,544,222	14,334,239	13,244,241	27,634,220	13,115,895	40,750,115	-	-	-	-	**40,750,115**
4. Miscellaneous	28,285,726	10,174,209	12,866,922	25,593,013	22,535,702	48,128,715	20,384,396	7,760,604	11,144,402	17,000,598	**31,128,117**
GRAND TOTAL	107,849,537	48,629,197	53,656,968	102,821,766	59,935,910	162,757,676	65,582,475	32,637,621	32,161,386	66,058,710	**96,698,966**

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi
Chief Executive

Huma Waheed
Director

Ch. Habib-ur-Rehman
Director/President

Mian M. A. S
Chairm

STATEMENT OF INVESTMENT INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Note	2009 Rupees	2008 Rupees
Income from non-trading investments:			
Available for sale			
Dividend income		**313,127**	273,512
Gain / (loss) on sale of 'available for sale' investments		**(1,537,549)**	-
		(1,224,422)	273,512
Held to maturity			
Return on Government securities		**4,910,322**	1,264,777
Return on F.D.R		**4,678,618**	2,768,118
		8,364,518	4,306,407
Provision for impairment in value of investment			
(Provision) / reversal for the year	**21.2**	**2,459,607**	(2,644,620)
Net Investment Income		**10,824,125**	1,661,787

The annexed notes 1 to 40 form an integral part of these financial statements.

Khawas Khan Niazi	**Huma Waheed**	**Ch. Habib-ur-Rehman**	**Mian M. A. Shahid**
Chief Executive	**Director**	**Director/President**	**Chairman**