UIG
Group of Companies

51st

Annual Report for the year ended December 31, 2010

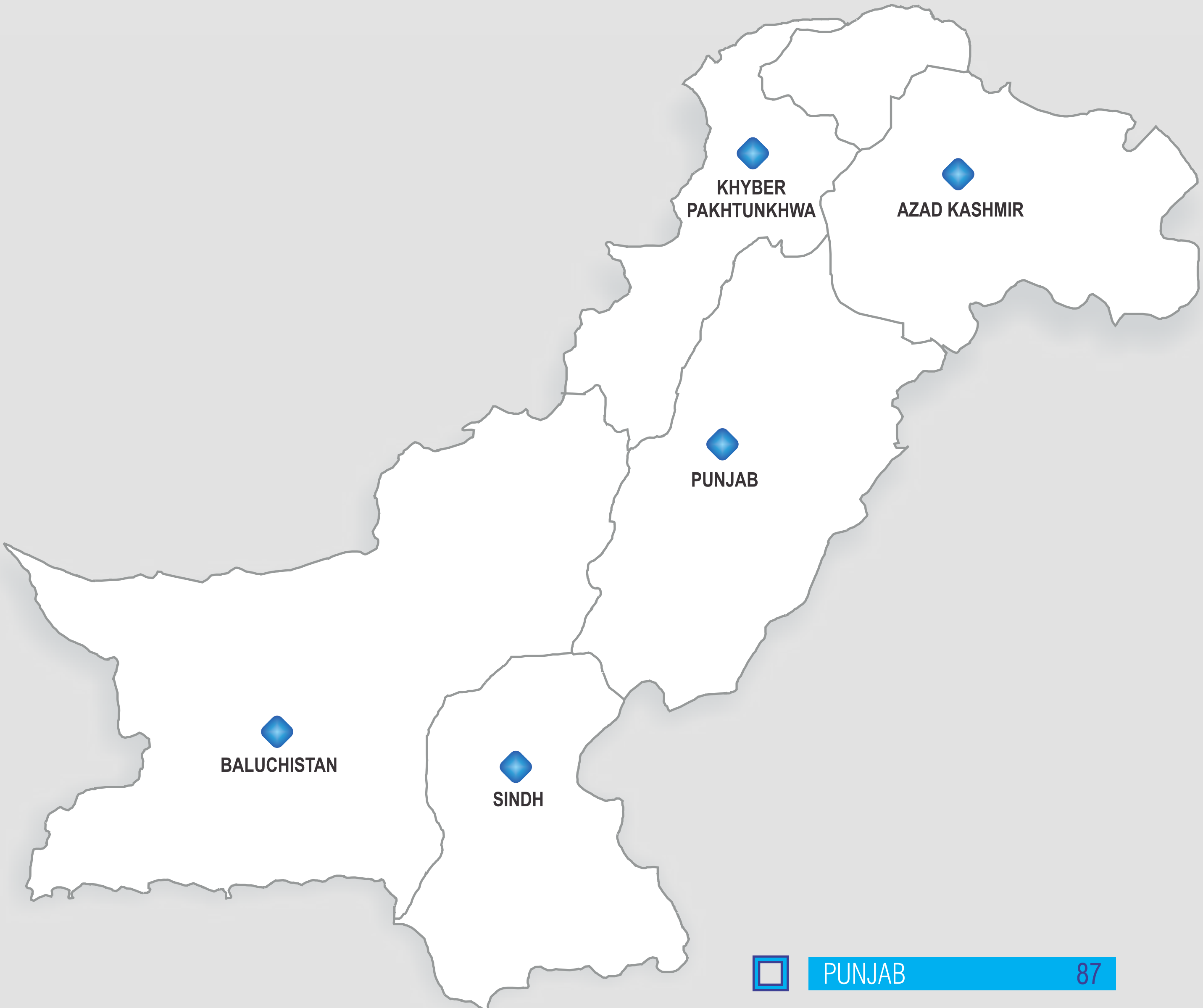
UIC PAKISTAN

The UNITED INSURANCE COMPANY OF PAKISTAN LTD.

A Member Company of United International Group

UIC PAKISTAN

The UNITED INSURANCE COMPANY OF PAKISTAN LTD.



PUNJAB	87
SINDH	16
KHYBER PAKHTUNKHWA	4
BALUCHISTAN	1
AZAD KASHMIR	2

51

YEARS OF EXCELLENCE

Rating by: PACRA

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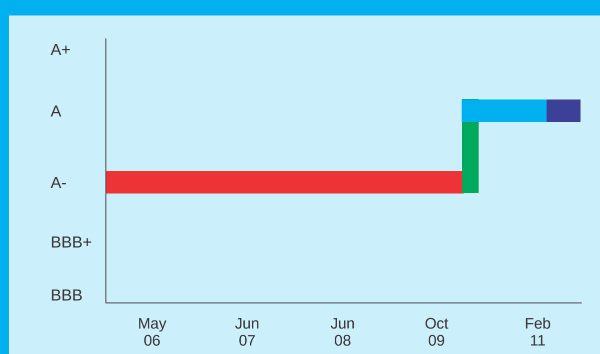
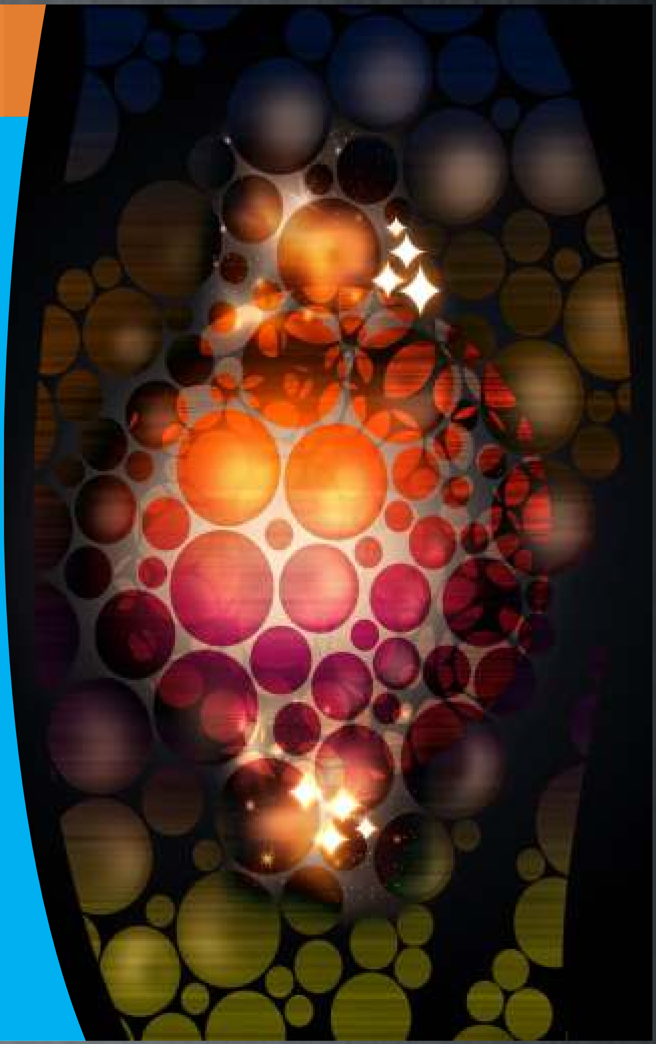


UIG
Group of Companies

UNITED INTERNATIONAL GROUP

1.	The United Insurance Company of Pakistan Ltd.	(UIC)
2	United Track System (Pvt) Ltd.	(UTS)
3	United International Agro Services Ltd.	(UIA)
4.	United Software & Technologies International (Pvt) Ltd.	(UTI)
5.	Tawasul Insurance services LLC, Abu Dhabi	(Tawasul)
6.	Tawasul Risk Management Services Ltd.	(TRS)
7.	UIG Global Services Ltd. UK	(UGS)

CONTENTS



Core Beliefs

UIC believes in providing high quality solutions to risk exposures to the fulfilment of its customers through:

- Surpassing the values throughout the entire organization. These Principles will guide us to succeed in our business, and will serve us well ahead into the future - from day-to-day business operation to product development and customer services.
- Building team that takes responsibility for the delivery of our services. By developing our technical & marketing staff, who may deliver services competently. Also give them a sense of pride in the Company.
- Believing that by being pro-active and meeting the changing needs of our clients through value - added products and services, meeting the aspirations of all our stakeholders.
- Also believing that quality of work is the key factor in an organization. So, continuous quality improvements shall be the key drivers in our management processes.

Vision & Mission

Vision Statement

A first class Insurance Company to provide cost effective risk management solutions to its policyholders through highest level of quality.

Mission Statement

For our customers
To provide superior services through high quality business solutions and health protection, based on expert advise and financial management adding value to all corporate and non corporate customers.

For our Members
To maximize the members' value by optimum utilization of resources.

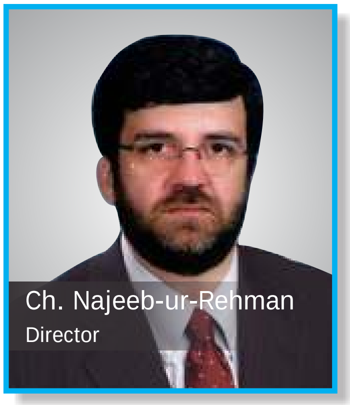
For our Employees
To provide opportunities for self development in a highly challenging performance oriented work environment.

For the Society
To ensure good governance by maintaining high ethical standards and risk coverage.

For the Government
Prompt and timely liquidation of liabilities and adherence to the policies established.

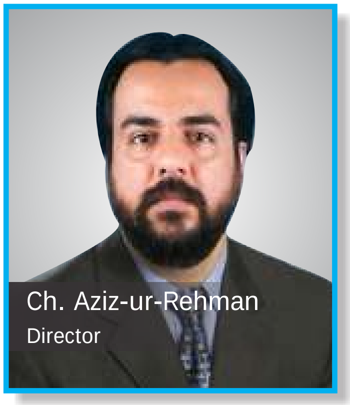
Board of Directors


Mian M.A. Shahid
Chairman

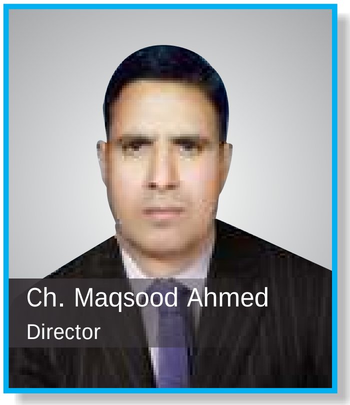

Ch. Najeeb-ur-Rehman
Director


Khawas khan Niazi
Chief Executive


Ch. Habib-ur-Rehman
Director/President


Ch. Aziz-ur-Rehman
Director


Huma Waheed
Director


Ch. Maqsood Ahmed
Director

Company Information

Board Of Directors

CHAIRMAN	Mian M.A. Shahid
CHIEF EXECUTIVE	Khawas Khan Niazi
DIRECTOR/PRESIDENT	Chaudhary Habib-ur-Rehman
DIRECTORS	Chaudhary Najeeb-ur-Rehman
	Chaudhary Aziz-ur Rehman
	Huma Waheed
	Chaudhary Maqsood Ahmed

Management

CHAIRMAN	Mian M.A.Shahid
CHIEF EXECUTIVE	Khawas Khan Niazi
ADVISOR TO CHAIRMAN	Naseer Ahmed (Former Member Revenue CBR) (Former Additional Secretary Military Finance) (Former Additional Secretary Finance)
	Sardar Khan (Former Managing Director of the Universal Insurance Co. of Pak Ltd.)
DEPUTY MANAGING DIRECTOR/ COMPANY SECRETARY	Zia Hassan Zuberi
DEPUTY MANAGING DIRECTOR	Aziz Ullah Memon (Former President UBL & Bolan Bank)
EXECUTIVE DIRECTORS	Maj. Gen. (R) Asif Duraiz Akhter
	Muhammad Saleem Sheikh (Former President & Chief Executive of Allied Bank Limited) (Former Director & Vice Chairman of Board of Directors of Allied Bank Limited)
	Sheikh Muhammad Javaid (Director of Pak Gulf Leasing Company) (Member Sindh High Court Bar Association) (Former Managing Director K.E.S.C Sport Board)
	Mian M. A. Zahid

Company Information

JOINT DIRECTOR/COUNTRY MANAGER	Dr. Murtaza Mughal
JOINT DIRECTOR UNDERWRITING	S. M. Qaiser Imam
CHIEF FINANCIAL OFFICER	Raja Naeem Tariq
CHIEF MANAGER ACCOUNTS	Tajammal Iqbal
CHIEF INTERNAL AUDITOR	Maqbool Ahmad
GENERAL MANAGER ADMINISTRATION	Jamil Ahmad
DEPUTY GENERAL MANAGER (IT)	Ch. Khalid Mehmood
DEPUTY GENERAL MANAGER (REINSURANCE)	Amir Hameed
A. G. M. CLAIMS	Muhammad Yasin Khan
MANAGER CO-ORDINATION	Miss Tahira Feroze
MANAGER AGRICULTURAL	Zulfiqar Ahmad
COMPANY'S SHARE REGISTRAR	M/s. Shares Corporate Services (Pvt) Ltd. Mehrsons Estate, Block-E, Talpur Road -Karachi. Tel: (021) 32429632 -33
AUDITORS	M/S. Ilyas Saeed & Co. Chartered Accountants M/S. Sarwars Chartered Accountants
INCOME TAX ADVISOR	M/S. Sarwars Chartered Accountants
LEGAL ADVISORS	M. A. Hamdani (Advocate) M. Farooq Sheikh (Advocate)

Company Information

Bankers

State Bank of Pakistan
Habib Bank Limited
National Bank of Pakistan
Bank Al-Habib Limited
Soneri Bank Limited
Bank Al-Falah Limited
My Bank Limited
KASB Bank Limited
Meezan Bank Limited
NIB Bank Limited
SME Bank Limited
The Bank of Khyber
Escorts Investment Bank Limited
The First Micro Finance Bank Limited
Jahangir Siddiqui Investment Bank Limited
Security Investment Bank Limited
Industrial Development Bank of Pakistan
Zarai Taraqiati Bank Limited
Albaraka Islamic Bank B.S .C. (E.C)
American Express Bank Limited
SME Leasing Limited
Grays Leasing Limited
Rupali Bank Limited
The Bank of Tokoyo Mitsubishi Limited
Orix Leasing Company Limited
Dubai Islamic Bank Limited
First Women Bank Limited
MCB Bank Limited
United Bank Limited
Faysal Bank Limited
The Bank of Punjab
Askari Bank Limited
Samba Bank Limited
First Fidelity Leasing Modaraba
Silk Bank Limited
Allied Bank Limited
Khushhali Bank
Atlas Investment Bank Limited
First International Investment Bank Limited
Orix Investment Bank Pakistan Limited
Summit Bank Limited
The Punjab Provincial Cooperative Bank Ltd
National Investment Trust Limited
Habib Metropolitan Bank Limited
Citibank N .A.
Oman International Bank S.A.O.G
Standard Chartered Bank Limited
The Hong Kong & Shanghai Banking Corp. Ltd
Trust Investment Bank Limited

The Management

(Left to Right)

Ch. Khalid Mehmood
Amir Hameed
S. M. Qaiser Imam
Raja Naeem Tariq
Khawas Khan Niazi
Mian M.A. Shahid
Tajammal Iqbal
Muhammad Yasin Khan

MANAGEMENT COMMITTEE

Mian M. A. Shahid	(Chairman)
Khawas Khan Niazi	(member)
Naseer Ahmed	(member)
Aziz Ullah Memon	(member)
Zia Hassan Zeberi	(member)
S. M. Qasir Imam	(member)

AUDIT COMMITTEE

Ch. Aziz-ur-Rehman	(Chairman)
Ch. Najeeb-ur-Rehman	(member)
Huma Waheed	(member)

INVESTMENT COMMITTEE

Mian M. A. Shahid	(Chairman)
Khawas Khan Niazi	(member)
Zia Hassan Zuberi	(member)
Huma Waheed	(member)
Raja Naeem Tariq	(member)

UNDER-WRITING COMMITTEE

Ch. Habib-ur-Rehman	(Chairman)
Khawas Khan Niazi	(member)
S. M. Qasir Imam	(member)
Amir Hameed	(member)

CLAIMS SETTLEMENT COMMITTEE

Huma Waheed	(Chairperson)
Khawas Khan Niazi	(member)
Ch. Najeeb-ur-Rehman	(member)
Muhammad Yaseen Khan	(member)

RE-INSURANCE COMMITTEE

Mian M. A. Shahid	(Chairman)
Khawas Khan Niazi	(member)
S. M. Qasir Imam	(member)
Amir Hameed	(member)
Murtaza Mughal	(member)

Company Information

JOINT DIRECTORS

Zarar Ahmed Butt
Mian Kashif Rasheed
Ch. Aslam Feroze
Muhammad Siddique Sheikh
Muhammad Naseem Butt
Shakeel Ahmed
Mian Muhammad Rafi

REGISTERED OFFICE

204, 2nd Floor, Madina City Mall,
Abdullah Haroon Road,
Saddar, Karachi.
Tel: (021) 35621460-2
(021) 35221803-4
Fax: (021) 35621459
E-mail: info@theunitedinsurance.com

HEAD OFFICE

Nizam Chambers,
7-Shahrah-e-Fatima Jinnah, Lahore.
Tel: (042) 36361471, 36315091,
36371420, 36311078
Fax: (042) 36375036 - 36304350
UAN: (042) 111-000-014
E-mail:uicp@theunitedinsurance.com

WEB PRESENCE

www.theunitedinsurance.com

Notice of 51st Annual General Meeting

Notice is hereby given that 51st Annual General Meeting of the Company will be held at Royal Palm Country Club, 52 Canal Bank Road, Lahore (Venue) Executive Board Room-A on Saturday the April 30th , 2011 at 11.00 a.m to transact the following business:

ORDINARY BUSINESS:

1) To confirm the minutes of 50th Annual General Meeting held on April 29, 2010.

2) To receive, consider and adopt Company's Audited Accounts for the year ended December 31, 2010 together with Directors' Report and Auditors Report thereon.

3) To appoint External Auditors for Financial Year 2011 till the next AGM and authorize Directors to fix their remuneration. Audit committee has recommended appointment of two Auditors jointly namely M/s.Ilyas Saeed & Co., Chartered Accountants, Lahore and M/s.Sarwars Chartered Accountants, Lahore. Both Firms of Auditors have offered themselves for appointment as Company's External Auditors for the year 2011.

4) To consider and approve issue of bonus shares as recommended by the Board of Directors and the same shall be treated for all purposes as an increase in Company's Paid Up Capital.

5) Any other business with the permission of the Chair.

SPECIAL BUSINESS:

6) To approve the remuneration payable to the 3 working Directors of the Board as approved by the Board of Directors and to pass the following resolution with or without alteration:-

   Resolved that the whole-time working Directors (3 in number) shall be paid the remuneration of Rs.14,030,400/= per annum with effect from January 01, 2011. Besides they will be entitled to all other fringe benefits including Company maintained transport.

7) To approve capitalization of Rs.96,048,000/= for the issue of Bonus Shares (B-16) and to pass with or without modification the following resolutions as Ordinary Resolutions:-

   Resolved that:

   a) the sum of Rs.96,048,000/= out of the profits available for appropriation as at December 31, 2010 be capitalized and adopted to the issue of 9,604,800 ordinary shares of Rs.10 each allotted as fully paid Bonus Shares (B-16) @ 24% in the proportion of 6 share for every 25 shares held to Company's members whose names appear on the register of members as at close of business on 22-04-2011.

   b) the Bonus shares shall rank pari passu in all respects with the existing shares.

   c) the members entitled to fraction of their share(s) shall be given sale proceeds of their fractional entitlement, for which purpose the fraction(s) shall be consolidated into whole share and sold in the stock market.

   d) the Company Secretary be and is hereby authorized and empowered to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue , allotment and distribution of Bonus Shares.

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By Order of the Board

(Z.H.Zuberi)
Company Secretary

Karachi : April 01, 2011

NOTES:

1) The Share Transfer Books of the Company will remain closed from 23-04-2011 to 30-04-2011 (both days inclusive). Transfers received in Company's Registered Office at Karachi on the close of business on 22-04-2011 will be treated in time for entitlement to Bonus Shares to the transferees.

2) A shareholder entitled to attend and vote at this meeting is also entitled to appoint his/her proxy to attend the meeting. Proxies must be received at the Head Office of the Company not less than 48 hours before the time of holding the meeting.

3) CDC Account Holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC account numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Card of the guarantor, and the signature on the proxy form has to be the same as appearing on the National Identity Card.

4) The shareholders are requested to immediately notify change, if any, in their mailing addresses.

STATEMENT U/S 160(1) (B) & (C) OF THE COMPANIES ORDINANCE 1984

The Directors being satisfied with the reserves and profits of the Company as at December 31, 2010 have recommended the issue of Bonus Shares. The Directors have no interest directly or indirectly except that they are members of the Company.

Talented and Motivated Personnel
Our Identity, Our Prospect!

Zia Hassan Zuberi
Company Secretary

Naseer Ahmed
Advisor to Chairman/Chief Executive

Azizullah Memon
Deputy Managing Director

Maj. Gen (R) Asif Duraiz Akhter
Executive Director

Mian M.A Zahid
Executive Director

Muhammad Saleem Sheikh
Executive Director

Sheikh M. Javed
Executive Director

Khawas khan Niazi
Chief Executive

Raja Naeem Tariq
Chief Financial Officer

Tajammal Iqbal
Chief Manager Accounts

S. M. Qaiser Imam
Joint Director/Underwriting

Amir Hameed
A. G. M. Reinsurance

Muhammad Yasin Khan
A. G. M. Claims

Ch. Khalid Mehmood
Deputy General Manager (IT)

United Insurance At A Glance

- United Insurance is a member Company of "United International Group".
- Operating Since 1959, dealing in all areas of General Insurance Business.
- One of the premier general insurance companies of pakistan.
- PACRA has upgraded the rating to A (single A).
  The rating denotes a strong capacity to meet Policyholders and contract obligations.
- Strong Reinsurance treaty arrangements with world renowned reinsurers.
- Focused on prompt settlement of claims.

Six Year At A Glance

(RUPEES IN MILLION)

Six Years At A Glance	2010	2009	2008	2007	2006	2005
FINANCIAL DATA						
Paid up Capital	400.200	345.000	302.407	252.006	229.096	183.277
General & Capital Reserves	268.011	204.824	181.439	175.845	98.321	49.026
Equity	666.805	548.344	485.402	429.489	329.143	232.336
Underwriting Provisions	383.991	301.262	220.888	211.289	172.867	152.344
Investment at Cost	92.259	52.491	40.380	13.263	13.352	11.524
Total Assets book value	1,238.126	1,018.322	844.653	782.261	584.112	427.922
Fixed Assets net	394.930	351.490	267.602	260.748	193.969	138.152
Cash & Bank Deposits	251.676	218.843	205.902	191.199	149.028	124.526
Advances, Deposits & Prepayments	499.261	395.498	329.901	110.369	110.369	25.095
OPERATING DATA						
Gross Premium	845.547	715.031	571.285	501.348	341.000	283.189
Net Premium	550.559	423.731	356.523	312.658	258.296	155.326
* Net Claims expenses	175.550	121.560	102.975	83.271	50.669	23.678
Underwriting Profit	277.226	205.472	168.587	178.532	156.850	106.924
Investment Income	21.023	10.824	1.662	4.137	2.581	1.392
Profit Before Tax	133.537	72.792	58.223	108.080	105.638	73.933
Income Tax	15.150	8.370	2.310	7.733	10.556	4.530
Profit After Tax	118.387	64.421	55.913	100.346	95.081	69.403
Management Expenses	75.826	59.936	58.412	28.667	24.075	28.700
FINANCIAL RATIO						
Profit Before Tax / Gross Premium (%)	15.793	10.180	10.192	21.558	30.979	26.107
Profit Before Tax / Net Premium (%)	24.255	17.179	16.331	34.568	40.898	47.598
Profit After Tax / Gross Premium (%)	14.001	9.010	9.787	20.015	27.883	24.508
Profit After Tax / Net Premium (%)	21.503	15.203	15.683	32.094	36.811	44.682
Management Exp. / Gross Premium (%)	8.968	8.382	10.225	5.718	7.060	7.089
Management Exp. / Net Premium (%)	13.773	14.145	16.384	90.169	9.321	18.477
Underwriting Profit / Net Premium (%)	41.718	48.491	47.286	57.101	60.725	68.838
* Net Claims / Net Premium (%)	31.886	28.688	28.883	26.633	19.617	15.244
Return on Assets (%)	9.562	6.326	6.620	13.816	16.278	16.219
RETURN TO MEMBERS						
Return on Equity - PBT (%)	20.033	13.275	11.995	25.165	32.264	31.822
Return on Equity - PAT (%)	17.760	11.748	11.519	23.364	29.040	29.872
Earning Per Share (Rs.)	2.96	1.610	1.850	3.982	3.770	3.030
Price Earning Ratio (times)	2.299	5.088	8.649	7.534	5.337	7.769
Market Value at end of Year (Rs.)	6.800	9.500	16.000	30.000	22.150	23.540
Highest Value during the Year (Rs.)	11.890	15.930	26.000	38.000	25.600	24.030
Lowest Value during the year (Rs.)	4.020	5.360	11.000	29.000	18.450	18.000
Stock Dividend Per Share (Rs.)	2.400	1.600	1.400	2.000	2.500	3.500
Net Assets Per Share (times)	30.938	29.517	27.931	17.051	14.360	13.940
LIQUIDITY / LEVERAGE RATIO						
Current Ratio (times)	1.622	1.638	1.586	1.481	1.915	1.668
Total Assets Turnover (times)	1.464	1.424	0.676	0.128	0.442	0.363
Fixed Assets Turnover (times)	0.467	0.492	2.135	0.385	1.332	1.124
Total Liability / Equity (times)	0.855	0.460	0.740	0.815	0.800	0.842
Return on Capital Employed (%)	20.033	13.275	18.489	39.819	28.888	0.300
Paid up Capital / Total Assets (%)	32.323	33.879	35.802	32.215	39.221	38.936
Equity / Total Assets (%)	53.839	53.848	57.468	54.904	56.054	54.294
DISTRIBUTION						
Bonus Share (Rs.)	2.400	1.600	1.400	2.000	3.500	3.500
Bonus Share (%)	24%	16%	14%	20%	35%	35%
Total Distributions (%)	24%	16%	14%	20%	35%	35%

* re-arrange for better presentation

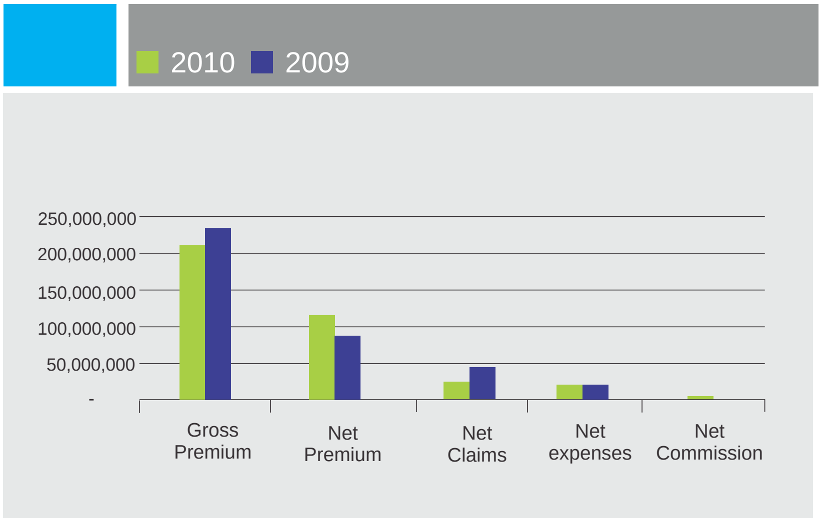
Performance Highlights

Vertical Analysis	2010	2009	2008
BALANCE SHEET ITEMS			
Cash & bank deposits	20.3%	21.5%	24.5%
Loans	0.3%	0.2%	0.2%
Investments	7.5%	5.2%	4.8%
Investment property	3.4%	4.2%	5.2%
Premiums due but unpaid	16.6%	18.5%	17.6%
Amounts due from other insurers/reinsurers	0.4%	0.8%	1.7%
Prepaid reinsurance premium ceded	12.2%	11.2%	12.0%
Reinsurance recoveries against outstanding claims	2.6%	0.9%	0.8%
Deferred commission expense	4.3%	5.3%	5.8%
Accrued investment income	1.0%	0.4%	0.3%
Sundry receivables	2.9%	1.6%	0.7%
Fixed assets	28.5%	30.3%	26.5%
TOTAL ASSETS	100.0%	100.0%	100.0%
Paid-up share capital	32.3%	33.9%	35.8%
Retained earnings	15.4%	12.6%	12.6%
Reserves	6.1%	7.4%	8.9%
Surplus on revaluation of fixed assets	0.1%	0.1%	0.2%
Provision for outstanding claims (including IBNR)	4.3%	1.7%	1.6%
Provision for unearned premium	23.5%	24.7%	20.7%
Commission income unearned	3.3%	3.2%	3.9%
Staff retirement benefits	2.5%	2.1%	1.4%
Deferred tax liabilities	0.4%	0.7%	0.7%
Amounts due to other insurers/reinsurers	1.3%	2.5%	2.3%
Accrued expenses	0.5%	0.5%	0.5%
Provision for taxation - net	0.9%	0.6%	0.7%
Other creditors and accruals	3.7%	3.2%	2.3%
Short-term finance	0.0%	0.0%	1.7%
Liabilities against assets subject to finance lease	5.7%	6.8%	6.7%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	100.0%
PROFIT AND LOSS ACCOUNT			
Net premium revenue	100%	100%	100%
Net claims	-31.9%	-28.7%	-28.9%
Management expenses	-13.8%	-14.1%	-16.4%
Net commission	-4.0%	-8.7%	-7.4%
Investment income	3.8%	2.6%	0.5%
Rental income	0.1%	0.2%	0.1%
Other income	0.34%	0.02%	0.03%
General & admin expenses	-28.6%	-32.2%	-29.5%
Finance charge on lease rentals	-1.8%	-1.9%	-2.1%
Provision for taxation	-2.8%	-2.0%	-0.6%
(Profit)/ loss after Tax	-21.5%	-15.2%	-15.7%
	100.0%	100.0%	100.0%

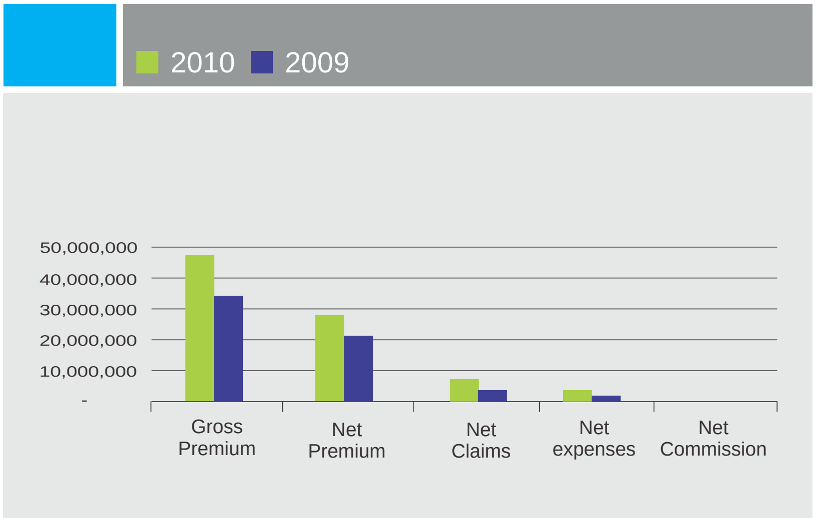
Horizontal Analysis	Years 2007	2008	2009	2010
BALANCE SHEET ITEMS				
Cash & bank deposits	100	7.69	14.46	31.63
Loans	100	30.11	32.70	188.86
Investments	100	211.00	295.77	595.61
Investment property	100	(2.44)	(4.76)	(6.96)
Premiums due but unpaid	100	15.30	45.60	59.38
Amounts due from other insurers/reinsurers	100	(21.18)	(57.03)	(72.72)
Prepaid reinsurance premium ceded	100	(5.47)	5.97	40.75
Reinsurance recoveries against outstanding claims	100	(32.82)	(2.67)	226.88
Deferred commission expense	100	3.29	13.97	14.28
Accrued investment income	100	90.95	251.02	862.78
Sundry receivables	100	101.16	470.56	1144.65
Fixed assets	100	3.69	43.10	63.71
TOTAL ASSETS	100	7.98	30.18	58.28
Paid-up share capital	100	20.00	36.90	58.81
Retained earnings	100	5.55	27.30	89.90
Reserves	100	0.00	0.00	0.00
Surplus on revaluation of fixed assets	100	(5.00)	(9.75)	(14.26)
Provision for outstanding claims (including IBNR)	100	(28.93)	(7.34)	179.43
Provision for unearned premium	100	13.63	63.53	89.07
Commission income unearned	100	(15.28)	(16.52)	4.46
Staff retirement benefits	100	141.94	315.18	517.33
Deferred tax liabilities	100	(28.71)	(9.26)	(39.98)
Amounts due to other insurers/reinsurers	100	10.26	43.15	(12.77)
Accrued expenses	100	(11.77)	14.27	38.03
Provision for taxation - net	100	(14.73)	(14.75)	49.36
Other creditors and accruals	100	(28.77)	16.57	66.36
Short-term finance	100	(1.08)	(100.00)	(100.00)
Liabilities against assets subject to finance lease	100	0.46	23.28	26.34
TOTAL EQUITY AND LIABILITIES	100	7.98	30.18	58.28
PROFIT AND LOSS ACCOUNT				
Net premium revenue	100	14.03	35.53	76.09
Net claims	100	23.66	45.98	310.82
Management expenses	100	103.76	109.08	164.51
Net commission	100	19.66	65.69	(1.05)
Investment income	100	(59.83)	161.67	408.21
Rental income	100	0.00	51.22	(12.50)
Other income	100	(99.46)	(99.18)	(91.02)
General & admin expenses	100	9.69	41.78	64.46
Finance charges on lease rentals	100	22.58	39.54	57.02
Provision for taxation	100	(70.13)	8.24	95.90

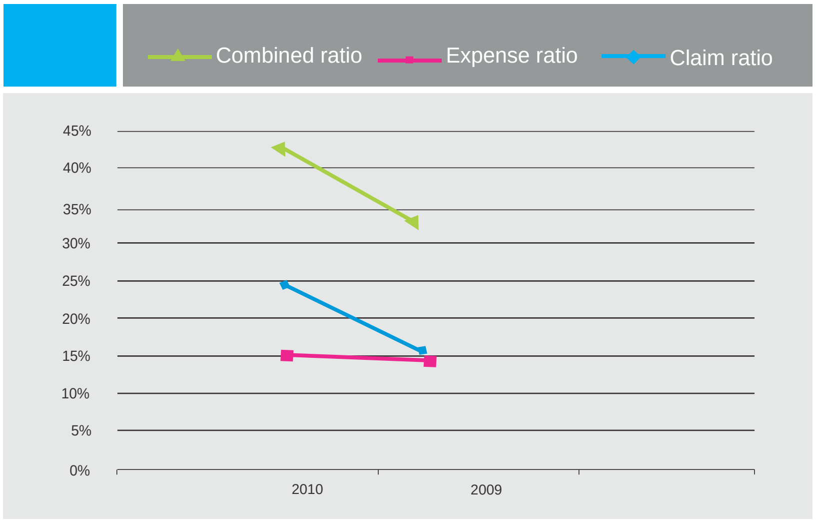
Segmentwise Outline

FIRE	2010	2009	CHANGE
	(RUPEES)		%
Gross Premium	212,379,085	236,759,604	(10)
Net Premium	115,714,937	86,191,605	34
Net Claims	20,851,690	36,143,237	(42)
Net Expenses	19,045,571	19,845,853	(4)
Net Commissions	4,494,512	578,471	(877)
UNDERWRITING RESULTS	71,323,164	30,780,986	132
Claim Ratio	18%	42%	
Expense Ratio	16%	23%	
Combined Ratio	38%	66%	

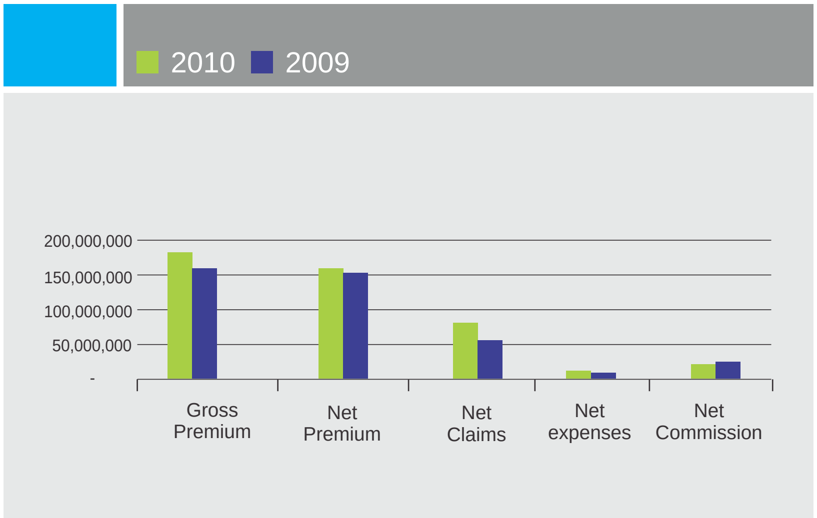


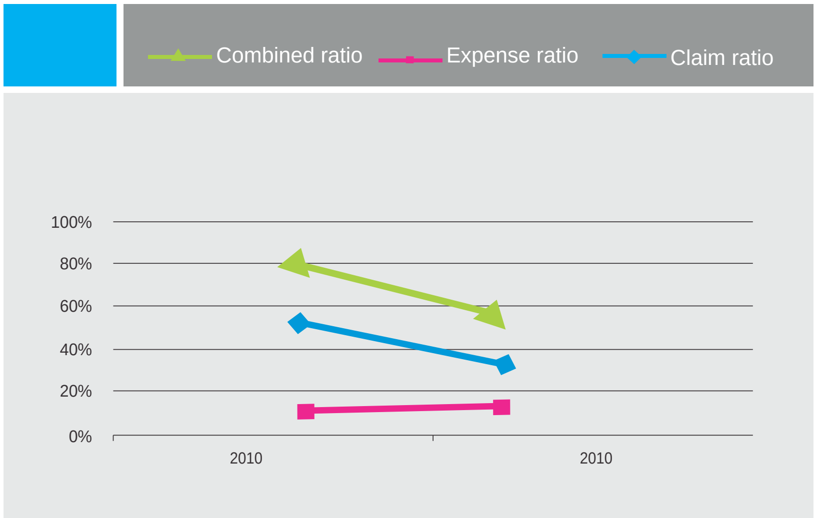
MARINE	2010	2009	CHANGE
	(RUPEES)		%
Gross Premium	71,451,410	52,950,510	35
Net Premium	42,507,319	32,312,068	32
Net Claims	11,005,897	5,128,703	115
Net Expenses	6,407,565	4,438,460	44
Net Commissions	755,351	1,114,892	(32)
UNDERWRITING RESULTS	24,338,506	21,630,013	13
Claim Ratio	26%	16%	
Expense Ratio	15%	14%	
Combined Ratio	43%	33%	



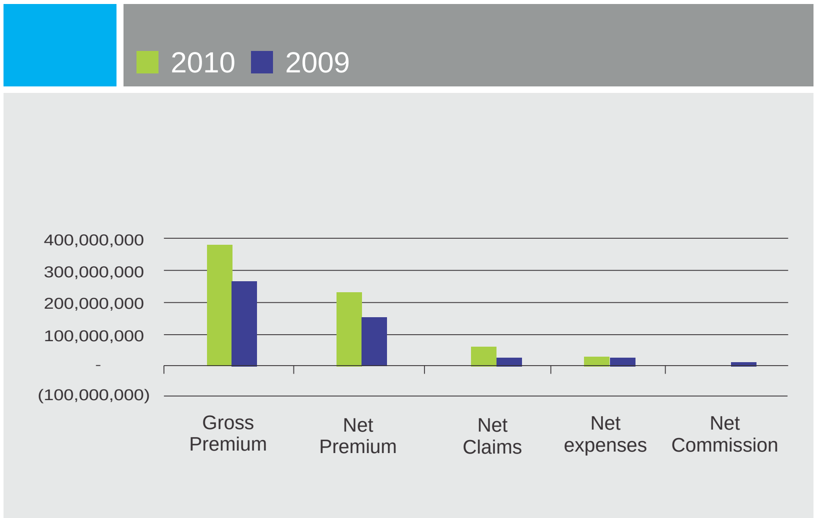


MOTOR	2010	2009	CHANGE
	(RUPEES)		%
Gross Premium	179,274,772	156,471,685	15
Net Premium	161,254,194	152,830,244	6
Net Claims	85,436,144	52,156,041	64
Net Expenses	16,076,867	13,115,895	23
Net Commissions	23,759,228	27,634,220	(14)
UNDERWRITING RESULTS	35,981,955	59,924,088	(40)
Claim Ratio	53%	34%	
Expense Ratio	10%	9%	
Combined Ratio	78%	61%	





MISCELLANEOUS	2010	2009	CHANGE
	(RUPEES)		%
Gross Premium	382,442,117	268,849,322	42
Net Premium	231,082,107	152,396,693	52
Net Claims	58,256,690	28,131,938	107
Net Expenses	34,296,354	22,535,702	52
Net Commissions	(7,053,466)	8,592,415	(182)
UNDERWRITING RESULTS	145,582,529	93,136,638	56
Claim Ratio	25%	18%	
Expense Ratio	15%	15%	
Combined Ratio	37%	39%	



Chairman's Message

This year marks the achievement of a number of significant milestones in the history of **"The United Insurance Company of Pakistan Limited".** that is a testimony of blessings of Allah (SWT) and the excellent performance of the management of the company.

I would like to take this opportunity to thank all the financial institutions, regulatory bodies, our customers, employees and other stake-holders for their support in helping to make 2010 successful for "The United Insurance Company of Pakistan Limited".

I believe that 2011 brings new optimism and an improved podium for business, giving me the confidence that we will achieve our 2011 business plan. But, as ever, we all need to remain attentive to threats until our economy stabilize.

We are enhancing our key operations to ensure a consistent and positive experience for our customers through strong re-insurance cover and strategic disaster planning of the management, which has reflected from our last year's annual results.

We remain committed to corporate and social responsibility. In all of our actions we strive to ensure that all economic, environmental and social factors are considered. We believe that this approach, driven by our principles of respect, rigor and involvement, makes us more responsible and informed as a Company.

We thank you for your interest in our Company.

Regards

Main M. A. Shahid
(Chairman)

Chief Executive's Message

I cordially welcome you and to brief you on our Company's triumph story of the more than half century where each year of this period can be described as a noteworthy progressional leap.

UIC is not only a name or a company. It is a passion, a desire to grow, serve and excel. Its success story is stamped by untiring hard work, enthusiasm and adherence of its team members to its cause. Leveraging synergies across the Company enables to produce high quality business solutions for our customers.

The year 2010 remained a challenging year for the financial sector due to devastating flood in the history of Pakistan. The Company foresees devastating flood as an opportunity rather than a threat. The Company believes that segments of crop and livestock have bright future after hitting of devastating flood.

We also pleased to appraise our members for their continue support.

Regards

Khawas Khan Niazi
Chief Executive Officer

Mr. Azmat Tareen Chief Executive of Silk Bank Limited. &
M.A. Shahid Chairman of The United Insurance Company of Pakistan Limited.
Exchanging Documents after signing an Agreement of Automobile Insurance

UIG
Group of Companies

UIC PAKISTAN

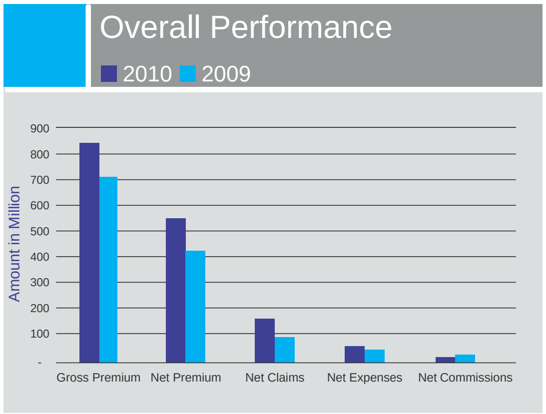
The UNITED INSURANCE COMPANY OF PAKISTAN LIMITED.
A Member Company of United International Group

Head Office: Nizam Chambers, 7-Shahrah-e-Fatima Jinnah, Lahore.
Tel: (042) 36361471, 36315091, 36371420, 36311078 UAN: (042) 111-000-014
Fax: (042) 36375036, 36304350 E-mail: uicp@theunitedinsurance.com

Directors' Report to the Members

Dear Fellow Members!

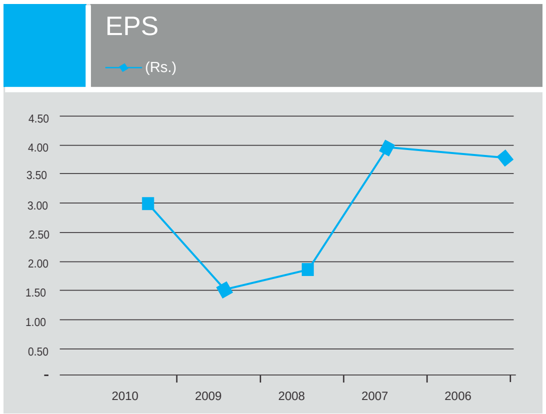
The Directors of **"The United Insurance Company of Pakistan Limited"** take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2010.



THE ECONOMY REVIEW - GENERAL

Pakistan's economy is facing macroeconomic instability and also not showing clear signs of revival of economic growth during 2010. Recent floods of 2010 in Pakistan also played havoc with infrastructure and agriculture. Pakistan needs billions of rupees for the rehabilitation of affected people and for the reconstruction of infrastructure. According to an overview of Annual Plan 2011 despite electricity shortages, difficult security situation, much lower than expected foreign resource inflows, large scale manufacturing and exports have shown respectable growth while workers remittances and foreign exchange reserves improved substantively; acceleration in inflation has also been checked.

The coming year 2011 is a challenging one not only because the economic recovery remains fragile but also because the implementation of the 7th NFC Award and 18th Constitutional Amendment will require that the federal and provincial governments work in close harmony to ensure that the "growth dividend" as a result of these changes is fully realized. Other major challenge is to ensure a smooth introduction and enforcement of RGST to ensure resources to meet security and development needs. And the positive point in this dark and gloomy scenario will Pakistan's textile exports because EU and USA pledge to give special access to Pakistani exports in their markets.



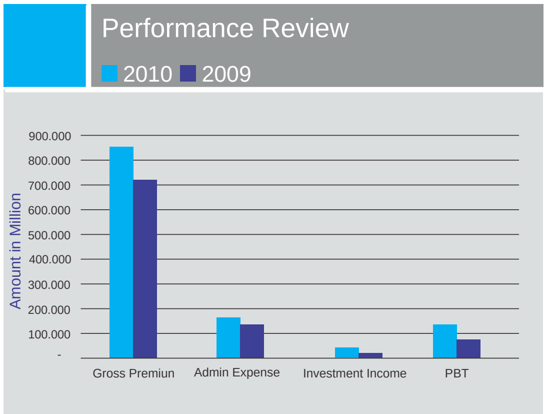
THE ECONOMY REVIEW – INSURANCE INDUSTRY

Insurance sector grows substantially in the past year and we expect this to continue in 2011 as more and more people in the country begin to understand and recognize the importance of personal financial planning in their day to day lives.

The sector is predicting another year of growth which may sound ambitious but we have to remember that the country has low insurance penetration at present. Insurance companies transfer the risk of potential loss from one entity to another, in exchange for a risk premium. Given this role, the insurance sector promotes financial stability by enabling economic agents to undertake various transactions with the facility of transfer and dispersion of risks.

PERFORMANCE REVIEW 2010

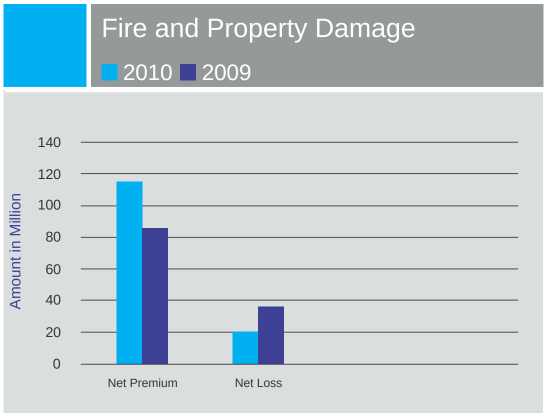
Gross Written Premium (GWP) increased by 18.25 %, from Rs. 715.031mn in 2009 to Rs. 845.547mn in 2010. Premium growth has been achieved once again mainly in new businesses and focus on crop, health, bond & travel businesses. The Company's net premium stands at 65.11% of GWP. The underwriting result increased by 34.92% from Rs. 205.472mn in 2009 to Rs. 277.226mn in 2010. General & administrative expenses were increased by 15.84%, from Rs. 135.817mn in 2009 to Rs. 157.335mn in 2010. The Company placed in respect of investment income Rs. 21.023mn in 2010 against Rs. 10.824mn in 2009. Accordingly the Company placed Rs. 133.537mn Profit before tax in 2010 against Rs. 72.792mn profit before tax in 2009 and profit after tax of Rs. 118.387mn in 2010 against Rs. 64.421mn profit after tax in 2009. Earnings per share of the Company calculate to Rs. 2.96 in 2010 against Rs. 1.61 in 2009.



SEGMENTS AT A GLANCE

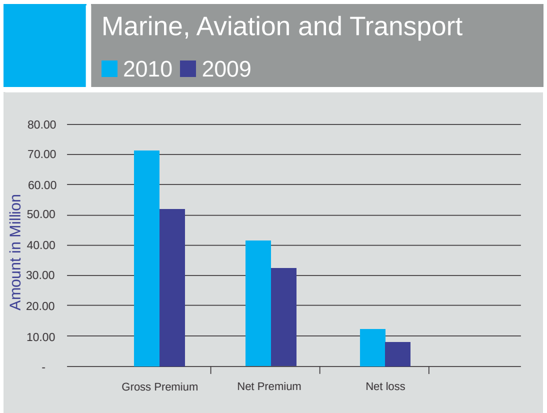
Fire and Property Damage

Net Premium Revenue increased by 34.25% from Rs. 86.192mn in 2009 to Rs. 115.715mn in 2010. As losses decreased by (42.41%) from Rs. 36.143mn in 2009 to Rs. 20.852mn in 2010, underwriting result increased by 131.71% from Rs. 30.781mn in 2009 to Rs. 71.323mn in 2010.

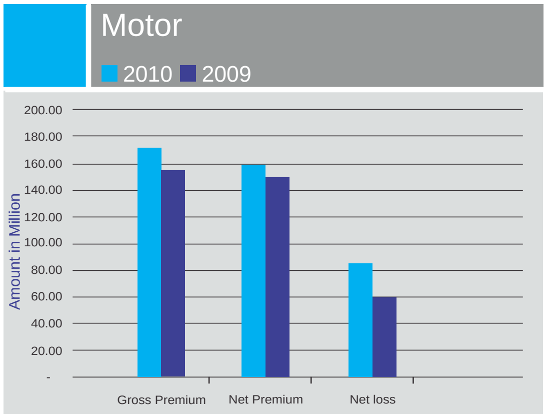


Marine, Aviation and Transport

Marine gross business grew by 34.94% from Rs. 52.951mn in 2009 to Rs. 71.451mn in 2010. Net premium revenue went up by 31.55%. Further the net

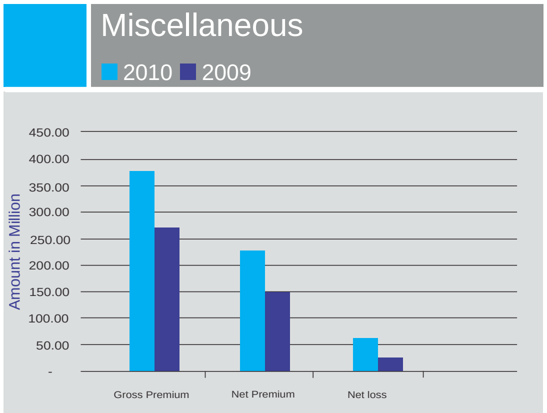


premium revenue went up by 31.55%. Further the net losses increased by 114.59% in this segment, during 2010 resulting in 12.54% increase in underwriting result, from Rs. 21.630mn in 2009 to Rs. 24.339mn in 2010.



Motor

GWP grew by 14.57% from Rs. 156.472mn in 2009 to Rs. 179.275mn in 2010. The segment resulted in 5.51% rise of motor net premium revenue, from Rs. 152.830mn in 2009 to Rs. 161.254mn in 2010. However, the underwriting results placed by Rs. 35.982mn in 2010, whereas class placed decline in underwriting results as compared to the last year due to occurrence of net losses increased by 63.81% from the year 2009.

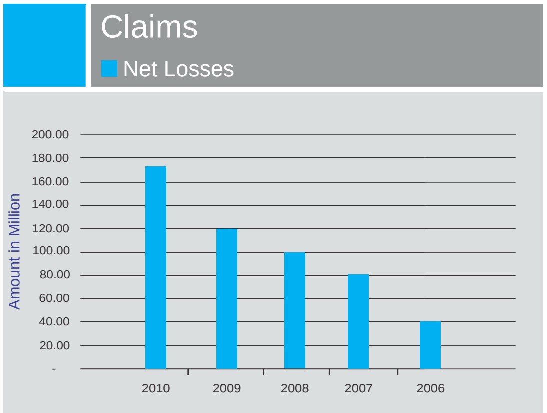


Miscellaneous

For Miscellaneous ranks, which include crop, live stock, mobile, bond, engineering, contract, travel, health and cash in transit business, GWP increased by 42.25% from Rs. 268.849mn in 2009 to Rs. 382.442mn in 2010. Net Premium revenue increased by 51.63% from Rs. 152.397mn in 2009 to Rs. 231.082mn in 2010. The Company resulting in 56.31% increase in underwriting result, from Rs. 93.137mn in 2009 to Rs. 145.583mn in 2010.

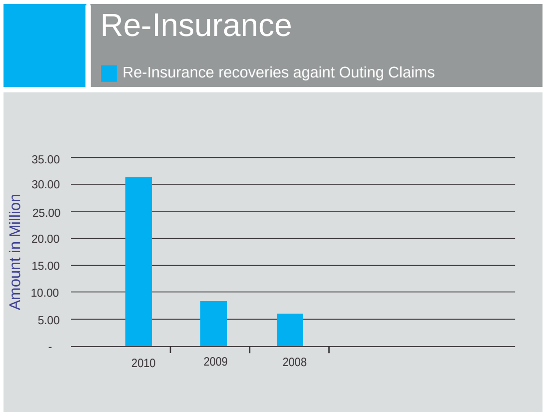
CLAIMS

The settlement time for claims depends on various factors such as the line of business, cause of loss, the nature of claim etc. Typically, claims which result in total or partial destruction of assets or records (such as those caused by Acts of God), those where adequate documentation to establish the claims are awaited. Motor "own damage", crop and Health claims, which accounted for majority of the total number of claims, are promptly settled. During the year, the Company has settled most of the claims pertaining to 2009 & earlier. The Company has improved internal processes for further reduction of average claims settlement time.



RE-INSURANCE

Your Company follows a policy of optimizing retention of risk through a carefully designed program of re-insurance of high quality. We have structured our re-insurance program to protect the value at risk by ensuring timely and quality protection for individual risks. An arrangement of the strong re-insurance cover and strategic disaster planning based tool is used for monitoring the Company's exposure to accumulation and concentration of risk at any location. Your Company has also increased capacities for traditional re-insurance arrangements as well as obtained capacity for specialized lines.

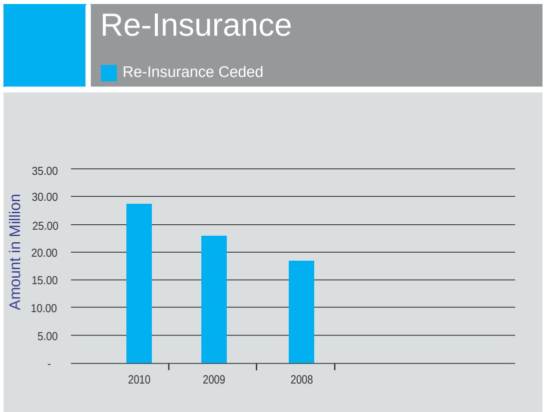


The re-insurance programmed finalized aims at:

(a) Optimum retention within the country consistent with prudent risk retentions to reduce foreign exchange outgo;

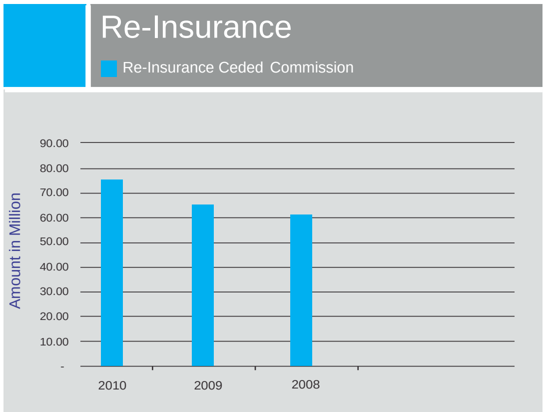
(b) Develop adequate automatic reinsurance capacity within the Pakistan Insurance market to maximize the market retention;

(c) To secure the best possible protection at economical cost.



Further in order to alleviate the risk arising out of single large loss and affecting Company's net retentions, your Company has also taken Proportional & Excess of Loss covers.

In this challenging period of economic slowdown, declining prices and softening of local insurance markets, your Company's strategy of increasing its retention of risk will help in achieving a positive net premium growth, thereby offsetting some of the impact of fall in fire premium.



RISK MANAGEMENT

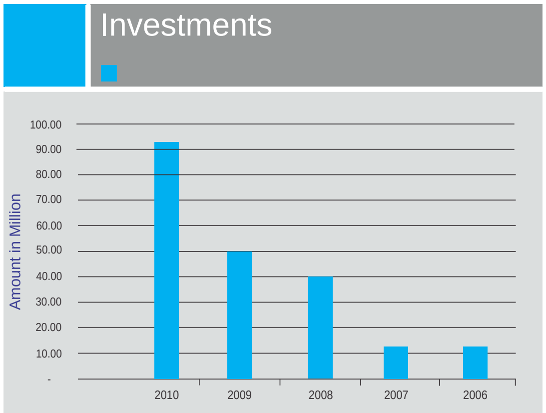
Insurance being the business of transfer of risks from client to insurer is viable only if underwriter has the ability to precisely assess the risk. Your Company's Risk Management approach is proficient in qualitative evaluation of risk, providing safety consultancy for loss reduction and suggesting measures for risk alleviation to the client.

The Company is not exposed to any major concentration of credit risk. 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.

Your Company is striving to develop expertise in areas like risk identification, risk quantification, risk control and risk retention analysis which will help us in offering value added services to the clients.

INVESTMENTS

Our investment objective is to achieve a superior total return on the investment portfolio adhering to our investment philosophy and the regulations as applicable from time to time. The investment committee supervises the implementation of the investment policies laid down by the Board and guides the asset allocation strategy to ensure financial liquidity, security and diversification.
Your Company's investment portfolio is invested with good sense while seeking a reasonable yield, in line with market conditions. The year 2010 established it as your Company benefited from high spreads available.



The fair value of your Company's investments increased from Rs. 52.491mn in 2009 to Rs. 92.259mn, i.e., by Rs. 39.768mn during the year 2010.

The Company will continue to place special emphasis in generating a significant portion of its investment income from sustainable sources such as dividends and interest.

INFORMATION TECHNOLOGY

Your Directors recognize the importance of Technology in the conduct of business and the need for investing in new technology. As in all industries, adapting new technology has become absolute necessity in Insurance Industry to achieve the desired effect. With the ever increasing numbers of policies and claims, communication infrastructure has been strengthened by upgrading the systems between Head Office and the Branch Offices and new technology is introduced to meet the same.

HUMAN RESOURCE

At UIC, an effective strategy ensuring continuous investment, in order to maintain and build valuable resources, is being implemented. The Company continues to focus on training and development of its employees by exposing them. A greater emphasis is being made on enhancing the productivity of the employees resulting in increased operational profitability.

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

CORPORATE SOCIAL RESPONSIBILITY

The UIC, as per its core commitments to creating shared value for the communities, continued its CSR activities. The total amount of corporate donations and CSR activities spent during the financial year 2010 is Rs. 0.705mn. The Company extended significant help in terms of product donations for the Flood Affected People (FAP's) of across the Country. Company employees personally ensured direct distribution of products to the affectees in the FAP camps and with due collaboration with the government relief agencies. The employees of the Company also contributed in volunteer capacity to the cause. We assure our stakeholders of our continued commitment to creating shared value and will continue to do more in the future as well.

MAJOR INITIATIVES DURING THE YEAR

Your Company wishes to be continually recognized as a pioneering insurer and with this objective the following initiatives were undertaken during the year under review:

- Link up the branches through online net working.
- Encouraging the employees' participation in social activities.
- On and off the job training seminars / programs were attended / conducted for specific training on client servicing.
- Formal orientation programs for new entrants ensure quick integration into the business.

APPROPRIATIONS

Your Directors' are pleased to make the following recommendations for the year ended December 31, 2010.

Net Profit after Taxation / Provision	Rs.	118,387,172
Add: Incremental Depreciation	Rs.	73,959
Add: Last Year Unappropriated profit	Rs.	73,028,439
Profit available for appropriations	Rs.	191,489,570
Appropriated / appropriations:-		
24% Final Stock Dividend	Rs.	96,048,000
Transfer for General Reserve	Rs.	-
Un-appropriated Profit	Rs.	95,441,570
	Rs.	191,489,570

INSURER'S FINANCIAL STRENGTH RATING

The Pakistan Credit Rating Agency (PACRA) has upgraded the Insurer Financial Strength (IFS) rating of your Company from A- (outlook positive) to "A" (Single A). The rating reflects UIC strong financial base, which adequately supports the Company's accelerated growth strategy. The rating also recognizes the Company's sound underwriting practices that have resulted in stable indeed growing income from core insurance business. PACRA has also recognized Company's sound solvency margin, maintained performance and adequate liquidity.

FUTURE OUTLOOK

We see 2011 as another challenging year with continued economic volatility, energy crises and on going security and political concerns; however, we assume the challenge of thriving despite this adversity.

The Company will continue to focus in terms of growth of premium while at the same time maintaining profitability and high ethical standard.

Despite the challenges being faced in the country, we continue to have a long term optimistic outlook for our business. Economic prospects will improve in the future and we will continue to strengthen and improve our service as well as introduce new services.

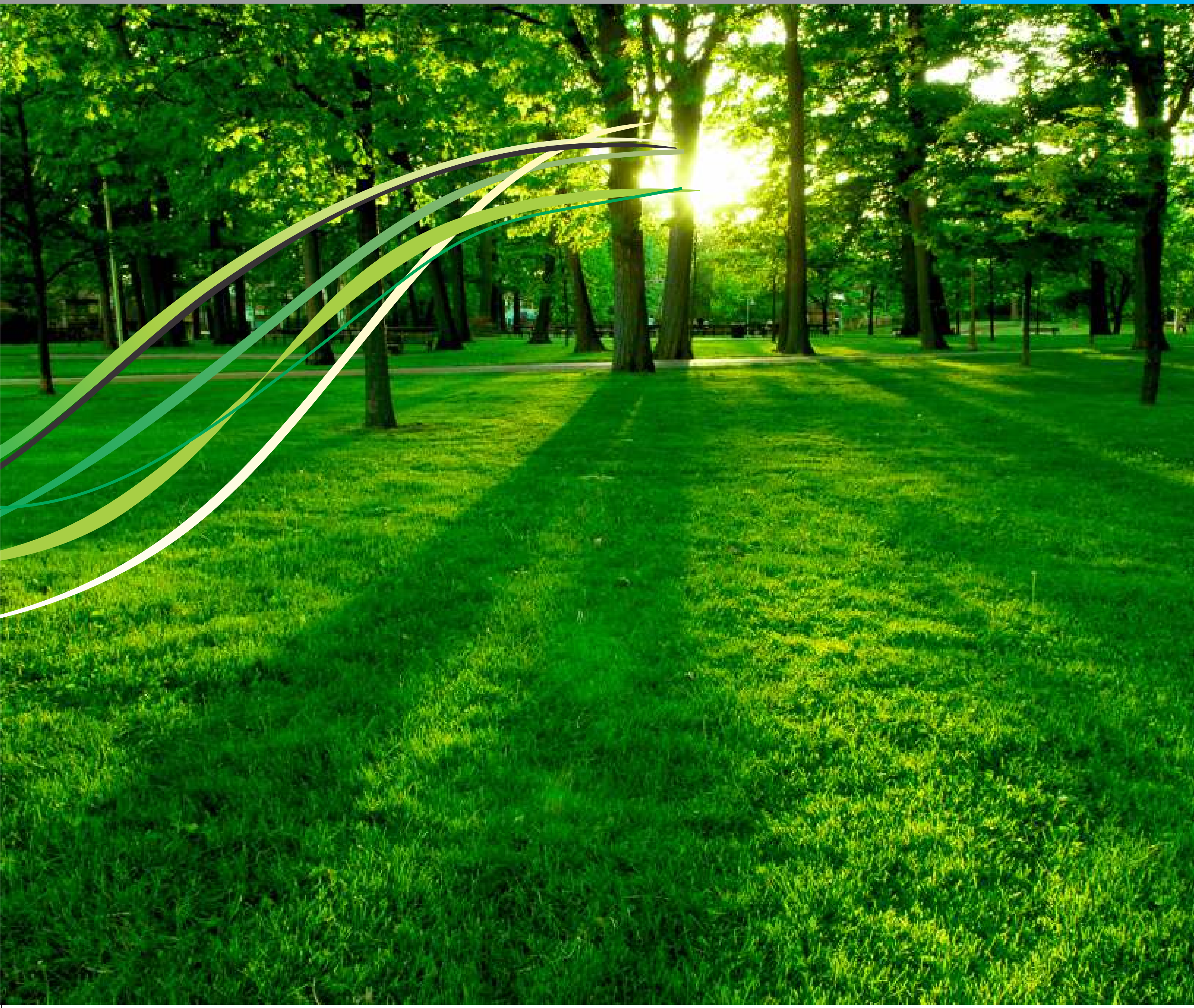
ACKNOWLEDGMENT

We would like to thank our customers, business allies and employees whose loyalty & dedication makes UIC the great Company that it is. We also thank our members for their support and confidence in UIC.

For and on behalf of the Board

Mian M. A. Shahid
Chairman
March 31, 2011

Report on Corporate Governance



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

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.

4. The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuing process and any weaknesses will be removed and its effective implementation shall be ensured.

6. There is no doubt upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last six years is enclosed with Annual Report.

9. Outstanding taxes and duties are given in the financial statements.

10. The related party transactions are approved or ratified by the audit committee and the Board of Directors;

11. During the year 2010 the trade carried out by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children, if any, in the shares of the Company is mentioned below:

Directors & Their Spouses	No. of Shares Purchased/Acquired	No. of Shares Sold
Mian M.A. Shahid	74,338	-
Mrs. Shagufta Perveen-Spouse	5,021	-
Khawas Khan Niazi	546	-
Ch. Habib ur Rehman	2,239	2,239
Mrs. Mejabeen Habib-Spouse	278	278
Ch. Najeeb ur Rehman	2,096	2,096
Mrs. Rehana Najeeb-Spouse	1,277	1,277
Ch. Aziz ur Rehman	2,169	2,169
Miss Huma Waheed	464	-
Ch. Maqsood Ahmed	11,038	-

12. All the major decisions relating to change in the policy of underwriting, if any, appointment, remuneration and terms & conditions of CEO are taken to the Board.

Board Meetings and Attendance

During the year, six (6) meetings of the Board of Directors were held and attendance by each Director is given below:

Name of Directors	Number of Meetings Attended
Mian M.A. Shahid	05
Khawas Khan Niazi	06
Ch. Habib ur Rehman	06
Ch. Najeeb ur Rehman	06
Ch. Azizur Rehman	06
Miss Huma Waheed	06
Ch. Maqsood Ahmed	06

The board granted leave of absence to the chairman who could not attend the board meeting.

Interest of directors and their relatives in company's shareholding as at December 31, 2010.

S.NO.	Name	Holdings
01	Mian M.A. Shahid	538,953
02	Mrs. Shagufta Perveen-Spouse	36,404
03	Ch. Habib ur Rehman	13,998
04	Mrs. Mejabeen Habib-Spouse	1,743
05	Ch. Najeeb ur Rehman	13,102
06	Mrs. Rehana Najeeb-Spouse	7,984
07	Miss Huma Waheed	3,368
08	Ch. Aziz ur Rehman	13,560
09	Ch. Maqsood Ahmed	80,030
10	Khawas Khan Niazi	3,959

Audit Committee

As required under the Code of Corporate Governance, the audit committee continued to perform as per its terms of reference duly approved by the Board. The committee composition is also attached with this report.

Auditors

The Company's Auditors M/s. Ilyas Saeed & Co. Chartered Accountants Lahore & M/s. Sarwars Chartered Accountants Lahore retire and being eligible offered themselves for re-appointment for the year 2011 till next AGM.

Material Changes

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2010.

Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

Insurance Ordinance, 2000

As required under the Insurance Ordinance and rules framed there under, the Directors confirm that:

- in their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;

- the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and

- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

For and on behalf of the Board

Mian M. A. Shahid
Chairman
March 31, 2011

Statement of Ethics and business practices

The directors and employees at all levels of The United Insurance Company of Pakistan Limited hereinafter called UIC shall adopt these Ethics and Business Practices:

RELATIONSHIP WITH EMPLOYEES

The entity is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias, and is merit, and excellence oriented. It believes in providing its employees safe and healthy working conditions, and in maintaining good channels of communications. The UIC expects its employees to abide by certain personal ethics, whereby UIC information and assets are not used for any personal advantage or gain. Any conflict of interests should be avoided, where it exists it should be disclosed, and guidance sought.

RELATIONSHIP WITH THE COMPANY

The UIC's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has relationship. The advancement in the business procedures and practices and upgrading of electronic technology shall be adopted for the well being of the company. The UIC does not support any political party nor contributes to the funds of groups whose activities promote party interests.

RELATIONSHIP WITH THE CLIENTS

The UIC believes in fair competition, and supports appropriate competition laws. The UIC is committed to provide services, which consistently offer value in terms of price and quality and satisfy customer needs and expectations.

RELATIONSHIP WITH SOCIO-ECONOMIC ENVIRONMENT

The UIC is committed to run its business in an environment that is sound and sustainable. As a good corporate citizen, the UIC recognizes its social responsibilities, and will endeavor to contribute to community activities, for betterment of society as a whole.

RELATIONSHIP WITH MEMBERS

We are fully supported by our members to serve in the best interest of the company by achieving consistent growth and reputation of the company.

COMPLIANCE OF APPLICABLE LAWS AND REGULATIONS

The UIC complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. If in doubt, employees are expected to seek advice. The UIC believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions. The rules and regulations formulated and practiced shall not supercede any Government or legislative body laws and regulations applicable to the company.

The Board to ensure that the above principles are complied with, for which the Board has constituted the audit committee, to be supportive of compliance.

Statement of Compliance with the Code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of respective Stock Exchanges and SRO 68 (1) / 2003 issued by Securities & Exchange Commission of Pakistan or the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board has two independent non-executive directors and two non-executive directors representing minority shareholding out of seven directors.

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

3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the current year.

5. Executive directors of the Company are not in excess of 75% of the total number of directors.

6. The Company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the directors and employees of the Company.

7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of signification policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

9. All the meetings of the Board were presided over by the Chairman in his absence, by a director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board also arranged various orientation courses for its directors during the year 2010 to appraise them of their duties and responsibilities and to keep them enforced of the enforcement of new laws, rules and regulations and amendments thereof.

11. The board has established system of sound internal control which is effectively implemented at all levels with in the Company.

12. All material information as required under the relevant rules has been provided to the stock exchange and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

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

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

15. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed investment, reinsurance, claims settlement, underwriting and Audit Committee. The Audit Committee comprises of three members, who has two non-executive directors including the chairman of the Committee.

18. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The Board has set-up an effective internal audit function who are considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

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

22. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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

Mian M. A. Shahid
Chairman
March 31, 2011

Financial Statements

The United Insurance Co. of Pakistan Ltd.

For The Financial Year Ended December 31, 2010

Ilyas Saeed & Co.
(Chartered Accountants)
A-4 Sea Breeze Homes, Shershah Block,
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Lahore-Pakistan.
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Sarwars
(Chartered Accountants)
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77-D Main Boulevard, Gulberg-III,
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Telephone: (92-42) 35782920-22
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E-mail: sarwars@wol.net.pk

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2010, prepared by the Board of Directors of The United Insurance Company of Pakistan Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed Insurance Companies issued under S.R.O. 68(1)/2003 by the Securities and Exchange Commission of Pakistan.

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

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

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

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

ILYAS SAEED & CO.	**SARWARS**
Chartered Accountants	Chartered Accountants
Audit Engagement Partner: Irfan Ilyas	Rashid Sarwar
Date: March 31, 2011	Date: March 31, 2011
Lahore	Lahore

Ilyas Saeed & Co.
(Chartered Accountants)
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Auditors' Report to the Members of The United Insurance Company of Pakistan Limited

We have audited the annexed financial statements comprising of:

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

of The United Insurance Company of Pakistan limited ("the Company") as at 31 December 2010 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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

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

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

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

ILYAS SAEED & CO.	**SARWARS**
Chartered Accountants Audit Engagement Partner: Irfan Ilyas	Chartered Accountants Rashid Sarwar
Date: March 31, 2011	Date: March 31, 2011
Lahore	Lahore

Balance Sheet

	Note	2010 Rupees	2009 Rupees
Share capital and reserves			
Authorized share capital	5	1,000,000,000	750,000,000
Paid-up share capital	5	400,200,000	345,000,000
Retained earnings		191,489,570	128,228,439
Reserves	6	75,115,917	75,115,917
		666,805,487	548,344,356
Surplus on revaluation of fixed assets	7	1,405,216	1,479,175
Underwriting provisions			
Provision for outstanding claims (including IBNR)		52,889,049	17,537,920
Provision for unearned premium		290,858,040	251,563,186
Commission income unearned		40,244,179	32,161,386
Total underwriting provisions		383,991,268	301,262,492
Deferred liabilities			
Staff retirement benefits	8	31,121,319	20,930,674
Deferred tax liabilities	9	4,910,436	7,424,166
		36,031,755	28,354,840
Creditors and accruals			
Amounts due to other insurers/reinsurers	10	15,659,592	25,697,719
Accrued expenses	11	6,270,344	5,364,532
Provision for taxation - net		10,792,036	6,159,547
Other creditors and accruals	12	46,058,593	32,273,830
		78,780,565	69,495,628
Borrowings			
Short-term finance	13	-	-
Other liabilities			
Liabilities against assets subject to finance lease	14	71,111,623	69,385,643
Total liabilities		569,915,211	468,498,603
TOTAL EQUITY AND LIABILITIES		1,238,125,913	1,018,322,134
Contingencies & Commitments	15		

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

	Note	2010 Rupees	2009 Rupees
Cash & bank deposits			
Cash and other equivalents	16	10,404	39,598
Current and other accounts	17	74,494,367	105,023,170
Deposits maturing within 12 months	18	126,700,433	75,456,000
Deposits maturing after 12 months	19	50,470,570	38,323,993
		251,675,774	218,842,761
Loans			
To employees & agents	20	3,621,000	1,663,500
Investments	21	92,259,188	52,490,983
Investment property	22	42,050,348	43,046,250
Other assets			
Premiums due but unpaid	23	206,047,715	188,231,138
Amounts due from other insurers/reinsurers	24	4,944,693	7,788,462
Prepaid reinsurance premium ceded		151,276,141	113,894,179
Reinsurance recoveries against outstanding claims		31,722,721	9,445,668
Deferred commission expense		53,801,650	53,656,968
Accrued investment income		11,887,277	4,333,963
Sundry receivables	25	35,960,126	16,484,374
		495,640,323	393,834,752
Fixed assets - Tangible	26		
Owned			
Land freehold		55,900,000	55,900,000
Buildings		63,391,008	62,153,446
Furniture, fixtures, office & computer equipments		68,174,759	63,680,405
Motor vehicles		84,757,094	44,949,076
Capital work in progress		1,750,650	1,085,940
		273,973,512	227,768,867
Leased			
Motor vehicles		78,905,768	80,675,021
TOTAL ASSETS		1,238,125,913	1,018,322,134

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

Profit and Loss Account

Financial Year Ended December 31, 2010

	Note	Fire & Property Damage	Marine, Aviation & Transport	Motor	Miscellaneous	2010 Aggregate	2009 Aggregate
		Rupees					
Revenue account							
Net premium revenue		115,714,937	42,507,319	161,254,194	231,082,107	550,558,557	423,730,610
Net claims		(20,851,690)	(11,005,897)	(85,436,144)	(58,256,690)	(175,550,421)	(121,559,919)
Management expenses	28	(19,045,571)	(6,407,565)	(16,076,867)	(34,296,354)	(75,826,358)	(59,935,910)
Net commission		(4,494,512)	(755,351)	(23,759,228)	7,053,466	(21,955,625)	(36,763,056)
Underwriting results		71,323,164	24,338,506	35,981,955	145,582,529	277,226,153	205,471,725
Investment income						21,022,522	10,824,125
Rental income						420,000	725,850
Other income	29					1,860,511	169,066
General & admin expenses	30					(157,335,272)	(135,817,174)
Finance charge on lease rentals						(9,657,005)	(8,581,904)
						(143,689,244)	(132,680,037)
Profit / (loss) before tax						133,536,909	72,791,688
Provision for taxation	31					(15,149,737)	(8,370,481)
Profit / (loss) after tax						118,387,172	64,421,207
Profit & loss appropriation account							
Balance at commencement of year						128,228,439	106,322,601
Incremental depreciation net of deferred tax						73,959	77,851
Profit / (loss) after tax for the year						118,387,172	64,421,207
Profit available for appropriation						246,689,570	170,821,659
Issuance of bonus shares for the year ended 2009 : 16% (2008 : 14% per share of Rs 10/- each)						(55,200,000)	(42,593,220)
Balance un-appropriated profit at end of year						191,489,570	128,228,439
Earnings per share of Rs 10/- each - basic and diluted					(Note 32)	2.96	1.61

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 Comprehensive Income

Financial Year Ended December 31, 2010

	2010 Rupees	2009 Rupees
Profit for the year	118,387,172	64,421,207
Other comprehensive income for the year	-	-
Total comprehensive income for the year	118,387,172	64,421,207

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 Changes in Equity

Financial Year Ended December 31, 2010

DESCRIPTION	Note	SHARE CAPITAL	RESERVE FOR ISSUE OF BONUS SHARES	GENERAL RESERVE	RETAINED EARNINGS	TOTAL
		Rupees				
Balance as at January 01, 2009		302,406,780	-	75,115,917	106,322,601	483,845,298
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	77,851
Net profit for the year		-	-	-	64,421,207	64,421,207
Balance as at December 31, 2009		345,000,000	-	75,115,917	128,228,439	548,344,356
Balance as at January 01, 2010		345,000,000	-	75,115,917	128,228,439	548,344,356
Transfer to reserve for issue of bonus shares		-	55,200,000	-	(55,200,000)	-
Bonus Share reserve capitalized		55,200,000	(55,200,000)	-	-	-
Incremental depreciation net of deferred tax		-	-	-	73,959	73,959
Net profit for the year		-	-	-	118,387,172	118,387,172
Balance as at December 31, 2010		400,200,000	-	75,115,917	191,489,570	666,805,487

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, 2010

	2010 Rupees	2009 Rupees
Operating cash flows:		
a) Underwriting activities:		
Premium received	827,730,807	675,866,019
Reinsurance premium paid	(303,114,062)	(220,927,307)
Claims paid	(313,815,979)	(235,417,607)
Reinsurance and other recoveries received	154,183,403	121,516,487
Commission paid	(92,210,865)	(107,849,537)
Commission received	78,193,351	65,582,475
Net cash flow from underwriting activities	350,966,655	298,770,530
b) Other operating activities:		
Income tax paid	(13,030,978)	(8,372,126)
General management expenses paid	(164,648,594)	(145,414,140)
Other operating receipts/(payments)	(19,475,752)	(9,980,155)
Loan to employees and agents	(1,957,500)	(32,546)
Net cash flow from other operating activities	(199,112,824)	(163,798,967)
Total cash flow from all operating activities	151,853,831	134,971,563
Investment activities:		
Investment income received	13,469,208	8,847,739
Rental income received	420,000	725,850
Sale/(Purchase) of investment	(103,159,215)	(75,158,778)
Fixed capital expenditure	(52,474,296)	(72,605,721)
Proceeds from disposal of fixed assets	2,195,500	-
Net cash flow from investing activities	(139,548,803)	(138,190,910)
Financing activities:		
Bank borrowings	-	(13,972,546)
Lease liability paid	(42,863,025)	(33,783,154)
Net cash flow from financing activities	(42,863,025)	(47,755,700)
Net cash inflow/(outflow) from all activities	(30,557,997)	(50,975,047)
Cash and cash equivalents at the beginning of the year	105,062,768	156,037,815
Cash and cash equivalents at the end of the year	74,504,771	105,062,768

Statement of Cash Flows

Financial Year Ended December 31, 2010

Reconciliation of profit and loss account	2010 Rupees	2009 Rupees
Net cash flow from operating activities	151,853,823	134,971,563
Depreciation	(42,999,661)	(36,411,991)
Lease finance charges	(9,657,005)	(9,857,494)
Gain on disposal of fixed assets	1,228,355	-
Increase/(Decrease) in Assets other than cash	96,209,757	63,551,643
(Increase)/Decrease in Liabilities	(99,270,619)	(95,274,974)
Provision for impairment in value of investments	(674,746)	(2,459,607)
Others		
- Dividend income	(108,089)	313,127
- Dividend and other investment income	21,805,357	9,588,940
Profit after Taxation	118,387,172	64,421,207

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:

	2010 Rupees	2009 Rupees
Cash and other equivalents		
- cash in hand	10,404	39,598
Current and other accounts		
- bank balances	74,494,367	105,023,170
	74,504,771	105,062,768

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 Premiums

Financial Year Ended December 31, 2010

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written (Note 27)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expenses	Net premium revenue	
		Opening	Closing			Opening	Closing		2010	2009
	Rupees									
Direct & facultative										
1. Fire and property damage	212,379,085	64,178,579	52,630,985	223,926,679	112,332,663	50,675,064	54,795,985	108,211,742	115,714,937	86,191,605
2. Marine, aviation and transport	71,451,410	12,337,742	19,031,333	64,757,819	31,798,003	11,882,420	21,429,923	22,250,500	42,507,319	32,312,068
3. Motor	179,274,772	76,156,695	85,544,123	169,887,344	10,659,797	3,630,152	5,656,799	8,633,150	161,254,194	152,830,244
4. Miscellaneous	382,442,117	98,890,170	133,651,599	347,680,688	138,285,472	47,706,543	69,393,434	116,598,581	231,082,107	152,396,693
GRAND TOTAL	845,547,384	251,563,186	290,858,040	806,252,530	293,075,935	113,894,179	151,276,141	255,693,973	550,558,557	423,730,610

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 Claims

Financial Year Ended December 31, 2010

BUSINESS 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		2010	2009
	Rupees									
Direct & facultative										
1. Fire and property damage	91,334,810	7,519,878	8,484,102	92,299,034	69,840,862	4,583,349	6,189,831	71,447,344	20,851,690	36,143,237
2. Marine, aviation and transport	28,279,434	621,596	4,078,626	31,736,464	18,591,998	535,087	2,673,656	20,730,567	11,005,897	5,128,703
3. Motor	95,846,898	6,908,814	4,238,000	93,176,084	8,985,330	2,483,390	1,238,000	7,739,940	85,436,144	52,156,041
4. Miscellaneous	98,354,837	2,487,632	36,088,321	131,955,526	53,921,444	1,843,842	21,621,234	73,698,836	58,256,690	28,131,938
GRAND TOTAL	313,815,979	17,537,920	52,889,049	349,167,108	151,339,634	9,445,668	31,722,721	173,616,687	175,550,421	121,559,919

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 Expenses

Financial Year Ended December 31, 2010

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 expenses	
		Opening	Closing					Opening	Closing		2010	2009
	Rupees											
Direct & facultative												
1. Fire and property damage	35,654,770	23,770,961	19,267,397	40,158,334	19,045,571	59,203,905	35,385,587	17,486,520	17,208,285	35,663,822	23,540,083	19,267,382
2. Marine, aviation and transport	8,462,745	3,774,844	4,865,696	7,371,893	6,407,565	13,779,458	9,456,081	3,530,464	6,370,003	6,616,542	7,162,916	5,553,352
3. Motor	24,535,306	13,244,241	14,020,319	23,759,228	16,076,867	39,836,095	-	-	-	-	39,836,095	40,750,115
4. Miscellaneous	23,558,044	12,866,922	15,648,238	20,776,728	34,296,354	55,073,082	33,351,683	11,144,402	16,665,891	27,830,194	27,242,888	31,128,117
GRAND TOTAL	92,210,865	53,656,968	53,801,650	92,066,183	75,826,358	167,892,541	78,193,351	32,161,386	40,244,179	70,110,558	97,781,983	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. Shahid
Chairman

Statement of Investment Income

Financial Year Ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Income from non-trading investments:			
Available for sale			
Dividend income		355,982	313,127
Gain / (loss) on sale of 'available for sale' investments		(464,071)	(1,537,549)
		(108,089)	(1,224,422)
Held to maturity			
Return on Government securities		9,712,638	4,910,322
Return on F.D.R		12,092,719	4,678,618
		21,697,268	8,364,518
Provision for impairment in value of investment			
(Provision) / reversal for the year	21.2	(674,746)	2,459,607
Net Investment Income		21,022,522	10,824,125

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

1 STATUS AND NATURE OF BUSINESS

The United Insurance Company of Pakistan Limited (hereinafter called "the Company") was incorporated on October 20, 1959, as a Public Limited Company under Companies Ordinance 1984 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 its 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.

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

2.2.1 Initial application of standards or interpretations

The International Accounting standards Board made certain amendments to existing standards as part of its annual improvements project 2009. 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. Following standards / interpretations were amended under IASB's annual improvements project 2009.

- IFRS 2 'Share-based payment'.
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- IFRS 8 'Operating Segments'.
- IAS 1 'Presentation of Financial Statements'.
- IAS 7 'Statement of Cash Flows'.
- IAS 17 'Leases'.
- IAS 18 'Revenue'.
- IAS 36 'Impairment of Assets'.
- IAS 38 'Intangible Assets'.
- IAS 39 'Financial instruments: Recognition and measurement'.

- IFRIC 9 'Reassessment of embedded derivatives'.
- IFRIC 16 'Hedges of net investment in a foreign operation'.

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

- Amendments to IFRS 2 Share Based Payments – Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. This amendment also supersedes IFRIC 8 and IFRIC 11. The amendment has no effect on the financial statements of the Company.

- Revised IFRS 3 Business Combinations. This standard has been revised to improve financial reporting while promoting the international convergence of accounting standards. The application of the standard did not have any effect on the Company's financial statements.

- Revised IAS 27 Consolidated and Separate Financial Statements. The amendments relate primarily to accounting for non-controlling interests and the loss of control of a subsidiary. The application of the standard did not have any effect on the Company's financial statements.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment has no effect on the financial statements of the Company as the Company has not entered into any such hedges.

- IFRIC 17 Distributions of Non-cash Assets to Owners provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or on the performance of the Company.

- IFRIC 18 Transfers of Assets from Customers requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. The interpretation has no effect on the Company as no asset has been transferred to the Company by its policy holders during the year.

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, unless stated otherwise.

- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2010) grant relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 Financial instruments: Disclosures.

- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2011) providing exemption to an entity that has been subject to severe hyperinflation which resumes presenting, or presents for the first time, financial statements in accordance with IFRSs and removal of fixed dates for derecognition and valuation of financial assets and financial liabilities.

- IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement.

- IFRS 9 Financial Instruments was issued by the International Accounting Standards Board in November 2009 (effective date for annual periods beginning on or after 1 January 2013) as part of its project to replace IAS 39 Financial Instruments: Recognition and measurement. The project is expected to be completed by early 2011. The adoption of IFRS 9 may have an impact in respect of the company's financial assets and financial liabilities.

- Amendments to IAS 12 – Deferred tax (effective for annual periods beginning on or after January 1, 2012) provide an exception to measurement principle in respect of investment property measured at fair value in accordance with fair value model as envisaged in IAS 40 Investment Property.

- IAS 24 – Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011) modifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

- Amendments to IAS 32 - Financial Instruments: Presentation - (effective for annual periods beginning on or after 1 February 2010 with retrospective application). The amendments address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.

- Amendment to IFRIC 14 IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2011 with retrospective application). The amendment clarifies that pre-payments made to a defined benefit pension plan by companies which are subject to minimum funding requirement should be recognised as an asset.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods, beginning on or after 1 July 2010) provides guidance on accounting for “debt for equity swaps”. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

The International Accounting Standards Board (IASB) made certain amendments to existing standards as part of its annual improvements project 2010 in May 2010 (Annual Improvements to IFRSs 2010). The amendments include the list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned award credits. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 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 statements 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.

IFRS 8 - Operating segments introduced the "management approach" to segment reporting. IFRS 8 requires 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. However, these have been aggregated in line with the disclosures required by the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

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, and certain obligation under employee retirement benefits which are measured at present 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 (Note no. 4.1.3)
- Provision for taxation and deferred tax (Note no. 4.3)
- Defined benefit plan (Note no. 4.10)
- Useful lives and residual values of fixed assets (Note no. 4.7)
- Premium deficiency reserve (Note no. 4.1.6)

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 policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

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, crop and livestock, personal accident, worker compensation, travel, products of financial institutions and crop insurance etc.

The Company does not issue any insurance contracts with discretionary participation features (DPF) or any investment contracts.

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 expired.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an 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. Historical experience 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 unless the impact of amortisation is immaterial to the financial statements.

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 the 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 is recognized in profit and loss account.

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

4.6 Rental and Other income

Rental and other incomes are recognized as and when accrued.

4.7 Fixed assets

Owned

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost, and certain buildings which are stated at revalued amount so as to keep the carrying value equal to the fair market value of the asset.

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 day's 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. The Company's estimate of the residual value of its fixed assets as at 31 December 2010 did not require any adjustment as its impact is considered insignificant.

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

- Finance Lease

Assets held under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and their fair value. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities.

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

- Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In case lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4.8 Surplus on Revaluation of Fixed Assets

In accordance with the provisions of section 235 of the Companies Ordinance, 1984 and SRO 45(1) 2003, the Company has the policy to charge surplus account for incremental depreciation of related revalued assets by transferring the amounts to retained earnings.

4.9 Investment property

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

4.10 Staff retirement benefits

Defined Benefit Plan

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, 2010 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.

4.11 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 cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease.

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

4.11.1 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.

4.12 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.

4.13 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:

4.13.1 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.

4.13.2 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.

4.13 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.

4.16 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.

			Note	2010 Rupees	2009 Rupees

5 SHARE CAPITAL

5.1 Authorized share capital

2010	2009		2010 Rupees	2009 Rupees
Number of shares				
100,000,000	75,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000	750,000,000

Reconciliation of authorized share capital

2010	2009		2010 Rupees	2009 Rupees
Number of shares				
75,000,000	50,000,000	At the beginning of the year	750,000,000	500,000,000
25,000,000	25,000,000	Increase during the year	250,000,000	250,000,000
100,000,000	75,000,000	At the end of the year	1,000,000,000	750,000,000

5.2 Paid-up share capital

Issued subscribed and paid up share capital

2010	2009		2010 Rupees	2009 Rupees
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
29,056,525	23,536,525	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	290,565,250	235,365,250
40,020,000	34,500,000		400,200,000	345,000,000

Reconciliation of issued subscribed and paid up share capital

2010	2009		2010 Rupees	2009 Rupees
Number of shares				
34,500,000	30,240,678	At the beginning of the year	345,000,000	302,406,780
5,520,000	4,259,322	Bonus shares issued during the year	55,200,000	42,593,220
40,020,000	34,500,000	At the end of the year	400,200,000	345,000,000

	Note	2010 Rupees	2009 Rupees

5.3 Ordinary shares of the company held by associated undertakings are as follows:

	Number of shares	
Aziz Coal Mines (Pvt.) Ltd.	14,829	14,829
Indus Coal Mines (Pvt.) Ltd.	212,267	212,267
Shahab Coal Mines (Pvt.) Ltd.	11,661	11,661
Zahid Steel (Pvt.) Ltd.	6,300	6,300
Zahid Chemical (Pvt.) Ltd.	6,300	6,300
Margala News International	258,205	222,591
	509,562	473,948

6 RESERVES

	Note	2010 Rupees	2009 Rupees
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

	2010 Rupees	2009 Rupees
Balance at the beginning of the year	-	-
Transfer from unappropriated profit	55,200,000	42,593,220
Transfer from general reserve	-	-
Bonus share issued	(55,200,000)	(42,593,220)
Balance at the end of the year	-	-

6.2 Revenue reserve

	2010 Rupees	2009 Rupees
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.

		Note	2010 Rupees	2009 Rupees
7.2	Movement in revaluation surplus			
	Surplus on building		2,654,211	2,654,211
	Less:			
	Incremental depreciation charged in previous years		(378,557)	(258,786)
	Incremental depreciation charged in current year		(113,783)	(119,771)
			(492,340)	(378,557)
			2,161,871	2,275,654
	Related deferred tax liability		(796,479)	(838,399)
	Less: Related deferred tax liability on incremental depreciation transferred to retained earnings		39,824	41,920
			(756,655)	(796,479)
	Closing balance		1,405,216	1,479,175

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

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 : 13 % (2009: 12%) per annum
- Expected rate of increase in the salaries of the employees: 12% (2009: 11%) per annum
- Expected service length of employees: 6 years (2009: 6 years)

8.1 Balance sheet liability

	2010 Rupees	2009 Rupees
Present value of defined benefits obligations as at the end of the year	36,006,397	24,591,632
Unrecognized actuarial gains/(loss)	(4,885,078)	(2,376,990)
Unrecognized transitional liability	-	(1,283,968)
Total liability at the end of the year	31,121,319	20,930,674

	Note	2010 Rupees	2009 Rupees

8.2 Reconciliation of present value of defined benefits obligations

Present value of defined benefits obligations as at the beginning of the year		24,591,632	17,309,683
Current service cost		7,814,524	5,841,414
Interest cost		2,950,996	2,596,452
Benefits paid		(1,858,843)	(1,123,637)
Actuarial (gain)/loss on present value of defined benefits obligations		2,508,088	(32,280)
Present value of defined benefits obligations as at the end of the year		36,006,397	24,591,632

8.3 Reconciliation of actuarial gain / (loss)

Unrecognized actuarial gains /(loss) as at the beginning of the year		(2,376,990)	(2,544,930)
Actuarial gains /(loss) arising during the year		(2,508,088)	32,280
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		(4,885,078)	(2,376,990)

8.4 Charged to profit and loss account

Management expenses include retirement benefits in respect of gratuity, amounting to Rs. 12,049,488 (2009: Rs. 9,857,494)

Current service cost		7,814,524	5,841,414
Interest cost		2,950,996	2,596,452
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		12,049,488	9,857,494

8.5 Transitional liability due to adoption of IAS-19

Unrecognized transitional liability at the beginning of the year		1,283,968	2,567,936
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

	Note	2010 Rupees	2009 Rupees
9 DEFERRED TAXATION			
Deferred tax liabilities/(assets) arising in respect of:			
Accelerated depreciation on property, plant and equipment		21,370,544	19,054,393
Liability against assets subject to finance lease		2,727,951	3,951,282
Premiums due but unpaid		(9,052,252)	(9,052,252)
Provision for gratuity		(10,892,462)	(7,325,736)
Liability relating to revaluation surplus on building		756,655	796,479
		4,910,436	7,424,166
10 AMOUNT DUE TO OTHER INSURERS / REINSURERS			
Foreign reinsurers		12,909,855	25,697,719
Local reinsurers		1,687,085	-
Co-insurers		1,062,652	-
		15,659,592	25,697,719
11 ACCRUED EXPENSES			
Utilities		122,400	89,575
Salaries/wages		4,549,380	4,508,049
Finance charge payable		10,214	8,475
Auditors remuneration		865,000	695,000
General expenses		723,350	63,433
		6,270,344	5,364,532
12 OTHER CREDITORS AND ACCRUALS			
Provision for Government levies		3,567,162	24,742,532
Miscellaneous		42,491,431	7,531,298
		46,058,593	32,273,830
13 SHORT TERM FINANCE - SECURED			
Bank borrowings		-	-
		-	-

13.1 The renewable finances are, at times during the year, obtained from Habib Bank Limited against sanctioned limit of Rs. 4.50 million (2009: 4.50 million from various banks). These finances were secured against MPD's with minimum 25% margin. The markup rate on above facility is 15% (2009: 20%). The mark up was payable on various dates during the currency of the bank borrowings.

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:

	2010		2009	
	Minimum lease payments (MLP)	Present value of MLP	Minimum lease payments (MLP)	Present value of MLP
	Rupees			
Due within one year	28,634,717	21,648,948	31,606,944	28,230,799
Due after one year but not later than five year	53,539,098	49,462,675	47,982,173	41,154,844
Total minimum lease payments	82,173,815	71,111,623	79,589,117	69,385,643
Less: Lease finance charges allocable to future periods	(11,062,192)	-	(10,203,474)	-
Present value of MLP	71,111,623	71,111,623	69,385,643	69,385,643
Less : Current maturity under finance lease	(21,648,948)	(21,648,948)	(28,230,799)	(28,230,799)
Long term liability	49,462,675	49,462,675	41,154,844	41,154,844

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 10% to 25% per annum (2009 : 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

The provisions and estimates in arriving at the financial statements are adequate. There are no known unreported contingencies (2009: Nil).

	Note	2010 Rupees	2009 Rupees

15.2 Commitments

Commitments for rentals of assets under operating lease agreements as at December 31, 2010 amounting to Rs. 4,736,844 . (2009: Rs. Nil).

		2010 Rupees	2009 Rupees
Due within one year		2,030,076	-
Due after one year but not later than five years		2,706,768	-
		4,736,844	-

16 CASH AND OTHER EQUIVALENTS

		2010 Rupees	2009 Rupees
Cash in hand		10,404	39,598
		10,404	39,598

17 CURRENT AND OTHER ACCOUNTS

		2010 Rupees	2009 Rupees
Current & other accounts		74,494,367	105,023,170
		74,494,367	105,023,170

18 DEPOSITS MATURING WITHIN 12 MONTHS

	Note	2010 Rupees	2009 Rupees
Fixed and term deposits	18.1	119,950,000	71,050,000
Lease security deposits		4,763,580	4,406,000
Miscellaneous Security Deposits		1,986,853	-
		126,700,433	75,456,000

18.1 The rate of return on Term Deposit Certificates issued by various banking companies ranging from 7.00% to 14.50% (2009: 3.25% to 17.00%) per annum. These Term Deposit Certificates have maturity up to December 31, 2011.

19 DEPOSITS MATURING AFTER 12 MONTHS

	Note	2010 Rupees	2009 Rupees
Fixed and term deposits	19.1	29,300,000	20,200,348
Lease security deposits		21,170,570	17,323,997
Others		-	799,648
		50,470,570	38,323,993

	Note	2010 Rupees	2009 Rupees

19.1 The rate of return on Term Deposit Certificates issued by various banking companies ranging from 10.75% to 17.00% (2009: 3.25% to 17.00%) per annum. These Term Deposit Certificates have maturity up to year 2015.

20 LOAN TO EMPLOYEES AND AGENTS-UNSECURED

	2010 Rupees	2009 Rupees
Employees and agents	3,621,000	1,663,500
	3,621,000	1,663,500

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

21 INVESTMENTS

Available for sale investments

	Note	2010 Rupees	2009 Rupees
Marketable securities - cost	21.1	5,555,915	10,176,984
Less: Provision for impairment in value in investment	21.2	(859,759)	(185,013)
		4,696,156	9,991,971
Held to maturity	21.3	87,563,032	42,499,012
		92,259,188	52,490,983

21.1 Marketable securities available for sale

	Note	2010 Rupees	2009 Rupees
- Listed shares	21.1.1	5,049,782	4,417,851
- Unlisted / delisted shares	21.1.3	6,133	5,259,133
- Mutual fund certificates	21.1.5	500,000	500,000
		5,555,915	10,176,984

21.1.1 Shares in quoted companies

2010 ---No. of Shares---	2009 ---No. of Shares---	Percentage equity held	Face Value (Rs)	Quoted companies / Listed companies	2010	2009
				Commercial Banks		
2,700	1,300	0.0001%	10	National Bank Of Pakistan	195,723	99,209
2,900	1,642	0.0001%	10	United Bank Limited.	191,980	100,057
1,700	787	0.0001%	10	Habib Bank Limited	199,750	99,936
-	1,647	0.0002%	10	Allied Bank Limited	-	100,005
4,653	6,000	0.0011%	10	Meezan Bank Limited	76,191	97,048
-	10,000	0.0007%	10	Bank Alfalah Limited	-	142,996
8,000	10,000	0.0016%	10	Bank Al-Habib Limited	286,150	329,937
20,450	2,000	0.0004%	10	The Bank of Punjab	201,977	41,280
5,000	2,000	0.0003%	10	Faysal Bank Limited	73,584	29,400
800	-	0.0002%	10	MCB Bank Ltd	181,990	-
20,000	-	0.0033%	10	Royal Bank of Scotland	96,623	-
20,000	-	---	10	Samba Bank Ltd	40,955	-
50,000	-	---	10	Silk Bank Ltd	134,320	-

2010	2009	Percentage equity held	Face Value (Rs)	Quoted companies / Listed companies	2010	2009
---No. of Shares---						
				Textile Spinning		
-	100	---	10	Island Textile Mills Limited	-	844
232	232	0.0464%	10	Sunshine Cotton Mills Limited	1,834	1,834
				Textile Composite		
-	5,000	0.0000%	10	Azgard Nine	-	104,483
				Woolen		
530	530	0.0212%	10	Valika Woolen Mills Limited	1,980	1,980
				Power Generation and Distribution		
-	3,000	0.0000%	10	Hub Power Companies Limited	-	94,800
-	3,000	0.0000%	10	Kot Addu Power Company	-	136,950
-	5,000	0.0000%	10	Nishat Power Limited	-	62,730
				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
				Technology and Communication		
120,000	-	---	10	Wateen Telecom	1,200,000	-
				Fertilizer		
-	950	0.0000%	10	Fauji Fertilizer Co. Limited	-	100,197
-	3,700	0.0000%	10	Fauji Fertilizer Bin Qasim	-	97,606
				Chemicals		
50	500	0.0000%	10	ICI Pakistan	1,377	76,271
-	395	0.0000%	10	Engro Chemical Pakistan	-	74,805
				Paper and Board		
-	1,000	0.0000%	10	Tri Pack Films	-	106,000
				Investment Securities		
-	3,000	0.0000%	10	Jahangir Siddique & co.	-	91,410
-	3,000	0.0000%	10	Arif Habib & Co	-	148,950
				Insurance		
-	5,000	0.0000%	10	Pakistan Reinsurance	-	131,988
7,500	760	0.0065%	10	E.F.U General Insurance	331,953	75,482
-	828	0.0000%	10	IGI Insurance	-	74,924
-	2,300	0.0000%	10	Atlas Insurance	-	97,609
600	5,000	0.0028%	10	Silver Star Insurance Company Limited	4,223	69,948
5,000	5,000	0.0238%	10	Universal Insurance Company Limited	29,746	29,746
				Leasing		
155,000	155,000	0.4844%	10	SME Leasing Company limited	1,705,000	1,705,000
428,523	242,079				5,049,782	4,417,851

21.1.2 Market value of available for sale investments is Rs. 4,830,373 (December 31, 2009 : Rs 4,284,904)

21.1.3 Shares in Unlisted Companies

2010	2009	Face Value Rs	Unlisted/Delisted Companies	2010	2009
---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	10	Fazal Sugar Mills Limited	-	3,502,000
-	100,000	10	Punjab Cables Limited	-	1,751,000
1,051	301,051			6,133	5,259,133

	Note	2010 Rupees	2009 Rupees

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)

2010	2009	Mutual fund certificates	2010 Rupees	2009 Rupees
---No. of Units---				
539	471	Atlas Income Fund	250,000	250,000
690	525	Atlas Stock Market Fund	250,000	250,000
1229	996		500,000	500,000

21.1.6 Market value of mutual funds certificates is Rs. 558,869/- (December 31, 2009 : Rs 486,128)

21.2 Provision for impairment in value of investment

	2010 Rupees	2009 Rupees
Balance at the beginning of the year	185,013	2,644,620
Add: Provision / (reversal) for the year	674,746	(2,459,607)
	859,759	185,013

21.3 Held to maturity

	Note	2010 Rupees	2009 Rupees
Government securities	21.3.1	83,195,120	38,130,752
Term finance certificates	21.3.2	867,912	868,260
Investment in Musharika	21.3.3	3,500,000	3,500,000
		87,563,032	42,499,012

21.3.1 Government securities

Particulars	Maturity year	Effective yield %	Profit payment	2010 Rupees	2009 Rupees
Pakistan investment bonds	2018-2020	11.09 - 14.52	Half yearly	83,195,120	38,130,752

Market value of Pakistan Investment Bonds as at December 31, 2010 is Rs. 83,026,309/- (2009 : 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	2010 Rupees	2009 Rupees
Bank Al-Habib Limited	AA	2012	9.95%	Half yearly	867,912	868,260
					867,912	868,260

21.3.3 Investments in Musharika

Name of the investee company	Maturity year	Effective yield %	Profit payment	2010 Rupees	2009 Rupees
First Punjab Mudaraba	2011	9.50%	Quarterly	1,000,000	1,000,000
B.R.R Guardian Modaraba	2011	12.00%	Maturity	2,500,000	2,500,000
				3,500,000	3,500,000

22 INVESTMENT PROPERTY

	2010								
	Cost				Depreciation				Written Down Value
	As at 01 January 2010	Transfer	As at 31 December 2010	Rate %	As at 01 January 2010	Transfer	For the year	As at 31 December 2010	As at 31 December 2010
	Rupees				Rupees				
Free Hold Land	23,128,210	-	23,128,210	-	-	-	-	-	23,128,210
Buildings	24,336,460	-	24,336,460	5	4,418,420	-	995,902	5,414,322	18,922,138
Total 2010	47,464,670	-	47,464,670		4,418,420	-	995,902	5,414,322	42,050,348

	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

22.1 Market value of land and building as at December 31, 2010 was Rs. 47,006,000 (2009: Rs. 45,055,650/-).

		Note	2010 Rupees	2009 Rupees
23	PREMIUMS DUE BUT UNPAID			
	Unsecured			
	- Considered good		206,047,715	188,231,138
	- Considered doubtful		21,459,652	21,459,652
			227,507,367	209,690,790
	Less : Provision for doubtful receivables	23.1	(21,459,652)	(21,459,652)
			206,047,715	188,231,138
23.1	Provision for doubtful receivables			
	Balance at the beginning of the year		21,459,652	14,309,151
	Provision made during the year		-	7,150,501
			21,459,652	21,459,652
24	AMOUNT DUE FROM OTHER INSURERS/ REINSURERS			
	Unsecured			
	- Considered good		4,944,693	7,788,462
	- Considered doubtful		4,403,925	4,403,925
			9,348,618	12,192,387
	Less : Provision for doubtful receivables	24.1	(4,403,925)	(4,403,925)
			4,944,693	7,788,462
24.1	Provision for doubtful receivables			
	Balance at the beginning of the year		4,403,925	-
	Provision made during the year		-	4,403,925
			4,403,925	4,403,925
25	SUNDRY RECEIVABLES			
	Rent deposits		6,272,900	3,791,400
	Advance against auctioned property		1,705,000	1,705,000
	Others		15,105,782	10,987,974
	Branch Balances		12,876,444	-
			35,960,126	16,484,374

26 SCHEDULE OF FIXED ASSETS TANGIBLE

	Owned Assets								Leased Assets		Grand Total
	Freehold Land	Building	Furniture and fixture	Office equipment	Computer equipment	Vehicles	Cycles	Total	Vehicles	Total	
COST											
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	328,683,590
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	119,213,721
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	447,897,311
Balance as at January 01, 2010	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	447,897,311
Additions during the year	-	4,417,116	5,873,264	4,698,744	1,569,080	35,245,982	5,400	51,809,586	34,932,000	34,932,000	86,741,586
Disposals		-	-	(105,000)	-	(3,515,191)	-	(3,620,191)	-	-	(3,620,191)
Transfers/Adjustments	-	-	-	-	-	33,318,000	-	33,318,000	(33,318,000)	(33,318,000)	-
Balance as at December 31, 2010	55,900,000	76,729,889	78,414,867	16,266,661	7,351,855	188,883,596	98,038	423,644,906	107,373,800	107,373,800	531,018,706
DEPRECIATION						-					
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	105,175,690
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	35,363,673
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	140,539,363
Balance as at January 01, 2010	-	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	140,539,363
Charge for the year	-	3,179,554	5,415,645	1,075,299	1,104,744	12,156,201	9,962	22,941,404	19,062,354	19,062,354	42,003,759
Disposals	-	-	-	(53,954)	-	(2,599,092)	-	(2,653,046)	-	-	(2,653,046)
Transfers/Adjustments	-	-	-	-	-	15,679,102	-	15,679,102	(15,679,102)	(15,679,102)	-
Balance as at December 31, 2010	-	13,338,881	25,110,500	4,594,308	4,153,816	104,167,256	57,283	151,422,044	28,468,032	28,468,032	179,890,076
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	307,357,948
Written down values as at December 31, 2010	55,900,000	63,391,008	53,304,367	11,672,353	3,198,039	84,716,340	40,755	272,222,862	78,905,768	78,905,768	351,128,630
Rate of depreciation in %	-	5	10	10	33.33	20	20		20		

26.1 The revaluation of fixed assets was carried out by an independent valuer M/S FRANK OBSERVERS (PRIVATE) LIMITED, 16-Carvan Building, 8-Link McLeod Road 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 the requirements of section 235 of the Companies Ordinance, 1984.

26.2 Had there been no revaluation , the cost, accumulated depreciation and book value of revalued assets as at December 31, 2010 would have been as follows:

	COST					DEPRECIATION				
DESCRIPTION	January 01, 2010	Additions	Deletions	December 31,2010	Rate %	January 01,2010	For the Year	Adjustment	December 31,2010	Written Down Value
Building	1,517,673	-	-	1,517,673	5	281,519	61,808	-	343,326	1,174,347
2010	1,517,673	-	-	1,517,673		281,519	61,808	-	343,326	1,174,347
2009	1,517,673	-	-	1,517,673		216,458	65,061	-	281,519	1,236,154

26.3 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
Vehicles							
LXZ-1294	415,811	366,332	49,479	51,000	1,521	Negotiation	Shahid Yaqoob S/O Muhammad Yaqoob
SLK-2819	886,680	808,637	78,043	375,000	296,957	Negotiation	Muhammad Arshad S/O Wali Muhammad
LXX-6642	108,700	96,553	12,147	13,500	1,353	Negotiation	Usman Ali Tarar S/O Abdul Waheed Tarar
SLJ-5543	280,000	241,776	38,224	150,000	111,776	Negotiation	Muhammad Abdul Rasheed S/O Muhammad Ramzan
FDS-5364	400,000	214,576	185,424	306,000	120,576	Negotiation	Muhammad Akmal Shehzad S/O Manzoor Ahmad
LRF-1472	650,000	278,067	371,933	780,000	408,067	Negotiation	Shehzad Rasheed S/O Malik Muhammad Rasheed
LRV-9262	774,000	593,151	180,849	475,000	294,151	Negotiation	Syed Wajid Ali S/O Syed Ahsan Ali
Sub-Total	3,515,191	2,599,092	916,099	2,150,500	1,234,401		
Air Conditioners							
Split	30,000	15,327	14,673	10,000	(4,673)	Negotiation	Jawad Hassan S/O Rafi Hassan Malik
Cabinet	75,000	38,627	36,373	35,000	(1,373)	Negotiation	Wasif Ameen S/O Muhammad Ameen
Sub-Total	105,000	53,954	51,046	45,000	(6,046)		
TOTAL	3,620,191	2,653,046	967,145	2,195,500	1,228,355		

	Note	2010 Rupees	2009 Rupees

27 ADMINISTRATIVE SURCHARGE

Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:

	Note	2010 Rupees	2009 Rupees
Fire and property damage		6,958,084	8,557,883
Marine, aviation and transport		2,564,192	1,979,099
Motor		7,428,451	5,435,205
Miscellaneous		2,028,616	3,195,497
		18,979,343	19,167,684

28 MANAGEMENT EXPENSES

	Note	2010 Rupees	2009 Rupees
Vehicle expense & workshop bills		7,002,287	7,106,359
Advertisement & selling expenses		7,594,912	6,957,115
Fire service charges		-	347,971
Provision for doubtful debts	23.1 & 24.1	-	11,554,426
Marine service charges		45	294,731
Staff salaries		61,229,114	33,389,490
Miscellaneous expenses		-	285,818
		75,826,358	59,935,910

29 OTHER INCOME

Income from financial assets / liabilities

	Note	2010 Rupees	2009 Rupees
Creditors no longer considered payable written back		-	81,111
Others		579,316	86,155
		579,316	167,266

Income from non financial assets

	Note	2010 Rupees	2009 Rupees
Gain on sale of fixed assets		1,228,355	-
Discount income		52,840	1,800
		1,281,195	1,800
		1,860,511	169,066

	Note	2010 Rupees	2009 Rupees
30 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, allowances and benefits		42,348,045	30,066,506
Travelling, conveyance and vehicle charges		12,952,138	13,737,453
Printing & stationery		3,967,641	4,218,671
Repair & renewal		1,858,077	646,616
Electricity charges		4,792,775	4,501,680
Telephone charges		5,123,011	4,606,454
Office rent		14,989,618	12,092,283
Charity & donation		705,000	135,000
Bank Charges		1,904,775	1,870,690
Levy charges		892,364	1,674,600
Interest charges		58,409	1,444,299
General expenses		4,808,281	8,028,398
Legal & professional fee	30.1	7,881,976	6,346,026
Depreciation	30.2	42,999,661	36,411,991
Zakat		4,013	179,013
Gratuity		12,049,488	9,857,494
		157,335,272	135,817,174

30.1 AUDITORS' REMUNERATION

Legal and professional fee includes following in respect of Auditor's Remuneration

	ILYAS SAEED & COMPANY	SARWARS	Total 2010 Rupees	Total 2009 Rupees
Annual audit fee	350,000	350,000	700,000	510,000
Half yearly review	105,000	105,000	210,000	150,000
Other certifications	115,000	115,000	230,000	260,000
Out of pocket expenses	30,000	30,000	60,000	50,000
Taxation Services	-	120,000	120,000	100,000
	600,000	720,000	1,320,000	1,070,000

30.2 Depreciation

	Note	2010 Rupees	2009 Rupees
Investment property	22	995,902	1,048,318
Fixed assets	26	42,003,759	35,363,673
		42,999,661	36,411,991

	Note	2010 Rupees	2009 Rupees

31 PROVISION FOR TAXATION

	2010 Rupees	2009 Rupees
Current	14,731,483	6,779,183
Prior	2,931,984	-
Deferred	(2,513,730)	1,591,298
	15,149,737	8,370,481

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	(5.74)	(4.37)
- Effect of tax on amounts deductible for tax purposes	(15.99)	(16.33)
- Effect of opening deferred tax	(1.93)	(2.80)
Effective tax rate	11.34	11.50

32 BASIC EARNING PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2010	2009
Profit after tax for the year	118,387,172	64,421,207
Weighted average number of shares of Rs 10/- each	40,020,000	40,020,000
Earnings per share of Rs 10/- each - basic and diluted	2.96	1.61

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, DIRECTORS AND EXECUTIVES

	Chief Executive	Directors	Executives	Total 2010	Total 2009
Managerial remuneration	1,037,520	5,766,000	19,929,084	26,732,604	14,086,788
Housing	430,728	2,339,400	8,099,052	10,869,180	4,359,456
Medical allowance	103,752	594,600	1,992,924	2,691,276	1,270,680
	1,572,000	8,700,000	30,021,060	40,293,060	19,716,924
Number of persons	1	2	39	42	18

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

	2010 Rupees	2009 Rupees

34 RELATED PARTY TRANSACTIONS

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

	2010 Rupees	2009 Rupees
Purchases of Track Systems	53,432,823	52,150,000

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
OTHER INFORMATION										
Segment assets	133,248,913	143,934,973	46,798,796	30,708,276	65,650,181	62,253,143	202,095,030	136,120,024	447,792,920	373,016,415
Unallocated assets									790,332,993	645,305,719
CONSOLIDATED TOTAL ASSETS									1,238,125,913	1,018,322,134
Segment liabilities	82,256,646	97,693,952	30,803,247	18,392,806	93,102,303	88,688,992	193,488,664	122,184,461	399,650,861	326,960,211
Unallocated liabilities									170,264,350	141,538,391
CONSOLIDATED TOTAL LIABILITIES									569,915,211	468,498,603
Capital expenditure	21,787,187	39,473,797	7,329,936	8,828,185	18,391,137	26,087,776	39,233,326	44,823,962	86,741,586	119,213,721
Depreciation	10,800,375	12,056,662	3,633,606	2,696,433	9,116,880	7,968,109	19,448,799	13,690,787	42,999,661	36,411,991

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:

	2010 Rupees	2009 Rupees
Bank deposits	74,494,367	63,326,259
Investments	867,912	868,260
Premium due but unpaid	206,047,715	188,231,138
Amounts due from other insurers / reinsurers	4,944,693	7,788,462
Accrued investment income	11,887,276	4,333,963
Reinsurance recoveries against outstanding claims	31,722,721	9,445,668
Sundry receivables	35,960,126	16,484,374
	365,924,810	290,478,124

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 no receivables were provided as the same are considered good. The movement in the provision for doubtful debt account is shown in notes 23.1 and 24.1 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	2010 Rupees	2009 Rupees
Bank Alfalah Limited	AA	PACRA	2,964,513	3,117,479
Allied Bank Limited	AA	PACRA	10,587,638	6,763,954
Habib Metroploitan Bank Limited	AA+	PACRA	116,609	275,668
Habib Bank Limited	AA+	JCR-VIS	3,276,379	4,898,504
Arif Habib Bank Limited	A	JCR-VIS	1,723,858	169,259
Bank Al-Habib Limited	AA+	PACRA	2,401,817	1,014,302
KASB Bank Limited	A	PACRA	401,307	1,786,574
Soneri Bank Limited	AA-	PACRA	8,097,911	3,054,402
Atlas Bank Limited	A-	PACRA	651,631	1,122,849
Albaraka Islamic Bank Limited	A	JCR-VIS	144,491	141,274
Askari Bank Limited	AA	PACRA	4,400,998	5,858,738
Zarai Tarqiati Bank	AAA	JCR-VIS	66,459	65,964
I.D.B.P	Rating not available		38,573	37,019
Bank of Khyber	BBB	PACRA	118,032	72,415
Bank of Punjab	AA-	PACRA	3,289,550	1,266,282
Bank Islami	AA-	PACRA	34,109	38,152
Samba Bank Limited	AA-	JCR-VIS	-	100,000
Dawood Islamic Bank Limited	A-	JCR-VIS	1,505,985	959,758
Faysal Bank Limited	AA-	PACRA	5,640,525	2,978,475
First Women Bank Limited	BBB+	PACRA	708,781	106,797
Barclays Bank Limited	AA-	STANDARD & POOR	8,143,287	3,806,049
MCB Bank Limited	A	PACRA	1,332,671	2,048,071
My Bank Limited	A	PACRA	90,693	56,576
National Bank of Pakistan Limited	A-	JCR-VIS	4,263,904	2,458,275
NIB Bank Limited	AA-	PACRA	4,749,513	1,939,083
Punjab Provincial Co-operative Bank Limited	CCC	JCR-VIS	790,105	498,275
Royal Bank of Scotland	AA-	PACRA	-	1,915,856
Silk Bank Limited	A-	JCR-VIS	581,203	504,135
SME Bank Limited	BBB	JCR-VIS	193,676	231,880
Standard Chartered Bank Limited	AAA	PACRA	1,346,312	4,759,950
United Bank Limited	AA+	JCR-VIS	6,833,837	11,280,244
			74,494,367	63,326,259

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

Bank Al-Habib Limited	AA+	PACRA	867,912	868,260

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 of 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 (2009 : Rs. 4.50 million).

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

	2010			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	--------------------Rupees----------------------			
Financial liabilities				
Provision for outstanding claims	52,889,049	52,889,049	52,889,049	-
Amount due to other insurers / reinsurers	15,659,592	15,659,592	15,659,592	-
Accrued expenses	6,270,344	6,270,344	6,270,344	-
Sundry creditors	46,058,593	46,058,593	46,058,593	-
Finance lease	71,111,623	82,173,815	28,634,717	53,539,098
	191,989,201	203,051,393	149,512,295	53,539,098

	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

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 mismatch 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.

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

FINANCIAL ASSETS AND LIABILITIES

		2010						
		Interest/mark-up bearing			Non interest/mark-up 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		-	-	-	3,621,000	-	3,621,000	3,621,000
Investments	11.09-14.52	-	87,563,032	87,563,032	4,696,156	-	4,696,156	92,259,188
Premium due but unpaid		-	-	-	206,047,715	-	206,047,715	206,047,715
Interest outstanding		-	-	-	11,887,277	-	11,887,277	11,887,277
Amount due from other insurers/reinsurers		-	-	-	4,944,693	-	4,944,693	4,944,693
Reinsurance recoveries against O/S claims		-	-	-	31,722,721	-	31,722,721	31,722,721
Sundry receivables		-	-	-	35,960,126	-	35,960,126	35,960,126
Cash & bank balances	8 - 15	119,950,000	29,300,000	149,250,000	81,244,800	21,170,570	102,415,370	251,665,370
		119,950,000	116,863,032	236,813,032	380,124,488	21,170,570	401,295,058	638,108,090
FINANCIAL LIABILITIES								
Claims outstanding		-	-	-	52,889,049	-	52,889,049	52,889,049
Amount due to other insurers/reinsurer		-	-	-	15,659,592	-	15,659,592	15,659,592
Other creditors & accruals		-	-	-	52,328,937		52,328,937	52,328,937
Short term bank borrowings		-	-	-	-	-	-	-
Liabilities against asset subject to finance lease	13 - 25	21,648,948	49,462,675	71,111,623	-	-	-	71,111,623
		21,648,948	49,462,675	71,111,623	120,877,578	-	120,877,578	191,989,201

FINANCIAL ASSETS AND LIABILITIES	Effective Yield/ Mark-up rate	2009 Interest/mark-up bearing Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Non interest/mark-up bearing 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

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, 2010			
Cash flow sensitivity - Variable rate financial liabilities	100	(711,116)	(462,226)
	(100)	711,116	462,226
Cash flow sensitivity - Variable rate financial assets	100	2,368,130	1,539,285
	(100)	(2,368,130)	(1,539,285)
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)

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. 4.830 million (2009: Rs. 4.285 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 2010 and 2009 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, indeed results could be worse in Company's equity investment portfolio because of the nature of equity markets.

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, 2010	4,830,373	10 % increase	5,313,410	483,037	-
		10 % decrease	(4,347,336)	(483,037)	-
December 31, 2009	4,284,904	10 % increase	4,713,394	428,490	-
		10 % decrease	(3,856,414)	(428,490)	-

36.4 Fair value of financial instruments

Fair 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 be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2010	2009
A or above (including PRCL)	4,654,555	31,722,721	151,276,141	187,653,417	130,611,870
BBB	290,138	-	-	290,138	516,439
Total	4,944,693	31,722,721	151,276,141	187,943,555	131,128,309

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 reinsurers 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 by 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	
	2010	2009	2010	2009	2010	2009
	Rupees in '000'					
Fire	120,760,220	123,751,472	79,039,128	89,770,829	41,721,092	33,980,643
Marine	49,627,589	33,201,877	27,939,695	15,456,682	21,687,894	17,745,194
Motor	9,472,838	7,752,364	-	-	9,472,838	7,752,364
Miscellaneous	55,885,720	35,563,831	26,966,784	18,865,530	28,918,936	16,698,301
	235,746,367	200,269,543	133,945,607	124,093,041	101,800,761	76,176,502

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.

10% increase in loss	Profit before tax 2010	Profit before tax 2009	Share holders' equity 2010	Share holders' equity 2009
	Rupees			
Net				
Fire	(2,085,169)	(3,614,324)	(1,355,360)	(2,349,310)
Marine	(1,100,590)	(512,870)	(715,383)	(333,366)
Motor	(8,543,614)	(5,215,604)	(5,553,349)	(3,390,143)
Miscellaneous	(5,825,669)	(2,813,194)	(3,786,685)	(1,828,576)
	(17,555,042)	(12,155,992)	(11,410,777)	(7,901,395)

10% decrease in loss	Profit before tax 2010	Profit before tax 2009	Share holders' equity 2010	Share holders' equity 2009
	Rupees			
Net				
Fire	2,085,169	3,614,324	1,355,360	2,349,310
Marine	1,100,590	512,870	715,383	333,366
Motor	8,543,614	5,215,604	5,553,349	3,390,143
Miscellaneous	5,825,669	2,813,194	3,786,685	1,828,576
	17,555,042	12,155,992	11,410,777	7,901,395

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 2010.

	2008	2009	2010	Total
	Rupees			
Estimate of ultimate claims cost				
At the end of accident year	53,864,348	50,692,363	55,708,274	160,264,985
One year later	49,937,336	33,828,043	-	83,765,379
Two years later	8,181,105	-	-	8,181,105
Estimate of cumulative claims	111,982,789	84,520,406	55,708,274	252,211,469
Cumulative payments to date	(111,085,060)	(84,265,351)	(52,944,485)	(248,294,896)
Liability recognized in the balance sheet date	897,729	255,055	2,763,789	3,916,573

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, 2010 of Rs. 2.4 per share (2009 : Rs 1.6 per share), amounting to Rs. 96,048,000 (2009 : Rs 55,200,000) at their meeting held on March 31, 2011 for the approval of the members at the annual general meeting to be held on April 30, 2011.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 31, 2011 by the Board of Directors of the company.

40 RECLASSIFICATION

Corresponding figures have been reclassified/rearranged, wherever necessary for better presentation. The impact of reclassifications is not material.

Balance Sheet	Note	From	To	Amount (Rs.)
Premiums due but unpaid	23	Considered Good	Considered doubtful	14,309,151
Profit and Loss Account				
General and Administrative expenses	30	Auditor's Remuneration	Legal and Professional Fee	1,070,000

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

Pattern of Shareholding

As at December 31, 2010

No. of Share Holders	From	To	Total Shares Held
186	1	100	6,491
128	101	500	33,525
97	501	1000	66,583
179	1001	5000	382,929
66	5001	10000	496,895
32	10001	15000	398,251
14	15001	20000	236,224
7	20001	25000	157,751
6	25001	30000	158,024
8	30001	35000	259,450
2	35001	40000	75,622
3	45001	50000	139,923
1	55001	60000	59,322
4	60001	65000	254,721
4	65001	70000	268,248
2	70001	75000	140,149
1	75001	80000	75,056
2	80001	85000	162,532
6	90001	95000	549,038
2	95001	100000	192,452
1	100001	105000	102,080
2	105001	110000	210,961
1	110001	115000	112,060
3	115001	120000	352,570
7	120001	125000	861,051
2	125001	130000	250,903
1	130001	135000	133,463
3	135001	140000	411,796

Pattern of Shareholding

As at December 31, 2010

No. of Share Holders	From	To	Total Shares Held
5	140001	145000	714,006
3	145001	150000	441,881
3	150001	155000	454,901
4	155001	160000	628,582
2	160001	165000	323,288
8	165001	170000	1,337,353
2	170001	175000	344,193
1	175001	180000	176,607
3	180001	185000	544,973
1	185001	190000	188,806
1	190001	195000	190,039
10	195001	200000	1,984,546
4	200001	205000	809,542
2	205001	210000	414,302
8	210001	215000	1,702,980
3	215001	220000	648,300
3	220001	225000	667,332
4	225001	230000	911,019
1	230001	235000	234,349
2	240001	245000	486,294
1	245001	250000	247,956
2	250001	255000	504,550
2	255001	260000	516,281
1	260001	265000	260,362
1	265001	270000	268,485
4	270001	275000	1,088,876
4	275001	280000	1,108,638
2	280001	285000	566,324

Pattern of Shareholding

As at December 31, 2010

No. of Share Holders	From	To	Total Shares Held
3	285001	290000	865,740
1	290001	295000	291,148
1	300001	305000	303,276
2	315001	320000	634,089
1	320001	325000	324,998
3	325001	330000	985,524
1	330001	335000	331,364
3	335001	340000	1,010,081
2	340001	345000	686,161
1	350001	355000	352,529
3	360001	365000	1,088,937
2	365001	370000	734,369
2	380001	385000	766,139
1	385001	390000	389,308
1	390001	395000	391,798
1	405001	410000	408,420
2	410001	415000	829,180
1	420001	425000	423,299
1	435001	440000	436,610
1	440001	445000	441,497
1	460001	465000	460,785
1	465001	470000	466,204
1	505001	510000	506,641
1	535001	540000	538,953
1	615001	620000	615,686
1	625001	630000	629,773
1	795001	800000	794,656
897			40,020,000

Categories of Shareholders

As per Code of Corporate Governance

As at December 31, 2010

Sr. No.	Categories of Shareholders	Number of Shareholders	Share held	Percentage
1	Associated Undertaking and Related Parties (List "A" Attached)	6	509,562	1.27
2	NIT AND ICP (List "B" Attached)	1	2,700	0.01
3	Director, CEO & SPOUSE (List "C" Attached)	10	713,100	1.78
4	Executives	Nill	Nill	Nill
5	Public Sector Corporation (List "D" Attached)	2	18,940	0.05
6	Banks, Insurance and Modaraba Companies (List "E" Attached)	3	4,917	0.01
7	Shareholding Ten Percent or More Voting Interest in the Listed Companies	None	None	None
	Individuals	852	38,490,086	96.18
	Other Corporate Shareholders	23	280,695	0.70
	Total	897	40,020,000	100.00

Pattern of Shares Holding

LIST "A"

Associated Companies, Undertaking & Related Parties

Sr. No	Name	No. of Shares
1	Aziz Coal Mines (pvt) Ltd	14,829
2	Indus Coal Mines (pvt) Ltd	212,267
3	Shahab Coal Mines (Pvt.) Ltd.	11,661
4	Zahid Steel (Pvt.) Ltd.	6,300
5	Zahid Chemical (Pvt.) Ltd.	6,300
6	Margala News International	258, 205
		509,562

LIST "B"

NIT AND ICP

Sr. No	Name	No. of Shares
1	National Bank of Pakistan Investor Account	2,700

LIST "C"

Directors, C.E.O & Their Spouse and Minor Children

Sr. No	Name	No. of Shares
1	Mian M.A Shahid	538,953
2	Ch. Habib ur Rehman	13,998
3	Ch. Najeeb ur Rehman	13,102
4	Ch. Maqsood Ahmed	80,030
5	Ch. Aziz ur Rehman	13,560
6	Huma Waheed	3,368
7	Khawas Khan Niazi	3,959
Spouse		
8	Mrs. Shagufta Perveen	36,403
9	Mrs. Mejabeen Habib	1,743
10	Mrs. Rehana Najeeb	7,984
		713,100

LIST "D"

Public Sector Companies & Corporations

Sr. No	Name	No. of Shares
1	Pakistan Re-Insurance Co. Limited.	17,298
2	Eastern Fedral Union Ins. Co. Limited	1,642
		18,940

LIST "E"

Banks, Insurance and Modaraba Companies

Sr. No	Name	No. of Shares
1	Habib Bank Limited	128
2	IDBP	25
3	Escort Investment Bank Limited	4,764
		4,917

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 fifty first annual general meeting of the company to be held on April 30, 2011 at any adjournment thereof.

Witness..

....

Place... Signature

Date...

Affix Correct Postage

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

Important:

A member intitle 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 before 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 instrument of proxy shall be rendered invalid.

Affix Correct
Postage

The Company Secretary

The UNITED INSURANCE COMPANY OF PAKISTAN LTD.

204, 2nd Floor, Madina City Mall,
Abdullah Haroon Road, Sadar, Karachi.