



PREMIER

INSURANCE

59th Annual Report 2010





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Company Information

Board of Directors

Syed Arshad Ali
Khalid Bashir
Zahid Bashir (Chairman)
Imran Maqbool
Nadeem Maqbool
Khurram Mazhar
Shams Rafi
Fakhir Rahman (Chief Executive)

Company Secretary

Afroz Quraishi

Audit Committee

Khalid Bashir (Chairman)
Imran Maqbool
Nadeem Maqbool

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisors

Arfin & Company
Advocates

Registered & Head Office

5th Floor, State Life Building No. 2A
Wallace Road, Karachi-74000, Pakistan
Phones : (21) 32416331-4
Fax : (21) 32416572
Email : info@pil.com.pk
Website : www.pil.com.pk

Registrar

FAMCO Associates (Pvt) Limited
1st Floor, State Life Building No. 1A
I. I. Chundrigar Road
Karachi-74000, Pakistan



Vision Statement

Our vision is to provide the highest level of service in general insurance and strive to become a market leader with a prestigious profile.

Mission Statement

Our Business

We are a company underwriting general insurance business including underwriting fire, property, marine, motor and other risks of our clients.

We are committed to become the leading organization in the insurance sector building an excellent reputation among our clients with the objective of maximizing returns for all the stakeholders.

Our Strengths

Financial viability and security we provide our clients and reinsurers in order to safeguard their interests.

Our Strategy

To enhance our corporate image by providing high quality products and services to our policy holders.

To provide an excellent working environment to our employees affording them every opportunity to growth and career development.

Our Values

We take pride in adhering to ethical business practices and in being a good corporate citizen.

We respect our people and endeavor to provide them opportunities to realize their full potential.

We recognize our responsibility to our stakeholders and to society.



Because we care.....

Our commitment to serve extends beyond our stakeholders to the society where our collective present and future is at stake. Being a socially responsible corporate citizen is one of our core values and our assistance to various causes that alleviate human misery and uplift the quality of life, healthcare and education for our less privileged compatriots is routed through the following:

The Citizens Foundation (TCF)

Towards provision of quality education to more than 92,000 children in 660 plus schools in the economically deprived neighborhoods across Pakistan and AJK.

Layton Rahmatulla Benevolent Trust (LRBT)

For free, state of the art eye care accounting for about one in three of all eye OPD and surgeries across the country through 16 hospitals and 44 community eye care centres.

Sindh Institute of Urology and Transplantation (SIUT) and The Kidney Centre

Towards free, modern urology, nephrology, transplantation and liver diseases treatment and care.

Marie Adelaide Leprosy Centre (MALC)

For rehabilitation and care of leprosy, tuberculosis and blindness sufferers.

**Patient's Aid Foundation (PAF) - JPMC; Poor Patient Aid Society - Civil Hospital;
The Aga Khan Hospital & Medical College Foundations**

Towards assisting treatment of millions of less privileged patients at general hospitals.

**Shaukat Khanum Memorial Cancer Hospital; Shalamar Hospital;
Indus Hospital; Dowites '78' Operation Theatre Centre**

To help specialized and general hospitals in our major cities provide high quality medical care to those who cannot pay or need subsidies.

Premier was ranked 13th amongst 542 public listed companies in corporate giving by the Pakistan Centre for philanthropy in December 2010.

We are grateful to our business associates for making these humble contributions possible and allowing us to be a company with a heart.



Notice of Annual General Meeting

Notice is hereby given that the 59th Annual General Meeting of the company will be held at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP) at Chartered Accountants Avenue, Clifton, Karachi, on Friday, April 29, 2011 at 09:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on April 29, 2010;
2. To receive, consider and adopt the audited financial statements of the company for the year ended December 31, 2010, the report of the Auditors thereon and the report of the Directors;
3. To approve the payment of a cash dividend @ 25% i.e. Rs 1.25 per ordinary share of Rs 5 each, out of the profit for the year ended December 31, 2010, as recommended by the Directors;
4. To appoint Auditors of the company for the year 2011 and fix their remuneration. All listed companies are required to change their external auditors every five years as per clause xli of the Code of Corporate Governance under Listing Regulations of Stock Exchanges. M/s. Anjum Asim Shahid Rahman, Chartered Accountants have been auditors of the company for a period of five years. The Board, on the recommendation of the Audit Committee of the company has proposed the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors for the year 2011. A notice has been received from a member under section 253 of the Companies Ordinance, 1984 proposing to appoint audit firm namely M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants;
5. To transact any other business with the permission of the Chair.

By Order of the Board

Afroz Quraishi
Company Secretary

Karachi, April 1, 2011



NOTES

- i) The Share Transfer Books of the company shall remain closed from April 20, 2011 to April 29, 2011 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, State Life Building No. 1-A, 1st Floor, I. I. Chundrigar Road, Karachi, Pakistan by the close of business on April 19, 2011 will be treated in time for this purpose.
- ii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.
- iii) Shareholders whose shares are deposited with the Central Depository Company (CDC) are requested to bring their original National Identity Card and account number in CDC for verification.
- iv) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- v) Shareholders are requested to notify our Registrar immediately of any change in their addresses.
- vi) Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Cards to the company are requested to send the same at the earliest directly to its Share Registrar.



Key Operating and Financial Data

(Amounts in Rupees '000)

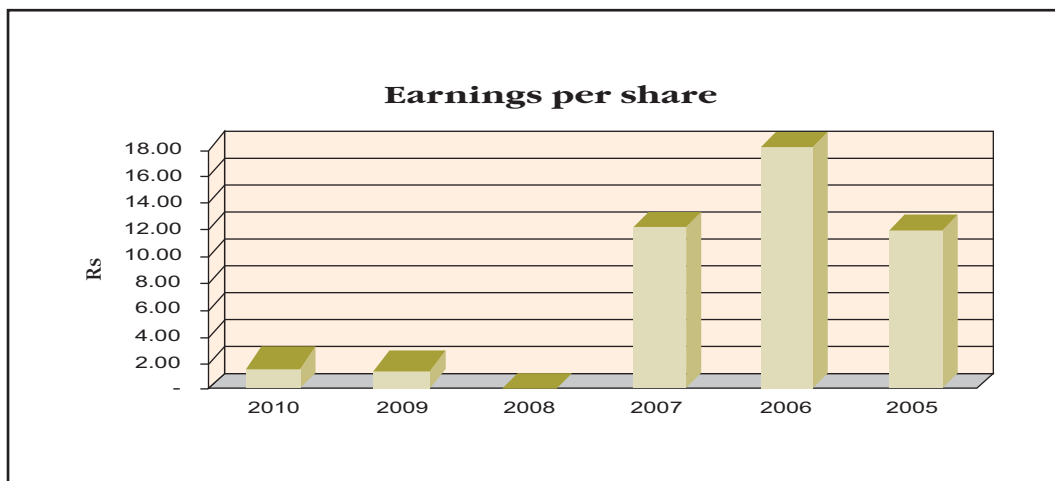
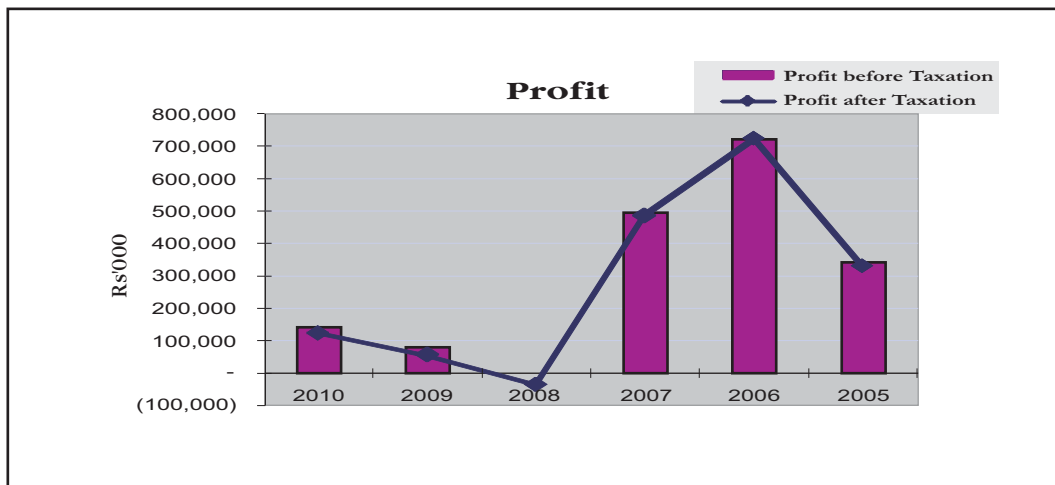
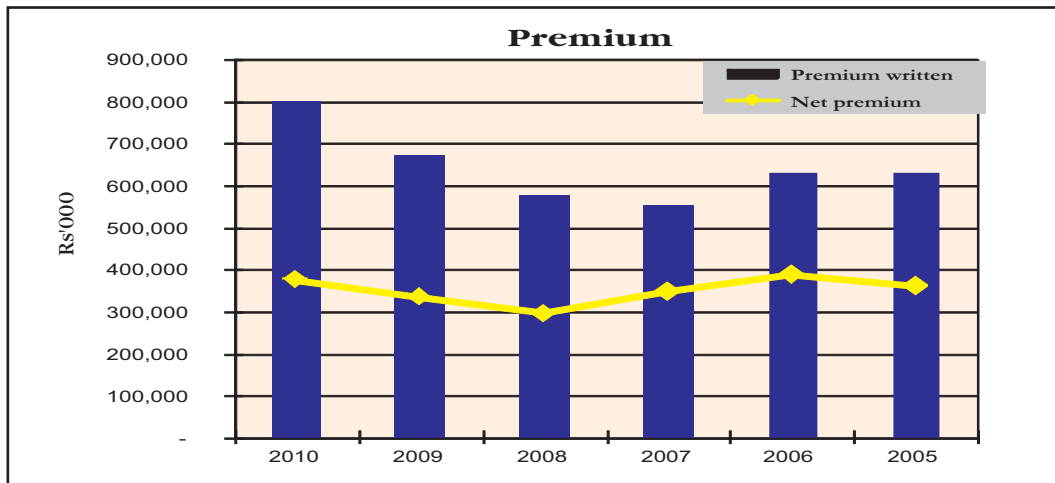
	2010	2009	2008	2007	2006	2005
Paid-up capital	302,821	263,323	239,385	199,488	166,240	138,533
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,520,162	1,491,342	1,509,814	1,627,043	1,214,600	554,587
Total reserves	1,539,837	1,511,017	1,529,489	1,646,718	1,234,275	574,262
Total equity	1,842,658	1,774,340	1,768,874	1,846,206	1,400,515	712,795
Total assets	3,101,280	2,788,719	2,701,366	2,943,197	2,393,943	1,738,274
Premium written	800,555	670,430	577,114	551,699	630,395	631,393
Net premium	376,719	335,456	295,834	346,832	389,232	360,164
Investment income	162,356	222,181	185,627	542,582	798,115	341,996
Impairment of financial assets	(3,718)	(126,161)	(213,216)	-	-	-
Profit / (loss) before taxation	141,746	79,653	(44,911)	495,685	719,721	339,438
Profit / (loss) after taxation	120,983	53,343	(37,435)	478,939	715,427	325,438
Return on equity* (%)	6.69%	3.01%	(2.07%)	29.50%	67.71%	57.95%
Book value per share** (Rs)	30.42	33.69	36.95	46.27	42.12	25.73
Earnings per share** (Rs)	2.00	1.01	(0.78)	12.00	17.93	11.75
Cash dividend (%)	25%	20%	20%	20%	20%	20%
Stock dividend (Bonus - %)	0%	15%	10%	20%	20%	20%

*Return based on average equity for the year

**Book value / earnings based on shares in issue at year end

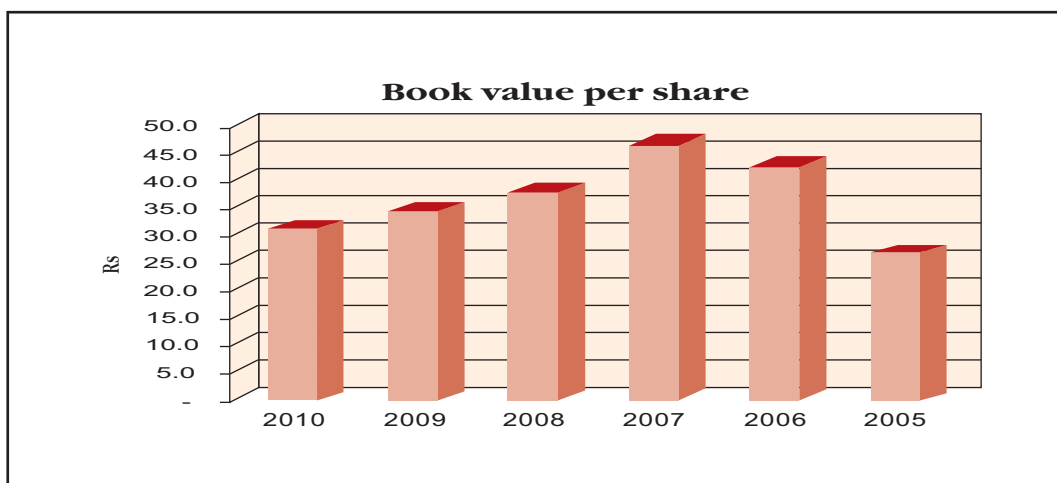
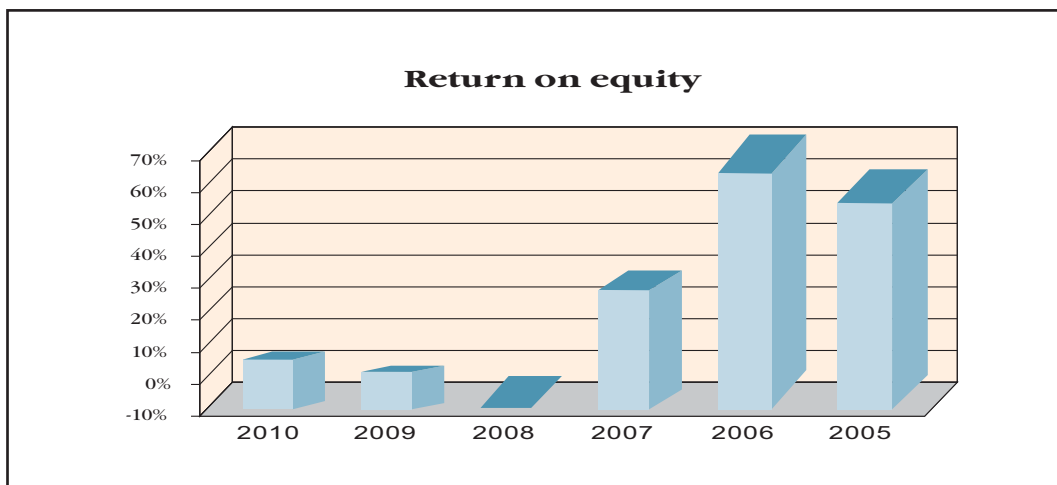
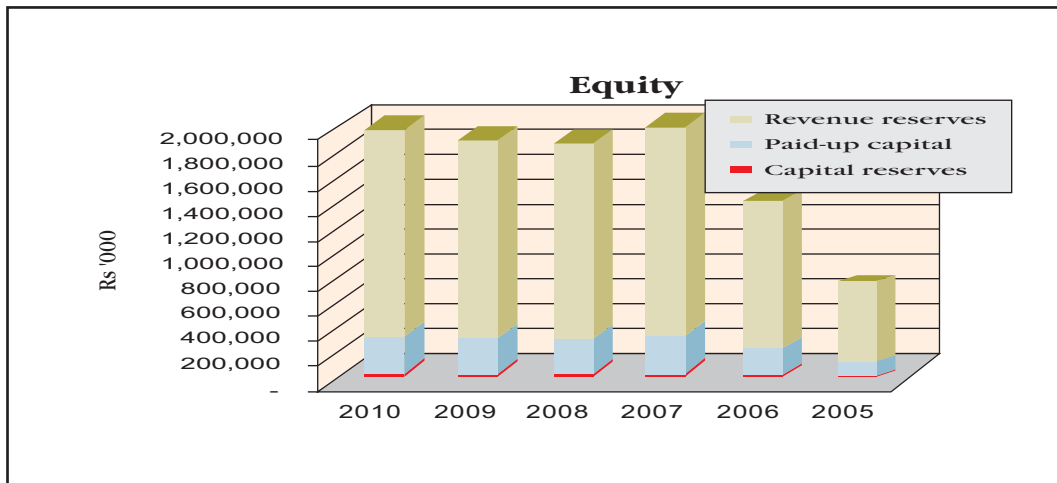


Performance at a Glance





Performance at a Glance





Report of the Directors to the Members

The directors are pleased to present the 59th Annual Report of the company together with the audited financial statements for the year ended December 31, 2010.

Review

(Amounts in Rupees '000)

	2010	2009
Premium written	800,555	670,430
Net premium	376,719	335,456
Underwriting result	16,882	20,952
Investment income	162,356	222,181
Impairment of financial assets	(3,718)	(126,161)
Profit before taxation	141,746	79,653
Profit after taxation	120,983	53,343

Written premium grew in excess of 19% against almost flat industry and macro-economic growth; all business classes contributed to the higher business volumes and diversification. Net premium growth exceeding 12% reflects the relative retention ratios and the timing of the business written.

While the commission expense ratio was maintained, as also the claims ratio despite the devastating floods, higher costs of doing business, mostly HR related, reduced the underwriting profit.

Our investment portfolio and derived income continued to provide comfort and support to our core business. Although lower than 2009, the returns bettered yardsticks appropriate to our declared focus on capital preservation.

Consequent to the SECP expressing its intention to move the Honorable High Court for winding up of Innovative Investment Bank Limited, deposits maturing within 12 months, and accrued profits, aggregating Rs 3.7 million were charged to the profit and loss account as "impaired". A further view will be taken on the remaining deposits of Rs 5.2 million based on objective evidence as it becomes available.

The foregoing aims to give context to your company's performance in the difficult operating environment of the year under review; we have grown our business,

safely, and the profit before tax by almost 80%, coming mainly from a significantly lower charge required for "impairment" of financial assets. The profit after tax, almost 2.3 times the corresponding period, provided earnings of Rs 2 per ordinary share of Rs 5 each (comparable to Rs 4 per share of Rs 10 each).

Appropriation of Profit

(Amounts in Rupees '000)

Profit after taxation for the year	120,983
Unappropriated profit brought forward	<u>240,992</u>
	<u>361,975</u>

Appropriations:

- Payment of cash dividend @ 20% (2009)	(52,665)
- Issue of bonus shares @ 15% (2009)	<u>(39,498)</u>
Unappropriated profit carried forward	<u><u>269,812</u></u>

Appropriated as follows:

- Proposed cash dividend @ 25% (2010)
- Transfer to general reserve Rs. 75,000 (2010)

Outlook for the Current Year

Realistically the current year does not appear to hold much promise of betterment over 2010 at this time. The size and quality of our business depends upon that of the broader economy. Businesses are being hurt by power shortages and increasing costs of doing business; individuals are losing purchasing power; an uncertain security situation is not helping; political polarization appears to be adding to the problems and hindering solutions.

In this scenario, greater competition among insurers is inevitable; whatever its manifestation, our collective and individual bottom lines are likely to be impacted.

Your company has a strong equity base and, with well managed investments, a demonstrated ability to comfortably withstand business and operational stresses. That said, we do wish to protect our collective future, and that of our clients. Unfortunately, our persistent advocacy of a sensible approach to competition and collective adherence to sound insurance and financial practices to this end, remains unheeded.



With ongoing hard and soft infrastructure improvement, equity in excess of Rs 1.8 billion and assets exceeding Rs 3.1 billion we are well positioned to explore and develop business opportunities. However this will be with due caution and responsibility towards all our stakeholders. Under the current circumstances, we feel unable to comment further regarding the future outlook.

The company carries a conservative Insurer Financial Strength (IFS) Rating of "A" (Single A) with stable outlook. The rating, assigned by JCR-VIS, denotes a "high capacity to meet policyholder and contract obligations".

Corporate Financial Reporting

The Board has taken all necessary steps to comply with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There is no doubt about the company's ability to continue as a going concern.

- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years is annexed with the report.
- The value of investments based on the audited accounts of the Provident Fund as at December 31, 2009 was Rs 30.9 million.
- During 2010 five meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Syed Arshad Ali	4
Mr Khalid Bashir	2
Mr Zahid Bashir (Chairman)	5
Mr Imran Maqbool	5
Mr Nadeem Maqbool	5
Mr Khurram Mazhar	-
Mr Shams Rafi	3

Leave of absence was granted to directors unable to attend a meeting.

- The directors, CEO, CFO and Company Secretary, executives and their spouses and minor children, had no transactions in the shares of the company except that Mr Khalid Bashir, director, acquired 30,250 shares.

Corporate Social Responsibility

Your company is committed to Corporate Social Responsibility (CSR) in all its forms and is humbly proud to have been ranked 13th out of 542 Public Listed Companies in corporate giving by the Pakistan Centre for Philanthropy in December, 2010.

During 2010, the company:

- Added Rs 153.5 million to the nation's treasury in the form of direct, indirect and withholding taxes;
- Spent Rs 4.4 million to assist the less privileged members of our communities with healthcare and



education, across the country, by donating to:

	(Rupees)
Patients Aid Foundation	2.50 million
Layton Rahmatulla Benevolent Trust	0.35 million
The Citizens Foundation	0.35 million
Sindh Institute of Urology & Transplantation	0.35 million
The Indus Hospital	0.20 million
The Kidney Centre	0.10 million
Marie Adelaide Leprosy Centre	0.10 million
Poor Patients Aid Society	0.10 million
Dowites '78' Operation Theatre Complex	0.10 million
Shaukat Khanum Memorial Cancer Hospital	0.10 million
The Aga Khan University Hospital	0.10 million
Shalamar Hospital	0.05 million
	<u>4.40 million</u>

- Continued to encourage energy conservation as a national priority and as a cost saving;
- Encouraged its employees' voluntary contributions of Rs 0.25 million towards flood relief.

The company believes in ethical business practices and where codified, is compliant therewith.

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2010, have been duly complied with. A statement to this effect is annexed with the report.

Statement of Ethics and Business Practices

The Board has adopted a Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Board Committees

The audit committee, comprising non-executive members of the Board, held four meetings during the year. The committee's terms of reference were

determined by the Board in accordance with the guidelines provided in the listing regulations.

The Board constituted underwriting, claims settlement, reinsurance and co-insurance and investment committees met as required during the year.

Appointment of Auditors

M/s. Anjum Asim Shahid Rahman, Chartered Accountants having performed the company's audit for five years will retire at the conclusion of the Annual General Meeting. The Board has proposed the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors for the year ending December 31, 2011.

Categories of Members / Pattern of Shareholding

A statement of categories of members and a pattern of shareholding of the company is annexed.

The directors, CEO, CFO and Company Secretary and their spouses and minor children have no holding other than reported.

Acknowledgement

The directors acknowledge the dedication of the company's employees, thank all our business associates and shareholders for their confidence in the company, and our regulators for their guidance and support.

On behalf of the Board

Zahid Bashir
Chairman

Karachi: April 1, 2011



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board. Except the Chief Executive, the Board comprises non-executive 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 resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policy guidelines, which are in the process of formal documentation. Such guidelines, amendments and approvals are recorded.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were duly circulated. The minutes of the meetings were appropriately recorded and circulated.
8. The directors of the company are experienced in various businesses, including insurance and are well aware of their duties and responsibilities. However, all directors continue to be encouraged to attend specialized orientation course at company expense.
9. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the company were duly endorsed by the CEO and the CFO before approval of the Board.
11. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the categories of members.
12. The company has complied with all the financial reporting requirements of the Code.



13. The Board has formed an audit committee which comprised at least three members during the year, all of whom are non-executive directors including the Chairman of the committee.
14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has also formed underwriting, claims, reinsurance and co-insurance and investment committees.
16. 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 the Institute of Chartered Accountants of Pakistan.
17. 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 the IFAC guidelines in this regards.
18. We confirm that all other material principles contained in the Code have been complied with.

Zahid Bashir
Chairman

Karachi, April 1 , 2011



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2010 prepared by the Board of Directors of **Premier Insurance Limited** (the Company) to comply with the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the company to comply with the Code.

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code.

Anjum Asim Shahid Rahman
Chartered Accountants

Date: April 1, 2010
Karachi.



Independent Auditors' Report to the Members of Premier Insurance Limited

We have audited the annexed financial statements comprising of:

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

of **Premier Insurance Limited** (the Company) as at **December 31, 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 the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change as described in note 3.2 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2010 and of the profit, its total comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under Section 7 of that Ordinance.

Anjum Asim Shahid Rahman
Chartered accountants
Shahzada Saleem Chughtai

Date: April 1, 2010
Karachi



PREMIER INSURANCE LIMITED

Balance Sheet

As at December 31, 2010

(Amounts in Rupees '000)

	Note	2010	2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital Rs 100,000,000 ordinary shares of Rs 5 each		<u>500,000</u>	<u>500,000</u>
Issued subscribed and paid-up capital 60,564,269 (2009: 52,664,582) ordinary shares of Rs.5 each	6	<u>302,821</u>	<u>263,323</u>
Retained earnings		<u>269,812</u>	<u>240,992</u>
Reserves	7	<u>1,270,025</u>	<u>1,270,025</u>
Shareholders' equity		1,842,658	1,774,340
Underwriting provisions			
Provision for outstanding claims (including IBNR)		<u>339,603</u>	<u>251,112</u>
Provision for unearned premium		<u>386,246</u>	<u>314,524</u>
Commission income unearned		<u>43,641</u>	<u>37,206</u>
Total underwriting provisions		769,490	602,842
Deferred liability			
Staff retirement benefits	8	23,079	21,068
Creditors and accruals			
Amounts due to other insurers / reinsurers		<u>117,981</u>	<u>84,239</u>
Accrued expenses		<u>15,359</u>	<u>13,620</u>
Taxation - provision less payments		<u>116,482</u>	<u>104,434</u>
Other creditors and accruals	9	<u>208,531</u>	<u>181,677</u>
		458,353	383,970
Other liabilities			
Unclaimed dividend		7,700	6,499
TOTAL EQUITY AND LIABILITIES		<u>3,101,280</u>	<u>2,788,719</u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 32 form an integral part of these financial statements.



(Amounts in Rupees '000)

	Note	2010	2009
ASSETS			
Cash and bank deposits	11		
Cash and other equivalents		443	302
Current and other accounts		148,158	211,533
Deposits maturing within 12 months		-	3,497
Deposits maturing after 12 months		5,246	5,246
		153,847	220,578
Loans to employees	12	1,706	2,412
Investments	13	1,343,391	1,245,694
Investment properties	14	55,825	56,393
Other assets			
Premium due but unpaid	15	439,701	276,503
Amounts due from other insurers / reinsurers - unsecured, considered good		333,027	362,988
Accrued investment income	16	10,826	2,690
Accrued salvage recoveries		8,260	9,350
Reinsurance recoveries against outstanding claims		209,006	138,774
Deferred commission expense		58,538	43,941
Prepayments	17	219,062	173,245
Sundry receivables	18	15,558	29,467
		1,293,978	1,036,958
Fixed assets	19		
Tangible			
Land and buildings		146,164	146,465
Furniture, fixtures and office equipment		22,770	16,956
Motor vehicles		51,391	31,050
Capital work in progress	20	30,072	30,072
Intangible			
Computer software		2,136	2,141
		252,533	226,684
TOTAL ASSETS		3,101,280	2,788,719

Zahid Bashir
ChairmanNadeem Maqbool
DirectorImran Maqbool
DirectorFakhir Rahman
Chief Executive



PREMIER INSURANCE LIMITED

Profit and Loss Account

For the year ended December 31, 2010

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2010 Aggregate	2009 Aggregate
Revenue accounts								
Net premium revenue		120,247	59,110	172,243	25,124	(5)	376,719	335,456
Net claims		(19,286)	(13,436)	(110,335)	(24,893)	(254)	(168,204)	(149,398)
Expenses	21	(50,624)	(24,885)	(72,513)	(10,577)	2	(158,597)	(136,833)
Net commission		(13,523)	(6,954)	(20,087)	7,527	1	(33,036)	(28,273)
Underwriting result		<u>36,814</u>	<u>13,835</u>	<u>(30,692)</u>	<u>(2,819)</u>	<u>(256)</u>	<u>16,882</u>	<u>20,952</u>
Investment income							162,356	222,181
Gain on disposal of fixed assets							1,323	2,632
Rental income							332	2,104
Other income							1,821	1,530
General and administration expenses	21						(37,250)	(43,585)
Impairment of financial assets	11.1 & 13.7						(3,718)	(126,161)
Profit before tax							<u>141,746</u>	<u>79,653</u>
Provision for taxation	22						(20,763)	(26,310)
Profit after tax							<u>120,983</u>	<u>53,343</u>
Profit and loss appropriation account								
Balance at commencement of year							240,992	109,464
Profit after tax for the year							120,983	53,343
Cash dividend for 2009 Re 1 per share (2008: Re 1 per share)							(52,665)	(47,877)
Bonus shares for 2009 at 15% (2008: 10%)							(39,498)	(23,938)
Transfer from general reserve							-	150,000
Balance unappropriated profit at the end of the year							<u>269,812</u>	<u>240,992</u>
Earnings per share								
- basic and diluted (in Rupees)	23						<u>2.00</u>	<u>0.88</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Imran Maqbool
Director

Fakhir Rahman
Chief Executive



Statement of Comprehensive Income

For the year ended December 31, 2010

(Amounts in Rupees '000)

	2010	2009
Net profit for the year	120,983	53,343
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>120,983</u>	<u>53,343</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Fakhir Rahman
Chief Executive



Statement of Changes in Equity

For the year ended December 31, 2010

(Amounts in Rupees '000)

	Share capital	Reserves							Total reserves	Total equity
	Issued, subscribed and paid-up	Capital reserves			Revenue reserves			Unappropriated profit		
		Reserve for exceptional losses	Devaluation reserve	Reserve for issue of bonus shares	General reserve	Reserve for bad and doubtful debts				
Balance as at January 1, 2009	239,385	19,490	185	-	1,400,000	350	109,464	1,529,489	1,768,874	
Profit after tax for the year ended December 31, 2009	-	-	-	-	-	-	53,343	53,343	53,343	
Cash dividend for the year ended December 31, 2008 declared subsequent to the year end	-	-	-	-	-	-	(47,877)	(47,877)	(47,877)	
Bonus shares for the year ended December 31, 2008 declared subsequent to the year end	-	-	-	23,938	-	-	(23,938)	-	-	
Bonus shares issued	23,938	-	-	(23,938)	-	-	-	(23,938)	-	
Transfer from general reserve	-	-	-	-	(150,000)	-	150,000	-	-	
Balance as at December 31, 2009	263,323	19,490	185	-	1,250,000	350	240,992	1,511,017	1,774,340	
Profit after tax for the year ended December 31, 2010	-	-	-	-	-	-	120,983	120,983	120,983	
Cash dividend for the year ended December 31, 2009 declared subsequent to the year end	-	-	-	-	-	-	(52,665)	(52,665)	(52,665)	
Bonus shares for the year ended December 31, 2009 declared subsequent to the year end	-	-	-	39,498	-	-	(39,498)	-	-	
Bonus shares issued	39,498	-	-	(39,498)	-	-	-	(39,498)	-	
Balance as at December 31, 2010	302,821	19,490	185	-	1,250,000	350	269,812	1,539,837	1,842,658	

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Chief Executive



Statement of Cash Flows

For the year ended December 31, 2010

(Amounts in Rupees '000)

	2010	2009
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	667,319	538,780
Reinsurance premium paid	(362,523)	(284,442)
Claims paid	(322,578)	(442,838)
Reinsurance and other recoveries received	172,633	297,848
Commissions paid	(99,478)	(63,992)
Commissions received	82,719	70,042
Net cash flow from underwriting activities	138,092	115,398
b) Other operating activities		
Income tax paid	(8,715)	(9,551)
General management expenses paid	(158,597)	(136,833)
Other operating payments	(17,570)	(25,735)
Advances, deposits and sundry receivables	(1,404)	(12,353)
Other liabilities and accruals	(478)	12,272
Net cash used in other operating activities	(186,764)	(172,200)
Total cash used in operating activities	(48,672)	(56,802)
INVESTMENT ACTIVITIES		
Investment income received	59,320	88,018
Payments for investments	(3,259,646)	(2,887,288)
Proceeds from disposal of investments	3,272,072	2,253,065
Fixed capital expenditure	(40,221)	(22,384)
Proceeds from disposal of fixed assets	2,656	3,909
Rental income received	900	2,419
Other income received	1,821	1,530
Deposits impaired / matured	(3,497)	3,497
Total cash flow from / (used in) investing activities	33,405	(557,234)
FINANCING ACTIVITIES		
Dividends paid	(51,464)	(46,608)
Payments against finance leases	-	(595)
Total cash used in financing activities	(51,464)	(47,203)
Total cash used in all activities	(66,731)	(661,239)
Cash and cash equivalents at beginning of the year	215,332	876,571
Cash and cash equivalents at the end of the year	148,601	215,332



Statement of Cash Flows

For the year ended December 31, 2010

(Amounts in Rupees '000)

	2010	2009
Reconciliation to profit and loss account		
Operating cash flows	(48,672)	(56,802)
Depreciation expense	(13,039)	(10,158)
Investment income	162,356	222,181
Profit on disposal of fixed assets	1,323	2,632
Rental income	332	2,104
Other income	1,821	1,530
Impairment of financial assets	(3,718)	(126,161)
Increase in assets other than cash	263,621	99,229
Increase in liabilities	(243,041)	(81,212)
Profit after taxation	<u>120,983</u>	<u>53,343</u>

Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits. Cash for the purpose of the statement of cash flows consists of:

Cash and other equivalents

Cash	68	3
Stamps in hand	375	299
	443	302

Current and other accounts

Current accounts	13,105	10,752
Savings accounts	135,053	200,781
	148,158	211,533

Deposits maturing within 12 months	-	3,497
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Total cash and cash equivalents

148,601	215,332
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The annexed notes from 1 to 32 form an integral part of these financial statements.

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Director

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Fakhir Rahman
Chief Executive



Statement of Premium

For the year ended December 31, 2010

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2010	2009
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative										
1 Fire and property damage	344,956	154,578	182,302	317,232	217,756	104,942	125,713	196,985	120,247	125,162
2 Marine, aviation and transport	122,879	11,193	20,985	113,087	62,188	10,179	18,390	53,977	59,110	39,974
3 Motor	206,159	91,813	115,965	182,007	14,091	4,179	8,506	9,764	172,243	150,959
4 Miscellaneous	126,563	56,944	66,995	116,512	102,230	48,838	59,680	91,388	25,124	19,375
Total	<u>800,557</u>	<u>314,528</u>	<u>386,247</u>	<u>728,838</u>	<u>396,265</u>	<u>168,138</u>	<u>212,289</u>	<u>352,114</u>	<u>376,724</u>	<u>335,470</u>
Treaty										
5 Proportional	(2)	(4)	(1)	(5)	-	-	-	-	(5)	(14)
Grand Total	<u>800,555</u>	<u>314,524</u>	<u>386,246</u>	<u>728,833</u>	<u>396,265</u>	<u>168,138</u>	<u>212,289</u>	<u>352,114</u>	<u>376,719</u>	<u>335,456</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

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PREMIER INSURANCE LIMITED

Statement of Claims

For the year ended December 31, 2010

(Amounts in Rupees '000)

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	2010	2009
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative										
1 Fire and property damage	84,242	79,142	135,527	140,627	72,889	52,961	101,413	121,341	19,286	16,756
2 Marine, aviation and transport	41,539	55,240	56,327	42,626	31,129	38,307	36,368	29,190	13,436	9,714
3 Motor	109,158	50,839	53,066	111,385	791	436	695	1,050	110,335	113,301
4 Miscellaneous	87,385	60,834	89,626	116,177	67,824	47,070	70,530	91,284	24,893	9,442
Total	<u>322,324</u>	<u>246,055</u>	<u>334,546</u>	<u>410,815</u>	<u>172,633</u>	<u>138,774</u>	<u>209,006</u>	<u>242,865</u>	<u>167,950</u>	<u>149,213</u>
Treaty										
5 Proportional	254	5,057	5,057	254	-	-	-	-	254	185
Grand Total	<u><u>322,578</u></u>	<u><u>251,112</u></u>	<u><u>339,603</u></u>	<u><u>411,069</u></u>	<u><u>172,633</u></u>	<u><u>138,774</u></u>	<u><u>209,006</u></u>	<u><u>242,865</u></u>	<u><u>168,204</u></u>	<u><u>149,398</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Statement of Expenses

For the year ended December 31, 2010

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class		Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	2010		2009
								Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and Facultative	1									
	Fire and property damage	63,051	27,299	33,322	57,028	50,624	107,652	43,505	64,147	66,427
	2									
	Marine, aviation and transport	22,049	1,891	3,767	20,173	24,885	45,058	13,219	31,839	19,970
	3									
	Motor	27,226	9,051	15,314	20,963	72,513	93,476	876	92,600	76,395
	4									
	Miscellaneous	11,592	5,701	6,136	11,157	10,577	21,734	18,684	3,050	2,326
	Total	<u>123,918</u>	<u>43,942</u>	<u>58,539</u>	<u>109,321</u>	<u>158,599</u>	<u>267,920</u>	<u>76,284</u>	<u>191,636</u>	<u>165,118</u>
Treaty	5									
	Proportional	(1)	(1)	(1)	(1)	(2)	(3)	-	(3)	(12)
	Grand Total	<u><u>123,917</u></u>	<u><u>43,941</u></u>	<u><u>58,538</u></u>	<u><u>109,320</u></u>	<u><u>158,597</u></u>	<u><u>267,917</u></u>	<u><u>76,284</u></u>	<u><u>191,633</u></u>	<u><u>165,106</u></u>

Note: Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission.

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
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Nadeem Maqbool
Director

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Director

Fakhir Rahman
Chief Executive



Statement of Investment Income

For the year ended December 31, 2010

(Amounts in Rupees '000)

	2010	2009
Income from non-trading investments		
Held to maturity		
Return on bank deposits	14,915	49,849
Available for sale		
Dividend income	52,880	20,616
Gain on sale of investments	94,680	151,860
	147,560	172,476
Investment management expenses	(119)	(144)
Investment income	<u>162,356</u>	<u>222,181</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Imran Maqbool
Director

Fakhir Rahman
Chief Executive



Notes to the Financial Statements

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the company) was incorporated as a public limited company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the company are listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Karachi.

2. BASIS OF PRESENTATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

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

3.2 Adoption of new standards, amendments and interpretations of existing standards and forthcoming requirements

3.2.1 Adoption of new and amended standards and interpretations

The following standards, amendments and interpretations of approved standards became effective during the year. Adoption of these revised standards did not have any material effect on the financial performance or position of the company. They did however, give rise to additional disclosures.

- IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions
- IFRS 3 - Business Combinations (Revised)
- IAS 27 - Consolidated and Separate Financial Statements (Amendment)
- IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendment)
- IFRIC 17 - Distributions of Non-cash Assets to owners



Notes to the Financial Statements

For the year ended December 31, 2010

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. The improvements which became effective during the year are listed below:

- 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 - Cash Flow Statements
- IAS 17 - Leases
- 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 a Net Investment in a Foreign Operation

With effect from the current year, the Company has elected to present a separate Statement of Comprehensive Income, as required by IAS-1 (Revised).

3.2.2 Forthcoming requirements

The following standards, amendments and interpretations to approved standards, effective for annual accounting periods beginning on or after the dates specified below, are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than enhanced disclosures in certain cases:

IAS 32 (amendments): Financial Instruments Presentation - Classification of Right Issues	February 1, 2010
IAS 24: (revised) Related Party Disclosures	January 1, 2011
IAS 12: Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 1, 2012
IFRIC 14 IAS 19 (amendments): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The IASB made certain amendments to existing standards in addition to the above. These are generally effective for accounting periods beginning on or after January 1, 2011, and are unlikely to have an impact on the company's financial statements.

4. BASIS OF MEASUREMENT

- 4.1 These financial statements have been prepared under the historical cost convention, except that obligations under employee benefits are measured at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

4.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.



Notes to the Financial Statements

For the year ended December 31, 2010

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a. Useful life of depreciable / amortizable assets (Notes 14 and 19)
- b. Impairment of assets
- c. Provision for outstanding claims including claims incurred but not reported (IBNR)
- d. Provision for premium deficiency reserves
- e. Reinsurance recoveries against outstanding claims
- f. Provision against premium due but unpaid (Note 15)
- g. Staff retirement benefits (Note 8)
- h. Provision for income taxes (Note 22)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Insurance contracts

Insurance contracts are those contracts under which the company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into the 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

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

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



Notes to the Financial Statements

For the year ended December 31, 2010

5.2 Premium income

Premium written, including administrative surcharge, under a policy is recognized from the date of issuance of the policy to which it relates. Premium on facultative reinsurance accepted is reflected in the financial statements along with direct premium.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

5.3 Unexpired risk and premium

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

The related deferred portion of reinsurance premium is recognized as a prepayment calculated by using the 1/24 method.

5.4 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium due but unpaid and claims payable to insurance contract holders.

If there is objective evidence that any premium due but unpaid is impaired, the company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

5.5 Reinsurance contracts held

The company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premium is accounted for in the same period as the related premium for the direct or accepted reinsurance business being reinsured.

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

The company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

5.6 Claims

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



Notes to the Financial Statements

For the year ended December 31, 2010

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 the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

5.7 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers 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.

5.8 Commissions

Commission expense 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 on a quarterly basis as per terms and conditions agreed with the reinsurers. These are deferred and brought to account as expense or income in accordance with the pattern of recognition of the premium to which they relate.

5.9 Premium deficiency reserve

The SEC (Insurance) Rules, 2002 require a premium deficiency reserve to be maintained, if required.

The management considers that no additional reserve is required to be maintained to meet expected future liability, after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies, in all classes of business, in force at the balance sheet date. In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

The company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims is taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

5.10 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 goods and 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.



Notes to the Financial Statements

For the year ended December 31, 2010

5.11 Staff retirement benefits

Defined benefits plan

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2010 in accordance with IAS-19, Employee Benefits.

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.

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

Defined contribution plan

The company contributes to a recognized provident fund scheme which covers all eligible employees. Equal contributions are made to the fund by the company and the eligible employees under the scheme.

5.12 Taxation

Current

Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

Provision for deferred tax is made using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to 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 tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.13 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for held for trading investments in which case transaction costs are charged to profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investment. Subsequently, these are recognized and classified as follows:



Notes to the Financial Statements

For the year ended December 31, 2010

5.13.1 At fair value through profit or loss - held for trading

- a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.13.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

5.13.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognized at cost inclusive of transaction costs.

Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938 issued by the SECP dated December 12, 2002. This treatment, in contravention to requirements of IAS 39, Financial Instruments: Recognition and Measurement, is in line with the Rules.

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the company would have been lower by Rs 2.0 million (2009: higher by Rs 1.8 million) and the corresponding amount would have been reflected in the profit and loss account and revaluation reserve by the same amount.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.



Notes to the Financial Statements

For the year ended December 31, 2010

Impairment of investments is recognized in the profit and loss account when there is a permanent diminution in their value.

Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

5.14 Investment properties

Investment properties are accounted for under the cost model in accordance with IAS 40: Investment Property and S.R.O. 938 issued by the SECP on December 12, 2002.

- Land is stated at cost.
- Buildings are depreciated to their estimated salvage value over their useful life.

Depreciation is charged to income applying the reducing balance method from the dates of purchase to disposal. Subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as for tangible fixed assets.

5.15 Fixed assets

These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation / amortization is charged to income applying the reducing balance method from the dates of purchase to disposal.

Normal repairs and maintenance are charged to income as and when incurred; major renewals and replacements are capitalized.

Gain or loss on disposal of fixed assets is taken to profit and loss account.

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

Capital work in progress

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



Notes to the Financial Statements

For the year ended December 31, 2010

Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to income.

5.16 Revenue recognition

Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

Dividend income

Dividend income is recognized when the right to receive such dividend is established.

Gain / loss on disposal of investments

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

Return on bank accounts and term finances

Return on bank accounts, Term Finance Certificates and government securities are accounted for on accrual basis.

Income from investment properties

Rental income from investment properties is recognized on time proportion basis.

5.17 Proposed dividend

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

5.18 Expenses of management

Expenses of management are allocated to classes of business as appear equitable to management.

5.19 Transactions with related parties and transfer pricing

The majority of the transactions with associated undertakings / related parties represent insurance transactions. These transactions are on arm's length basis using "comparable uncontrolled price method".

5.20 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies



Notes to the Financial Statements

For the year ended December 31, 2010

are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchanges rates that existed when the values were determined. Exchange differences are included in the income currently.

5.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, stamps in hand, current and saving accounts and short term deposits.

5.22 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.

The company's business segments are reported according to the nature of cover provided.

The perils covered under fire and property insurance include losses caused by fire, riot and strike, explosion, earthquake, atmospheric disturbance, aircraft damage, flood, electric fluctuation and impact.

Marine insurance covers cargo risk, war risk and damages occurring in inland transit.

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

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

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

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.23 Financial instruments

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost, except for financial assets and liabilities held for trading in which case transaction cost are charged to profit and loss account. These financial assets and liabilities are subsequently measured at fair value or cost, as the case may be. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

5.24 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount reported in the balance sheet



Notes to the Financial Statements

For the year ended December 31, 2010

if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.25 Zakat

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

5.26 Capital management

The company's objective is to maintain a strong capital base to support sustained development of its businesses so as to provide reasonable rewards and protection to all its stakeholders, without compromising its ability to continue as a going concern.

The company is financed by internal sources and exceeds the minimum capital regulatory requirements.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
Number of shares				
400,000	400,000	Ordinary shares of Rs. 5 each fully paid in cash	2,000	2,000
		Ordinary shares of Rs. 5 each issued as fully paid bonus shares		
52,264,582	47,476,893	As at January, 01	261,323	237,385
7,899,687	4,787,689	Issued during the year	39,498	23,938
<u>60,164,269</u>	<u>52,264,582</u>		<u>300,821</u>	<u>261,323</u>
<u>60,564,269</u>	<u>52,664,582</u>		<u>302,821</u>	<u>263,323</u>

Associates held 7,449,708 (2009: 6,478,012) shares of the company.



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

	Note	2010	2009
7. RESERVES			
Capital reserves			
Reserve for exceptional losses	7.1	19,490	19,490
Devaluation reserve	7.2	185	185
		<u>19,675</u>	<u>19,675</u>
Revenue reserves			
General reserve	7.3	1,250,000	1,250,000
Reserves for bad and doubtful debts		350	350
		<u>1,250,350</u>	<u>1,250,350</u>
		<u>1,270,025</u>	<u>1,270,025</u>
7.1 Reserve for exceptional losses			
This was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax Act, 1922.			
7.2 Devaluation reserve			
Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in the year 1973.			
7.3 General reserve			
Balance at the beginning of the year		1,250,000	1,400,000
Transfer from / (to) profit and loss account		-	(150,000)
Balance at the end of the year		<u>1,250,000</u>	<u>1,250,000</u>
8. STAFF RETIREMENTS BENEFITS			
Gratuity	8.1	10,654	9,131
Employees compensated absences	8.4	12,425	11,937
		<u>23,079</u>	<u>21,068</u>
8.1 Movement in the net liability recognized in the balance sheet			
Opening net liability		9,131	7,383
Expense for the year	8.2	2,012	2,038
		11,143	9,421
Payments during the year		(489)	(290)
Closing net liability		<u>10,654</u>	<u>9,131</u>
8.2 Expense recognized in the profit and loss account			
Current service cost		1,033	985
Interest cost		987	1,032
Net actuarial (gain) / loss recognized in the year		(8)	21
		<u>2,012</u>	<u>2,038</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

8.3 Historical data of gratuity scheme

	2010	2009	2008	2007	2006
Present value of defined benefit obligations	9,612	8,229	6,882	3,116	2,803
Experience adjustment arising on plan liabilities	(147)	(381)	(115)	380	48

8.4 Movement in the net liability recognized in the balance sheet

	Note	2010	2009
Opening net liability		11,937	9,711
Expense for the year	8.5	1,388	2,507
		13,325	12,218
Payment during the year		(900)	(281)
Closing net liability		12,425	11,937

8.5 Expense recognized in the profit and loss account

Current service cost	1,039	1,152
Interest cost	1,432	1,454
Net actuarial gain recognized in the year	(1,083)	(99)
	1,388	2,507

8.6 Historical data of leave encashment scheme

	2010	2009	2008	2007	2006
Present value of defined benefit obligations	12,425	11,936	9,696	5,781	4,200
Experience adjustment arising on plan liabilities	(1,083)	(100)	1,306	860	586

8.7 Principal actuarial assumptions

	2010	2009
Following are a few important actuarial assumptions used in the benefits' valuation		
Discount rate	13%	12%
Expected rate of increase in salary	12%	11%
Average expected remaining working life of employees	9 years	10 years

9. OTHER CREDITORS AND ACCRUALS

Commissions payable	171,161	146,722
Federal excise duty	11,065	9,494
Federal insurance fee	180	661
Advance recoveries	254	297
Others	25,871	24,503
	208,531	181,677



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

10. CONTINGENCIES AND COMMITMENTS

CONTINGENCY

A departmental order has been received for payment of income tax amounting to Rs 37.7 million for the tax year 2005, against which a writ was filed in the Honorable High Court of Sindh. A restraint order has been passed by the Honorable High Court. The management does not consider any additional provisioning to be required in this regard.

COMMITMENTS

	2010	2009
Commitments for capital expenditure.	<u>21,298</u>	<u>21,298</u>

11. CASH AND BANK DEPOSITS

Cash and other equivalents		
Cash	68	3
Stamps in hand	<u>375</u>	<u>299</u>
	443	302
Current and other accounts		
Current accounts	13,105	10,752
Savings accounts	<u>135,053</u>	<u>200,781</u>
	148,158	211,533
Deposits maturing within 12 months	-	3,497
Deposits maturing after 12 months	<u>5,246</u>	<u>5,246</u>
	<u>153,847</u>	<u>220,578</u>

- 11.1 This represents the current maturity and accrued income of deposits with Innovative Investment Bank Limited (IIBL - formerly Crescent Standard Investment Bank Limited), considered impaired consequent to the SECP's order dated September 22, 2010 expressing its intention to move the Honourable High Court for winding up of IIBL. Deposits maturing after twelve months of Rs 5.2 million are also with IIBL. A better estimation of eventual realisability / impairment can be made only with further input from SECP in this regard.

12. LOANS TO EMPLOYEES

Secured - considered good

Employees - housing loan	<u>1,706</u>	<u>2,412</u>
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- 12.1 The loan has been granted in accordance with the terms of employment and the SEC (Insurance) Rules, 2002 for the purchase of house. The loan is recoverable in monthly installments and carries mark-up at the rate of 6% (2009: 6%) per annum. The loan is secured against the respective property documents.



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

13. INVESTMENTS

	Note	2010	2009
Available for sale			
Related Parties			
Quoted shares (market value Rs 40,177 [2009: Rs 33,211])	13.1	33,692	32,536
Unquoted shares	13.2	4,000	4,000
		<u>37,692</u>	<u>36,536</u>
Others			
Quoted Shares (market value Rs 150,416 [2009: Rs.102, 729])	13.3	160,056	108,579
Unquoted shares	13.4	115,203	115,203
Mutual funds (market value Rs 1,031,524 [2009: Rs.992,393])	13.5	1,030,440	985,376
		<u>1,305,699</u>	<u>1,209,158</u>
		<u>1,343,391</u>	<u>1,245,694</u>

All investments have a face value of Rs.10 per share / certificate unless stated otherwise.

	Number of shares / certificates / units		Name of entity	% of Equity held	2010	2009
	2010	2009			2010	2009
Related parties						
13.1 Quoted						
	333	333	Crescent Jute Products Limited	-	1	1
	44,500	-	Crescent Steel & Allied Products Limited	0.01%	1,156	-
	200,000	200,000	Crescent Sugar Mills & Distillery Limited	7.60%	1,050	1,050
	262,000	262,000	Crescent Textile Mills Limited	0.09%	8,616	8,616
	53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.07%	526	526
	399,000	399,000	Shams Textile Mills Limited	0.71%	6,694	6,694
	599,900	599,900	Suraj Cotton Mills Limited	0.32%	15,649	15,649
					<u>33,692</u>	<u>32,536</u>
			Market value as at December 31		<u>40,177</u>	<u>33,211</u>
13.2 Unquoted						
	400,000	400,000	Crescent Powertec Limited Break-up value 2010: Rs 104.59 (2009: Rs 68.39) per audited accounts for the year ended June 30, 2010 Equity held : 0.76% Chief Executive : Mr Ahsan Bashir		4,000	4,000
					<u>4,000</u>	<u>4,000</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

	Number of		Name of entity	2010	2009
	shares /	certificates /				units
	2010	2009		2010	2009
Others					
13.3 Quoted					
	673,985	718,990	Al-Meezan Mutual Fund	4,121	4,397
	19,552	35,794	Attock Petroleum Limited	5,638	12,851
	10,000	-	Attock Refinery Limited	1,257	-
	50,000	50,000	Bahawalpur Textile Mills Limited	250	250
	100	100	Bawany Sugar Mills Limited	-	-
	30,000	-	Dewan Cement Company Limited	81	-
	70,000	70,000	Engro Polymer & Chemicals Limited	1,732	1,732
	45,632	13,302	Engro Corporation Limited	8,711	1,872
	55,000	-	Fauji Fertilizer Bin Qasim Limited	1,914	-
	46,323	46,323	Fauji Fertilizer Company Limited	4,556	3,719
	105,581	-	Fatima Fertilizer Company Limited	1,489	-
	372	372	First Investec Modaraba	1	1
	200,157	200,157	Glaxo SmithKline Pakistan Limited	23,981	23,981
	15,500	-	Habib Bank Limited	1,837	-
	11,141	15,101	Hinopak Motors Limited	1,710	2,318
	60,794	-	ICI Pakistan Limited	8,467	-
	138,435	7,935	Kot Addu Power Company Limited	6,199	322
	100,000	100,000	Karachi Electricity Supply Company Limited (Face value Rs.3.50 per share)	394	394
	7,800	-	Karachi Electricity Supply Company Limited (R)	-	-
	65,000	25,000	Lotte Pakistan PTA Limited	730	173
	18,780	-	Lucky Cement Limited	1,375	-
	35,410	10,000	MCB Bank Limited	7,398	2,273
	25,000	-	Mybank Limited	143	-
	20,480	75,000	National Bank of Pakistan	1,362	5,644
	8,027	60,120	National Refinery Limited	1,764	13,115
	70,000	-	Netsol Technologies Limited	2,229	-
	25,000	-	NIB Bank Limited	126	-
	79	5,623	Oil & Gas Development Company Limited	13	439
	45,432	45,432	Packages Limited	7,135	7,135
	499,599	500,000	Pak Oman Advantage Fund	5,019	5,023
	90,000	140,000	Pakistan Telecommunication Company Limited	1,683	2,617
	3,361	-	Pakistan Oilfields Limited	822	-
	2,699	1,686	Pakistan Petroleum Limited	469	303
	262,799	262,799	Pakistan Reinsurance Company Limited	9,206	9,206
	76,827	935	Pakistan State Oil Company Limited	21,507	245
	166,500	166,500	PICIC Energy Fund	749	749
	268,977	268,977	PICIC Growth Fund	3,809	3,809
	48,717	48,717	PICIC Investment Fund	186	186
	10,611	10,611	Security Papers Limited	530	530
	69,186	69,186	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	969	969
	-	9,210	Shaheen Cotton Mills Limited	-	21
	2,763	-	Shahzad Textile Mills Limited	21	-
	38,951	10,651	Shell Pakistan Limited	9,871	2,420
	101,800	-	The Hub Power Company Limited	3,396	-



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity	2010	2009
2010	2009		2010	2009
40,000	60,000	Sui Northern Gas Pipelines Limited	1,257	1,885
81,250	-	Sui Southern Gas Company Limited	1,880	-
300	300	Taj Textile Mills Limited	-	-
33,638	-	Tri-pack Films Limited	3,782	-
5,000	-	United Bank Limited	287	-
			<u>160,056</u>	<u>108,579</u>
		Market value as at December 31	<u>150,416</u>	<u>102,729</u>
13.4 Unquoted				
9,407,275	9,407,275	Novelty Enterprises Limited	114,983	114,983
		Break-up value 2010: Rs.9.95 per accounts for the year ended June30, 2010, Equity held: 16.66% Chief Executive : Mr.Maqbool Sadiq		
517	517	Burma Soap & Oil Industries Limited	5	5
101,572	101,572	Central Cotton Mills Limited	214	214
113	113	H.M. Silk Mills Limited	1	1
			<u>115,203</u>	<u>115,203</u>
13.5 Mutual funds (unit trusts)				
246	246	Askari Income Fund	25	25
834	593	First Habib Income Fund	77	58
2,434	268	HBL Income Fund	222	25
1,025,441	950,737	IGI Income Fund	105,570	100,025
1,016,103	1,025,957	MCB Dynamic Cash Fund	105,182	105,819
2,568,744	2,443,646	MCB Cash Management Optimizer Fund	263,167	250,000
10,348	9,946	NAFA Cash Fund	97	97
25,703,008	24,490,324	NAFA Government Security Liquid Fund	264,246	250,767
1,629	1,155	Pakistan Capital Market Fund	10	10
687,568	623,598	Pakistan Income Fund	27,534	27,534
1,985	-	United Growth & Income Fund	188	-
2,574,805	2,452,457	UBL Liquidity Plus Fund	264,122	251,016
			<u>1,030,440</u>	<u>985,376</u>
		Market value as at December 31	<u>1,031,524</u>	<u>992,393</u>

13.6 Mutual funds include Rs 24.1 million (2009: Rs 24.1 million) placed as statutory deposit with the State Bank of Pakistan (market value: Rs 31.2 million [2009: Rs 27.6 million]).

13.7 In accordance with Circular 3 dated February 16, 2009 issued by Securities and Exchange Commission of Pakistan (SECP), the company charged impairment of Rs. 213.2 million in 2008 and Rs.126.1 million in 2009 (after price adjustments and disposals).



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

14. INVESTMENT PROPERTIES

	2010							
	Cost			Depreciation				
	As at Jan 1, 2010	Additions/ (disposals)/ adjustments	As at Dec 31, 2010	Accumulated as at Jan 1, 2010	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2010	Written down value as at Dec 31, 2010	Depreciation rate on written down value % per annum
Land	45,032	-	45,032	-	-	-	45,032	-
Building	11,928	-	11,928	567	568	1,135	10,793	5
2010	56,960	-	56,960	567	568	1,135	55,825	

The fair value of the investment properties at December 31, 2010 as per valuation carried out by professional valuers in February 2011 is Rs 96.0 million.

	2009							
	Cost			Depreciation				
	As at Jan 1, 2009	Additions/ (disposals)/ adjustments	As at Dec 31, 2009	Accumulated as at Jan 1, 2009	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2009	Written down value as at Dec 31, 2009	Depreciation rate on written down value % per annum
Land	24,475	20,557	45,032	-	-	-	45,032	-
Building	1,360	10,568	11,928	252	315	567	11,361	5
2009	25,835	31,125	56,960	252	315	567	56,393	

The fair value of the investment properties at December 31, 2009 as per valuation carried out by professional valuers in February 2010 is Rs 102.1 million.

15. PREMIUM DUE BUT UNPAID - unsecured

	2010	2009
Considered good	439,701	276,503
Considered doubtful	200,000	200,000
	639,701	476,503
Provision for doubtful balances	200,000	200,000
	<u>439,701</u>	<u>276,503</u>

16. ACCRUED INVESTMENT INCOME

Return on bank deposits	977	1,839
Dividends receivable	9,849	290
Other income	-	561
	<u>10,826</u>	<u>2,690</u>

17. PREPAYMENTS

Prepaid premium to insurers / reinsurers	212,289	168,138
Others	6,773	5,107
	<u>219,062</u>	<u>173,245</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

			2010		2009			
18. SUNDRY RECEIVABLES								
Other deposits			4,892		3,225			
Investment proceeds receivable			5,946		21,389			
Other receivables			4,720		4,853			
			<u>15,558</u>		<u>29,467</u>			
19. FIXED ASSETS								
			2010					
			Cost		Depreciation / Amortization			
	As at	Additions/	As at	Accumulated	Charge for Accumulated	Written	Depreciation	
	Jan 1, 2010	(disposals)/	Dec 31,	as at	the year/	down value	rate on written	
		adjustments	2010	Jan 1, 2010	(disposals)/	as at	rate on written	
					adjustments	Dec 31,	down value	
						2010	% per annum	
Tangible								
Owned								
Land and buildings (Office premises)	154,791	-	154,791	8,326	301	8,627	146,164	5
Computer equipment	8,330	875 (201)	9,004	6,237	708 (145)	6,800	2,204	30
Office equipment	7,986	2,204 (23)	10,167	4,166	544 (18)	4,692	5,475	10
Furniture and fixtures	15,726	5,371 (9)	21,088	4,683	1,322 (8)	5,997	15,091	10
Motor vehicles	66,663	30,864 (4,607)	92,920	35,613	9,252 (3,336)	41,529	51,391	20
	<u>253,496</u>	<u>39,314</u> <u>(4,840)</u>	<u>287,970</u>	<u>59,025</u>	<u>12,127</u> <u>(3,507)</u>	<u>67,645</u>	<u>220,325</u>	
Intangible								
Computer software	4,378	907	5,285	2,237	912	3,149	2,136	30
2010	<u>257,874</u>	<u>40,221</u> <u>(4,840)</u>	<u>293,255</u>	<u>61,262</u>	<u>13,039</u> <u>(3,507)</u>	<u>70,794</u>	<u>222,461</u>	
			2009					
			Cost		Depreciation / Amortization			
	As at	Additions/	As at	Accumulated	Charge for Accumulated	Written	Depreciation	
	Jan 1, 2009	(disposals)/	Dec 31,	as at	the year/	down value	rate on written	
		adjustments	2009	Jan 1, 2009	(disposals)/	as at	rate on written	
					adjustments	Dec 31,	down value	
						2009	% per annum	
Tangible								
Owned								
Land and buildings (Office premises)	154,791	-	154,791	8,010	316	8,326	146,465	5
Computer equipment	7,953	481 (104)	8,330	5,595	741 (99)	6,237	2,093	30
Office equipment	7,505	506 (25)	7,986	3,769	404 (7)	4,166	3,820	10
Furniture and fixtures	14,719	1,007	15,726	3,501	1,182	4,683	11,043	10
Motor vehicles	59,087	12,875 (5,299)	66,663	32,880	6,778 (4,045)	35,613	31,050	20
	<u>244,055</u>	<u>14,869</u> <u>(5,428)</u>	<u>253,496</u>	<u>53,755</u>	<u>9,421</u> <u>(4,151)</u>	<u>59,025</u>	<u>194,471</u>	
Leased								
Motor vehicles	4,150	-	-	-	-	-	-	20
	<u>4,150</u>	<u>(4,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
		<u>(4,150)</u>						
Intangible								
Computer software	2,944	1,434	4,378	1,500	737	2,237	2,141	30
2009	<u>251,149</u>	<u>12,153</u> <u>(5,428)</u>	<u>257,874</u>	<u>55,255</u>	<u>10,158</u> <u>(4,151)</u>	<u>61,262</u>	<u>196,612</u>	



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For the year ended December 31, 2010

(Amounts in Rupees '000)

19.1 Disposal of fixed assets

Description		Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain/(Loss)	Mode of disposal	Disposal to
Toyota Parado Jeep	BC-8654	2,510	1,763	747	1,250	503	Negotiation	Ahmed Irfan
Daihatsu Cuore - CX	AFM-729	399	278	121	362	241	Negotiation	M Saleem
Honda M/Cycle	LRN-4341	73	52	21	73	52	HR policy	M. Saleem
Toyota Corrolla	LOB-7001	70	68	2	200	198	Insurance claim	
Suzuki Cultus	AEU-226	556	422	134	230	96	Negotiation	Fazlur Rehman
Toyota Corrolla	LRN-9091	999	752	247	385	138	Negotiation	Shahid Mehmood
Computer equipment		201	146	55	142	87	Insurance claim	
Office equipment		23	18	5	10	5	Negotiation	Shahid Mehmood
Furniture & fixtures		9	8	1	4	3	Negotiation	Nisar Ahmed
2010		<u>4,840</u>	<u>3,507</u>	<u>1,333</u>	<u>2,656</u>	<u>1,323</u>		
2009		<u>5,428</u>	<u>4,151</u>	<u>1,277</u>	<u>3,909</u>	<u>2,632</u>		

2010 2009

20. CAPITAL WORK IN PROGRESS

This represents property acquisition and renovation costs

30,072 30,072

21. MANAGEMENT EXPENSES

Underwriting expenses

Salaries, wages and benefits	93,365	84,078
Rent, taxes etc.	5,966	6,430
Communication	4,064	4,186
Printing and stationery	3,390	2,927
Travelling and entertainment	6,270	5,783
Repairs and maintenance	3,639	2,873
Legal and professional	863	1,496
Advertisement	2,872	971
Lease finance charges	-	7
Others	38,168	28,082
	158,597	136,833

General and administration expenses

Depreciation and amortization	13,039	10,158
Bonus, retirement and other benefits	18,101	17,845
Others	6,110	15,582
	37,250	43,585
Total	195,847	180,418



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

21.1 DONATIONS

Charitable donations paid during the year amounted to Rs 4.4 million (2009: Rs 4.8 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.5 million to the Patient's Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.

22. TAXATION	2010	2009
Current	20,763	20,110
Prior year	-	6,200
	<u>20,763</u>	<u>26,310</u>

There are no significant timing differences at the balance sheet date.

22.1 Tax charge reconciliation	%	%
Applicable tax rate	35.00	35.00
Effect of amounts that may not be allowable, net of exemptions / rebates	5.67	(3.28)
Effect of amounts taxed at a different rate	(26.03)	7.78
	(20.36)	4.50
Effect of prior year adjustment	-	(6.47)
Effective tax rate	<u>14.64</u>	<u>33.03</u>

23. EARNINGS PER SHARE

Profit after tax for the year	120,983	53,343
Weighted average number of shares	60,564,269	60,564,269
Basic earnings per share of Rs 5 each - Rupees	<u>2.00</u>	<u>0.88</u>

The company has not issued any instrument which would dilute its basic earnings per share when exercised.

Earnings per share for the corresponding period have been adjusted for the effect of subsequent issue of bonus shares during 2010.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Managerial remuneration	11,557	9,949	7,637	6,943	9,623	7,125	28,817	24,017
Retirement benefits	2,369	1,582	-	-	802	594	3,171	2,176
Housing and utilities	1,456	1,572	1,146	1,041	5,750	4,202	8,352	6,815
Bonus	-	-	-	-	3,705	3,070	3,705	3,070
Meeting fees	-	-	190	215	-	-	190	215
Others	487	329	1,815	3,349	606	-	2,908	3,678
	<u>15,869</u>	<u>13,432</u>	<u>10,788</u>	<u>11,548</u>	<u>20,486</u>	<u>14,991</u>	<u>47,143</u>	<u>39,971</u>
Number of persons	1	1	7	7	9	6		

The chief executive, a director and executives have the free use of company cars and residential telephones for business purposes. Except for one director, all other directors are only paid meeting fees



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

25. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2010 and December 31, 2009 and estimated information regarding certain assets and liabilities as at December 31, 2010 and December 31, 2009.

	Fire and property		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue										
Premium earned	<u>317,232</u>	<u>302,113</u>	<u>113,087</u>	<u>78,534</u>	<u>182,007</u>	<u>157,400</u>	<u>116,507</u>	<u>82,682</u>	<u>728,833</u>	<u>620,729</u>
Segment results	<u>36,814</u>	<u>41,979</u>	<u>13,835</u>	<u>10,290</u>	<u>(30,692)</u>	<u>(38,737)</u>	<u>(3,075)</u>	<u>7,420</u>	<u>16,882</u>	<u>20,952</u>
Investment income									<u>162,356</u>	<u>222,181</u>
Gain on disposal of fixed assets									<u>1,323</u>	<u>2,632</u>
Rental income									<u>332</u>	<u>2,104</u>
Other income									<u>1,821</u>	<u>1,530</u>
General and administration expenses									<u>(37,250)</u>	<u>(43,585)</u>
Impairment of financial assets									<u>(3,718)</u>	<u>(126,161)</u>
									<u>124,864</u>	<u>58,701</u>
Profit before tax									<u>141,746</u>	<u>79,653</u>
Provision for taxation									<u>(20,763)</u>	<u>(26,310)</u>
Profit after tax									<u>120,983</u>	<u>53,343</u>
Other information										
Segment assets	<u>596,972</u>	<u>483,666</u>	<u>178,401</u>	<u>128,896</u>	<u>225,635</u>	<u>186,250</u>	<u>259,813</u>	<u>200,882</u>	<u>1,260,821</u>	<u>999,694</u>
Unallocated corporate assets									<u>1,840,459</u>	<u>1,789,025</u>
Consolidated total assets									<u>3,101,280</u>	<u>2,788,719</u>
Segment liabilities	<u>395,168</u>	<u>300,879</u>	<u>99,915</u>	<u>80,036</u>	<u>200,202</u>	<u>164,864</u>	<u>192,186</u>	<u>141,302</u>	<u>887,471</u>	<u>687,081</u>
Unallocated corporate liabilities									<u>371,151</u>	<u>327,298</u>
Consolidated total liabilities									<u>1,258,622</u>	<u>1,014,379</u>
Capital expenditure	<u>17,330</u>	<u>10,447</u>	<u>6,174</u>	<u>2,748</u>	<u>10,358</u>	<u>5,715</u>	<u>6,359</u>	<u>3,474</u>	<u>40,221</u>	<u>22,384</u>
Depreciation / Amortization	<u>5,618</u>	<u>4,741</u>	<u>2,002</u>	<u>1,248</u>	<u>3,358</u>	<u>2,593</u>	<u>2,061</u>	<u>1,576</u>	<u>13,039</u>	<u>10,158</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

26. Financial instruments and related disclosures

26.1 Financial risk management objectives and policies

The company is exposed to a variety of financial risks: market risk, yield/mark-up rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the company's net assets or a reduction in the profits available for dividends. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the company's risk management framework and is responsible for developing risk management policies and its monitoring.

26.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The company manages the market risk by monitoring exposure on related securities by following internal risk management policies.

Primarily, the company's equity investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets.

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
December 31, 2010	190,343	10% increase	209,377	19,034	17,131
		10% decrease	171,309	(19,034)	(17,131)
December 31, 2009	135,941	10% increase	149,535	13,594	13,594
		10% decrease	122,347	(13,594)	(13,594)

26.1.2 Yield / mark-up rate risk

Yield / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market yield / mark-up. The company invests in securities and has deposits that are subject to yield / mark-up rate risk. The company limits yield / mark-up rate risk by monitoring changes in yield / mark-up rates in the currencies in which its cash and investments are denominated.



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

	2010							
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			Total
		Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	5 - 10	148,601	5,246	153,847	-	-	153,847	
Loans to employees	6.00	706	1,000	1,706	-	-	1,706	
Investments	....	1,030,440	-	1,030,440	312,951	-	1,343,391
Premium due but unpaid	....	-	-	-	439,701	-	439,701
Amount due from other insurers / reinsurers	....	-	-	-	333,027	-	333,027
Accrued investment income	....	-	-	-	10,826	-	10,826
Accrued salvage recoveries	....	-	-	-	8,260	-	8,260
Reinsurance recoveries	....	-	-	-	209,006	-	209,006
Sundry receivables	....	-	-	-	15,558	-	15,558
		<u>1,179,747</u>	<u>6,246</u>	<u>1,185,993</u>	<u>1,329,329</u>	<u>-</u>	<u>2,515,322</u>	
Financial liabilities								
Provision for outstanding claims	....	-	-	-	339,603	-	339,603
Amount due to other insurers / reinsurers	....	-	-	-	117,981	-	117,981
Accrued expenses	....	-	-	-	15,359	-	15,359
Other creditors and accruals	....	-	-	-	208,531	-	208,531
Unclaimed dividend	....	-	-	-	7,700	-	7,700
		<u>-</u>	<u>-</u>	<u>-</u>	<u>689,174</u>	<u>-</u>	<u>689,174</u>	
Total yield / mark-up rate risk sensitivity gap 2010		<u>1,179,747</u>	<u>6,246</u>	<u>1,185,993</u>	<u>640,155</u>	<u>-</u>	<u>1,826,148</u>	

	2009							
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			Total
		Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	5 - 10	204,278	5,246	209,524	11,054	-	220,578	
Loans to employees	6.00	706	1,706	2,412	-	-	2,412	
Investments	....	985,376	-	985,376	260,318	-	1,245,694
Premium due but unpaid	....	-	-	-	276,503	-	276,503
Amount due from other insurers / reinsurers	....	-	-	-	362,988	-	362,988
Accrued investment income	....	-	-	-	2,690	-	2,690
Accrued salvage recoveries	....	-	-	-	9,350	-	9,350
Reinsurance recoveries	....	-	-	-	138,774	-	138,774
Sundry receivables	....	-	-	-	22,547	6,920	29,467
		<u>1,190,360</u>	<u>6,952</u>	<u>1,197,312</u>	<u>1,084,224</u>	<u>6,920</u>	<u>2,288,456</u>	
Financial liabilities								
Provision for outstanding claims	....	-	-	-	251,112	-	251,112
Amount due to other insurers / reinsurers	....	-	-	-	84,239	-	84,239
Accrued expenses	....	-	-	-	13,620	-	13,620
Other creditors and accruals	....	-	-	-	181,677	-	181,677
Unclaimed dividend	....	-	-	-	6,499	-	6,499
		<u>-</u>	<u>-</u>	<u>-</u>	<u>537,147</u>	<u>-</u>	<u>537,147</u>	
Total yield / mark-up rate risk sensitivity gap 2009		<u>1,190,360</u>	<u>6,952</u>	<u>1,197,312</u>	<u>547,077</u>	<u>6,920</u>	<u>1,751,309</u>	



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
December 31, 2010	100 (100)	12,493 (12,493)	8,120 (8,120)
December 31, 2009	100 (100)	10,690 (10,690)	6,948 (6,948)

26.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

26.1.4 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.

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

	2010	2009
Bank deposits	153,404	220,276
Investments	1,030,440	985,376
Premium due but unpaid	439,701	276,503
Amount due from other insurers / reinsurers	333,027	362,988
Accrued investment income	10,826	2,690
Reinsurance recoveries against outstanding claims	209,006	138,774
Sundry receivables	15,558	29,467

General provision is made for receivables according to the company's policies. 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 history of default.

The age analysis of receivables is as follows:

Upto 1 year	353,657	208,147
1 -2 years	46,320	61,261
2 - 3 years	46,621	56,314
Over 3 years	193,103	150,781
	<u>639,701</u>	<u>476,503</u>



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(Amounts in Rupees '000)

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

	Rating Short term	Rating Long term	Rating Agency	2010	2009
United Bank Limited	A-1+	AA+	JCR-VIS	55,666	25,380
Allied Bank Limited	A-1+	AA	PACRA	3,952	2,975
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	75,553	171,994
NIB Bank Limited	A-1+	AA-	PACRA	8,480	7,551
Habib Bank Limited	A-1+	AA+	JCR-VIS	921	941
Samba Bank Limited	A-1	A	JCR-VIS	61	85
MCB Bank Limited	A-1+	AA+	PACRA	3,036	1,365
National Bank of Pakistan	A-1+	AAA	JCR-VIS	481	1,097
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	-	137
Zarai Taraqiyati Bank				-	7
Industrial Development Bank of Pakistan				8	1
				<u>148,158</u>	<u>211,533</u>

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 asset	2010	2009
A or above (including PRCL)	305,531	200,849	198,684	705,064	551,163
BBB	5,713	4,303	(1,032)	8,984	37,313
Others	21,783	3,854	14,637	40,274	81,424
Total	<u>333,027</u>	<u>209,006</u>	<u>212,289</u>	<u>754,322</u>	<u>669,900</u>

26.1.5 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting payment obligations when they fall due under normal circumstances. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2010			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	339,603	-	-	339,603
Staff retirement benefits	-	23,079	-	23,079
Amount due to other insurers / reinsurers	117,981	-	-	117,981
Accrued expense	15,359	-	-	15,359
Unclaimed dividend	7,700	-	-	7,700
Other creditors and accruals	208,531	-	-	208,531
	<u>689,174</u>	<u>23,079</u>	<u>-</u>	<u>712,253</u>



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For the year ended December 31, 2010

(Amounts in Rupees '000)

	2009			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	251,112	-	-	251,112
Staff retirement benefits	-	21,068	-	21,068
Amount due to other insurers / reinsurers	84,239	-	-	84,239
Accrued expense	13,620	-	-	13,620
Unclaimed dividend	6,499	-	-	6,499
Other creditors and accruals	181,677	-	-	181,677
	<u>537,147</u>	<u>21,068</u>	<u>-</u>	<u>558,215</u>

26.2 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes.

The company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the company from individual to large or catastrophic insured events. Further, the company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The company's class wise major risk exposure is as follows:

	2010 Maximum Gross Risk Exposure	2009 Maximum Gross Risk Exposure
Fire and property	5,220,993	1,363,500
Marine, aviation and transport	355,133	110,097
Motor	18,317	11,173
Miscellaneous	155,917	1,363,009



Notes to the Financial Statements

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The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on company's net retentions.

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratio for each class of business is as follows:

Class	Assumed Net Loss Ratio 2010	Assumed Net Loss Ratio 2009
Fire and property	17%	23%
Marine, aviation and transport	27%	34%
Motor	67%	66%
Miscellaneous	72%	50%



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

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 uses techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The company considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

	Pre tax profit		Shareholders' equity	
	2010	2009	2010	2009
10% increase in loss	(16,820)	(14,940)	(10,933)	(9,711)
10% decrease in loss	16,820	14,940	10,933	9,711

Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

26.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, both proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a catastrophe. Apart from the adequate event limit, any loss over and above the said limit would be recovered from the non-proportional treaty which is considered adequate by the company. In compliance with the regulatory requirements, the reinsurance arrangements are duly submitted to the SECP.

The risk by type of contract is summarised below:

	Gross exposure		Net exposure	
	2010	2009	2010	2009
Fire and property	205,172,988	179,639,162	75,647,281	73,095,175
Marine, aviation and transport	80,319,405	76,224,432	39,706,059	37,571,022
Motor	7,989,020	6,234,981	7,442,571	5,978,723
Miscellaneous	18,268,978	19,643,674	3,513,125	4,767,520
	<u>311,750,391</u>	<u>281,742,249</u>	<u>126,309,036</u>	<u>121,412,440</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

26.4 Geographical concentration of insurance risk

To optimize benefits from the principle of averages 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. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insureds.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, we have utilised precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. It provides a way to better visualize the risk exposures so the company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

27. Fair value of financial instruments

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

The carrying value of the financial instruments reported in the financial statements approximates their fair value, which have been disclosed in the respective notes to these financial statements.

28. AUDITORS' REMUNERATION

	2010	2009
Audit fee	288	250
Fee for review of financial statements	60	60
Certification fee	170	85
Out of pocket expenses	60	49
	<u>578</u>	<u>444</u>



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Transactions and balances with related parties, other than remuneration to the chief executive, directors and executives under the terms of employment and employee retirement benefits, disclosed in notes 8, 12 and 24, are as follows:

	2010	2009
Associated undertakings		
Premium written	<u>90,136</u>	<u>77,990</u>
Claims paid	<u>11,656</u>	<u>33,301</u>
Commission paid	<u>11,095</u>	<u>8,372</u>
Dividend received	<u>3,842</u>	<u>953</u>
Dividend paid	<u>5,830</u>	<u>5,387</u>
Claims outstanding	<u>37,394</u>	<u>15,114</u>
Premium receivable	<u>128,272</u>	<u>111,241</u>
Others		
Premium written	<u>-</u>	<u>52</u>
Dividend paid	<u>1,805</u>	<u>1,641</u>
Meeting fees	<u>190</u>	<u>215</u>
Premium receivable	<u>-</u>	<u>61</u>
Rent received	<u>900</u>	<u>438</u>
Other payables	<u>147</u>	<u>1,285</u>

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



Notes to the Financial Statements

For the year ended December 31, 2010

(Amounts in Rupees '000)

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 1, 2011 has proposed a cash dividend of 25% (2009: 20%). Which will be distributed out of the unappropriated profit. This distribution will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2010 do not include the effect of the following appropriations which will be accounted for in the financial statements for the year ended December 31, 2011 as follows:

Transfer from unappropriated profit to proposed dividend	75,705
Transfer from unappropriated profit to general reserve	75,000

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 1, 2011 by the directors of the company.

32. GENERAL

All amounts have been rounded to the nearest thousand Rupees.



Pattern of Shareholding

As at December 31, 2010

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
571	1	100	15,350
491	101	500	126,135
337	501	1000	243,172
611	1001	5000	1,443,366
195	5001	10000	1,366,223
88	10001	15000	1,082,025
57	15001	20000	935,830
37	20001	25000	842,537
30	25001	30000	822,931
22	30001	35000	708,074
20	35001	40000	751,616
20	40001	45000	864,460
12	45001	50000	566,043
6	50001	55000	312,771
6	55001	60000	345,843
10	60001	65000	619,635
1	65001	70000	66,080
3	70001	75000	214,706
6	75001	80000	466,808
10	80001	85000	835,173
2	85001	90000	175,224
4	90001	95000	363,625
1	95001	100000	96,203
3	100001	105000	312,462
2	105001	110000	215,347
3	110001	115000	343,996
2	115001	120000	231,799
2	120001	125000	240,484
4	125001	130000	509,459
1	130001	135000	134,497
1	135001	140000	135,994
1	140001	145000	140,073
2	145001	150000	296,252
2	150001	155000	305,953
2	155001	160000	317,129
1	160001	165000	162,307
2	165001	170000	335,035
1	170001	175000	170,047
6	180001	185000	1,101,510
1	185001	190000	189,750
1	190001	195000	192,036
1	205001	210000	206,611
1	220001	225000	222,663
2	230001	235000	464,978
1	235001	240000	236,765
2	240001	245000	482,910
1	245001	250000	246,186
3	250001	255000	759,535
1	260001	265000	262,310
1	285001	290000	288,662
1	300001	305000	302,815
1	305001	310000	305,649
1	315001	320000	318,994
1	330001	335000	331,887
1	340001	345000	342,350
1	360001	365000	363,380
2	365001	370000	731,327
2	375001	380000	756,774
3	390001	395000	1,177,966
1	420001	425000	421,006
1	425001	430000	427,779
1	430001	435000	431,576
1	460001	465000	460,474
1	475001	480000	476,732
1	490001	495000	491,307
1	495001	500000	496,327
1	570001	575000	573,393
1	580001	585000	583,165
3	590001	595000	1,777,686
1	605001	610000	605,637
1	630001	635000	631,171
1	635001	640000	638,825
1	680001	685000	680,877
1	720001	725000	721,353
1	780001	785000	783,662
1	790001	795000	793,700
1	835001	840000	839,934
1	885001	890000	885,221
1	895001	900000	896,379
1	1020001	1025000	1,020,269
1	1090001	1095000	1,094,835
1	1105001	1110000	1,107,335
1	1415001	1420000	1,417,003
1	1495001	1500000	1,499,018
1	1585001	1590000	1,589,672
1	2055001	2060000	2,055,389
1	4205001	4210000	4,207,853
1	6555001	6560000	6,556,969
2634			60,564,269



Pattern of Shareholding

As at December 31, 2010

Additional Information

Categories of Shareholders	Shares Held	Percentage
Directors, CEO and their spouse & minor children		
Mr. Zahid Bashir (Director)	7,365	0.01
Mr. Khalid Bashir (Director)	66,401	0.11
Mr. Shams Rafi (Director)	431,576	0.71
Mr. Khurram Mazhar (Director)	82,081	0.14
Mr. Nadeem Maqbool (Director)	573,393	0.95
Mr. Imran Maqbool (Director)	593,659	0.98
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	24,918	0.04
Mrs.Tanveer Khalid (w/o. Mr.Khalid Bashir)	192,036	0.32
Mrs.Nazia Maqbool (w/o.Mr.Nadeem Maqbool)	242,249	0.40
Mrs.Asma Imran Maqbool (w/o.Mr.Imran Maqbool)	183,617	0.30
Associated companies, undertakings & related parties		
Crescent Fibres Ltd.	84,477	0.14
Crescent Powertec	4,207,853	6.95
Crescent Sugar Mills & Distillery Ltd.	363,380	0.60
Equity Textiles Limited	981,134	1.62
Jubilee Spinning & Weaving Mills Ltd.	22,670	0.04
Muhammad Amin Muhammad Bashir Ltd.	14,047	0.02
Shams Textile Mills Ltd.	885,221	1.46
Suraj Cotton Mills Limited	721,353	1.19
The Crescent Textile Mills Ltd.	169,573	0.28
NIT & ICP		
Investment Corporation of Pakistan	1,388	-
Banks, Development Financial Institutions, Non Banking Financial Institutions		
Banks	70,149	0.12
Investment Companies	345,225	0.57
Joint Stock Companies	1,371,074	2.26
Financial Institutions	455,842	0.75
Insurance Companies	806,474	1.33
Modarabas & Mutual Funds	2,132,427	3.52
Shareholders holding 10%		
State Life Insurance Corporation of Pakistan	6,557,314	10.83
General Public		
a. Local	38,207,345	63.06
b. Foreign	114,118	0.19
Others		
Administrator Abandoned Properties, Government of Pakistan	331,887	0.55
Dawood Foundation	24,090	0.04
Trustees Muhammad Amin Wakf Estate	236,765	0.39
Trustees Crescent Steel & Allied Products Ltd.	15,180	0.03
Trustees Saeeda Amin Wakf	15,525	0.03
Trustees Rashid Latif Jamal Trust	3,036	0.01
Trustees Aziz Latif Jamal Trust	3,036	0.01
Trustees DGKC Employees P.F. Trust	15,483	0.03
Ali Trust	55	-
Islamabad Stock Exchange (G) Limited	10,853	0.02
	60,564,269	100.00



Locations

KARACHI

Head Office:
State Life Building No. 2A
5th Floor, Wallace Road
Phones: (021) 32416331-34
Fax: (021) 32416572

3rd Floor,
Lakhani Centre
I.I. Chundrigar Road
Phones: (021) 32210866-67

QUETTA

43-Regal Plaza
2nd Floor
Circular Road
Phones: (081) 2842883

PESHAWAR

Rehman Building
Saddar Road Cantt
Phones: (091) 5273757
Fax: (091) 5277809

SIALKOT

Sahib Plaza
Saga Chowk
Agoki Road
Phones: (052) 4586268
Fax: (052) 4588526

GUJRANWALA

Block "L"
Trust Plaza
G.T. Road
Phone: (055) 3859718-19
Fax: (055) 3256432

KHANPUR

Liaison office
365, Model Town - B
Phones: (068) 5572834
Fax: (068) 5572834

LAHORE

North Zone Office:
162, Shadman II
Phones: (042) 37563160-63
Fax: (042) 37579334

Hafeez Centre, Gulberg
Phones: (042) 35874271/35873636
Fax: (042) 35750749

23, Shahrah-e-Quaid-e-Azam
P. O. Box No. 355
Phones: (042) 37230602-5
Fax: (042) 37235557

FAISALABAD

Regency Arcade, 949, Mall Road
P. O. Box No. 105
Phones: (041) 2632211-13
Fax: (041) 2617802

2nd Floor, 18-S.M. Plaza, Chenab Market
Susan Road, Madina Town
Ph: (041) 8503541-42

MULTAN

Hasan Arcade, Nusrat Road, Multan Cantt.
Phones: (061) 4515007 - 4515009 - 4585006
Fax: (061) 4587143

RAWALPINDI

32, Service Plaza, The Mall
Phones: (051) 5562113, 5568907
Fax: (051) 5566900

ISLAMABAD

Masco Plaza, 64-E, Blue Area, Jinnah Avenue
Phones: (051) 2270134, 2270135, 2876967
Fax: (051) 2829654

SAHIWAL

Room No.1, Sattar Complex, Stadium Road
Phone: (040) 4220918
Fax: (040) 4220790



PROXY FORM

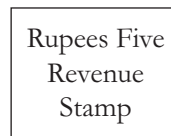
Annual General Meeting

I/We.....
of..... being a member of Premier Insurance Limited and holder of
..... Ordinary shares as per Registered Folio No.....
and/or CDC Participant I.D.No..... Sub-Account No.....
CNIC No..... or Passport No.....
hereby appoint..... ofwho
is also a member of the Company, Folio No..... or failing him/her.....
of..... as my/our Proxy in my / our absence to attend, speak and vote
for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday,
April 29, 2011 at 09:00 a.m. at the Auditorium of the Institute of Chartered Accountants of Pakistan (ICAP)
at Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this.....day of..... 2011

1. Witness:

Signature.....
Name
Address.....
.....
CNIC or Passport No.....



Signature of Shareholder

2. Witness:

Signature.....
Name
Address.....
.....
CNIC or Passport No.....

Note:

- 1. Proxies in order to be effective must be received at the Registered Office of the Company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.
- 2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
- 3. The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

