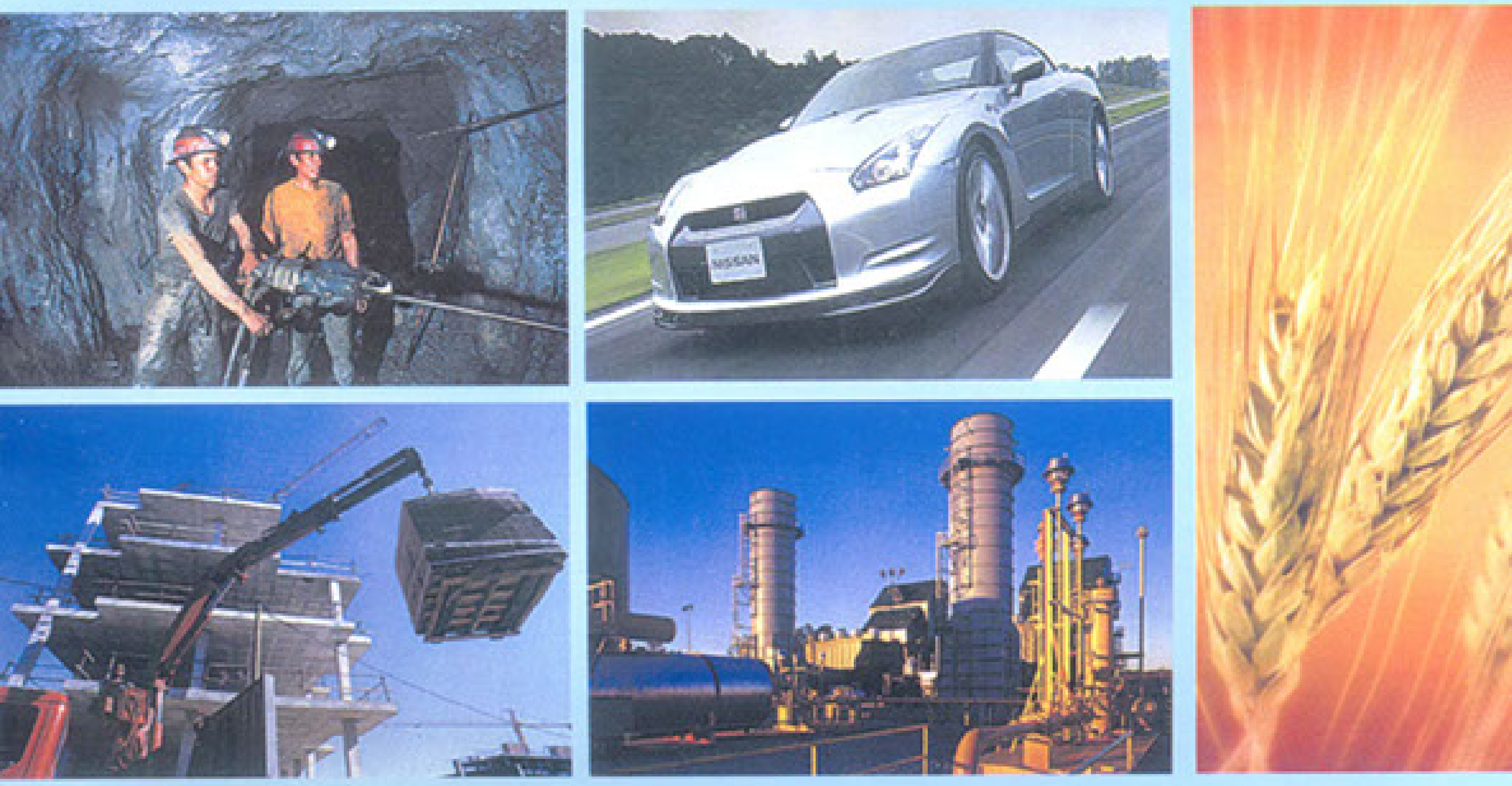
ANNUAL REPORT 2010

51st
Year of Continuous Service



SECURITY-SERVICE-PROSPERITY
THE UNIVERSAL INSURANCE COMPANY LIMITED
UIC

The Universal Insurance Co. Ltd.

ISO 9001 APPROVED

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VISION STATEMENT

We, at Universal Insurance Company Limited recognize the importance of satisfying our customers by consistently providing quality insurance services in accordance with their needs and expectations. We strive to be competent partner of our customers against insured perils.

MISSION STATEMENT/ QUALITY POLICY

We strive to provide our customers cost effective insurance cover by continually increasing the productivity of our employees. To increase productivity, we conduct regular training programs during which employees are assessed and allocated a career path in accordance with their performance.

We diligently follow the applicable laws and ensure strict compliance by conducting regular internal audits and educating our employees about the law.

We try to improve our services by continually assessing our systems and procedures based on customers and team feedback. We strive to maintain a customer focused approach by ensuring that our service is delivered to the customer on time, according to the customer required specifications and with in our stipulated cost.

CORPORATE INFORMATION

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK (Chairman)
	LT. GEN (R) ALI KULI KHAN KHATTAK
	MR. AHMED KULI KHAN KHATTAK
	BEGUM ZEB GOHAR AYUB KHAN (Chief Executive)
	MRS. SHAHNAZ SAJJAD AHMED
	DR. SHAHEEN KULI KHAN KHATTAK
	MR. MUSHTAQ AHMED KHAN F.C. A.
	CH. SHER MOHAMMAD
	MR. MOHAMMAD KULI KHAN KHATTAK
	CAPT. M. JAMIL AKHTAR KHAN (Managing Director)
CHIEF OPERATING OFFICER	MR. OMAR AYUB KHAN
CHIEF FINANCIAL OFFICER	MR. AMIR RAZA
COMPANY SECRETARY	MR. IJAZ AHMED
INTERNAL AUDITOR	MR. ABDUL WAHEED CHAUDHRY
AUDITORS	M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISOR	MR. MAQSOOD HASAN ADVOCATE
SHARE REGISTRAR	M/S HAMEED MAJEED ASSOCIATES (PVT) LTD. H.M HOUSE, 7-BANK SQUARE, LAHORE PHONE # 042-37235081-82 FAX # 042-37358817
REGISTERED OFFICE:	UNIVERSAL INSURANCE HOUSE 63-SHAHRAH-E-QUAID-E-AZAM, LAHORE, 54000 PAKISTAN. PH: 042-37353453-37353458 FAX: 042-37230326 WEB: www.uic.com.pk EMAIL: info@uic.com.pk

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BOARD & MANAGEMENT COMMITEES

1-	**Directors Executive Board**	
	Begum Zeb Gohar Ayub Khan	Chairperson
	Lt. Gen (R) Ali Kuli Khan Khattak	Member
	Mr. Ahmed Kuli Khan Khattak	Member
	Mr. Mushtaq Ahmed Khan F.C.A.	Member
2-	**Audit Committee:-**	
	Lt. Gen (R) Ali Kuli Khan Khattak	Chairman
	Mr. Ahmed Kuli Khan Khatttak	Member
	Mr. Mushtaq Ahmed Khan F.C.A.	Member
	Ch. Sher Mohammad	Member
3-	**Investment Committee:-**	
	Mr. Mushtaq Ahmed Khan F.C.A	Chairman
	Ch. Sher Mohammad	Member
	Capt. M. Jamil Akhtar Khan	Member
4-	**Underwriting Committee:-**	
	Mr. Mushtaq Ahmed Khan F.C.A.	Chairman
	Mr. M. Rafiq Chaudhry	Member
	Mr. Fazal-ur-Rehman Malik	Member
5-	**Claim Settlement Committee:-**	
	Mr. Mushtaq Ahmed Khan F.C.A	Chairman
	Capt. M. Jamil Akhtar Khan	Member
	Mr. Muhammad Rafiq Ch.	Member
	Mr. Amir Raza	Member
6-	**Re- Insurance & Co-Insurance Committee:**	
	Mr. Mushtaq Ahmed Khan F.C.A.	Chairman
	Mr. M. Rafiq Chaudhry	Member
	Mr. Ghulam Qamber Naqvi	Member
7-	**Management Committee:**	
	Mr. Mushtaq Ahmed Khan F.C.A.	Chairman
	Capt. M. Jamil Akhtar Khan	Member
	Mr. Amir Raza	Member
	Mr. Abdul Waheed Ch.	Member

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of the Shareholders of the Universal Insurance Company Limited will be held on Thursday April 28, 2011 at 10:00 A.M. at the registered office of the Company at Universal Insurance House, 63-Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

A. ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on September 23, 2010 at Lahore.

2. To elect nine (9) Directors in accordance with the provision of Section 178 of the Companies' Ordinance 1984, as fixed by the Board in its meeting held on March 19, 2011 for a period of three (3) years commencing April 30, 2011 in place of the following retiring directors.

   1- Mr. Raza Kuli Khan Khattak
   2- Lt. Gen. (R) Ali Kuli Khan Khattak
   3- Mr. Ahmed Kuli Khan Khattak
   4- Begum Zeb Gohar Ayub Khan
   5- Mrs. Shahnaz Sajjad Ahmed
   6- Dr. Shaheen Kuli Khan Khattak
   7- Mr. Mushtaq Ahmed Khan FCA
   8- Ch. Sher Mohammad
   9- Mr. Mohammad Kuli Khan Khattak
   10- Capt. M. Jamil Akhtar Khan

3. To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2010 and reports of the directors and auditors thereon.

4. To appoint auditors for the year 2011 and to fix their remuneration. The retiring auditors M/s. Riaz Ahmad & Company Chartered Accountants, being eligible, have offered themselves for re-appointment.

B. SPECIAL BUSINESS

5. To consider the recommendation of the Board of Directors to place its quarterly accounts on the website of the Company U/S 245 of the Companies' Ordinance 1984 instead of sending by mail to each shareholder separately and if deemed fit to pass the following resolution:

   "Resolved that the Company is hereby authorized to place its quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities & Exchange Commission of Pakistan vide its Circular No. 19 of 2004."

C. ANY OTHER BUSINESS

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

By Order of the Board

(Ijaz Ahmed)
Company Secretary

Dated: April 02, 2011

NOTES:

1- Any member who seeks to contest election of the office of Directors including the retiring directors shall file with the Company at its Registered Office situated at Universal Insurance House, 63- Shahrah-e-Quaid-e-Azam, Lahore, a notice of his/her intention to offer him/herself for election alongwith consent to act as director of the Company, not later than 14 days before the date of the Annual General Meeting. The consent should accompany the relevant declarations as required under the Code of Corporate Governance.

2- Share Transfer Books of the Company will remain closed from April 26, 2011 to May 02, 2011 (both days inclusive).

3- A member entitled to vote at the meeting may appoint a proxy. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

4- Shareholders registered in the Central Depository Company of Pakistan Limited must bring their original CNIC's or original Passports at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC's or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.

5- A proxy must be a member of the Company.

6- Shareholders are requested to immediately notify their change of address, if any.

7- Companies are required to mention computerized national identity card numbers of their shareholders in Form-A which is submitted to SECP annually. Members who have not yet submitted photocopies of their valid computerized national identity cards to the Company are requested to send the same at earliest directly to its share registrar M/s. Hameed Majeed Associates (Pvt) Ltd, 7- Bank Square, Lahore.

STATEMENT UNDER SECTION 161 (B) OF THE COMPANIES' ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business, given in Agenda No. 5 of the Notice, to be transacted at the 51st Annual General Meeting of the Company to be held on April 28, 2011 at 10:00 A.M. at registered office of the Company, Universal Insurance House, 63- Shahrah-e-Quaid-e-Azam, Lahore.

Placement of Quarterly Accounts on Website

The Securities & Exchange Commission of Pakistan (SECP) vide Circular No. 19 of 2004 has allowed the listed Companies to place their quarterly accounts on their website instead of sending the same by post. This would ensure prompt disclosure of information to the shareholders, as well as saving of costs associated with printing and dispatch of the accounts by post.

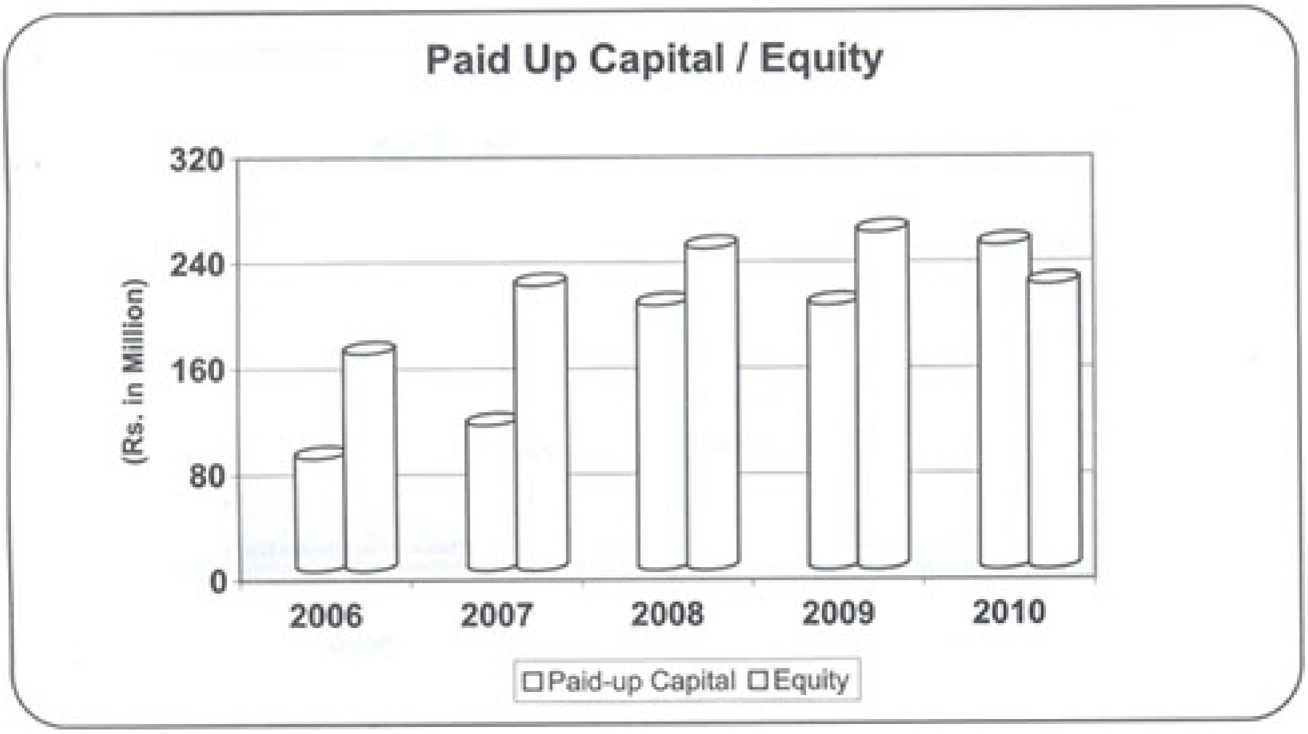
The Company is maintaining its website www.uic.com.pk and latest accounts are already being placed there for information. Prior permission of the SECP would be sought for transmitting the quarterly accounts through the Company's website after the approval of the shareholders. The Company, however, will supply the printed copies of accounts to the shareholders on demand at their registered address free of cost.

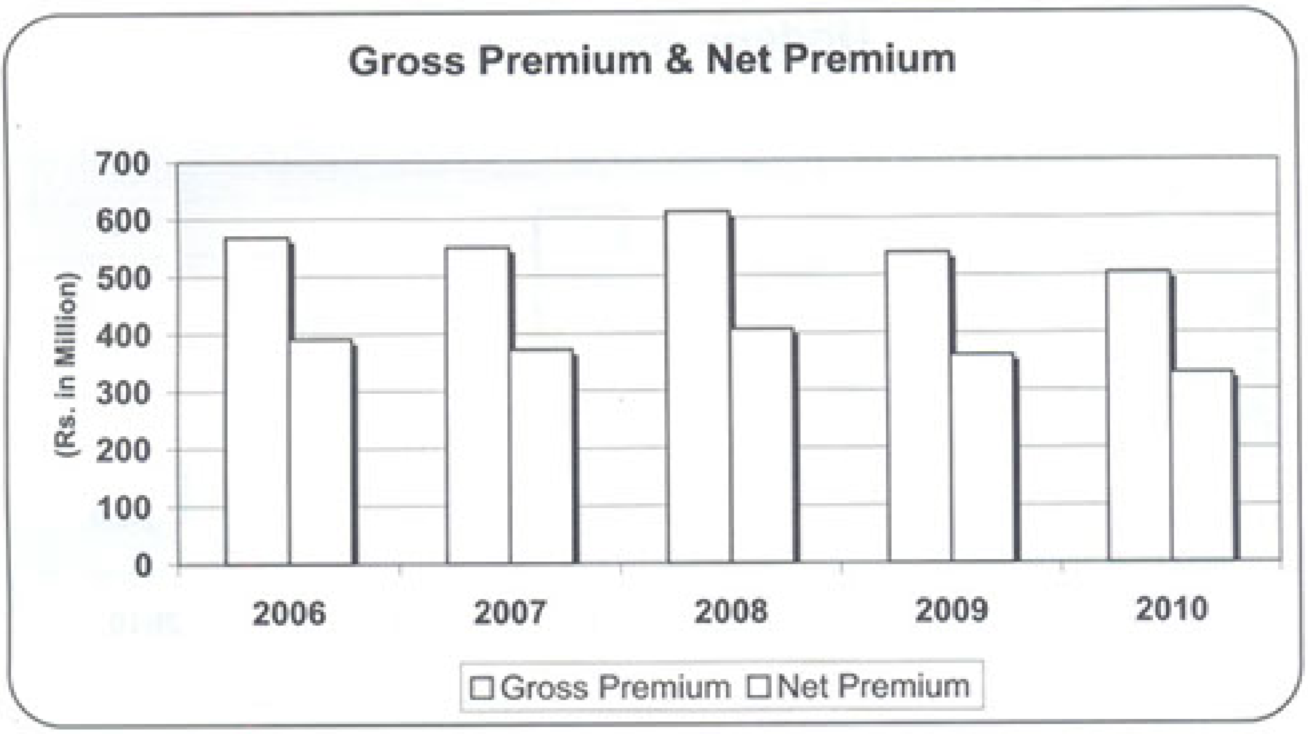
The Directors of the Company have no interest in the above resolution.

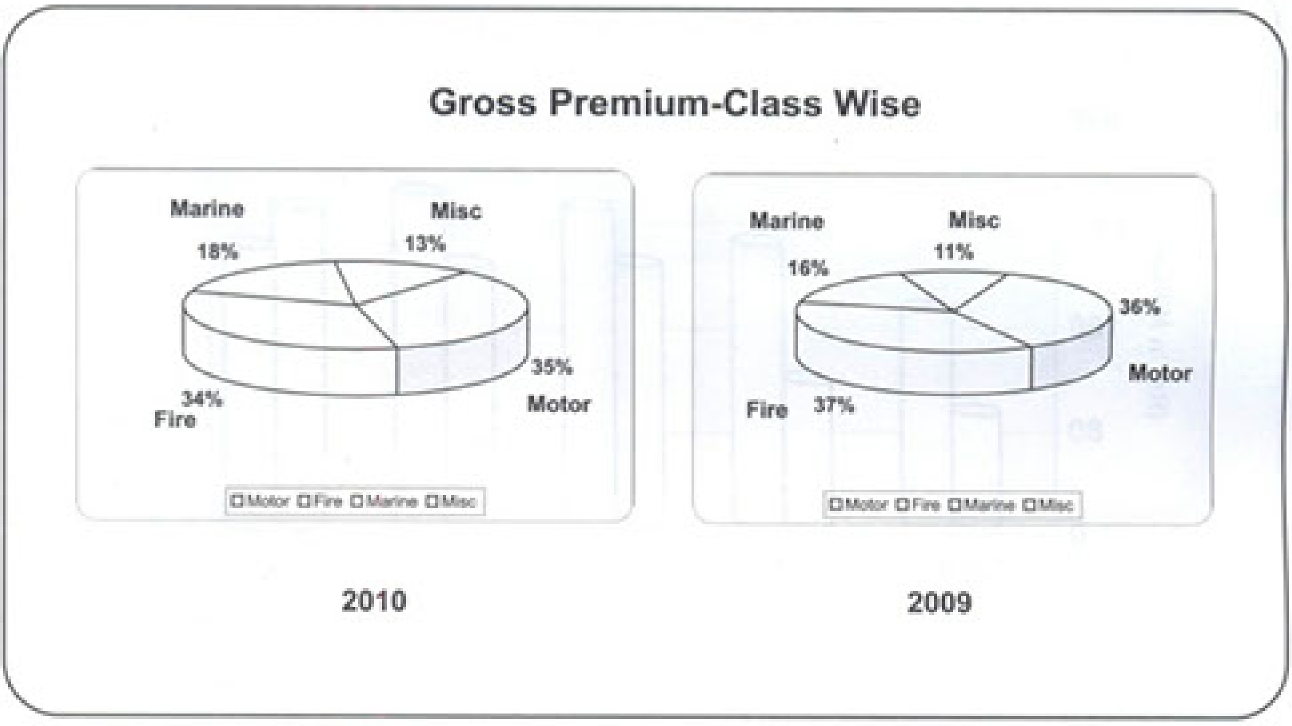
TEN YEARS KEY FINANCIAL DATA

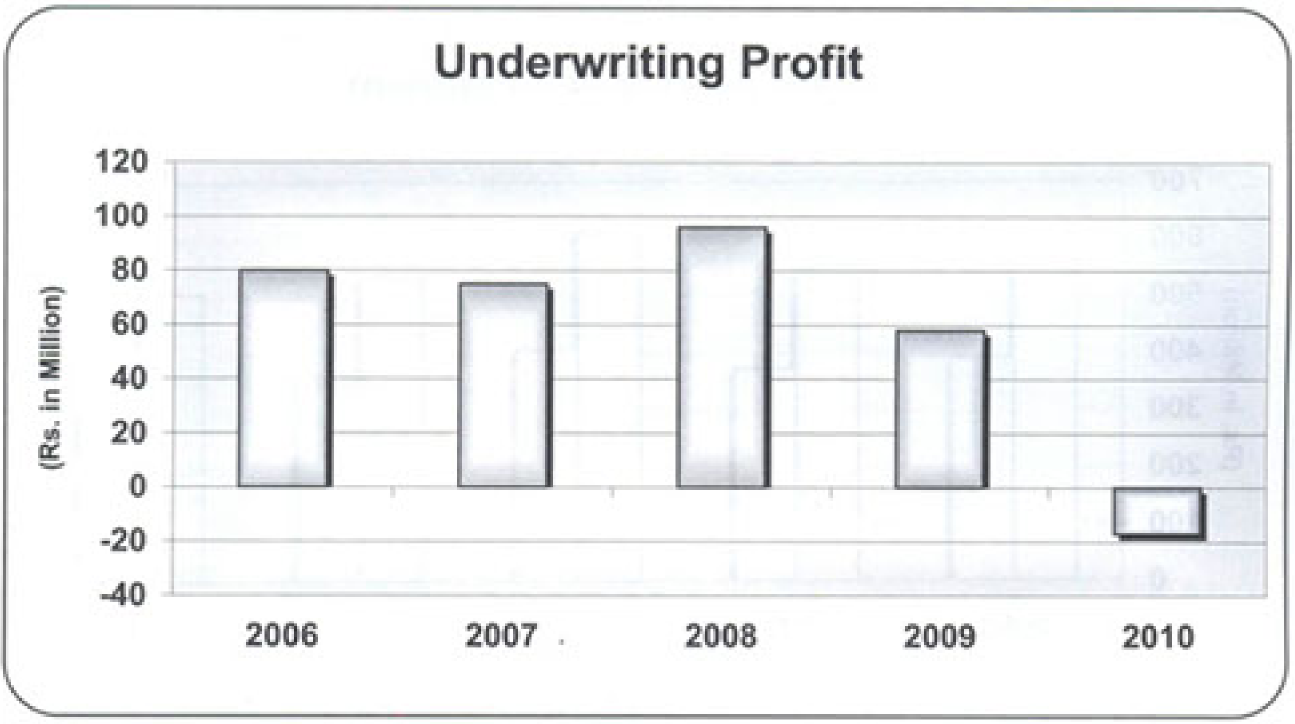
(Rupees in million)

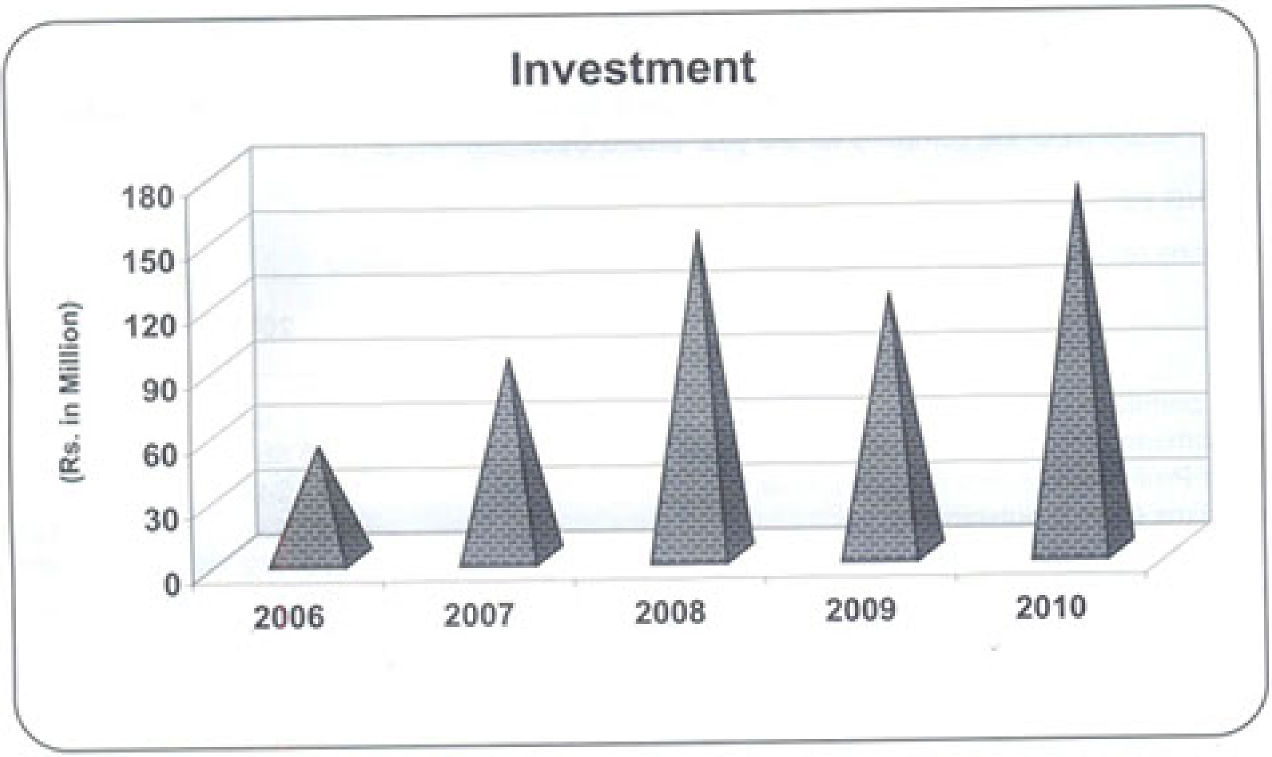
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Gross Premium	503	539	611	550	568	514	371	301	247	238
Net Premium	329	361	407	372	391	300	188	162	125	132
Net Claim	177	182	197	187	203	147	86	69	57	58
Investment	160	115	145	89	46	39	23	11	10	8
Underwriting (Loss)/ Profit	(17)	58	96	75	80	75	54	47	30	26
(Loss)/ Profit Before Tax	(103)	11	34	63	35	41	26	20	8	(0.5)
(Loss)/ Profit After Tax	(86)	8	21	50	24	27	17	13	5	(0.5)
Paid-up Capital	262.50	210	210	120	100	80	80	50	50	50
Cash and Banks	88	159	152	143	212	239	171	158	128	129
Total Property & Assets	1164	1066	922	788	753	663	547	432	346	207
Equity	233	265	257	236	174	145	130	83	69	64
EPS (Rs)	(4.58)	0.48	1.00	4.15	2.00	2.68	3.27	2.59	0.97	(0.09)

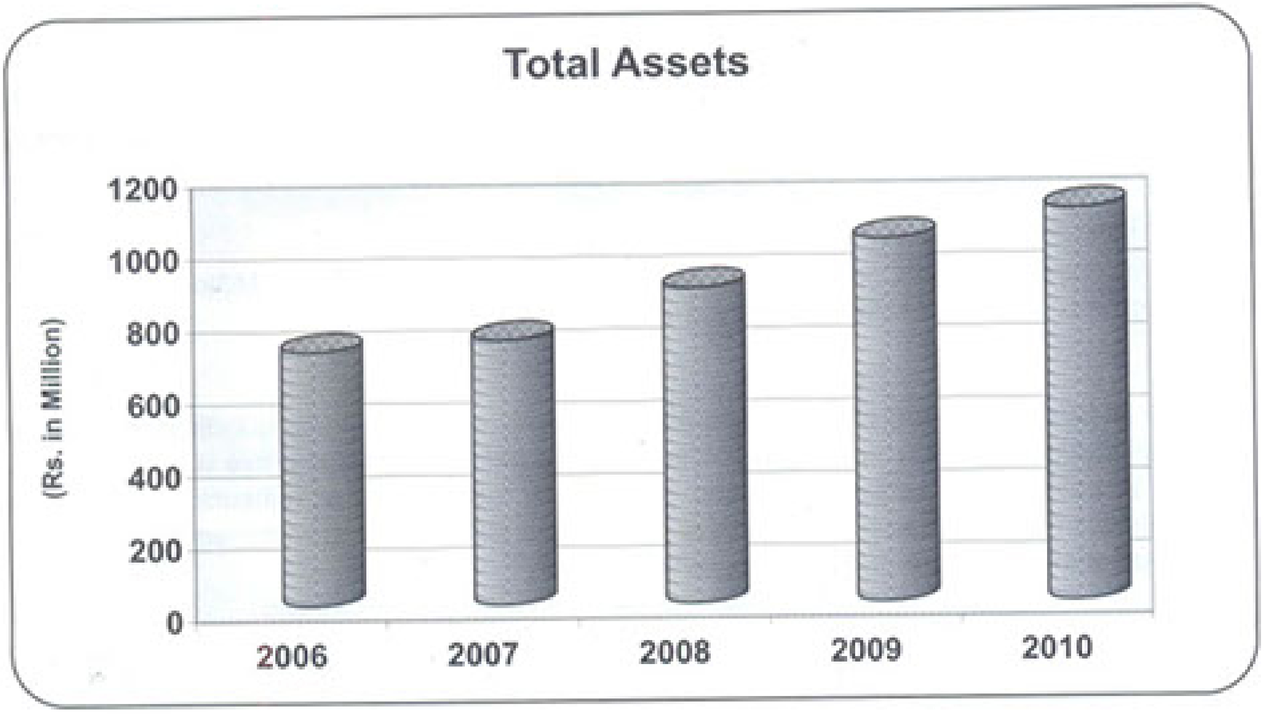

Paid Up Capital / Equity
320
240
160
80
0
(Rs. in Million)
2006
2007
2008
2009
2010
Paid-up Capital
Equity


Gross Premium & Net Premium
700
600
500
400
300
200
100
0
(Rs. in Million)
2006
2007
2008
2009
2010
Gross Premium
Net Premium


Gross Premium-Class Wise
Marine
18%
Misc
13%
35%
Motor
34%
Fire
Motor
Fire
Marine
Misc
2010
Marine
16%
Misc
11%
36%
Motor
Fire
37%
Motor
Fire
Marine
Misc
2009


Underwriting Profit
(Rs. in Million)
120
100
80
60
40
20
0
-20
-40
2006
2007
2008
2009
2010


Investment
180
150
120
90
60
30
0
(Rs. in Million)
2006
2007
2008
2009
2010


Total Assets
1200
1000
800
600
400
200
0
(Rs. in Million)
2006
2007
2008
2009
2010

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, it gives me great pleasure to present the **51st Annual Report** and the audited accounts of the company for the year ended December 31, 2010

OPERATING RESULTS

The operating results for the year ended 31 December, 2010 are given below:

	2010	2009
	----------Rupees in '000----------	
Gross premium	503,185	538,704
Net premium	328,663	360,799
(Loss)/ Profit from underwriting business	(17,243)	58,242
Net claims (paid & outstanding)	177,037	181,657
Management / administrative expenses	233,139	167,772
Capital and reserves	232,997	265,024
(Loss)/ Profit before taxation	(103,433)	10,903

DIVIDEND & APPROPRIATION OF PROFIT

The amount available for appropriation is:		
(Loss)/ Profit after taxation	(86,485)	7,820
Add: Balance of unappropriated profit - b/f-Restated	40,366	32,546
Less: Bonus/Dividend paid during the year	-	-
(Loss)/ Profit carry forward to next year	(46,119)	40,366

REVIEW OF OPERATING RESULTS

The operating results of the Company were in loss due to fall in Gross Premium by Rs. 35.519 Million over the corresponding period. Further the claim ratio of all classes has also increased during the period ended December 31, 2010.

INVESTMENT INCOME

The investment income of the Company has slightly increased to Rs. 8.172 Million as compared to Investment Income of Rs. 7.579 Million during the year 2009.

IFS Rating

Insurers Financial Strength Rating of A - (Single A minus) assigned by JCR-VIS is indicative of our strong commitment for meeting all financial obligations and we are determined to improve it through enhanced underwriting & prudent claims settlement procedures, and by rationalizing all reinsurance arrangements; enhancing premium retention capacity; extensive investment activities and improved service standards considering these element as pre-requisites for better rating.

ISO Certification

The Company received ISO 9001:2000 certification from M/s. Lloyd's Register-EMEA, Karachi since May 17, 2003. M/s. Lloyd's Register-EMEA, Karachi has renewed Company's certification ISO 9001:2000 on Jun 01, 2009 for next 3 years which exhibits that Company meets the requirement of standard and maintains satisfactory level of implementation of ISO-Quality System.

EARNING PER SHARE

Earnings per share after tax has reduced to Rs. (4.58) per share as compared to Rs. 0.48 per share in the year 2009.

INFORMATION TECHNOLOGY (IT)

Realizing the importance of IT we are in the process of developing integrated system covering the areas of underwriting, accounts, claims, HR and reinsurance for getting better control and to enhance the process of obtaining MIS reports.

HUMAN RESOURCES

Professionals of relevant fields are encouraged and motivated in our company. Appointment of professional were made during 2010 for getting better results.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws , rules and regulations framed thereunder spell out the overall functions of the Board of Directors of the company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

(a) The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

(b) The company has maintained proper books of accounts as required under the companies Ordinance, 1984.

(c) The company has followed consistently appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.

(d) Financial statement have been prepared by the company in accordance with the International Accounting Standards as applicable in Pakistan. The departure there from, if any, is disclosed adequately.

(e) The system of internal control is sound and is being implemented and monitored.

(f) The fundamentals of the company are strong and there are no doubts about its ability to continue as a going concern.

(g) The company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure there from.

(h) Key operating and financial data for the last ten years in summarized form is annexed to this annual report.

Outstanding Taxes and Duties

Details of outstanding taxes and duties are given in the financial statements.

Related Party Transitions

The related party transactions are ratified by the Audit Committee and approved by the Board of Directors.

AUDIT COMMITTEE

The Board of Directors, in compliance with the Code, has constituted an Audit Committee comprising of the following non-executive directors:

- Lt. Gen. (R) Ali Kuli Khan Khattak	Chairman
- Mr. Ahmed Kuli Khan Khattak	Member
- Mr. Mushtaq Ahmad Khan - FCA	Member
- Ch. Sher Mohammad	Member

Major responsibilities of the Audit Committee include reviewing reports of the Company's financials, monitoring internal audit functions and to ensure compliance with the relevant statutory requirements of relevant rules and laws, assisting the Board in discharging its responsibilities for safeguarding the Company's assets, and development & implementation of an effective internal control system for efficient and transparent operations of the Company.

BOARD OF DIRECTORS' MEETINGS

During the year, Six (6) Board meetings were held. The number of meetings attended by each Director is given hereunder :

Name of Directors	No. of Meetings Attended
Mr. Raza Kuli Khan Khattak	6
Lt. Gen. (R) Ali Kuli Khan Khattak	6
Mr. Ahmed Kuli Khan Khattak	5
Begum Zeb Gohar Ayub Khan	5
Mrs. Shahnaz Sajjad Ahmad	4
Dr. Shaheen Kuli Khan Khattak	4
Mr. Mushtaq Ahmad Khan - FCA	4
Ch. Sher Mohammad	2
Mr. Muhammad Kuli Khan Khattak	3
Capt. M. Jamil Akhtar Khan	4
Mr. Sardar Khan	1

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

Pattern of Shareholding

The pattern of shareholding is separately shown in the report.

Trading in Company's Shares

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

Appointment of Auditors

The Auditors M/s. Riaz Ahmad & Co, Chartered Accountants retire at the conclusion of Annual General Meeting, given their consent for re-appointment for the year ending December 31, 2011.

Staff Retirement Benefits

The Company operates a contributory provident fund scheme for all its employees. Value of Investments of this fund, based on its audited financial statements for the year ended 30 June, 2010, aggregated Rs. 48.772 million (2009: Rs. 48.768 million)

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Future Outlook

We are designing the new insurance products keeping in view the market requirements which would certainly enhance our premium income during the financial year 2011. We have also planned to expand our branch network in the major cities of Pakistan for the increase of premium income during the financial year 2011. We have also planned to revamp reinsurance arrangements for the enhancement of our premium retention capacity.

Acknowledgement

Your Directors are pleased to record their appreciation for the hard work & dedicated efforts put by all members of the staff and they hope the same spirit of devotion will prevail in 2011.

We would also like to thank the Insurance Division - Securities & Exchange Commission of Pakistan, Pakistan Reinsurance Company Ltd., State Bank of Pakistan and the Reinsures for their continued cooperation and guidance through-out the year and our valued clients for their continued patronage extended to us.

For & on behalf of the Board of Directors

Raza K. Khan

Raza Kuli Khan Khattak
Chairman

Date: April 02, 2011
Place: Lahore

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in the listing regulation No. 37 and Chapter XIII of the Karachi and Lahore stock exchanges respectively 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 non-executive directors on its Board of Directors. At present the Board includes eight non-executive directors out of ten directors.

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

3. All the directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution or a Non Banking Finance Company and none of them is a member of any of the stock exchange.

4. No casual vacancy occurred during the year ended December 31, 2010.

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

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

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

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

9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board has established a system of sound internal control which is effectively implemented at all levels within the Company.

11. An orientation course for Directors has been arranged previously to apprise them of their duties and responsibilities.

12. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

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

17. The Board has formed underwriting, claims settlement, reinsurance, Investment and coinsurance committees. The meetings of the committee were held once in every quarter.

18. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.

19. 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 term of references of the committee have been formed and advised to the committee for compliance.

20. The Company has an internal audit department and is headed by an experienced person, who is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

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

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

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

Z Gohar Ayub

BEGUM ZEB GOHAR AYUB KHAN
CHIEF EXECUTIVE

Date: April 02, 2011
Place: Lahore

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STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED DECEMBER 31, 2010

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the respective stock exchanges where the Company is listed.

For & on behalf of the Board of Directors

RAZA KULI KHAN KHATTAK
CHAIRMAN

BEGUM ZEB GOHAR AYUB KHAN
CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **THE UNIVERSAL INSURANCE COMPANY LIMITED** ("the Company") for the year ended 31 December 2010, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2010.

Riaz Ahmad & co
RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 02 APR 2011

LAHORE

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of THE UNIVERSAL INSURANCE COMPANY LIMITED ("the company") as at 31 December 2010 together with the notes forming part thereof, for the year then ended.

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

In our opinion:

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

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in Note 2.9(d) with which we concur;

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

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

The financial statements of the company for the year ended 31 December 2009 were audited by another firm of chartered accountants whose report dated 03 April 2010 expressed an unqualified opinion on those statements.

Riaz Ahmad & Co
RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 02 APR 2011

LAHORE

UIC

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010	Restated 31 December 2009	Restated 01 January 2009
		(RUPEES IN THOUSAND)		
SHARE CAPITAL AND RESERVES				
Authorized share capital 50,000,000 (2009: 50,000,000) ordinary shares of Rupees 10 each		500,000	500,000	500,000
Issued, subscribed and paid-up share capital	3	262,500	210,000	210,000
Retained earnings / (accumulated loss)		(43,630)	38,627	30,517
Reserves	4	14,127	16,397	16,397
		(29,503)	55,024	46,914
TOTAL EQUITY		232,997	265,024	256,914
Surplus on revaluation of fixed assets	5	211,373	180,648	60,455
UNDERWRITING PROVISIONS				
Provision for outstanding claims (including IBNR)		318,351	216,515	216,125
Provision for unearned premium		155,657	164,598	182,631
Commission income unearned		12,936	14,379	15,605
Total underwriting provisions		486,944	395,492	414,361
DEFERRED LIABILITIES				
Deferred taxation	6	2,300	29,130	16,873
CREDITORS AND ACCRUALS				
Premium received in advance		-	14	-
Amounts due to other insurers / reinsurers	7	153,100	114,439	119,646
Accrued expenses	8	9,715	6,382	4,980
Taxation - payment less provision	9	1,200	-	-
Other creditors and accruals	10	59,749	62,104	26,738
		223,764	182,939	151,364
BORROWINGS				
Liabilities against assets subject to finance lease	11	2,447	7,012	18,853
OTHER LIABILITIES				
Deposits against performance bonds		3,538	4,673	2,592
Unclaimed dividends		610	610	612
TOTAL LIABILITIES		719,603	619,856	604,655
CONTINGENCIES AND COMMITMENTS	12			
TOTAL EQUITY AND LIABILITIES		1,163,973	1,065,528	922,024

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

UIC

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010	Restated 31 December 2009	Restated 01 January 2009
		(RUPEES IN THOUSAND)		
CASH AND BANK DEPOSITS				
Cash and other equivalents	13	81	48	56
Current and other accounts	14	83,628	93,019	107,116
Deposits maturing within 12 months	15	4,600	65,833	44,802
		88,309	158,900	151,974
Loans to employees - secured considered good	16	643	773	554
INVESTMENTS	17	160,175	115,466	144,627
CURRENT ASSETS - OTHERS				
Premiums due but unpaid	18	142,716	137,683	149,446
Amounts due from other insurers / reinsurers	19	222,321	193,475	150,666
Salvage recoveries accrued		2,910	2,372	8,283
Accrued investment income	20	124	1,293	1,809
Reinsurance recoveries against outstanding claims		193,437	109,668	92,562
Taxation - payment less provision	9	-	5,920	4,062
Deferred commission expense		27,065	23,225	23,020
Prepayments	21	62,263	55,822	57,277
Sundry receivables	22	16,959	24,390	24,018
		667,795	553,848	511,143
FIXED ASSETS - TANGIBLE	23			
OWNED				
Land and buildings		185,280	177,584	47,297
Furniture, fixtures and office equipment		10,476	10,306	9,766
Computer equipment		7,495	8,755	9,159
Motor vehicles		38,833	27,896	14,690
		242,084	224,541	80,912
LEASED				
Furniture, fixtures and office equipment		1,390	1,635	1,923
Motor vehicles		3,577	10,365	30,891
		4,967	12,000	32,814
TOTAL ASSETS		1,163,973	1,065,528	922,024

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Fire and Property Damage	Marine and Transport	Motor	Others	Treaty	Aggregate 2010	Restated Aggregate 2009
		(RUPEES IN THOUSAND)						
Revenue account								
Net premium revenue		69,787	46,919	155,699	56,260	(2)	328,663	360,799
Net claims		(18,683)	(18,572)	(102,672)	(37,082)	(28)	(177,037)	(181,657)
Expenses	24	(42,062)	(22,041)	(41,431)	(19,857)	-	(125,391)	(99,622)
Net commission		(13,465)	(9,810)	(13,596)	(6,607)	-	(43,478)	(21,278)
Underwriting result		(4,423)	(3,504)	(2,000)	(7,286)	(30)	(17,243)	58,242
Investment income							8,172	7,579
Rental income							1,164	1,170
Other income	25						4,978	9,271
							(2,929)	76,262
General and administration expenses	26						(107,139)	(66,743)
Financial charge on lease liabilities							(609)	(1,407)
Share of profit from associates - net of tax							7,244	2,791
Profit / (loss) before taxation							(103,433)	10,903
Provision for taxation	27						16,948	(3,083)
Profit / (loss) after taxation							(86,485)	7,820

PROFIT AND LOSS APPROPRIATION ACCOUNT

	Aggregate 2010	Restated Aggregate 2009
Balance at the commencement of the year	40,366	32,546
Profit / (loss) after taxation for the year	(86,485)	7,820
Balance unappropriated profit / (loss) at the end of the year	(46,119)	40,366
Earnings / (loss) per share - basic and diluted - Rupees (Note 28)	(4.58)	0.48

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	Restated 2009
	(RUPEES IN THOUSAND)	
Profit / (loss) after taxation for the year ended 31 December	(86,485)	7,820
Other comprehensive income:		
Fair value adjustment due to impairment loss on available for sale investments	-	(3,754)
Total comprehensive income / (loss) for the year	(86,485)	4,066

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM	CAPITAL RESERVE	REVENUE RESERVE	RETAINED EARNINGS	TOTAL
	(RUPEES IN THOUSAND)					
Balance as at 31 December 2008	210,000	-	518	13,850	32,546	256,914
Effect of prior period error (Note 17.1.3)	-	4	1,785	240	(2,029)	-
Balance as at 31 December 2008 - restated	210,000	4	2,303	14,090	30,517	256,914
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	82	82
Share of associates accounted for under equity method	-	-	-	-	208	208
Total comprehensive income for the year ended 31 December 2009	-	-	(3,754)	-	7,820	4,066
Effect of change in accounting policy (Note 2.9)	-	-	3,754	-	-	3,754
Balance as at 31 December 2009 -restated	210,000	4	2,303	14,090	38,627	265,024
Issue of ordinary share capital - other than right	52,500	-	-	-	-	52,500
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	1,700	1,700
Share of associates accounted for under equity method	-	-	(2,285)	15	2,528	258
Total comprehensive loss for the year ended 31 December 2010	-	-	-	-	(86,485)	(86,485)
Balance as at 31 December 2010	262,500	4	18	14,105	(43,630)	232,997

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	(RUPEES IN THOUSAND)	
OPERATING CASH FLOWS		
a) Underwriting activities		
Premiums received	498,152	550,467
Reinsurance premiums paid	(190,951)	(193,813)
Claims paid	(254,038)	(288,652)
Reinsurance and other recoveries received	95,068	95,093
Commissions paid	(98,615)	(80,874)
Commissions received	49,854	58,165
Net cash flow from underwriting activities	99,470	140,386
b) Other operating activities		
Income tax paid	(2,762)	(2,387)
General management expenses paid	(110,663)	(64,703)
Other operating payments	(83,812)	(85,798)
Other operating receipt	3,928	2,633
Loans advanced	-	(218)
Loans repayment received	130	-
Other payments on operating assets - net	(7,771)	(16,664)
Net cash outflow from other operating activities	(200,950)	(167,137)
Total cash outflow from all operating activities	(101,480)	(26,751)
INVESTMENT ACTIVITIES		
Profit / return received	3,856	7,929
Dividends received	1,648	1,446
Rental income received	12	1,602
Payments for investments	(21,999)	(6,000)
Proceeds from disposal of investments	15,555	41,733
Fixed capital expenditure	(17,731)	(8,028)
Proceeds from disposal of fixed assets	2,227	4,677
Net cash inflow / (outflow) from investing activities	(16,432)	43,359
FINANCING ACTIVITIES		
Share capital received	52,500	-
Financial charges paid	(614)	(1,407)
Dividends paid	-	(2)
Payments on finance leases	(4,565)	(8,273)
Net cash inflow / (outflow) from financing activities	**47,321**	**(9,682)**
Net cash inflow / (outflow) from all activities	(70,591)	6,926
Cash at the beginning of the year	158,900	151,974
Cash at the end of the year	**88,309**	**158,900**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	Restated 2009
	(RUPEES IN THOUSAND)	
RECONCILIATION TO PROFIT AND LOSS ACCOUNT		
Operating cash flows	(101,480)	(26,751)
Depreciation	(17,082)	(14,463)
Financial charges	(609)	(1,407)
Profit on disposal of fixed assets	881	1,651
Increase / (decrease) in assets other than cash	120,926	(16,142)
(Increase) / decrease in liabilities other than borrowings	(107,426)	48,405
	(104,790)	(8,707)
OTHER ADJUSTMENTS		
Profit on investments and deposits	8,172	7,579
Share of profit from associates - net of taxation	7,244	2,791
Rental income	1,164	1,170
Other income	1,725	4,987
	18,305	16,527
Profit / (loss) after taxation	(86,485)	7,820

Definition of cash:

Cash comprises cash in hand, bank balances and other deposits which are readily convertible to cash and which are used in cash management function on a day to day basis.

Cash for the purposes of the Cash Flow Statement consists of:

	2010	2009
Cash and other equivalent		
Cash in hand (stamps in hand)	81	48
Current and other accounts		
Current accounts	9,144	58,733
Savings account	74,484	34,286
	83,628	93,019
Deposits maturing within 12 months		
Fixed and term deposits accounts	4,600	65,833
Total cash and cash equivalents	**88,309**	**158,900**

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2010

Business underwritten inside Pakistan

Class	Premiums				Reinsurance				Net premium revenue	
	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2010	2009
		Opening	Closing			Opening	Closing			
	(RUPEES IN THOUSAND)									
Direct and facultative										
Fire and property damage	171,701	64,440	56,200	179,941	109,309	37,375	36,530	110,154	69,787	89,005
Marine and transport	92,904	8,894	10,128	91,670	44,834	4,981	5,064	44,751	46,919	40,310
Motor	174,634	68,585	65,036	178,183	24,695	7,544	9,755	22,484	155,699	183,711
Others	63,948	22,679	24,293	62,334	12,113	2,949	8,988	6,074	56,260	47,773
Total	503,187	164,598	155,657	512,128	190,951	52,849	60,337	183,463	328,665	360,799
Treaty	(2)	-	-	(2)	-	-	-	-	(2)	-
Grand Total	503,185	164,598	155,657	512,126	190,951	52,849	60,337	183,463	328,663	360,799

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2010

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2010	2009
	(RUPEES IN THOUSAND)									
Direct and facultative										
Fire and property damage	78,735	110,778	145,668	113,625	60,916	83,981	118,007	94,942	18,683	32,791
Marine and transport	26,783	24,591	46,454	48,646	16,085	14,361	28,350	30,074	18,572	11,770
Motor	108,491	58,685	74,306	124,112	13,278	8,421	16,583	21,440	102,672	106,099
Others	40,001	21,492	50,954	69,463	4,789	2,905	30,497	32,381	37,082	30,568
Total	254,010	215,546	317,382	355,846	95,068	109,668	193,437	178,837	177,009	181,228
Treaty - proportional	28	969	969	28	-	-	-	-	28	429
Grand Total	254,038	216,515	318,351	355,874	95,068	109,668	193,437	178,837	177,037	181,657

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

Raza Kuli Khan Khattak	Begum Zeb Gohar Ayub Khan	Lt. Gen. (R) Ali Kuli Khan Khattak	Capt. M. Jamil Akhtar Khan
CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	MANAGING DIRECTOR & PRINCIPAL OFFICER

STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2010

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurer	Net underwriting expense	
		Opening	Closing					2010	2009
	(RUPEES IN THOUSAND)								
Direct and facultative									
Fire and property damage	49,413	12,134	16,306	45,241	42,062	87,303	31,776	55,527	37,114
Marine and transport	26,600	1,780	2,926	25,454	22,041	47,495	15,644	31,851	13,413
Motor	12,785	5,849	4,986	13,648	41,431	55,079	52	55,027	53,917
Others	9,817	3,462	2,847	10,432	19,857	30,289	3,825	26,464	16,456
Total	98,615	23,225	27,065	94,775	125,391	220,166	51,297	168,869	120,900
Treaty - proportional	-	-	-	-	-	-	-	-	-
Grand Total	98,615	23,225	27,065	94,775	125,391	220,166	51,297	168,869	120,900

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

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

Raza Kuli Khan Khattak CHAIRMAN	Begum Zeb Gohar Ayub Khan CHIEF EXECUTIVE	Lt. Gen. (R) Ali Kuli Khan Khattak DIRECTOR	Capt. M. Jamil Akhtar Khan MANAGING DIRECTOR & PRINCIPAL OFFICER

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	Restated 2009
	(RUPEES IN THOUSAND)	
INCOME FROM TRADING INVESTMENTS		
Dividend income		
From related parties	-	-
From others	818	750
	818	750
INCOME FROM NON -TRADING INVESTMENTS		
Held to maturity		
Return on fixed income securities and deposits	2,817	2,817
Available for sale		
Dividend income		
From related parties	-	-
From others	830	695
	830	695
Gain on sale of investments at fair value through profit or loss	516	4,842
Gain on sale of investments - available for sale	42	-
Gain on revaluation of investments at fair value through profit or loss	3,212	2,229
Provision for impairment in value of available for sale investments	(63)	(3,754)
Less: Investment related expenses	-	-
Net investment income	8,172	7,579

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

Raza Kuli Khan Khattak
CHAIRMAN

Begum Zeb Gohar Ayub Khan
CHIEF EXECUTIVE

Lt. Gen. (R) Ali Kuli Khan Khattak
DIRECTOR

Capt. M. Jamil Akhtar Khan
MANAGING DIRECTOR & PRINCIPAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 THE COMPANY AND ITS OPERATIONS

The Universal Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on 09 May 1958 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on Karachi and Lahore Stock Exchanges and is engaged in the non-life insurance business. The registered office of the Company is situated at Universal Insurance House, 63 Shahrah-e-Quaid-e-Azam, Lahore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, 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 Securities and Exchange Commission of Pakistan (SECP) has allowed insurance companies to defer the application of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale investments" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

b) Basis of presentation

These financial statements are prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale investments which are stated at lower of cost and market value, held to maturity investments stated at amortized cost and land and buildings which are stated at revalued amounts.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies are as follows:

- Provision for outstanding claims incurred but not paid (IBNR)
- Provision for doubtful receivables
- Useful lives, pattern of economic benefits of operating fixed assets

- Provision for unearned premiums
- Impairment of assets
- Provision for taxation
- Premiums due but unpaid
- Classification of investments

e) **Standards, interpretations and amendments to published approved accounting standards that are effective in current year and relevant**

Standards and amendments to published approved accounting standards that are effective in the current year and relevant to the company have no significant impact on these financial statements and are therefore not detailed in these financial statements.

f) **Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant**

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2010 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

g) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7, 'Financial Instruments: Disclosure'. The management of the Company is in the process of evaluating impacts of the aforesaid standard on the Company's financial statements.

There are other amendments resulting from annual improvements projects initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements', IAS 24 'Related Party Disclosures' and IAS 36 'Impairment of Assets' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

h) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective and not considered relevant**

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Insurance contracts

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

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

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

2.3 Premium

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company.

2.4 Reinsurance ceded

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

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from 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 contract.

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

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

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an 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.

2.5 Claims expense

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and claims actually reported subsequent to the reporting period.

2.6 Premium deficiency reserve

Premium deficiency reserve is maintained where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business, to comply with the requirements of section 34 (2)(d) of the Insurance Ordinance 2000. Any movement in the reserve is charged to the profit and loss account.

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

Fire and property damage	32.55%
Marine and transport	26.07%
Motor	61.46%
Miscellaneous	63.40%

The management considers that the unearned premium reserve for all classes of business as at the year-end was adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in the financial statements.

2.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and bank deposits.

2.8 Loans to employees and agents

These are recognized at cost, which is the fair value of the consideration given.

2.9 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates accounted for under equity method, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments in associates

Associates are the entities over which the Company has significant influence but not control. Investments in these associate are accounted for using the equity method of accounting and are initially recognised at cost. The Company's share of its associates's post acquisition profits or losses, movement in other comprehensive income, and its share of post acquisition movement in reserves is recognised in the profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. Distributions received from an associate reduce the carrying amount of the investment.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) **Available-for-sale**

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

d) **Change in accounting policy**

During the year, the Company has changed its accounting policy of available for sale investments. Now, subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements. Previously, subsequent to initial recognition at cost, these investments were measured at fair value. This accounting policy has been changed to comply with the requirements of the SEC (Insurance) Rules, 2002. This change in accounting policy has been applied retrospectively in accordance with the requirement of International Accounting Standard (IAS) 8 "Accounting Policies , Changes in Accounting Estimates and Errors".

Had there been no change in accounting policy, the figures recognized in these financial statements would have been different as follows:

	2010	2009
	(RUPEES IN THOUSAND)	
Investments would have been higher by	622	-
Capital reserves would have been lower by	(59)	(3,754)
Loss for the year would have been lower by	681	-
Profit for the year would have been higher by	-	3,754
Earnings per share would have been higher by - Rupees	0.04	0.23

e) **Investments at fair value through profit or loss**

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.10 Premium due but unpaid

These are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their aging and accordingly provision is maintained on a systematic basis.

2.11 Amounts due to / from other insurers / reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

2.12 Claim recoveries

Claim recoveries receivable from the 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.

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2.13 Taxation

a) Current

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

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.14 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting periods.

2.15 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognized evenly in the period of indemnity. The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

2.16 Fixed assets

Fixed assets except freehold land, buildings on freehold land and capital work in progress are stated at cost less accumulated depreiciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount, buildings on freehold land are stated at revalued amounts less accumulated depreciation and impairment losses, if any, while capital work in progress is stated at cost.

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

a) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 23.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

b) **Change in accounting estimate**

During the year, the Company has changed its accounting estimate in respect of useful life of computers. Now, depreciation on computers is charged at the rate of 30 percent per annum. Previously, depreciation on computers was charged at the rate of 10 percent per annum which was not a true representative of useful life of computers. This change in accounting estimate has been applied prospectively in accordance with the requirement of International Accounting Standard (IAS) 8 "Accounting Policies , Changes in Accounting Estimates and Errors". Had there been no change in this accounting estimate, net book value of fixed assets would have been higher and loss for the year would have been lower by Rupees 1.980 million.

c) **De-recognition**

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.17 Assets subject to finance lease

Assets held under finance leases are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

2.18 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage.

Provision for unearned premium is being calculated as a proportion of the gross premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

2.19 Commission income unearned

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

2.20 Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10 percent of basic salary.

2.21 Compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the period in which they are earned.

2.22 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 or 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.

2.23 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.24 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.25 Revenue recognition

a) Premium income earned

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry as follows:

- for direct business	evenly over the period of the policy
- for proportional re-insurance business	evenly over the period of the underlying insurance policies
- for non-proportional re-insurance business	in accordance with the pattern of reinsurance service

Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as revenue in accordance with the pattern of the incidence of risk.

b) Administrative surcharge

This represents documentation and other charges recovered by the Company from policyholders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rupees 2,000 per policy. Administrative surcharge is recognized as revenue at the time, the policies are written.

c) Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

d) Dividend income and bonus shares

Dividend income is recognized when the right of receipt is established. Bonus shares are accounted for by increase in number of shares without any change in the value of investments.

e) Investment income

Income from available-for-sale investments

- Return on fixed income investments

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

- Gain / loss on sale of available-for-sale investments

Gain / loss on sale of available-for-sale investments is included in income currently.

Income from held-to-maturity investments

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

f) **Rental and other income**

Rental and other income is recognized on accrual basis.

2.26 Commission expense and other acquisition costs

Commission expense and other acquisition costs are charged to profit and loss account at the time the policies are accepted.

2.27 Expenses

Management expenses which are directly attributable to the underwriting business are allocated in accordance with the volume of each class of business and portion of management expenses which are not allocable to the underwriting business are charged as General and Administrative expenses.

2.28 Impairment

a) **Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) **Non - financial assets**

The carrying amounts of the Company's non financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.29 Financial instruments

Financial instruments carried on the balance sheet include current and other accounts, deposits maturing within twelve months, loans to employees, investments, premium due but unpaid, amounts due from other insurers / reinsurers, salvage recoveries accrued, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, unclaimed dividend, other creditors and accruals, deposits against performance bonds and liabilities against assets subject to finance lease etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

2.30 Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.31 Earnings / (loss) per share

The Company presents basic earnings / (loss) per share for its shareholders. Basic earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.32 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.33 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.34 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized as liability in the Company's financial statements in the year in which these are approved.

2.35 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.36 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2010	2009		2010	2009
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
10,970,000	5,720,000	Ordinary shares of Rupees 10 each fully paid up in cash (Notes 3.1)	109,700	57,200
15,280,000	15,280,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	152,800	152,800
26,250,000	21,000,000	At 31 December	262,500	210,000

3.1 Movement during the year

21,000,000	21,000,000	At 01 January	210,000	210,000
5,250,000	-	Issued during the year as fully paid ordinary shares - other than right shares	52,500	-
26,250,000	21,000,000		262,500	210,000

3.2 Bibojee Services (Private) Limited (the Holding Company) holds 20,408,326 (2009:15,158,326) ordinary shares of the Company.

4. RESERVES

Composition of reserves is as follows:

	2010	Restated 2009
	(RUPEES IN THOUSAND)	
Share premium	4	4
Capital reserve	18	2,303
Revenue reserve	14,105	14,090
	14,127	16,397

5 SURPLUS ON REVALUATION OF FIXED ASSETS

	2010	2009
Freehold land	106,443	98,203
Buildings on freehold land		
Surplus on revaluation	37,040	34,073
Related deferred tax liability	(12,964)	(11,896)
	24,076	22,177
Incremental depreciation on surplus on revaluation	(1,782)	(82)
Related deferred tax liability	623	28
	(1,159)	(54)
Surplus on revaluation of buildings - net of deferred tax	22,917	22,123
	129,360	120,326
Share of surplus on revaluation of fixed assets of associated companies accounted for under equity method	82,013	60,322
	211,373	180,648

	2010	2009
	(RUPEES IN THOUSAND)	

6. DEFERRED TAXATION

The (liability) / asset for deferred taxation comprises temporary differences arising due to:

	2010	2009
Accelerated tax depreciation	(5,936)	(9,322)
Surplus on revaluation of buildings	(12,341)	(11,868)
Tax losses	16,859	-
Liabilities against assets subject to finance lease	(882)	(7,940)
	(2,300)	(29,130)

7. AMOUNTS DUE TO OTHER INSURERS / RE-INSURERS

	2010	2009
Amounts due to coinsurers	16,108	6,715
Amounts due to reinsurers	136,992	107,724
	153,100	114,439

8. ACCRUED EXPENSES

	2010	2009
Salaries payable	261	5,598
Audit fee payable	342	300
Expenses payable	2,736	484
Commission payable	6,376	-
	9,715	6,382

9. TAXATION - Payment less provision

	2010	2009
Provision for taxation	5,285	2,815
Advance income tax	(4,085)	(8,735)
	1,200	(5,920)

10. OTHER CREDITORS AND ACCRUALS

	2010	2009
Excise duty	30,527	33,419
Federal insurance fee	1,385	574
Sundry creditors	8,030	24,007
Due to provident fund trust	1,116	1,023
Gratuity payable (Note 29.2)	276	-
Leave encashment payable	11,059	-
Accrued mark-up	17	22
Income tax deducted at source	5,581	1,719
Others	1,758	1,340
	59,749	62,104

	2010	2009
	(RUPEES IN THOUSAND)	

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010	2009
Minimum lease payments:		
Not later than 1 year	1,934	5,464
Later than 1 year and not later than 5 years	657	2,255
	2,591	7,719
Less: Future finance charges on finance lease	(144)	(707)
Present value of minimum lease payments	2,447	7,012
Present value of minimum lease payments:		
Not later than 1 year	1,818	4,900
Later than 1 year and not later than 5 years	629	2,112
	2,447	7,012

11.1 The Company has entered into lease agreements with Askari Leasing Limited, Bank Alfalah Limited, First Habib Modaraba and NBP Leasing Limited to acquire vehicles and a generator. The liabilities under the lease agreements are payable in monthly installments and are subject to finance charges at the rates ranging from 14.28 % to 17.54 % (2009:14.63 % to 22.41 %) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors and demand promissory notes.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The insured has filed a petition against the Company in Lahore High Court, Lahore for alleged claim of Rupees 7.30 million. The petition is still pending before the court. The Company is confident that the outcome of the petition will be in its favour, hence, no provision for claim has been recognized in these financial statements.

12.2 Commitments

As at 31 December 2010, commitments for revolving letters of credits, other than for capital expenditure, were outstanding for Rupees 0.747 million (2009: Rupees 0.736 million).

13. CASH AND OTHER EQUIVALENTS

	2010	2009
Stamps-in-hand	81	48

14. CURRENT AND OTHER ACCOUNTS

	2010	2009
Saving accounts (Note 14.1)	74,484	34,286
Current accounts	9,144	58,733
	83,628	93,019

14.1 These include balance of Rupees 0.716 million (2009: Rupees 0.613 million) kept with a bank as security against letters of credit. Rate of profit on bank balances ranges from 4% to 6% (2009: 3% to 5%) per annum. Saving accounts include a balance of Rupee 0.074 million held with Indus Bank Limited (Under Liquidation). The Company has received this balance subsequent to the reporting period.

15. DEPOSITS MATURING WITHIN 12 MONTHS

	2010	2009
Term deposit receipts	5,802	65,833
Provision for impairment	(1,202)	-
Term deposit receipts - considered good (Note 15.1)	4,600	65,833

15.1 These represent term deposit receipts issued by different banks and carry interest at the rates ranging from 10% to 12% (2009: 5% to 13%) per annum.

16. LOANS TO EMPLOYEES - Secured Considered Good

These represent interest free loans given to employees (other than executives) and are secured against their credit balances in the provident fund trust. These are recoverable in equal monthly installments. The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

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17. INVESTMENTS

	2010	Restated 2009
	(RUPEES IN THOUSAND)	
In related parties		
Investments in associates (Note 17.1)	95,865	66,686
Others		
Held-to-maturity (Note 17.2)	28,170	22,791
Available-for-sale (Note 17.3)	10,832	7,909
At fair value through profit or loss (Note 17.4)	25,308	18,080
	160,175	115,466

17.1 Investments in associates

NUMBER OF SHARES 2010	NUMBER OF SHARES 2009	FACE VALUE RUPEES	NAME OF ENTITY	2010	Restated 2009
				(RUPEES IN THOUSAND)	
Quoted					
			Personal Goods		
7,152	7,152	10	Bannu Woollen Mills Limited		
			Equity held 0.09% (2009 : 0.09%)		
			Cost	32	32
			Share of post acquisition reserves:		
			As at 01 January	485	501
			Share of profit / (loss) after income tax	198	(35)
			Share of items directly credited in equity	4	19
			Dividend received	(14)	-
				673	485
				705	517
			Industrial Engineering		
1,192,148	1,192,148	10	Ghandhara Industries Limited		
			Equity held 5.60% (2009: 5.60%)		
			Cost	12,160	12,160
			Share of post acquisition reserves:		
			As at 01 January	53,848	51,009
			Share of profit after income tax	7,050	2,839
				60,898	53,848
			Share of surplus on revaluation of fixed assets recognized during the year	21,936	-
				94,994	66,008
			Automobile and Parts		
5,000	5,000	10	Ghandhara Nissan Limited		
			Equity held 0.01% (2009: 0.01%)		
			Cost	103	103
			Share of post acquisition reserves :		
			As at 01 January	58	16
			Share of loss after income tax	(4)	(13)
				54	3
			Share of surplus on revaluation of fixed assets incorporated during the year	9	55
				166	161
				95,865	66,686

17.1.1 Summarized un-audited financial statements of the associates, including the aggregated amounts of assets, liabilities, revenues and profits / (losses) are as follows:

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT / (LOSS)
	As at 31 December 2010		From 01 January 2010 to 31 December 2010	
	(RUPEES IN THOUSAND)			
Ghandhara Industries Limited	2,897,815	1,201,468	2,016,770	125,898
Ghandhara Nissan Limited	3,381,616	1,720,771	2,844,405	(38,309)
Bannu Woollen Mills Limited	966,675	181,076	536,980	219,850

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT / (LOSS)
	As at 31 December 2009		From 01 January 2009 to 31 December 2009	
	(RUPEES IN THOUSAND)			
Ghandhara Industries Limited	2,429,025	1,250,303	1,661,575	50,704
Ghandhara Nissan Limited	3,340,734	1,742,675	2,122,765	(131,611)
Bannu Woollen Mills Limited	746,641	170,449	403,051	(38,335)

	2010	2009
	(RUPEES IN THOUSAND)	
17.1.2 Fair value of investments in associates is as follows:		
Ghandhara Industries Limited	13,948	8,571
Ghandhara Nissan Limited	25	28
Bannu Woollen Mills Limited	96	92

The management, in accordance with provisions of IAS 36 " Impairment of Assets" has determined the recoverable amount of its investments in associates accounted for under equity method i.e. higher of fair value less cost to sell and value in use. Based on value in use calculations as at 31 December 2010, the management concluded that the carrying amount of investments in associates do not exceed the recoverable amount. Based on favourable value in use, there was no impairment loss on investment in associated companies with significant influence (tested for impairment) under IAS 36 "Impairment of Assets".

17.1.3 Prior period error

In prior years, post acquisition share of associated companies was not appropriately classified among capital reserve, revenue reserve and profit for the year. Moreover, share of surplus on revaluation of fixed assets of investee companies was not accounted for in the financial statements. During the year, these prior period errors have been corrected retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Effects of correction of these errors on these financial statements, other than reclassification adjustments between reserves shown in the statement of changes in equity, are as follows:

	31 December 2009	31 December 2008
	(RUPEES IN THOUSAND)	
Effects on balance sheet:		
Increase in investments	60,322	60,455
Increase in surplus on revaluation of fixed assets	60,322	60,455

	2010	2009
	(RUPEES IN THOUSAND)	
17.2 Held-to-maturity		
Statutory deposits (Note 17.2.1 and 17.2.3)	23,478	22,791
Advance for purchase of Pakistan Investment Bonds (Note 17.2.2 and 17.2.3)	4,692	-
	28,170	22,791

17.2.1 Statutory deposits

	Maturity	Effective Yield (%)		
Pakistan Investment Bonds (Note 17.2.1.1)	19-05-2011	9.30	10,099	10,107
Pakistan Investment Bonds (Note 17.2.1.1)	06-10-2013	14.85	13,379	12,684
			23,478	22,791

17.2.1.1 Market value of these PIBs as on 31 December 2010 is Rupees 22.826 million. Profit on PIBs is received bi-annually.

17.2.2 This represents advance payment made to Habib Bank Limited for purchase of Pakistan Investment Bonds having face value of Rupees 5.0 million. Pakistan Investment Bonds have been issued in favour of the Company subsequent to the reporting period on 03 January 2011.

17.2.3 These investments are made to meet the statutory requirement as required by section 29(2)(a) of The Insurance Ordinance, 2000.

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17.3 Available-for-sale

NUMBER OF SHARES / UNITS 2010	2009	FACE VALUE RUPEES	NAME OF ENTITY	2010 (RUPEES IN THOUSAND)	Restated 2009
Quoted					
			Equity Investment Instruments		
23,245	23,245	10	JS Growth Fund (Formerly UTP Growth Fund)	135	135
6,391	6,391	10	PICIC Investment Fund	85	85
			Personal Goods		
26,740	26,740	10	Fawad Textile Mills Limited	268	268
49,000	49,000	10	Hamid Textile Mills Limited	490	490
			Industrial Transportation		
888	888	10	Pakistan National Shipping Corporation	24	24
			Open-end Mutual Fund		
-	231,842		National Investment Unit Trust	-	10,150
1,368	1,061		Atlas Stock Market Fund	500	500
1,000,000	-		NIT Income Fund	10,000	-
Un-Quoted					
1,106	1,106	10	Nowshera Engineering Works Limited	11	11
				11,513	11,663
Provision for impairment in value of investments (Note 17.3.1)				(681)	(3,754)
				10,832	7,909

17.3.1 **Provision for impairment in value of investments**

	2010	2009
Opening balance as at 01 January	3,754	-
Provision made during the year	63	3,754
Provision adjusted against disposal of investments	(3,136)	-
Closing balance as at 31 December	681	3,754

17.3.2 At 31 December 2010, the fair value of available-for-sale securities was Rupees 11.454 million (2009: Rupees 7.909 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2010 would have been higher by Rupees 0.622 million.

17.4 **Investments at fair value through profit or loss**

NUMBER OF SHARES / UNITS 2010	2009	FACE VALUE RUPEES	NAME OF ENTITY	2010 (RUPEES IN THOUSAND)	2009
Quoted					
			Banks		
18,975	12,650	10	National Bank of Pakistan	3,097	3,097
			Construction and materials		
104,511	104,511	10	Pioneer Cement Limited	6,402	6,402
			Electricity		
40,000	40,000	10	The Hub Power Company Limited	1,198	1,198
			Chemicals		
95,000	95,000	10	Fauji Fertilizer Bin Qasim Limited	4,041	4,041
			Equity Investment Instruments		
76,500	76,500	10	PICIC Growth Fund	2,889	2,889
			Open-end Mutual Funds		
1,069	811		Atlas Income Fund	500	500
570,660	111,224		ABL Income Fund	5,122	1,000
71,579	74,680		Faysal Savings Growth Fund	2,702	7,000
217,881	197,545		NAFA Government Securities Liquid Fund	2,000	2,000
3,691	-		IGI Income Fund	3,000	-
21,059	-		Askari Sovereign Cash Fund	2,000	-
				32,951	28,127
Unrealized loss on remeasurement of investments				(7,643)	(10,047)
				25,308	18,080

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	2010	2009
	(RUPEES IN THOUSAND)	

18. PREMIUMS DUE BUT UNPAID - Unsecured

	2010	2009
Considered good		
Due from associates (Note 18.1)	36,740	43,417
Others	105,976	94,266
	142,716	137,683
Considered doubtful		
Due from associates	-	-
Others	12,399	-
	12,399	-
Provision for doubtful receivables charged during the year	(12,399)	-
	142,716	137,683

18.1 Due from associates:

	2010	2009
Janana De Malucho Textile Mills Limited	5,912	4,962
Babri Cotton Mills Limited	254	-
Bannu Woollen Mills Limited	-	11
Rahman Cotton Mills Limited	7,437	9,789
Ghandhara Nissan Limited	12,232	15,470
Ghandhara Industries Limited	10,441	8,526
The General Tyre and Rubber Company of Pakistan Limited	62	3,178
Gammon Pakistan Limited	74	245
Bibojee Services (Private) Limited	328	1,236
	36,740	43,417

18.1.1 Maximum aggregate balance due from associates at the end of any month was Rupees 56.965 million (2009: Rupees 58.80 million).

19. AMOUNT DUE FROM OTHER INSURERS / REINSURERS - Unsecured

	2010	2009
Amounts due from coinsurers	147,140	147,934
Amounts due from reinsurers	79,220	45,541
	226,360	193,475
Provision for doubtful receivables charged during the year	(4,039)	-
Amount due from other insurers / reinsurers - considered good	222,321	193,475

20. ACCRUED INVESTMENT INCOME

This represents profit accrued on term deposit receipts.

21. PREPAYMENTS

	2010	2009
Prepaid reinsurance premium ceded	60,337	52,849
Others	1,926	2,973
	62,263	55,822

22. SUNDRY RECEIVABLES

	2010	2009
Advances to employees unsecured - considered good	4,981	2,550
Security deposits	4,095	4,642
Rent recoverable from holding company	1,440	288
Sales tax receivable	608	69
Others	5,835	16,841
	16,959	24,390

23. FIXED ASSETS

	2010	2009
	(RUPEES IN THOUSAND)	
Owned assets (Note 23.1)	242,084	224,541
Leased assets (Note 23.1)	4,967	12,000
	247,051	236,541

23.1

	OWNED						LEASED			
	Freehold land	Buildings on freehold land	Furniture, fixtures and office equipment	Computer equipment	Motor Vehicles	Sub total	Furniture, fixtures and office equipment	Motor Vehicles	Sub total	Total
	(Rupees in thousand)									
At 01 January 2009										
Cost	9,157	47,549	19,538	13,046	36,286	125,576	2,258	46,377	48,635	174,211
Accumulated depreciation	-	(9,409)	(9,772)	(3,887)	(21,596)	(44,664)	(335)	(15,486)	(15,821)	(60,485)
Net book value	9,157	38,140	9,766	9,159	14,690	80,912	1,923	30,891	32,814	113,726
Year ended 31 December 2009										
Opening net book value	9,157	38,140	9,766	9,159	14,690	80,912	1,923	30,891	32,814	113,726
Additions	-	-	1,788	891	3,912	6,591	-	1,435	1,435	8,026
Transferred from leased assets:										
Cost	-	-	-	-	33,493	33,493	-	(33,493)	(33,493)	-
Accumulated depreciation	-	-	-	-	(17,805)	(17,805)	-	17,805	17,805	-
	-	-	-	-	15,688	15,688	-	(15,688)	(15,688)	-
Disposals:										
Cost	-	-	(97)	(1,256)	(6,143)	(7,496)	-	-	-	(7,496)
Accumulated depreciation	-	-	8	927	3,537	4,472	-	-	-	4,472
	-	-	(89)	(329)	(2,606)	(3,024)	-	-	-	(3,024)
Depreciation charge	-	(1,989)	(1,159)	(966)	(3,788)	(7,902)	(288)	(6,273)	(6,561)	(14,463)
Surplus on revaluation (Note 23.2)	98,203	34,073	-	-	-	132,276	-	-	-	132,276
Closing net book value	107,360	70,224	10,306	8,755	27,896	224,541	1,635	10,365	12,000	236,541
At 01 January 2010										
Cost / revalued amount	107,360	81,622	21,229	12,681	67,548	290,440	2,258	14,319	16,577	307,017
Accumulated depreciation	-	(11,398)	(10,923)	(3,926)	(39,652)	(65,899)	(623)	(3,954)	(4,577)	(70,476)
Net book value	107,360	70,224	10,306	8,755	27,896	224,541	1,635	10,365	12,000	236,541
Year ended 31 December 2010										
Opening net book value	107,360	70,224	10,306	8,755	27,896	224,541	1,635	10,365	12,000	236,541
Additions	-	-	1,550	1,958	14,223	17,731	-	-	-	17,731
Transferred from leased assets:										
Cost	-	-	-	-	8,268	8,268	-	(8,268)	(8,268)	-
Accumulated depreciation	-	-	-	-	(3,553)	(3,553)	-	3,553	3,553	-
	-	-	-	-	4,715	4,715	-	(4,715)	(4,715)	-
Disposals:										
Cost	-	-	(384)	(482)	(2,087)	(2,953)	-	-	-	(2,953)
Accumulated depreciation	-	-	208	234	1,165	1,607	-	-	-	1,607
	-	-	(176)	(248)	(922)	(1,346)	-	-	-	(1,346)
Depreciation charge	-	(3,511)	(1,204)	(2,970)	(7,079)	(14,764)	(245)	(2,073)	(2,318)	(17,082)
Surplus on revaluation (Note 23.2)	8,240	2,967	-	-	-	11,207	-	-	-	11,207
Closing net book value	115,600	69,680	10,476	7,495	38,833	242,084	1,390	3,577	4,967	247,051
Year ended 31 December 2010										
Cost / revalued amount	115,600	84,589	22,395	14,157	87,952	324,693	2,258	6,051	8,309	333,002
Accumulated depreciation	-	(14,909)	(11,919)	(6,662)	(49,119)	(82,609)	(868)	(2,474)	(3,342)	(85,951)
Net book value	115,600	69,680	10,476	7,495	38,833	242,084	1,390	3,577	4,967	247,051
Annual rate of depreciation (%)		5%	10-30%	30%	20%		15%	20%		

23.2 Surplus on revaluation

Latest revaluation of land and buildings was carried out by Messers Sadruddin Associates (Private) Limited (PBA approved valuer) as on 31 December 2010. Had there been no revaluation, carrying values of land and buildings as on 31 December 2010 would have been lower by Rupees 106.443 million (2009: Rupees 98.203 million) and Rupees 35.258 million (2009: Rupees 33.491 million) respectively.

23.3 **The depreciation charge for the year has been allocated as follows:**

	2010	2009
	(RUPEES IN THOUSAND)	
Expenses (Note 24)	11,395	9,642
General and administration expenses	5,687	4,821
	17,082	14,463

23.4 **Detail of operating fixed assets having book value of Rupees 50,000 disposed of during the year is as follows:**

DESCRIPTION	QTY	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	GAIN	MODE OF DISPOSAL	PARTICULAR OF PURCHASES
		(RUPEES IN THOUSAND)						
Honda Civic JF-079	1	674	138	536	925	389	Negotiation	Muhammad Tahir Latif, Lahore.
Daihatsu Cuore LA-013	1	200	93	107	265	158	As per Company's policy	Mr. Abdul Waheed - employee of the Company
		874	231	643	1,190	547		
Aggregate of items with individual Book value not exceeding Rupees 50,000		2,079	1,376	703	1,037	334		
		2,953	1,607	1,346	2,227	881		

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	2010	2009
	(RUPEES IN THOUSAND)	

24. EXPENSES

	2010	2009
Salaries and other benefits (Note 24.1)	81,067	62,285
Rent, rates and taxes	5,223	4,588
Electricity charges	2,265	2,037
Communication	4,921	5,152
Printing and stationery	921	2,279
Travelling and entertainment	3,270	6,083
Depreciation (Note 23.3)	11,395	9,642
Repairs and maintenance	3,992	678
Legal and professional charges	1,295	38
Advertisement	246	335
Leave encashment	7,373	-
Others	2,545	6,505
Service charges	878	-
	125,391	99,622

24.1 This include Rupees 2.802 million (2009 : Rupees 1.856 million) in respect of provident fund contribution by the Company.

24.2 The above expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue.

25. OTHER INCOME

	2010	2009
Income from financial assets		
Profit on term deposit receipts	446	3,792
Profit on bank accounts	1,279	1,195
	1,725	4,987
Income from non-financial assets		
Fronting fee	987	1,186
Sale of scrap	47	45
Gain on disposal of fixed assets	881	1,651
Credit balances written-back	1,338	1,402
	3,253	4,284
	4,978	9,271

26. GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
Salaries and benefits (Note 26.1)	55,856	41,221
Rent, rates and taxes	2,200	2,001
Electricity charges	1,561	1,086
Communication	1,516	1,392
Printing and stationery	3,546	1,172
Travelling and entertainment	3,578	3,081
Depreciation (Note 23.3)	5,687	4,821
Repairs and maintenance	2,187	1,379
Legal and professional charges	1,615	1,271
Provision for doubtful receivables (Note 26.2)	16,438	-
Provision for impairment on term deposit receipts (Note 15)	1,202	-
Provision for leave encashment	3,686	-
Advertisement	934	743
Auditors' remuneration (Note 26.3)	442	435
Others	6,691	8,141
	107,139	66,743

26.1 This include Rupees 1.860 million (2009 : Rupees 1.400 million) in respect of provident fund contribution by the Company.

	2010	2009
	(RUPEES IN THOUSAND)	
26.2 Provision for doubtful receivables		
Premium due but unpaid (Note 18)	12,399	-
Amounts due from other insurers / reinsurers (Note 19)	4,039	-
	16,438	-
26.3 Auditors' remuneration		
Statutory audit fee	300	300
Out of pocket expenses	17	-
Half yearly review	100	80
Certification and other charges	25	-
Fees for special assignments	-	55
	442	435

27. PROVISION FOR TAXATION

	2010	2009
Current		
Current year	(5,285)	(2,693)
Prior years	(5,070)	-
	(10,355)	(2,693)
Deferred	27,303	(390)
	16,948	(3,083)

27.1 In view of taxable loss for the year, provision for current taxation represents minimum tax and tax charge against dividend income and rental income as separate block of income under the Income Tax Ordinance, 2001. Numerical reconciliation between average tax rate and applicable tax rate has not been presented being impracticable.

28. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic (loss) / earnings per share which is based on:

	2010	2009
(Loss) / profit after taxation attributable to ordinary shareholders	(86,485)	7,820
	NUMBER OF SHARES	
Weighted average number of ordinary shares outstanding during the year	18,892,255	16,153,846
	RUPEES	
(Loss) / earnings per share - basic and diluted	(4.58)	0.48

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

PARTICULARS	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES	
	2010	2009	2010	2009	2010	2009
	----(RUPEES IN THOUSAND)----					
Managerial remuneration	840	840	4,902	3,883	17,006	8,469
House rent	360	360	375	1,500	5,230	2,639
Bonus	-	-	-	120	-	212
Provident fund contribution	-	-	396	360	996	578
Gratuity	-	-	276	-	-	-
Utilities	431	528	162	268	1,069	730
Medical allowance	2,542	159	91	87	-	-
Meeting fee	30	40	350	190	-	-
	4,203	1,927	6,552	6,408	24,301	12,628
No of employees	1	1	9	9	16	6

29.1 Chief executive, managing director and executives are also provided with free use of the Company's maintained cars and residential telephones.

29.2 Provision for gratuity is only made for Managing Director (as per terms of his employment contract) on the basis of last drawn gross salary for each year served.

30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2010	2009
	(RUPEES IN THOUSAND)	
Holding company		
Premium underwritten	648	908
Premium received	1,686	503
Claims paid	123	33
Shares issued	52,500	-
Commission paid	13,889	-
Rental Income	1,152	1,152
Associated companies		
Premium underwritten	60,743	48,779
Premium received	78,694	56,419
Claims paid	13,096	16,976
Dividend received	14	-
Vehicles purchased	8,098	-
Other related parties		
Company's contribution to provident fund trust	4,662	3,256

31. SEGMENT REPORTING

The Company has following four primary segments:

Fire and Property Insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation.

Marine and transport insurance provide coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.

Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverages.

Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage.

	FIRE AND PROPERTY DAMAGE		MARINE AND TRANSPORT		MOTOR ACCIDENT		OTHERS		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(RUPEES IN THOUSAND)									
Revenue										
Gross premium earned	179,941	209,203	91,668	90,129	178,183	203,119	62,334	54,286	512,126	556,737
Segment results	(4,449)	18,680	(3,509)	15,116	(1,999)	23,694	(7,286)	752	(17,243)	58,242
Investment income									8,172	7,579
Rental income									1,164	1,170
Other income									4,978	9,271
General and administration expenses									(107,139)	(66,743)
Financial charges									(609)	(1,407)
Share of profit from associates - net of tax									7,244	2,791
									(86,190)	(47,339)
(Loss) / profit before taxation									(103,433)	10,903
Provision for taxation									16,948	(3,083)
(Loss) / profit after taxation									(86,485)	7,820
Other information										
Segment assets	315,724	268,323	105,874	78,852	144,806	133,273	82,381	38,826	648,785	519,274
Unallocated assets									515,188	546,254
Total assets									1,163,973	1,065,528
Segment liabilities	296,621	254,677	93,559	64,032	162,837	141,410	90,565	54,485	643,582	514,604
Unallocated liabilities									76,021	105,252
Total liabilities									719,603	619,856

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32. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

32.1 Credit risk and concentration of credit risk

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

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

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

	2010	2009
	(RUPEES IN THOUSAND)	
Current and other accounts	83,628	93,019
Deposits maturing within twelve months	4,600	65,833
Loans to employees	643	773
Investments	64,310	48,780
Premium due but unpaid	142,716	137,683
Amount due from other insurers / reinsurers	222,321	193,475
Salvage recoveries accrued	2,910	2,372
Accrued investment income	124	1,293
Reinsurance recoveries against outstanding claims	193,437	109,668
Sundry receivable	16,351	24,321
	731,040	677,217

Provision is made for doubtful receivables according to the company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rupees 17.703 million were further impaired and provided for. The provision for doubtful debts is shown in the respective notes of these financial statements.

The age analysis of premium due but unpaid is as follows:

Upto one year	98,090	94,750
Past one but less than three years	44,626	42,933
	142,716	137,683

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

	SHORT TERM	LONG TERM	RATING AGENCY	2010	2009
				(RUPEES IN THOUSAND)	
Allied Bank Limited	A-1+	AA	PACRA	1,279	2,590
Askari Bank Limited	A-1+	AA	PACRA	96	182
Bank Alfalah Limited	A-1+	AA	PACRA	525	5,992
Bank Alhabib Limited	A-1+	AA+	PACRA	62,832	35,485
Faysal Bank Limited	A-1+	AA	PACRA	93	766
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,649	2,185
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	74	317
Indus Bank Limited	-	-	-	74	74
JS Bank Limited	A-1	A	PACRA	2	31
KASB Bank Limited	A-2	A-	PACRA	342	500
MCB Bank Limited	A-1+	AA+	PACRA	1,214	6,055
National Bank of Pakistan	A-1+	AAA	JCR-VIS	8,677	10,616
NIB Bank Limited	A-1+	AA-	PACRA	-	57
Soneri Bank Limited	A-1+	AA-	PACRA	1,056	1,058
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	1,037	1,499
Summit Bank Limited	A-2	A	JCR-VIS	116	1,574
The Bank of Punjab	A-1+	AA-	PACRA	179	905
The Bank of Khyber	A-2	A-	PACRA	165	5,640
United Bank Limited	A-1+	AA+	JCR-VIS	4,218	17,493
				83,628	93,019
Term deposit receipts					
Allied Bank Limited	A-1+	AA	PACRA	3,000	3,000
Bank Alfalah Limited	A-1+	AA	PACRA	-	10,031
Innovative Housing Finance Limited (Note 26)	-	-	-	-	402
Islamic Investment Bank Limited (Note 26)	-	-	-	-	200
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	50,000
Natover Lease and Refinance Limited (Note 26)	-	-	-	-	600
The Bank of Punjab	A-1+	AA-	PACRA	1,600	1,600
				4,600	65,833

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2010	2009
	(RUPEES IN THOUSAND)			
A or above (including PRCL)	212,387	164,312	376,699	272,062
BBB	7,829	26,882	34,711	22,381
Others	2,105	2,243	4,348	8,700
Total	222,321	193,437	415,758	303,143

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32.2 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are monitored regularly and the management insures that sufficient liquid funds are available.

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

	2010			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(RUPEES IN THOUSAND)			
Financial liabilities				
Provision for outstanding claims (Including IBNR)	318,351	318,351	318,351	-
Amount due to insurers / reinsurers	153,100	153,100	153,100	-
Accrued expenses	9,715	9,715	9,715	-
Unclaimed dividend	610	610	610	-
Other creditors and accruals	9,805	9,805	9,805	-
Deposits against performance bonds	3,538	3,538	3,538	-
Liabilities against assets subject to finance lease	2,447	2,591	1,934	657
	497,566	497,710	497,053	657

	2009			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(RUPEES IN THOUSAND)			
Financial liabilities				
Provision for outstanding claims (Including IBNR)	216,515	216,515	216,515	-
Amount due to insurers / reinsurers	114,439	114,439	114,439	-
Accrued expenses	6,382	6,382	6,382	-
Unclaimed dividend	610	610	610	-
Other creditors and accruals	25,369	25,369	25,369	-
Deposits against performance bonds	4,673	4,673	4,673	-
Liabilities against assets subject to finance lease	7,012	7,719	5,464	2,255
	375,000	375,707	373,452	2,255

32.3 **Market risk**

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk, price risk and currency risk.

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a) Interest / mark up rate risk

Interest / mark up rate risk is the risk that the value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / markup rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest markup rate profile of the Company's significant interest / markup bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective interest rate		(RUPEES IN THOUSAND)	
	Percentage			
Fixed rate financial instruments				
Financial assets				
Investments - PIBs	8 to 9.30 %	8 to 9.30 %	23,478	22,791
Term deposit receipts	10 to 12 %	5 to 13 %	4,600	65,833
Floating rate financial instruments				
Financial assets				
Bank deposits	4 to 6 %	3 to 5 %	74,484	34,286
Financial liabilities				
Liabilities against assets subject to finance lease	14.28 to 17.54 %	14.63 to 22.41 %	2,447	7,012

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all variables remain constant.

	(RUPEES IN THOUSAND)	
2010		
Cash flow sensitivity-variable rate financial liabilities	(24)	24
Cash flow sensitivity-variable rate financial assets	745	(745)
Decrease / (Increase) in loss for the year	721	(721)
2009		
Cash flow sensitivity-variable rate financial liabilities	(70)	70
Cash flow sensitivity-variable rate financial assets	343	(343)
Increase / (Decrease) in the profit for the year	273	(273)

b) **Price risk**

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to commodity price risk. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares.

The available for sale investments are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. The carrying and market value of these investments has been disclosed in the note 17.3 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

As the Company is only exposed to price risk for investments classified in the available-for-sale and at fair value through profit or loss category, a 10% increase / decrease in share prices at year end would have decreased / increased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit / (loss) before tax	Impact on equity
	(RUPEES IN THOUSAND)	
2010		
Effect of increase in share price - Decrease in loss and increase in equity	2,555	2,555
Effect of decrease in share price - Increase in loss and decrease in equity	3,061	3,061
2009		
Effect of increase in share price - Increase in profit and equity	2,599	2,599
Effect of decrease in share price - Decrease in profit and equity	2,599	2,599

c) **Currency risk**

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As on the reporting date, the Company do not have material assets or liabilities which are exposed to foreign currency risk.

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32.4 Financial instruments by categories

	Held to maturity 2010	Held to maturity 2009	At fair value through profit or loss 2010	At fair value through profit or loss 2009	Available for sale 2010	Available for sale 2009	Loans and receivables 2010	Loans and receivables 2009	Total 2010	Total 2009
	(RUPEES IN THOUSAND)									
Financial assets as per balance sheet										
Current and other accounts	-	-	-	-	-	-	83,628	93,019	83,628	93,019
Deposits maturing within twelve months	4,600	65,833	-	-	-	-	-	-	4,600	65,833
Loans to employees	-	-	-	-	-	-	643	773	643	773
Investments	28,170	22,791	25,308	18,080	10,832	7,909	-	-	64,310	48,780
Premium due but unpaid	-	-	-	-	-	-	142,716	137,683	142,716	137,683
Amount due from other insurers / reinsurers	-	-	-	-	-	-	222,321	193,475	222,321	193,475
Salvage recoveries accrued	-	-	-	-	-	-	2,910	2,372	2,910	2,372
Accrued investment income	-	-	-	-	-	-	124	1,293	124	1,293
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-	193,437	109,668	193,437	109,668
Sundry receivable	-	-	-	-	-	-	16,351	24,321	16,351	24,321
	32,770	88,624	25,308	18,080	10,832	7,909	662,130	562,604	731,040	677,217

	Other financial liabilities 2010	Other financial liabilities 2009
	(RUPEES IN THOUSAND)	
Financial liabilities as per balance sheet		
Provision for outstanding claims (including IBNR)	318,351	216,515
Amount due to insurers / reinsurers	153,100	114,439
Accrued expenses	9,715	6,382
Unclaimed dividend	610	610
Other creditors and accruals	9,805	25,369
Deposits against performance bonds	3,538	4,673
Liabilities against assets subject to finance lease	2,447	7,012
	497,566	375,000

33. INSURANCE RISK

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers, carefully selected and approved, or dispersed over several geographical regions.

Experience shows that larger is the portfolio of similar insurance contracts, smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine and transport, fire and property, motor and others. Risks under non-life insurance policies usually cover twelve month duration. For general insurance contracts, the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) **Concentration of insurance risk**

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) **Reinsurance risk**

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risk, and provide additional underwriting capacity which also constitutes towards the growth of premium. A significant portion of the reinsurance is affected under treaty, facultative and also under excess of loss reinsurance contracts to protect Company's exposure towards catastrophic losses.

To minimize its exposure to any possible losses from reinsurers' insolvencies, the Company evaluates the financial condition of the reinsurers, their rating and monitors concentrations of credit risk arising from the respective geographic regions, activities or economic characteristics of the reinsurers.

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

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

	Gross sum insured		Reinsurance		Net	
	2010	2009	2010	2009	2010	2009
	RUPEES IN THOUSAND					
Fire	74,094,114	60,309,587	48,175,993	35,956,576	25,918,121	24,353,011
Marine	61,198,005	62,530,299	9,038,945	36,286,333	52,159,060	26,243,966
Motor	6,480,234	6,494,504	3,248,542	722,189	3,231,692	5,772,315
Others	1,534,774	1,177,389	291,147	152,943	1,243,627	1,024,446
	143,307,127	130,511,779	60,754,627	73,118,041	82,552,500	57,393,738

c) **Neutral assumptions for claims estimation**

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available .

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

d) **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 considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

	Net Impact of Increase / Decrease in Average Claim by 10 % on			
	Underwriting result		Share holders' equity	
	2010	2009	2010	2009
	(RUPEES IN THOUSAND)			
Fire	1,871	3,321	1,216	2,159
Marine	1,858	1,178	1,208	766
Motor	10,267	10,610	6,674	6,897
Other	3,708	3,057	2,410	1,987
	17,704	18,166	11,508	11,809

34. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

	2010						
	Interest / mark up bearing			Non interest / mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	---------------- RUPEES IN THOUSAND ----------------						
Financial assets on balance sheet							
Current and other accounts	74,484	-	74,484	9,144	-	9,144	83,628
Deposits maturing within twelve months	4,600	-	4,600	-	-	-	4,600
Loans to employees	-	-	-	643	-	643	643
Investments	10,099	13,379	23,478	36,140	4,692	40,832	64,310
Premium due but unpaid	-	-	-	142,716	-	142,716	142,716
Amount due from other insurers / reinsurers	-	-	-	222,321	-	222,321	222,321
Salvage recoveries accrued	-	-	-	2,910	-	2,910	2,910
Accrued investment income	-	-	-	124	-	124	124
Reinsurance recoveries against outstanding claims	-	-	-	193,437	-	193,437	193,437
Sundry receivable	-	-	-	16,351	-	16,351	16,351
	89,183	13,379	102,562	623,786	4,692	628,478	731,040
Off balance sheet	-	-	-	-	-	-	-
Total	89,183	13,379	102,562	623,786	4,692	628,478	731,040
Financial liabilities on balance sheet							
Insurance contract - short term	-	-	-	155,657	-	155,657	155,657
Reinsurance assets held to cover insurance contracts	-	-	-	(60,337)	-	(60,337)	(60,337)
	-	-	-	95,320	-	95,320	95,320
Provision for outstanding claims	-	-	-	318,351	-	318,351	318,351
Amount due to insurers / reinsurers	-	-	-	153,100	-	153,100	153,100
Accrued expenses	-	-	-	9,715	-	9,715	9,715
Unclaimed dividend	-	-	-	610	-	610	610
Other creditors and accruals	-	-	-	9,805	-	9,805	9,805
Deposits against performance bonds	-	-	-	3,538	-	3,538	3,538
Liabilities against assets subject to finance lease	1,818	629	2,447	-	-	-	2,447
	1,818	629	2,447	590,439	-	590,439	592,886
Off balance sheet	-	-	-	-	-	-	-
Total	1,818	629	2,447	590,439	-	590,439	592,886
On balance sheet gap	87,365	12,750	100,115	33,347	4,692	38,039	138,154
Off balance sheet gap	-	-	-	-	-	-	-

	2009						
	Interest / mark up bearing			Non interest / mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	RUPEES IN THOUSAND						
Financial assets on balance sheet							
Current and other accounts	34,286	-	34,286	58,733	-	58,733	93,019
Deposits maturing within twelve months	65,833	-	65,833	-	-	-	65,833
Loans to employees	-	-	-	773	-	773	773
Investments	-	22,791	22,791	25,989	-	25,989	48,780
Premium due but unpaid	-	-	-	137,683	-	137,683	137,683
Amount due from other insurers / reinsurers	-	-	-	193,475	-	193,475	193,475
Salvage recoveries accrued	-	-	-	2,372	-	2,372	2,372
Accrued investment income	-	-	-	1,293	-	1,293	1,293
Reinsurance recoveries against outstanding claims	-	-	-	109,668	-	109,668	109,668
Sundry receivable	-	-	-	24,321	-	24,321	24,321
	100,119	22,791	122,910	554,307	-	554,307	677,217
Off balance sheet	-	-	-	-	-	-	-
Total	100,119	22,791	122,910	554,307	-	554,307	677,217
Financial liabilities on balance sheet							
Insurance contract - short term	-	-	-	164,598	-	164,598	164,598
contracts	-	-	-	(52,849)	-	(52,849)	(52,849)
	-	-	-	111,749	-	111,749	111,749
Provision for outstanding claims	-	-	-	216,515	-	216,515	216,515
Amount due to insurers / reinsurers	-	-	-	114,439	-	114,439	114,439
Accrued expenses	-	-	-	6,382	-	6,382	6,382
Unclaimed dividend	-	-	-	610	-	610	610
Other creditors and accruals	-	-	-	25,369	-	25,369	25,369
Deposits against performance bonds	-	-	-	4,673	-	4,673	4,673
Liabilities against assets subject to finance lease	4,900	2,112	7,012	-	-	-	7,012
	4,900	2,112	7,012	479,737	-	479,737	486,749
Off balance sheet	-	-	-	-	-	-	-
Total	4,900	2,112	7,012	479,737	-	479,737	486,749
On balance sheet gap	95,219	20,679	115,898	74,570	-	74,570	190,468
Off balance sheet gap	-	-	-	-	-	-	-

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 17.3 to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

36. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's objectives when managing capital are :

(i) To be in compliance with the paid up capital requirement set by the SECP.

(ii) To safe guard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to stakeholders.

(iii) To provide an adequate return to shareholders.

The Company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 02, 2011 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

(a) Figures have been rounded-off to the nearest thousand Rupees unless otherwise stated.

(b) Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant rearrangements / reclassifications have been made as follows:

DESCRIPTION	AMOUNT
	(Rupees in thousand)
Deposits against performance bonds are shown as a separate line item on the balance sheet, previously these were grouped under other creditors and accruals.	4,673
Security deposit on leases are grouped in sundry receivables, previously these were netted of with liabilities against assets subject to finance lease.	1,634
Gain on disposal of fixed assets is grouped under other income, previously this was shown on the face of profit and loss account.	1,651
Financial charges on lease liabilities are shown as a line item on the face of profit and loss account, previously these were grouped under expenses and general and administration	1,407
Profit on term deposits is grouped under other income, previously this was shown in statement of investment income.	3,792

DESCRIPTION	AMOUNT
	(Rupees in thousand)
Survey fee payable is reclassified from other creditors and accruals to provision for outstanding claims	1,096
Salvage recoveries accrued is shown as a line item on the face of balance sheet, previously this was netted of against provision for outstanding claims.	2,372
Advance lease rentals are reclassified from sundry receivables to prepayments.	190
Interest accrued on Pakistan Investment Bonds is now presented in held to maturity investments, previously this was shown in accrued investment income.	389
Advance income tax previously shown in sundry receivables is now grouped in advance income tax presented on the face of balance sheet net of provision for income taxation.	5,920

Raza Kuli Khan Khattak CHAIRMAN	Begum Zeb Gohar Ayub Khan CHIEF EXECUTIVE	Lt. Gen. (R) Ali Kuli Khan Khattak DIRECTOR	Capt. M. Jamil Akhtar Khan MANAGING DIRECTOR & PRINCIPAL OFFICER

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PATTERN OF SHAREHOLDING
AS ON DECEMBER 31, 2010

Number of ShareHolders	Shareholdings From	Shareholdings To	Total Number of Share Held	Percentage of Total Capital
219	1 -	100	6,400	0.02
176	101 -	500	51,491	0.20
123	501 -	1000	92,093	0.35
323	1001 -	5000	788,480	3.00
64	5001 -	10000	463,474	1.77
32	10001 -	15000	384,019	1.46
9	15001 -	20000	158,715	0.60
6	20001 -	25000	137,558	0.52
2	25001 -	30000	54,342	0.21
3	30001 -	35000	99,384	0.38
1	35001 -	40000	37,431	0.14
4	40001 -	45000	169,582	0.65
2	45001 -	50000	99,052	0.38
1	50001 -	65000	63,548	0.24
3	65001 -	70000	201,792	0.77
1	70001 -	75000	71,275	0.27
1	75001 -	80000	77,472	0.30
1	80001 -	85000	80,193	0.31
1	85001 -	90000	85,625	0.33
1	90001 -	95000	91,080	0.35
1	95001 -	100000	96,181	0.37
2	100001 -	105000	208,966	0.80
2	105001 -	110000	216,534	0.82
1	110001 -	120000	117,855	0.45
2	120001 -	125000	245,285	0.93
1	125001 -	160000	158,136	0.60
1	160001 -	185000	182,220	0.69
1	185001 -	230000	229,920	0.88
1	230001 -	250000	247,928	0.94
1	250001 -	420000	415,237	1.58
1	420001 -	515000	510,406	1.94
1	515001 -	26250000	20,408,326	77.75
988			**26,250,000**	**100.00**

CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31, 2010

Sr. #	Categories	No. of Shareholders	Shares Held	%age of Capital
1	Executives	8	397,783	1.52
2	Directors, Chief Executive Officer, and their spouse and minor children	10	1,292,909	4.93
3	Associated Companies, Undertakings and Related Parties	1	20,408,326	77.75
4	NIT and ICP	1	1,463	0.01
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	19	262,251	1.00
6	Insurance Companies	3	93,568	0.36
7	General Public (Local)	943	3,731,038	14.21
8	Others	3	62,662	0.24
	TOTAL:	**988**	**26,250,000**	**100.00**

DETAILED CATEGORIES OF SHAREHOLDERS
AS ON DECEMBER 31ST, 2010

Sr. #	Name	Shares Held	Percentage of Total Capital
Executives			
1	Muhammad Rafiq Chaudhry	85,625	0.33
2	Fazal-ur-Rehman Malik	65,625	0.25
3	Amir Raza	25,000	0.10
4	Rana Abdul Hameed	50,000	0.19
5	Pervez Chaghtai	104,841	0.40
6	Amir Majeed Khan	20,000	0.08
7	Ghulam Qamber Naqvi	41,673	0.16
8	Syed Hammad Hassan Rizwi	5,019	0.02
	Running Total:	**397,783**	**1.52**
Directors, Chief Executive Officer, and their spouse and minor children			
1	Raza Kuli Khan Khattak	510,406	1.94
2	Lt. Gen. (R) Ali Kuli Khan Khattak	247,928	0.94
3	Ahmed Kuli Khan Khattak	229,920	0.88
4	Begum Zeb Gohar Ayub Khan	123,962	0.47
5	Mrs. Shahnaz Sajjad Ahmed	77,472	0.30
6	Dr. Shaheen Kuli Khan Khattak	77,472	0.30
7	Mushtaq Ahmed Khan F.C.A.	2,625	0.01
8	Choudhry Sher Mohammad	6,562	0.02
9	Mohammad Kuli Khan Khattak	6,562	0.02
10	Capt. M. Jamil Akhtar Khan	10,000	0.04
	Running Total:	**1,292,909**	**4.93**
Associated Companies, Undertakings and Related Parties			
1	Bibojee Services (Pvt) Limited	20,408,326	77.75
	Running Total:	**20,408,326**	**77.75**
NIT and ICP			
1	Investment Corporation of Pakistan	1,463	0.01
	Running Total:	**1,463**	**0.01**

Sr. #	Name	Shares Held	Percentage of Total Capital
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	Capital Vision Securities (Pvt) Limited	770	0.00
2	Cliktrade Limited	40	0.00
3	IDBP (ICP UNIT)	4,648	0.02
4	Pearl Capital Management (Pvt) Limited	10,000	0.04
5	Soneri Bank Limited	182,220	0.69
6	Moosa, Noor Mohammad, Shahzada & Company (Pvt) Limited	1,100	0.00
7	Salim Sozer Securities (Pvt) Limited	8,899	0.03
8	Seven Star Securities (Pvt) Limited	1,096	0.00
9	AWJ Securities (SMC-PVT) Limited	14,494	0.06
10	RS Holdings (Pvt) Limited	12	0.00
11	Ali Husain Rajab Ali Limited	10,000	0.04
12	First NAtional Equities Limited	1	0.00
13	Stock Master Securities (Pvt) Limited	105	0.00
14	N. H. Capital Fund Limited	5	0.00
15	Darson Securities (Pvt) Limited	22,557	0.09
16	Ismail Abdul Shakoor Securities (Pvt) Limited	3,500	0.01
17	Excel Securities (Pvt) Limited	675	0.00
18	Shirazi Investment (Pvt) Limited	1,359	0.01
19	United Capital Securities (Pvt) Limited	770	0.00
	Running Total:	**262,251**	**1.00**
Insurance Companies			
1	Gulf Insurance Company Limited	22,243	0.08
2	Excel Insurance Company Limited	66,325	0.25
3	United Insurance Company of Pakistan Limited	5,000	0.02
	Running Total:	**93,568**	**0.36**
General Public (Local)			
		3,731,038	14.21
	Running Total:	**3,731,038**	**14.21**
Others			
1	Millwala Sons (Pvt) Limited	8,599	0.03
2	Deputy Administrator Abandoned Properties Organization	37,431	0.14
3	Sultan Textile Mills (K) Limited	16,632	0.06
	Running Total:	**62,662**	**0.24**
	Grand Total:	**26,250,000**	**100.00**

HEAD OFFICE EXECUTIVE/ DEPARTMENTAL HEADS / MARKETING EXECUTIVES

Name	Designation	Telephone Office	Fax No.
Begum Zeb Gohar Ayub Khan	Chief Executive	042-37312836	042-37230326
Capt. M. Jamil Akhtar Khan	Managing Director	042-37355579	042-37230326
Mr. Omar Ayub Khan	Chief Operating Officer	042-37312836	042-37230326
Mr. Muhammad Rafiq Chaudhary	Executive Director Head Office	042-37112671	042-37353209
Mr. Fazal-ur-Rehman Malik	Executive Director (Development)	051-2825544	051-2825554
Mr. Amir Raza	Chief Financial Officer	042-37242913	042-37230326
Lt Col. (R) Mahmood Ahmed	General Manager Admin & Personnel	042-37311666	042-37230326
Mr. Hussain Ali Merchant	General Manager IT	042-37325021	042-37325025
Syed Ghulam Qamber Naqvi	Deputy General Manager - Reinsurance	042-37238616	042-37230326
Mr. Ijaz Ahmed	Company Secretary	042-37359437	042-37230326
Mr. Abdul Waheed Chaudhry	Internal Auditor	042-37353357	042-37230326
Mr. Wahab Ali Shah	Officiating Head of Claims	042-37350482	042-37230326

UIC

COUNTRY WIDE BRANCH NETWORK

1- Brandreth Road branch, Lahore

Room # 201, 2nd Floor, Shahzadi Rafaqat Market,
83-Brandreth Road,
Lahore
Tel: 042- 37341593, 042-37637367
Fax: 042-37630866

2- Gulberg branch, Lahore

Room # 423, 4th Floor, Al-Latif Centre,
88/D-1, Main Boulevard, Gulberg-III,
Lahore
Tel: 042-35789980-81; 042-35763066
Fax:042-35789979

3- Cavalry Ground branch, Lahore

2nd Floor 54 - Commercial Area
Cavalry Ground, Lahore Cantt
Tel: 042-36619724 ;042-36601470-71
Fax: 042-36682323

4- Mcleod Road branch, Lahore

301-302, Zia Chamber,Mcleod Road,
Lahore
Tel: 042-37356316 ; 042-37236247
Fax: 042-37221609

5- Eden Center branch, Lahore

213, Eden Center, 43 - Jail Raod,
Lahore
Tel: 042-37596684-6
Fax: 042-37585297

6- Queens Road branch, Lahore

Mumtaz Centre, 15-A Queens Road,
Lahore
Tel: 042-36374533 ; 042-36362277
Fax: 04-36303558

7- Abbot Road branch,Lahore

Khursheed Plaza, 10 - Abbot Road,
Lahore
Tel: 042-36364420-21
Fax: 042-36278917

8- Kutchery Bazar branch, Faisalabad

Akbar Manzil, Kutchery Bazar, Faisalabad
Tel: 041-2632917; 041-2641977
Fax: 041- 2601388

9- Mazang branch, Lahore

Room No. 6, 1st floor jalal center, opp. eye ward
Ganga Ram Hospital, Lahore
Tel: 042-36309087
Fax: 042-36302510

10- Madina Town branch, Faisalabad

1st Floor, Main Susan Road (Madina Town),
Faisalabad
Tel: 041-8733172-174
Fax: 041- 8733170

11- Circular Road branch, Faisalabad

P-184 Jamal Building, Circular Road,
Faisalabad
Tel: 041-2623322; 041-2601024; 041-2643532
Fax: 041-2637546

12- Kohinoor City branch, Faisalabad

Office # 11, 3rd Floor, Legacy Tower, Kohinoor City,
Faisalabad
Tel: 041-8555443-8555444
Fax: 041-8555442

13- Paris Road branch, Sialkot

Oberoi Building, Paris Road,
Sialkot
Tel: 052-4596849; 052-4598402; 052- 4591023;
052- 4591025
Fax: 052- 4593022

14- Kashmir Road branch, Sialkot

Al-Nasir Zone, Near Habib Bank Ltd.
Kashmir Road, Sialkot
Tel: 052-4262770; 052- 4263371-74
Fax: 052- 4268073

15- Gujrat branch

Near Sultan Public School, G.T. Road,
Gujrat
Tel: 053-3514094
Fax: 053- 3514095

16- Abbot Road branch, Sialkot

Near OK, Sports, Abbot Road,
Sialkot
Tel: 052-4262603-4
Fax: 052- 4262601

17- Blue Area branch, Islamabad

3rd Floor, Waheed Plaza, 52-W, Jinnah Avenue,
Blue Area, Islamabad
Tel: 051-2277555-56; 051-2825558
Fax: 051-2825554

18- Gujranwala branch

Opp: General Bus Stand Near PSO Petrol Pump, G.T. Road,
Gujranwala
Tel: 055- 8243300; 055- 8247700
Fax: 055-3731948

19- Nusrat Road branch, Multan

1st Floor, Khawar Center, Nusrat Road, Multan

Tel: 061-4540004; 061-4541004 ; 061-4545404

Fax:061-4581803

20- Principal Office, Karachi

807 - Business And Finance Centre,
I.I Chundrigar Road, Karachi
Tel: 021- 32446036-38

Fax: 021- 32446039

21- Bosan Road Branch, Multan

Office No. 55- 57 1st floor, Business City,
Bosan Road, Multan
Cell: 0300-8639063

22- LMQ Road branch, Multan

Suite # 15, 1st Floor, Sharif Plaza,
LMQ Road, Multan
Tel: 061-4580153-4501029-31
Fax: 061- 4580154

23- Mirpur branch, Mirpur

Al - Rahi Square Sector C-1, Mirpur (A.J.K)

Tel: 058274-36181
Fax: 058274-36181

24- Abbotabad branch

Room # 205, 2nd Floor Bilal Plaza behind silk plaza,
Mansehra Road supply Abbotabad.
Tel: 0992-342441

25- Quetta branch

13-D, 3rd Floor, Agha Siraj Complex, Circular
Road Quetta
Tel: 081- 2866070

Fax: 081-2866070

26- Dean Trade Center branch, Peshawar

Dean Trade Center, 145, 146 3rd floor
Opp: State Bank of Pakistan, Saddar Road, Peshwar Cantt
Tel: 091- 5273794; 091-5250081
Fax: 091-5272246

27- Sargodha branch-1

Al-Munir Market,Block # 4 Sargodha

Tel: 048-3720913

Fax: 048-3700655

28- Sargodha branch-2

Master R. M. Motors near falcon CNG station, Lahore Road
Sargodha
Tel: 048-3220720
Fax: 048-3220721

29- Mailsi branch

Mailsi

Tel: 067-3411115

30- Sadiqabad branch

Allama Iqbal Road,
Sadiqabad
Tel: 068- 5702195

Fax:068 -5702195

31- Muree Road branch, Rawalpindi

Opp: Rawalpindi General Hospital Muree Road,
Rawalpindi

Tel: 051-4571354

Fax: 051- 4414579

FORM OF PROXY

I / We ____ of

____ being a member(s) of The Universal Insurance Company Limited and holder of ______________ Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No.____________________ herby appoint ________________________ of

____ or failing him / her

____ of

____ who is

also member of The Universal Insurance Company Limited vide Registered Folio No./CDC Participant's ID and Account No.________________ as may / our proxy to vote for me / us and on my / our behalf at the 51th Annual General Meeting of the company to be held on Thursday 28th April, 2011 at 10:00 a.m and any adjournment therefor.

Signed this __________ day of ________ 2011.

AFFIX REVENUE STAMP RS. 5/-

Signature ______________________

Witness: ______________________ Witness: ______________________

Name with NIC No.: ______________ Name with NIC No.: ______________

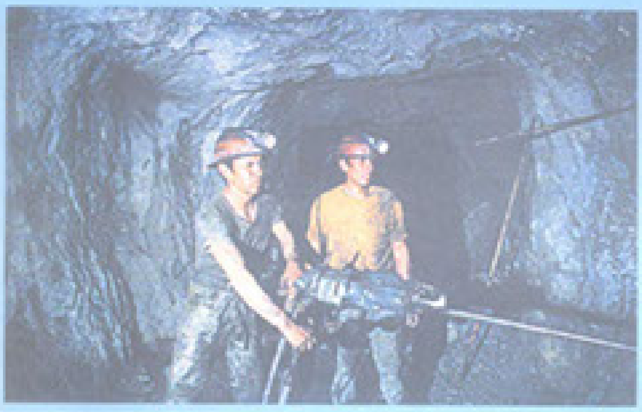
Address: ______________________ Address: ______________________

IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office The Universal Insurance Company Limited, 63-Shahrah-e-Quaid-e-Azam, Lahore not later than 48 hours before the time of holding the meeting.

2. A Proxy should also be a member of the Company.

3. CDC Shareholders and their proxies must each attach an attested photocopy of their National Identity Card of Passport with this Proxy with this Proxy form.



SECURITY-SERVICE-PROSPERITY

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THE UNIVERSAL INSURANCE CO. LTD.

UNIVERSAL INSURANCE HOUSE
63-SHAHRAH-E-QUAID-E-AZAM
LAHORE-54000 PAKISTAN.
PH: 042- 3735 5426, 3732 4244, 3732 4194
FAX: 042-3723 0326
WEB: www.uic.com.pk
E-MAIL: info@uic.com.pk