Century Insurance

A Lakson Group Company

ENSURING PROTECTION

ENSURING PROTECTION

Annual Report 2009

Our Vision

To be an Organisation known for integrity and ethical behaviour and fully dedicated to our clients, business partners, shareholders and employees, providing exceptional quality service and committed to achieve excellence in all areas of its operations.

Our Mission

- To become a Company of choice to our valued clients, stakeholders and employees.
- To maximize growth and profitability of the Company and provide excellent financial returns to its valued shareholders.
- The Company's culture should be known for its integrity and ethical behaviour.
- The Company to be known as one of the best insurance companies of the Country.

Century Insurance at a Glance

- Century Insurance is a Lakson Group Company.
- Operating since 1989, dealing in all areas of general insurance business.
- One of the premier general insurance companies of Pakistan.
- Rated “A” with stable outlook which signifies High Financial Capacity to meet Policyholders and contract obligations.
- Paid-up capital of Rs. 457 million, which is 129% higher than the Government specified threshold.
- Twice awarded ‘Top 25 Companies Award’ of the Karachi Stock Exchange.
- Very strong Reinsurance treaty arrangements with world renowned reinsurers.
- Client base consists of prestigious local and foreign corporates.

“Prompt settlement of claims & customers’ satisfaction are Century’s top priority”

Your Company's growing financial strength complimented by one of the best treaty terms available in the local market and a dedicated management team lays the foundation of an organization on which the client can totally rely on. We focus on Building Long Term Relationships.

Century's Team

Contents

Board of directors

Sitting from left to right

Mr. Iqbal Ali Lakhani
Chairman

Mr. Amin Mohammed Lakhani
Director

Mr. Zulfiqar Ali Lakhani
Director

Standing from left to right

Mr. Tinku Irfan Johnson
Director & Chief Executive

Mr. Muhammad Abdul Qadir
Director

Mr. Tasleemuddin A. Batlay
Director

Mr. A. Aziz H. Ebrahim
Director

Corporate Information

Board of Directors

Mr. Iqbal Ali Lakhani - Chairman
Mr. Zulfiqar Ali Lakhani
Mr. Amin Mohammed Lakhani
Mr. Tasleemuddin A. Batlay
Mr. A. Aziz H. Ebrahim
Mr. Muhammad Abdul Qadir
Mr. Tinku Irfan Johnson – Chief Executive

Advisor

Mr. Sultan Ali Lakhani

Chief Financial Officer

Mr. Sabza Ali Pirani

Company Secretary

Mr. Mansoor Ahmed

Audit Committee

Mr. Zulfiqar Ali Lakhani (Chairman)
Mr. Amin Mohammed Lakhani
Mr. Tasleemuddin A. Batlay

Underwriting Committee

Mr. Tasleemuddin A. Batlay (Chairman)
Mr. Tinku Irfan Johnson
Mr. Afzal-ur-Rahman

Claim Settlement Committee

Mr. Amin Mohammed Lakhani (Chairman)
Mr. Tinku Irfan Johnson
Mr. Afzal-ur-Rahman

Reinsurance & Co-Insurance Committee

Mr. Zulfiqar Ali Lakhani (Chairman)
Mr. Tinku Irfan Johnson
Mr. Afzal-ur-Rahman
Mr. Arif Anvar Ali Momin

External Auditors

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

Bankers

Allied Bank Limited
Bank Al-Habib Limited
Citibank N.A.
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Hong Kong Shanghai Banking Corporation Limited

Shares Registrar

M/s. FAMCO Associates (Pvt) Ltd.
State Life Building No.1A,
1st Floor, I.I.Chundrigar Road,
Karachi.

Registered & Corporate Office

Lakson Square, Building No.2, Sarwar Shaheed Road,
Karachi-74200

Head Office

11th Floor, Lakson Square, Building No.3, Sarwar Shaheed Road, Karachi-74200

Karachi Marketing Office

10th Floor, Lakson Square, Building No. 3, Sarwar Shaheed Road, Karachi-74200.

Lahore Branch

Suite No.209, Eden Centre, 43-Jail Road,
Lahore.

Islamabad Branch

Office No.5, Kashmir Plaza, Jinnah Avenue, Blue Area,
Islamabad.

Rawalpindi Branch

Suite No.3, 1st Floor, Majeed Plaza, Bank Road,
Rawalpindi.

Faisalabad Branch

1st Floor, FM Plaza, 15-D, Peoples Colony,
Faisalabad.

Sialkot Branch

1st Floor, Karim Plaza, Iqbal Town, Defence Road,
Sialkot.

Website: www.cicl.com.pk
UAN: 111-111-717

Senior management

Sitting from left to right

Mr. Javed Muslim Head of Marketing	Mr. Tinku I. Johnson Director & Chief Executive	Mr. Afzal- ur- Rahman Head of Operations	Mr. Sabza Ali Pirani Chief Financial Officer

Standing from left to right

Mr. Abdul Rashid Head of IT	Mr. Shahid Mobeen Head of Internal Audit	Mr. Altaf Siddique Head of Claims	Mr. Ali Asghar Head of Underwriting (Fire)	Mr. Arif Momin Head of Reinsurance	Mr. Shahid Hussain Head of Underwriting (Motor)

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of CENTURY INSURANCE COMPANY LIMITED will be held on Thursday 15 April 2010 at 10:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2009 together with the Directors' and Auditors' reports thereon.

2. To appoint Auditors and fix their remuneration.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

KARACHI: 08 March 2010

NOTES:

1. The share transfer books of the Company will remain closed from 09 to 15 April 2010 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, State Life Building No.1-A, 1st Floor, I.I.Chundrigar Road, Karachi upto the close of business on 08 April 2010 will be treated in time.

2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy, in order to be effective, must be received at the registered office of the Company at Karachi not later than 48 hours before the time of the meeting.

5. Members are requested to notify Shares Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.

7. Form of Proxy is enclosed herewith.

Financial performance at a glance

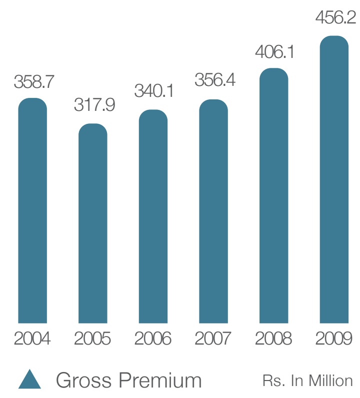
Rupees in million

Gross Premium Written

2009	456
2008	406
Percentage	12%

Net Premium

2009	207
2008	241
Percentage	-14%

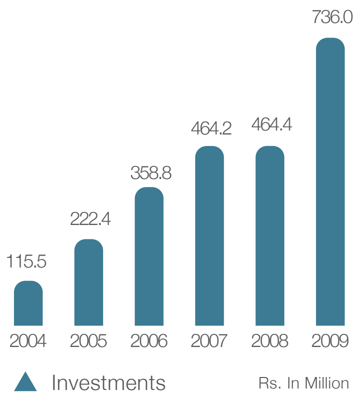


Net Claims

2009	65
2008	79
Percentage	-18%

Underwriting Profit

2009	95
2008	122
Percentage	-22%



Investments

2009	736
2008	464
Percentage	59%

Total Assets

2009	1,152
2008	1,294
Percentage	-11%

Total Liabilities

2009	300
2008	372
Percentage	-19%

Total Shareholders' Equity

2009	852
2008	922
Percentage	-8%

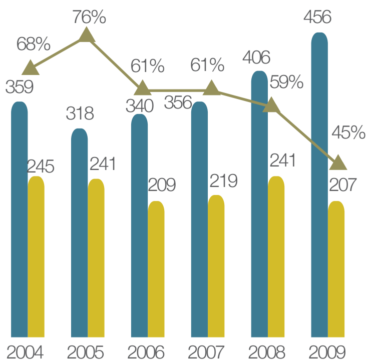
Your management is fully conscious of the challenges lying ahead and has developed a comprehensive strategy which focuses on the bottom line and of fering reasonable returns to its valued shareholders.

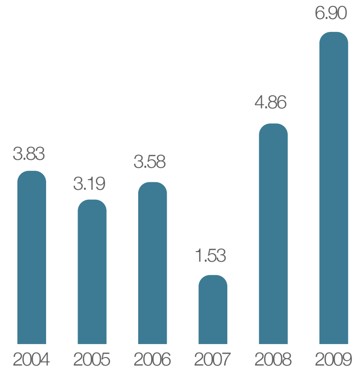
The key objective of the Company is to achieve sustainable growth in the future. We firmly believe that such progress can only be achieved by a continuous strive for identifying new and innovative products, expanding branch network, superior quality service and further enhance financial strength of the Company.

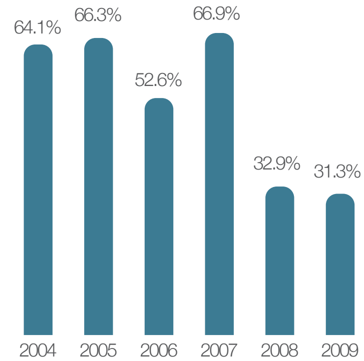
Key operating and financial data

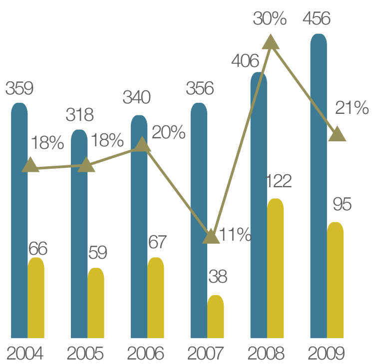
Rupees in million

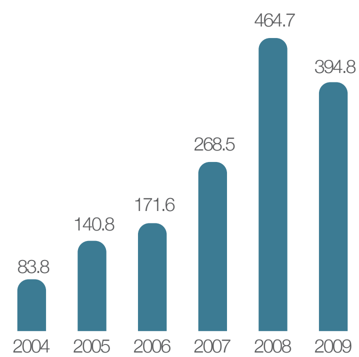
	2009	2008	2007	2006	2005	2004
Financial Data						
Paid-up Capital	457.2	457.2	254.0	203.2	150.5	125.4
General & Capital Reserves	394.8	464.7	268.5	171.6	140.8	83.8
Shareholders' Equity	852.0	922.0	522.5	374.8	291.3	209.2
Underwriting Provisions	228.4	247.3	999.6	242.4	199.9	189.9
Investments	736.0	464.4	464.2	358.8	222.4	118.0
Total Assets	1,151.8	1,293.5	1,691.6	695.4	567.3	442.4
Fixed Assets (Tangible & Intangible)	42.6	42.2	31.8	27.7	20.8	18.2
Cash & Bank Deposits	75.3	316.4	248.8	79.4	110.3	91.5
Operating Data						
Gross Premium	456.2	406.1	356.4	340.1	317.9	358.7
Net Premium	206.6	241.4	218.6	208.6	241.0	245.3
Net Claims	64.7	79.3	146.2	109.7	159.8	157.2
Underwriting Profit	95.0	122.3	37.9	66.7	58.8	65.7
Investment (Loss) / Income	(73.0)	(38.0)	169.4	62.9	76.1	22.6
(Loss) / Profit Before Tax (PBT)	(39.9)	53.8	168.2	105.1	117.8	70.9
Taxation	30.0	35.3	0.2	9.3	23.4	22.5
(Loss) / Profit After Tax (PAT)	(70.0)	18.4	168.0	95.8	94.3	51.5
Dividends - Cash	-	-	-	20.3	15.1	12.5
- Bonus	-	-	76.2	50.8	52.7	25.1
Financial Ratios						
Profitability						
Profit Before Tax / Net Premium (%)	(19.3)	22.3	76.9	50.4	48.9	28.9
Profit After Tax / Net Premium (%)	(33.9)	7.6	76.8	45.9	39.1	21.0
Management Expenses / Gross Premium (%)	24.8	23.8	25.2	20.4	14.7	10.5
Management Expenses / Net Premium (%)	54.7	40.0	41.1	33.3	19.4	15.3
Underwriting Profits / Net Premium (%)	46.0	50.7	17.4	32.0	24.4	26.8
Net Claims / Net Premium (%)	31.3	32.9	66.9	52.6	66.3	64.1
Return on Assets (%)	(6.1)	1.4	9.9	13.8	16.6	11.6
Return to Shareholders						
Return on Equity (%)	(8.2)	2.0	32.1	25.6	32.4	24.6
Return on Investment (%)	(12.2)	(8.2)	41.2	21.6	45.1	18.2
(Loss) / Earnings Per Share (Rs.)	(1.53)	0.40	3.67	2.10	2.06	1.13
Dividend Per Share (Rs.)	-	-	-	1.0	1.0	1.0
Dividend Payout (%)	-	-	-	47.7	48.5	88.9
Bonus share (%)	-	-	30.0	25.0	35.0	20.0
Price Earning Ratio (Times)	-	30.4	19.1	19.8	21.4	30.7
Market Value per share	13.7	12.3	70.3	41.5	44.2	34.5
Liquidity / Leverage						
Break-up Value per share (Rs.)	18.6	20.2	20.6	18.4	19.4	16.7
Current Ratio (Times)	6.9	4.9	1.5	3.6	3.2	3.8
Total Assets Turnover Ratio (Times)	0.40	0.31	0.21	0.49	0.56	0.81
Total Liabilities / Equity (Times)	0.35	0.40	2.24	0.86	0.95	1.11
Paid-up Capital / Total Assets (%)	39.7	35.3	15.0	29.2	26.5	28.4
Equity / Total Assets (%)	74.0	71.3	30.9	53.9	51.3	47.3

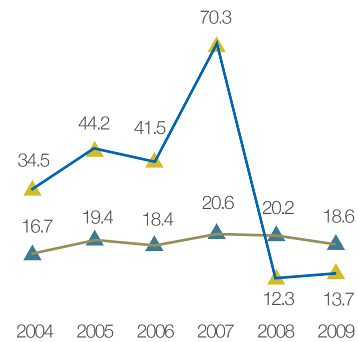












Gross Premium (Category Wise)

- Fire & Property 42%
- Marine, Aviation & Transport 14%
- Motor 24%
- Miscellaneous 20%

Horizontal analysis

	2009 (Rupees)	2009 %	2008 (Rupees)	2008 %	2007 (Rupees)	2007 %
BALANCE SHEET ITEMS						
Assets						
Cash and bank deposits	75,313,774	-76.2%	316,415,603	27.2%	248,820,778	213.3%
Investments	735,978,003	58.5%	464,449,483	0.0%	464,230,634	29.4%
Deferred taxation	582,852	-4.8%	612,122	-42.3%	1,060,345	
Premiums due but unpaid - unsecured	72,986,651	-8.6%	79,871,002	61.8%	49,368,921	-35.9%
Amounts due from other insurers / reinsurers	80,510,620	-43.9%	143,639,270	298.0%	36,092,262	25.5%
Reinsurance recoveries due but unpaid	11,703,178	-90.8%	127,454,211	848.3%	13,440,159	8.4%
Salvage recoveries accrued	4,630,000	6.3%	4,355,000	1.1%	4,307,000	39.0%
Accrued investment income	3,655,257	47.2%	2,483,376	-12.7%	2,845,992	170.4%
Reinsurance recoveries against outstanding claims	7,387,579	-74.0%	28,374,752	-96.3%	761,515,318	5782.8%
Taxation - net	4,937,229		-	-100.0%	10,776,822	
Deferred commission expense	11,897,979	12.8%	10,548,890	8.2%	9,745,756	-33.2%
Prepayments	96,067,521	38.4%	69,403,482	29.8%	53,452,020	-7.5%
Sundry receivables	3,549,379	-5.5%	3,757,899	-8.8%	4,120,290	-81.2%
Fixed assets (tangible & intangible)	42,636,050	1.1%	42,178,621	32.7%	31,788,290	15.0%
Total assets	1,151,836,072	-11.0%	1,293,543,711	-23.5%	1,691,564,587	143.2%
Shareholders' equity and liabilities						
Paid-up capital	457,243,660	0.0%	457,243,660	80.0%	254,024,260	25.0%
Retained earnings	21,732,162	-76.3%	91,690,876	-47.4%	174,476,572	75.6%
Reserves	373,024,260	0.0%	373,024,260	296.7%	94,033,066	30.2%
Provision for outstanding claims (including IBNR)	58,386,567	-45.1%	106,347,616	-87.7%	861,701,560	995.8%
Provision for unearned premium	152,173,290	23.3%	123,383,463	0.5%	122,764,094	-16.6%
Commission income unearned	17,858,380	1.7%	17,554,354	15.9%	15,143,240	-8.9%
Staff retirement benefits	-	-100.0%	1,020,000	-74.2%	3,947,000	
Premiums received in advance	4,721,213	389.6%	964,318	62.6%	593,144	-7.9%
Amounts due to other insurers / reinsurers	25,908,539	-68.5%	82,168,132	41.2%	58,182,850	10.9%
Accrued expenses	3,195,441	-21.8%	4,084,654	51.2%	2,701,372	9.5%
Taxation - net	-	-100.0%	1,511,026		-	-100.0%
Other creditors and accruals	37,121,586	8.9%	34,080,378	-67.1%	103,516,126	411.7%
Unclaimed dividend	470,974	0.0%	470,974	-2.1%	481,303	17.1%
Total shareholders' equity and liabilities	1,151,836,072	-11.0%	1,293,543,711	-23.5%	1,691,564,587	143.2%
PROFIT AND LOSS ACCOUNT						
Net premium revenue	206,646,121	-14.4%	241,371,386	10.4%	218,621,790	4.8%
Net claims	(64,707,924)	-18.4%	(79,296,296)	-45.7%	(146,163,938)	33.2%
Expenses	(59,530,383)	24.4%	(47,854,321)	8.3%	(44,169,080)	20.4%
Net commission	12,623,117	57.0%	8,039,621	-16.6%	9,644,138	115.2%
Investment (loss) / income	(73,034,849)	92.0%	(38,041,033)	-122.5%	169,377,916	169.4%
Other income - net	20,238,268	-9.5%	22,366,115	358.3%	4,880,355	-29.9%
General and administration expenses	(53,514,513)	9.7%	(48,771,613)	7.0%	(45,588,484)	39.0%
Share of (loss) / profit of associates	(5,031,869)	797.1%	(560,887)	-136.1%	1,555,767	10.5%
Impairment in value of investment in associates	(23,635,007)	575.3%	(3,500,000)		-	
Taxation - net	(30,011,674)	-15.1%	(35,331,398)	21087.5%	(166,756)	-98.2%
(Loss) / profit after tax	(69,958,714)	-479.8%	18,421,574	-89.0%	167,991,708	75.4%

Vertical analysis

	2009 (Rupees)	%	2008 (Rupees)	%	2007 (Rupees)	%
BALANCE SHEET ITEMS						
Assets						
Cash and bank deposits	75,313,774	6.5%	316,415,603	24.5%	248,820,778	14.7%
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Accrued expenses	3,195,441	0.3%	4,084,654	0.3%	2,701,372	0.2%
Taxation - net	-	0.0%	1,511,026	0.1%	-	0.0%
Other creditors and accruals	37,121,586	3.2%	34,080,378	2.6%	103,516,126	6.1%
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General and administration expenses	(53,514,513)	-25.9%	(48,771,613)	-20.2%	(45,588,484)	-20.9%
Share of (loss) / profit of associates	(5,031,869)	-2.4%	(560,887)	-0.2%	1,555,767	0.7%
Impairment in value of investment in an associate	(23,635,007)	-11.4%	(3,500,000)	-1.5%	-	0.0%
Taxation - net	(30,011,674)	-14.5%	(35,331,398)	-14.6%	(166,756)	-0.1%
(Loss) / profit after tax	(69,958,714)	-33.9%	18,421,574	7.6%	167,991,708	76.8%

Statement of value addition

	2009 Rupees in '000		2008 Rupees in '000	
WEALTH GENERATED				
Gross Premium (Including FED & FIF)	512,528		440,400	
Commission Income	12,623		8,040	
Loss from Investment	(101,702)		(42,102)	
Other Income	20,238		22,366	
		443,688		428,704
Management & other expenses		(353,757)		(279,944)
		89,931		148,760
WEALTH DISTRIBUTED				
To Employees		67,248		55,149
To Government:				
Company taxation	30,012		35,331	
Levies (including FED & FIF)	56,328		34,253	
		86,340		69,584
To Shareholders:				
Stock Dividend	-		76,207	
		-		76,207
Retained in Business:				
Depreciation and amortization	6,302		5,606	
Reserves	-		25,000	
Net earnings	(69,959)		(82,786)	
		(63,657)		(52,180)
		89,931		148,760

Distribution of Value Added FY 2009

	2009 (Rupees in '000)		2008 (Rupees in '000)
	Rs. 67,248	To Employees	Rs. 55,149
	Rs. 86,340	To Government	Rs. 69,584
	-	To Shareholders	Rs. 76,207

Distribution of Value Added FY 2008

Services

Fire | Marine | Motor | Miscellaneous

Fire

Fire and Allied Perils Insurance

A lot of time, hard work and considerable money are put into building up a business. It’s known how misfortune can strike when one least expects it. Almost anything can happen at any time - a short circuit can reduce assets to ashes, a burst pipe can flood the premises, a riot or strike can wipe away years of effort. One cannot predict the future but we can definitely buy protection against such uncertainties. Century Insurance is known to provide one of the best Fire and Allied Perils products in the industry. We take pride in providing comprehensive protection backed by sound financial capability.

The policy protects from physical loss or damage as a result of Fire and Lightening which is a basic cover and it can be extended to cover “named perils” such as explosion, natural calamities (like storm, floods, landslides etc.), impact damage by vehicles / animals / aircraft, riots, strikes, malicious acts, bursting of pipes / water tanks, sprinkler leakage and bush fires.

Loss of Profit following Fire and Allied Peril

A business is the sum of the efforts and aspirations of all staff members. Fire can destroy everything in its path, leaving the management to recoup in its aftermath. Protecting the assets against fire is, of course, essential. But what about the losses that are incurred from disruption to a business following a fire? The financial consequences can often be just as devastating to an organization. That’s where Century Insurance is there, all the way, till a business is restored to its pre-damaged level.

In the event of any interruption to a business as a result of damage to the premises due to any peril insured under the Fire Material Damaged Policy, this policy enables the policy holder to recover:

- Loss of Gross Profit due to a reduction in turnover.
- Increased Cost of Working incurred in minimizing that loss of Gross Profit.

Industrial All Risk Insurance

Sometimes, even a minor accident, breakdown or theft can result in extensive loss to industries. With large sums invested in machinery and electronic equipment across vast areas, the risk can be high in terms of material damage as well as business loss. What’s vital is an all - encompassing cover such as Century Insurance Industrial All Risk Insurance that gives an industry the reassurance it needs.

The policy covers all risks / perils other than those which are specifically excluded. The cover in its widest form, referred to as “all risk”, includes the following perils / covers:

Section I (Material Damage)
- Fire and special perils.
- Burglary.
- Machinery Breakdown / Boiler Explosions / Electronic Equipment Insurance.

Section II (Business Interruption)
- FLOP: Business interruption due to fire and all special perils.
- MLOP: Business interruption due to machinery breakdown.

MLOP is an optional cover.

Marine

Marine Insurance

While the goods are imported or exported, they are exposed to significant financial losses should the international shipments be damaged or destroyed in transit. An organisation needs to depend on an insurance company that understands the importance of swift response and efficient service in handling the claims.

Century Insurance Marine Cargo Insurance provides the best protection for the cargo. Catering to both importers' and exporters' need, the coverage is comprehensive and flexible with inter national shipments, protected from the time the goods leave the seller's warehouse until they reach the buyer's warehouse.

The party usually responsible for insuring the goods is determined by the sales contract. T o help the Insured familiarize with the buyer' s and seller's responsibilities, Century Insurance can extend its experience in respect of the most common sales contracts, i.e. ex-works, FOB, CFR and CIF.

The Marine Cargo Insurance of fers four types of covers:

- Institute Cargo Clause (C): Named Perils basis.
- Institute Cargo Clause (B): Names Perils basis.
- Institute Cargo Clause (A): The widest form of cover under Marine Cargo Insurance in so far as it relates to the perils covered. ICC (A) is an unnamed perils clause.
- Institute Cargo Clause (Air).

Motor

Motor Insurance

Vehicle insurance (auto insurance, car insurance, or motor insurance) is purchased for cars, trucks and other moving vehicles. Century Insurance Motor Insurance provides protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident. It is known in the market place as motor insurance and is probably the most common form of insurance. It may cover both legal liability claims against the driver and loss of or damage to the insured's vehicle itself.

Century's Comprehensive Auto Insurance Policy gives the maximum coverage against theft, accidental damage and third party liability with greater benefits, exclusive features and more mileage on Insured's investment such as significant reduction of premium through no-claim bonus, and discounts allowed on installation of standard car tracking device etc.

Century's primary focus is providing exceptional service to all its valued customers because they are the core of our business. The Auto insurance features products backed by the Company's unparalleled resources and financial strength.

We pride ourselves on our ability to deliver fast, fair and accurate claim service.

Miscellaneous

Machinery Breakdown Insurance

An organization wins a valuable contract, but the delivery schedules are tight and the penalties exacting. Just when everything is going according to plan, something unexpected happens... an employee accidentally inserts the wrong tool and the machine comes to a grinding halt. In such circumstances, Century Insurance Machinery Breakdown Policy provides the ideal safeguard for the organisation.

The policy broadly covers loss due to all kinds of accidental, electrical and mechanical breakdowns as a result of internal causes. The Insured is covered during the time the machinery is in operation or at rest or in the process of being dismantled, overhauled or during subsequent re-erection at the same premises.

If specifically requested, it can also cover the machinery foundations, masonry, brickwork as well as oil in transformers from unforeseen and sudden physical loss or damage, other than specified excluded perils and forms of damage.

Loss of Profit following Machinery Breakdown

Consequential losses following a breakdown of machinery, plant or equipment due to a sudden or unforeseen event can sometimes be worse than the extent of the physical damage. Production and business operations may cease. However, fixed expenses such as salary, wages, interest on capital, rent etc, will continue to be incurred, resulting in the loss of gross profits and increased cost of working during the interruption period.

Century Insurance Machinery Loss of Profits following Machinery Breakdown Policy protects the Insured by indemnifying the loss in gross profits and the increased cost of working during the interruption period in such contingencies as stated above. The Machinery Loss of Profits Policy can only be issued when the machinery breakdown cover is in place.

Boiler and Pressure Vessel Insurance

Extreme temperatures and intense stresses in boiler and pressure vessels demand the highest level of expertise and care. It's an environment where even a smallest mistake can result in equipment failure and significant replacement costs. Century Insurance Boiler and Pressure Vessel Insurance helps cover any damage to an expensive plant and also minimize the downtime loss for an organization.

The Boiler and Pressure Vessel policy covers boilers of various kinds, pressure plants and vessels under pressure, including fired and unfired, against loss and / or damage due to explosion or collapse.

Electronic Equipment Insurance

Expensive, fragile vulnerable... critical. Makes us think how a business would run without electronic equipment. The world today is increasingly more interconnected and the electronics revolution has been at the forefront, dramatically changing the way everyone works and do business. Today, everyone is dependent on electronic equipment to help run an organisation effectively and gives it the competitive edge. Just imagine the consequences if any thing happened to the computers and other electronic equipments were irreparably destroyed. The answer lies in Century Insurance Electronic Equipment Insurance Policy. It's just the safeguard needed to cover the assets so vital to keeping a business functioning smoothly.

The policy provides comprehensive coverage for the Insured's electronic equipment. It includes physical loss or damage to all electronic equipment, as well as the increased cost of working resulting from an accidental and unforeseen physical loss or damage to the electronic equipment.

Contractor's All Risk Insurance

A construction site can be a magnet for accidents, loss from theft or damage, legal claims and more. Century Insurance Contractor's All Risk Insurance covers almost all types of risks during construction. It includes physical loss or damage to property, plant, machinery and tools, works brought on to the site and temporary works erected on site, as well as third party liability related work conducted on the site.

The policy is designed to cover civil engineering projects such as buildings, roads, airports, flyovers, water tanks, sewage treatment plants, etc.

Unless specially excluded, this "all risk" insurance covers accidental physical loss or damage to contract works during the execution of a civil engineering project.

Coverage begins from the commencement of work or after unloading of the first consignment at the project site, whichever is earlier, and terminates on handing over of the works to the principal or on expiry of the policy, whichever is earlier. Coverage can be extended to include the interest of suppliers/ manufacturers, contractors and subcontractors.

Erection All Risk Insurance

Every time an organisation undertakes a project that involves storage of equipment, moving or expanding a facility, or dismantling and re-constructing it, it leaves the organisation open to significant risk.

Century Insurance Erection All Risk Insurance helps protect against just this kind of scenario. The comprehensive nature of its coverage makes it the ideal solution for diverse need, whatever the risk the organisation wants to insure.

This policy is a typical "all risk" insurance for storage, assembly / erection, testing and commissioning of the following types of activities. Unless specifically excluded, it provides comprehensive cover for:

- Setting up a new project / individual machines.
- Expansion of an existing project.
- Dismantling and re-erection of an existing facility.

The interests of suppliers, manufacturers, contractors as well as subcontractors can be included in the policy. Cover begins from the time of unloading of the first consignment at the pr oject site and terminates on completion of testing or handing over of the project to the principal, or the period chosen, whichever is earlier.

Contractor's Plant and Machinery Insurance

On a construction site, it's the equipment that has the toughest job. Hauling materials, excavating earth and debris, generating power almost r ound-the-clock....But even the most heavy-duty machines can br eak down causing heavy losses to an organisation. Century Insurance Contractor's Plant and Machinery Insurance is the hassle-free way to protect the Insured's investment and minimize repair costs.

The policy broadly covers loss or damage to the contractor's construction mobile equipment such as bulldozers, cranes, excavators, compr essors, etc, due to an accident arising out of external perils. The cover is operative while the insured property is at work or at r est, or being dismantled for the purpose of cleaning or overhauling, or during subsequent re-erection.

Travel Insurance

Traveling inside the country or worldwide is an essential part of most of the executives' working lives. Certainly, along with it comes the risk for any personal and financial loss that they might face on a business trip. That is why Century Insurance offers travel policies that cover the employer and employees for any accident, sickness, and medical attention in an emergency that may occur whilst traveling.

A Range of Travel Insurance Plans

- The International Travel Policy covers people who are traveling internationally, for business or pleasure.
- An annual multi-trip Travel Policy has also been specifically designed for frequent travelers. The maximum period cover ed per trip is 90 consecutive days.
- For Haj & Umrah we have a special travel insurance that provides complete medical care during the entire pilgrimage.
- Student Travel Insurance pr ovides peace of mind 365 days a year.

Personal Accident Insurance

In an increasingly competitive business scenario, every organisation has to prepare for the unexpected.

This applies not just to its property, but also to the employees. After all, an organisation cannot afford to lose people, whether to illness, accidents or any other unforeseen mishap. Century Insurance Personal Accident Insurance is designed to empower an organisation with a choice of comprehensive insurance plans that provide peace of mind for its people and powerful incentives for the organisation.

Types of Personal Accidents Policy

Group Personal Accidents Policy (GPA)

- The organisation can decide the benefits it wants for each employee.
- Can be as a flat amount or a multiple of the salary.
- Premiums are paid by the organisation.

Voluntary Group Accident Policy (VGA)

- The plan is specifically designed for the organisation.
- No direct cost to the organisation as employer.
- Each employee decides the level of cover they want.
- Involves minimal administration and paperwork.
- Premiums are directly deducted from employee's salary.

Product Liability Insurance

In case of manufactures or supply of goods, there is always a possibility that those products could cause damage to a third party, either property or a person. A small defect could result in massive claims. That is why Century Insurance Product Liability Insurance is important for product manufacturers. In addition, it may also cover legal costs associated with defending claims against the organisation.

The policy covers all sums (including defense costs) which the insured becomes legally liable to pay as damages as a consequence of:

- Accidental death/bodily injury or disease to any third party; and
- Accidental damage to property belonging to a third party;

arising out of any defect in the product manufactured by the Insured and specifically mentioned in the policy after such product has left the Insured's premises.

Coverage is written on a claims made basis, i.e. a liability policy that provides coverage for an injury or loss if the claim is first reported or filed during the policy period. However, the policy offers the benefit of retroactive date, i.e. a date stipulated in a claim – made liability policy declarations section as the first date of incidents covered by the policy. The retroactive date is designed to provide coverage for claims resulting for incidents that take place prior to the current policy term. Renewal claims- made policies usually have the retroactive date of the first policy issued to the insured. When this is not done, there is a gap in the coverage.

Public Liability Insurance

A business is nurtured like ones own child. One takes good care of it, gives it the best of envionment, resources and best practices. But just as in life, in business as well, accidents happen which one cannot prevent. For instance, a customer slips and twists his / her ankle because of a wet floor in the business premises, resulting in hospitalisation. Public exposures and liabilities affected by law can bring an abrupt end to a promising business future. Century Insurance Public Liability Insurance covers

the Insured against such legal liabilities, giving the best of protection.

The policy indemnifies the Insur ed for any claims arising out of accidents, injury and damages that occur on the Insured's premises in connection with the carrying on of the business. For mor e comprehensive protection, it can be extended to cover legal exposures arising out of sudden and accidental pollution, Act of God perils, transportation of hazardous substances and more.

Employer's Liability Insurance

An employer is responsible for the health and safety of all the employees while they are working. If any employee is injured at work, or he / she becomes ill as a r esult of negligence, he / she may claim against the employer in order to seek compensation. Century Insurance Employers' Liability Insurance covers the Insured employer if this situation arises. It also usually covers the legal cost and expenses incur to defend.

This insurance indemnifies the Insured in case if at any time during the Period of the Insurance any employee in the Insured's immediate service shall sustain personal injury by accident or disease arising out of and in the course of his / her employment by the Insured in the business and if the Insured shall be liable to pay such compensation for such injury.

Workmen's Compensation Insurance

Rapid strides have been made in achieving better rights for employees in today's increasingly global environment. However, the thr eat of expensive lawsuits and large compensation pay-outs can seriously affect a company's profitability and future. That's why it is vital for organisations to ensur e protection with Century Insurance W orkmen's Compensation Insurance. Workers' compensation (colloquially known as workers' comp) pr ovides insurance to cover medical care and compensation for employees who ar e injured in the course of employment.

Workmen's Compensation Insurance is compensation payable under a scheme set out in the Workmen's Compensation Act. The policy covers statutory liability of an employer for the death of or bodily injuries or occupational diseases sustained by workmen in the Insured's immediate service and arising out of and in the course of employment. Costs or expenses incurred by the insured employer, with the consent of the Company , to defend any claims are paid in addition.

Money Insurance

Century Insurance Money Insurance provides cover against loss of Cash-in-safe, Cash-on-counter and Cash-in-transit. The money insurance policy covers "Loss of money in transit caused by robbery, theft, or any fortuitous event; Loss of money fr om the Insured's premises during business hours caused by theft or r obbery; and Loss of money fr om the insured's safe or str ong room caused by theft or robbery".

The policy provides cover for money i.e. Cash, Prize Bonds, Foreign Currency, etc. either in transit or held at specified pr emises of the Insur ed due to armed hold-ups, burglary, house breaking.

Directors' report

Dear Fellow Shareholders!

The Directors of Century Insurance Company Limited (the Company) take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2009.

General Review

Allhamd-o-lillah, your Company continues on the path of sustained progress and today stands at the forefront of the insurance industry and is recognized as one of the leading general insurance companies in the country. With an aim to persistently cater to the needs of its clients acr oss the country your Company plans towards expanding its offices across major cities.

Economic Review

The year 2009 was a challenging period for the financial services sector globally . The economic picture during the early months of 2009 was extremely volatile and even though with inter est rates stabilizing the government sector emerged as the top borrower from the inter bank market. Large scale manufacturing continued to portray a depressed performance ther eby putting its toll through out the financial sector including the insurance industry.

Financial Highlights

The comparative financial highlights for the years 2009 and 2008 are presented as follows:

Rupees in million (except separately stated)

	2009	2008
Gross Premium written	456	406
Net Premium	207	241
Underwriting Profit	95	122
Investment and Other Income	84	(4)
Impairment in the value of investments	(165)	(16)
(Loss) / Profit after tax	(70)	18
Total Assets	1,152	1,294
Paid-up Capital	457	457
Total Equity	852	922
(Loss) / Earnings per share - Rs.	(1.53)	0.40

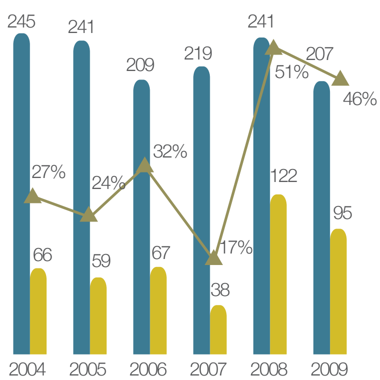
Operating Results

The year 2009 had witnessed a mix results from underwriting and investment activities. The underwriting results of the Company have been overshadowed by the loss in investment activities which mainly relates to the impairment in available for sale shares. Hereunder is the brief overview of the operational performance of the Company during 2009.

By the Grace of Allah, the underwriting result of your Company reflects stable performance in terms of underwriting profitability despite political crises and drastic slowing down in the pace of the economy during the year under review. The gross premium recorded this year is Rs. 456 million as compared to Rs. 406 million with a growth of 12%. The net premium is Rs. 207 million as against Rs. 241 million in 2008. Decline in the aggregate net premium is mainly due to a voluntarily trim down from motor business which was part of an overall strategy of management to improvise on the net claim ratios. The net claim to net premium of the Company has been recorded at 31% in 2009 as against 33% in 2008. The underwriting profit for the year is Rs. 95 million as against Rs. 122 million of last year. The Company endeavors to maintain a balanced underwriting portfolio mix and it strives hard to focus on all underwriting classes instead of increasing its volume of business in any particular class.

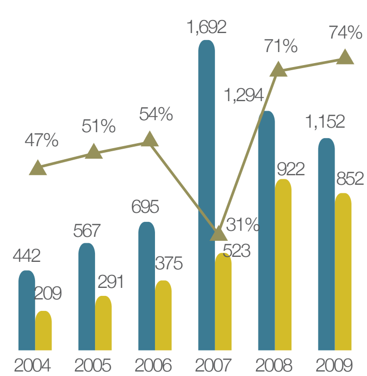
During the year under review your Company in compliance with the SECP circular no. 03/2009 which requires all insurance companies to recognize impairment loss (fall in market price of investments), has recorded an impairment loss of Rs. 165 million.

Your Company plans to strategically position itself in the industry with the primary objective of generating maximum return for all its stakeholders without compromising on service quality.



Net Premium
Underwriting Profit
Underwriting Profit % of N.P

Rs. In Million



Total Assets
Equity
Equity % of Total Assets

Rs. In Million

The management of your Company strives to maintain and increase the growth momentum, with the ultimate objective of enhancing investor equity in the futur e. Your dedicated and committed management is confident about the future and will strive hard to make 2010 a better year, Inshallah.

As a consequence to the above impairment, the Company has recorded a loss before tax of Rs. 40 million for the year under review as against the profit before tax of Rs. 54 million for year 2008. The loss after tax is Rs. 70 million for the current year as against the profit after tax of Rs. 18 million for 2008. The loss per share is Rs. 1.53.

Investment Activities

During the year under review, investment and other income contributed Rs. 84 million to the bottom line of the Company as against an investment loss of Rs. 4 million in 2008. The management as part of its investment strategy diluted the existing equity portfolio by investing in low risks debt and money market instruments. The capital market depicted a slow but rising trend throughout the year amid stabilizing local interest rates and international markets.

The Investment income includes an unrealized gain on trading investments of Rs. 37 million, dividend income of Rs. 16 million, return earned on Government securities Rs. 13 million, fixed income securities Rs. 4 million. Other income includes inter est on bank deposits of Rs. 20 million.

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

Claim Settlement

Prompt settlement of claims and customer satisfaction is management's top priority. Your Company endeavors to indemnify the losses of the insured promptly. This is the most important function which builds the image of an insurance Company in the eyes of its valued clients.

Re-Insurance Treaties

The Company has strong re-insurance arrangements with world renowned "A" rated companies which demonstrate faith and confidence of the re-insurers in the underwriting practices of your Company. As risk capacities for traditional lines of business have increased further for 2010, your Company now will be able to underwrite larger risks. We are thankful to all our reinsurers for their unwavering support and continued cooperation.

Insurer Financial Strength Rating (IFSR)

M/s. JCR-VIS, an affiliate of Japan Credit Rating Agency Ltd. has reaffirmed your Company's "A" rating with stable outlook which signifies "High capacity to meet policyholders and contract obligations".

HR Initiatives

The management is of the firm belief that complete alignment of our HR mission and vision with the corporate goals is vital for the success of any organization. In today's competitive environment, we foresee acute shortage of professionals particularly in the insurance industry and realized that it is important to place emphasis on retaining and developing existing staff and implementing effective performance reviews. During the year under review, your Company has remained successful in hiring quality professionals in the areas of marketing and business development. Our continued focus on equal opportunity employment goes a long way in maintaining a pool of employees with knowledge, experience and skills in their respective fields and employees remain our most valuable assets.

Your Company is continuously investing in its human capital. Staff is sent regularly for training and seminars to keep themselves abreast of latest developments that are taking place globally.

Paid-up Capital

Your Company is on a sound footing having a paid up capital of Rs. 457 million which is currently Rs. 257 million above the threshold specified by the

Government for the general insurance companies as at December 2009. The larger capital base will enhance the financial strength and underwriting capability of the Company.

Appropriation of Profit

Due to impairment in the value of available for sale investments which is in compliance with the SECP circular no. 3/2009 and the resulting loss in the current year, no dividend has been recommended for 2009 by the directors.

Profit & loss appropriation account for year 2009 as follows:

Auditors

The auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible they have offered themselves for re-appointment. The Audit Committee has recommended their re-appointment.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out in the Listing Rules for the year ended December 31, 2009 have been duly complied with. A statement to this effect is annexed with the report.

	(Rupees)
Amount brought forward from previous years	91,690,876
Loss after tax for the year ended 31 December 2009	(69,958,714)
Un-appropriated amount carry forward for the next year	21,732,162

Future Outlook

In line with the slowdown in the economy, lower industrialization, stagnant car sales, and lukewarm trade activities, outlook for 2010 depends upon the economic and political conditions of the country. Your Company plans to focus its energies on those products and channels of distribution that have potential to grow, with an agreed level of risk and can also contribute positively to the bottom line. The Core performance of your Company in 2009 was well above the industry average, keeping aside the impairment losses from investments, which were driven by market factors and regulatory compliances.

The return from the equity market is starting to show signs of recovery with improved numbers expected in 2010. The management of your Company strives to maintain and increase the growth momentum, with the ultimate objective of enhancing investor equity in the future. We firmly believe that rapid progress can only be achieved by a continuous strive for identifying new and innovative products, expanding branch network, superior quality service and enhance financial strength of the Company. Your dedicated and committed management is confident about the future and will strive hard to make 2010 a better year, Inshallah.

Rated

"A"

by JCR-VIS

Board of Directors

The Board of Directors has always been a source of guidance and inspiration. They have contributed immensely in terms of their experience and practical advice. I would like to place on record my appreciation and gratitude for their valued participation and wisdom.

Since the last report, there has been no change in the composition of the Board.

Board of Directors' Meetings

During the year, four Board meetings were held. The number of meetings attended by each Director is given hereunder:-

Name of Directors	No. of Meetings Attended
Mr. Iqbal Ali Lakhani (Chairman)	2
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin A. Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. M. A. Qadir	4
Mr. Tinku Irfan Johnson (Director & Chief Executive)	4

Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees have been informed of this statement which they have signed and understand that they are required to observe these rules of conduct in relation to business and regulations.

Corporate and Financial Reporting Frame Work

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Insurance Ordinance, 2000 and Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- Proper books of accounts have been maintained by the Company.

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

- The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.

- The key operating and financial data for the last six years is annexed.

Your Company is on a sound footing having a paid up capital of Rs. 457 million which is currently Rs. 257 million above the threshold specified by the Government for the general insurance companies as at December 2009.

- The value of investments in respect of retirement benefits funds based on their audited accounts as on December 31, 2009 and June 30, 2009 were the following:

Provident Fund	Rs. 14.65 million
Gratuity Fund	Rs. 2.30 million

Pattern of Shareholding

The pattern of shareholding is annexed with the report

Mr. Tinku Irfan Johnson, Director & Chief Executive has purchased 500 shares of the Company during the year.

There has been no other transaction carried out by Directors, CFO, Company Secretary and their spouses and minor children in the shares of the Company during the year.

Acknowledgments

The Directors of the Company would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, Insurance Association of Pakistan, State Bank of Pakistan, Banks and Financial Institutions, Insurance Companies and JCR-VIS Credit Rating Company for their continued support and co-operation extended to the Company.

The Directors would also like to express their thanks and appreciation for the support extended by our valued reinsurers.

We would like to thank our Policyholders and Shareholders, who continue to repose their trust and confidence in our Company and assure them of our best services and remain committed to do our utmost to ensure the best utilization of their investment in the Company.

The Directors also wish to place on record their appreciation for the devotion, loyalty and hard work of the officers and members of the staff towards the growth of the Company and success of its operations.

Iqbal Ali Lakhani
Chairman

Karachi : 23 February 2010

Statement of ethics and business practices

Relationship with Employees

Century Insurance Company Limited (CICL) takes pride in the str ong personal commitment of our people towards the progress and success of the Company. CICL's policy is to treat individuals in all aspects of employment solely on the basis of merit irrespective of race, religion, color, age, gender, and a marital status. CICL believes in individual respect and their rights.

The Company is committed to the gr owth of its employees. This is achieved thr ough building a culture of mutual TRUST, process of LEARING & MOTIVATION.

CICL's vision is based on inspiring and developing individuals as their success depends on their ability to make meaningful contribution to the progress of the Company.

Relationship with Company

We strive to adher e to the Company's guidelines and objectives and to give our best efforts to improve its performance. W e r ecognize the trust and confidence placed in us and acts with integrity and honesty in all situations to pr eserve that trust and confidence. Thus we avoid conflicts of interest and other situations that ar e potentially harmful in the progress of the Company.

Uses Company's assets, facilities or services only for lawful, pr oper and authorized purposes . W e intend to make best use of Company's equipment, system and technological methods in order to have fast and r eliable communication and str ong MIS system in accordance with Company's guidelines.

Relationship with Business Community

Each of us in CICL is r esponsible for how we ar e perceived by our clients and other business partners; it is essential that we maintain our r eputation for honest and fair dealing with these people and organizations.

It is CICL's policy to respect the trade secrets and proprietary information of others. This is particularly pertinent if one has knowledge of trade secrets and proprietary information of a former employer. If any question should arise in this area, one should consult unit's legal counsel.

Relationship with Clients

CICL's reputation has been built upon the trust and quality services we are providing. Our commitment to excellence in quality of service and building strong client relationship is essential to the continued growth and success of the Company . Also, vital for the success is to meet the challenges of the highly competitive market with our expertise, innovative and cr eative marketing. CICL 's motto: "Pr ompt settlement of claims & and customer's satisfaction is Managements Top Priority".

Relationship with Government and the Law

CICL supports the free enterprise and a competitive market system. The Company's policy is to comply fully with all applicable laws irrespective to the extent to which they ar e enforced. The Company co-operates fully with all gover nment and regulatory bodies and is committed to high standar d of corporate governance. Penalties for non-compliance can be severe and can involve criminal offences.

CICL's financial polices for conducting business entrust transparency, integrity and following principles of accounting and finance as approved by regulations and applicable accounting codes. Any unsupportive or false entry, infringement of accounts for individual or company gain is str ongly incoherent with our business codes and ethics.

Relationship with Society

CICL strives to operate as a responsible corporate citizen within both the local and global communities.

CICL is an equal opportunity employer for all levels of employees and r espects issues such as color, race, gender, age, ethnicity or religious beliefs.

CICL provides safe and healthy workplace protecting human health environment.

CICL pays its employees a remuneration that enables them to meet at least their basic needs and provides employees the opportunity to improve their skills and capabilities.

CICL respects employee's freedom of association.

CICL works with the governments and communities in which we do business to improve the educational, cultural, economic and social well being in those communities.

Relationship with the Environment

Protecting the world in which we live is a vital concern and a continuing commitment. CICL is dedicated to contribute to the overall quality of life; we recognize and constantly reaffirm the value of a healthy and clean environment.

Relationship with the Shareholder

CICL strive to serve the best interest of its shareholders to provide consistent growth and a fair rate of return on their investment, to maintain our position and reputation as one of the leading insurance company, to protect shareholder investments and to provide full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here, we help to build shareholder's value.

Responsibility for Compliance

In accepting employment with the Company, each of us becomes accountable for compliance with these standard of conduct, with all laws and regulations. Managers are responsible for communicating these standards to employees, for ensuring that they understand and abide by them, and for creating a climate where employees can discuss ethical and legal issues freely.

Statement of compliance with the code of corporate governance For the year ended 31 December 2009

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board including those representing minority interest. At present the Board includes six (6) independent non-executive directors.

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

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

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

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive Officer (CEO) has been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 (7) days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company includes all the necessary aspects of internal control given in the code.

10. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

11. During the year, the Board has approved appointments of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO. The Company Secretary appointed in earlier period has been continued during the year.

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

13. The quarterly, six monthly and annual financial statements of the Company were duly endorsed by CEO and Vice President Finance before approval of the Board.

14. 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.

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

16. The Board has formed Underwriting / Claim Settlement / Re-insurance and Co-insurance Committee(s).

17. 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.

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

19. 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.

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

21. The actuary appointed by the Company for carrying out valuation of staff retirement benefits has confirmed that he or his spouse and minor children do not hold shares of the Company.

22. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.

23. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

24. We confirmed that all other material principles contained in the Code have been complied with.

Iqbal Ali Lakhani
Chairman

Karachi: 23 February 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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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 Century Insurance Company Limited ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2009.

KPMG Taseer Hadi & Co.

23 February 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of compliance with the best practices on transfer pricing

The Company has fully Complied with the best practices on Transfer Pricing as contained in the Listing Regulation No. 38 of Karachi Stock Exchange and Chapter XIV of the Listing Regulations of the Lahore Stock Exchange.

Iqbal Ali Lakhani
Chairman

Karachi: 23 February 2010

KPMG

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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 changes in equity;
(iv) cash flow statement;
(v) statement of premiums;
(vi) statement of claims;
(vii) statement of expenses; and
(viii) statement of investment income

of Century Insurance Company Limited ("the Company") as at 31 December 2009 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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

KPMG Taseer Hadi & Co.
Chartered Accountants

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change as described in note 2.5 to the financial statements with which we concur;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009 and of the 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.

KPMG Taseer Hadi & Co.

Date: 23 February 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Balance Sheet as at 31 December 2009

	Note	2009	2008
		(Rupees)	
Share capital and reserves			
Authorised share capital [50,000,000 (31 December 2008: 50,000,000) ordinary shares of Rs.10 each]		500,000,000	500,000,000
Paid-up share capital	5	457,243,660	457,243,660
Retained earnings		21,732,162	91,690,876
Reserves		373,024,260	373,024,260
		852,000,082	921,958,796
Underwriting provisions			
Provision for outstanding claims (including IBNR)		58,386,567	106,347,616
Provision for unearned premium		152,173,290	123,383,463
Commission income unearned		17,858,380	17,554,354
Total underwriting provisions		228,418,237	247,285,433
Deferred liabilities			
Staff retirement benefits	6	-	1,020,000
Creditors and accruals			
Premiums received in advance		4,721,213	964,318
Amounts due to other insurers / reinsurers	7	25,908,539	82,168,132
Accrued expenses	8	3,195,441	4,084,654
Taxation - net	9	-	1,511,026
Other creditors and accruals	10	37,121,586	34,080,378
		70,946,779	122,808,508
Other liabilities		70,946,779	122,808,508
Other liabilities			
Unclaimed dividend		470,974	470,974
TOTAL LIABILITIES		299,835,990	371,584,915
TOTAL EQUITY AND LIABILITIES		1,151,836,072	1,293,543,711
CONTINGENCY AND COMMITMENTS	11		

The annexed notes from 1 to 34 form an integral part of these financial statements.

	Note	2009	2008
		(Rupees)	
Cash and bank deposits	12		
Cash and other equivalents		2,506,105	359,185
Current and other accounts		72,807,669	316,056,418
		75,313,774	316,415,603
Investments	13	735,978,003	464,449,483
Deferred taxation	14	582,852	612,122
Current assets- others			
Premiums due but unpaid - unsecured	15	72,986,651	79,871,002
Amounts due from other insurers / reinsurers - unsecured	16	80,510,620	143,639,270
Reinsurance recoveries due but unpaid		11,703,178	127,454,211
Salvage recoveries accrued		4,630,000	4,355,000
Accrued investment income	17	3,655,257	2,483,376
Reinsurance recoveries against outstanding claims	18	7,387,579	28,374,752
Taxation - net	9	4,937,229	-
Deferred commission expense		11,897,979	10,548,890
Prepayments	19	96,067,521	69,403,482
Sundry receivables	20	3,549,379	3,757,899
		297,325,393	469,887,882
Fixed assets	21		
Tangible and intangible			
Office improvement		10,180,811	8,803,278
Furniture and fixtures		4,428,489	3,897,220
Office equipment		2,230,448	2,191,057
Computer and related accessories		1,170,436	1,124,609
Office equipment		2,230,448	2,191,057
Computer and related accessories		1,170,436	1,124,609
Motor vehicles		24,625,857	22,827,183
Capital work in progress		-	3,090,835
Computer software		9	244,439
		42,636,050	42,178,621
TOTAL ASSETS		1,151,836,072	1,293,543,711

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Profit and loss account for the year ended 31 December 2009

	Note	Fire and property	Marine aviation and transport	Motor	Miscellaneous	2009 Aggregate	2008 Aggregate
		(Rupees)					
Revenue account							
Net premium revenue	22	27,986,263	42,875,108	101,344,567	34,440,183	206,646,121	241,371,386
Net claims		(3,537,301)	(11,283,961)	(30,444,522)	(19,442,140)	(64,707,924)	(79,296,296)
Expenses	23	(25,105,977)	(8,212,642)	(14,234,322)	(11,977,442)	(59,530,383)	(47,854,321)
Net commission		17,847,123	(393,356)	(4,617,686)	(212,964)	12,623,117	8,039,621
Underwriting result		17,190,108	22,985,149	52,048,037	2,807,637	95,030,931	122,260,390
Net investment loss						(73,034,849)	(38,041,033)
Other income - net	24					20,238,268	22,366,115
General and administration expenses	25					(53,514,513)	(48,771,613)
Share of loss of associates	13.1.2					(5,031,869)	(560,887)
Impairment in value of investment in associates - net of reversals	13.1.2					(23,635,007)	(3,500,000)
(Loss) / profit before tax						(39,947,039)	53,752,972
Taxation - net	26					(30,011,674)	(35,331,398)
(Loss) / profit after tax						(69,958,714)	18,421,574
Other comprehensive income - share of loss of an associate						-	(33,066)
Total comprehensive (loss) / income for the year						(69,958,714)	18,388,508
Profit and loss appropriation account							
Balance at commencement of the year						91,690,876	174,476,572
(Loss) / profit after tax for the year						(69,958,714)	18,421,574
Transferred to general reserve						-	(25,000,000)
Issuance of bonus shares for the year 2008: Nil [2007 Rs. 3 per share (30%)]						-	(76,207,270)
Issuance of bonus shares for the year 2008: Nil [2007 Rs. 3 per share (30%)]						-	(76,207,270)
						(69,958,714)	(82,785,696)
Balance of unappropriated profit at end of the year						21,732,162	91,690,876
Basic (loss) / earnings per share of Rs.10 each (note 27)						(1.53)	0.40

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

Tasleemuddin A. Batlay
Director

A. Aziz Ebrahim
Director

Tinku I. Johnson
Director & Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Reserves						Total
	Issued, subscribed and paid-up	Capital reserves	Revenue reserves		Shares of associate's reserves	Total Reserves		
		Share premium	General reserves	Retained earnings	Unrealised gain on remeasurement of investments			
	(Rupees)							
Balance as at 1 January 2008	254,024,260	-	94,000,000	174,476,572	33,066	268,509,638		522,533,898
Total comprehensive income for the year								
Profit for the year	-	-	-	18,421,574	-	18,421,574		18,421,574
Other comprehensive income								
Share of loss from an associate	-	-	-	-	(33,066)	(33,066)		(33,066)
Total comprehensive income for the year	-	-	-	18,421,574	(33,066)	18,388,508		18,388,508
Transactions with owners recorded directly in equity								
Right shares issued	127,012,130	254,024,260	-	-	-	254,024,260		381,036,390
Issuance of bonus shares	76,207,270	-	-	(76,207,270)	-	(76,207,270)		-
	203,219,400	254,024,260	-	(76,207,270)	-	177,816,990		381,036,390
Others								
Transferred to general reserve	-	-	25,000,000	(25,000,000)	-	-		-
Balance as at 31 December 2008	457,243,660	254,024,260	119,000,000	91,690,876	-	464,715,136		921,958,796
Total comprehensive income for the year								
Loss for the year	-	-	-	(69,958,714)	-	(69,958,714)		(69,958,714)
Balance as at 31 December 2009	457,243,660	254,024,260	119,000,000	21,732,162	-	394,756,422		852,000,082
Balance as at 31 December 2009	457,243,660	254,024,260	119,000,000	21,732,162	-	394,756,422		852,000,082

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Statement of cash flows for the year ended 31 December 2009

	2009	2008
	(Rupees)	
Operating cash flows		
(a) Underwriting activities		
Premiums received	399,304,478	382,607,918
Reinsurance premiums paid	(316,507,426)	(100,129,845)
Claims paid	(144,279,582)	(1,094,296,250)
Reinsurance and other recoveries received	265,740,422	773,221,007
Commissions paid	(33,296,264)	(33,984,043)
Commissions received	88,449,191	23,328,891
Net cash inflow / (outflow) from underwriting activities	259,410,819	(49,252,322)
(b) Other operating activities		
Income tax paid	(36,430,659)	(22,595,328)
General management expenses paid	(105,043,276)	(96,468,623)
Other operating payments	(745,923)	-
Other operating receipts	-	379,486
Net cash outflow from other operating activities	(142,219,858)	(118,684,465)
Total cash inflow / (outflow) from all operating activities	117,190,961	(167,936,787)
Investment activities		
Profit / return received	31,214,120	23,246,750
Dividends received	16,645,727	17,358,305
Payments for investments	(453,181,154)	(1,278,796,623)
Proceeds from disposal of investments	53,564,500	1,111,222,315
Fixed capital expenditure	(7,769,119)	(17,003,196)
Proceeds from disposal of fixed assets	1,233,136	978,000
Total cash outflow from investing activities	(358,292,790)	(142,994,449)
Financing activities		
Financing activities		
Proceeds from issue of right shares	-	381,036,390
Dividends paid	-	(10,329)
Total cash inflow from financing activities	-	381,026,061
Net cash (outflow) / inflow from all activities	(241,101,829)	70,094,825
Cash at beginning of the year	316,415,603	246,320,778
Cash at end of the year	75,313,774	316,415,603

Statement of cash flows for the year ended 31 December 2009

	2009	2008
	(Rupees)	
Reconciliation to profit and loss account		
Operating cash flows	117,190,961	(167,936,787)
Depreciation / amortisation expense	(6,301,948)	(5,606,213)
Profit / (loss) on disposal of fixed assets	223,394	(28,653)
Profit on disposal of investments	37,251,651	43,470,126
Dividend income	15,856,852	16,540,591
Investment and other expense	(132,948,614)	(79,185,635)
Decrease in assets other than cash	(172,290,997)	(504,834,416)
Decrease in liabilities other than running finance	71,059,987	716,002,561
(Loss) / profit after taxation	(69,958,714)	18,421,574

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

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

Cash and bank deposits

	2009	2008
Cash and other equivalents		
- Cash	110,877	115,059
- Policy stamps and bond papers in hand	271,228	244,126
- Cheques in hand	2,124,000	-
	2,506,105	359,185
Current and other accounts		
- Current accounts	5,054,491	6,400,255
- PLS savings accounts	67,753,178	309,656,163
	72,807,669	316,056,418
Cash and bank deposits as per balance sheet	75,313,774	316,415,603
Cash and bank deposits as per balance sheet	75,313,774	316,415,603

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Statement of premiums for the year ended 31 December 2009

Business underwritten inside Pakistan

Class	Premiums written (note 22)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expenses	2009 Net premium revenue	2008 Net premium revenue
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
1. Fire and property damage	192,395,114	55,002,788	68,228,138	179,169,764	166,345,345	51,675,139	66,836,983	151,183,50	27,986,263	43,604,238
2. Marine, aviation and transport	62,936,098	4,231,792	3,791,689	63,376,201	21,710,882	2,480,424	3,690,213	20,501,093	42,875,108	40,767,870
3. Motor	109,082,150	47,360,787	45,259,169	111,183,768	9,740,094	2,385,830	2,286,723	9,839,201	101,344,567	132,233,127
4. Miscellaneous	91,786,956	16,788,096	34,894,294	73,680,758	49,077,553	12,203,039	22,040,017	39,240,575	34,440,183	24,766,151
Grand total	456,200,318	123,383,463	152,173,290	427,410,491	246,873,874	68,744,432	94,853,936	220,764,370	206,646,121	241,371,386

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Statement of Claims for the year ended 31 December 2009

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	2009 Net claims expense	2008 Net claims expense
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
1. Fire and property damage	37,455,876	18,037,495	3,616,323	23,034,704	30,986,800	14,057,317	2,567,920	19,497,403	3,537,301	2,686,071
2. Marine, aviation and transport	18,232,572	12,043,004	4,036,910	10,226,478	3,397,299	5,890,287	1,435,505	(1,057,483)	11,283,961	8,020,924
3. Motor	67,767,264	69,441,701	40,163,107	38,488,670	13,434,944	6,785,087	1,394,291	8,044,148	30,444,522	56,784,843
4. Miscellaneous	20,823,870	6,825,416	10,570,227	24,568,681	4,778,739	1,642,061	1,989,863	5,126,541	19,442,140	11,804,458
Grand Total	144,279,582	106,347,616	58,386,567	96,318,533	52,597,782	28,374,752	7,387,579	31,610,609	64,707,924	79,296,296

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Statement of expenses for the year ended 31 December 2009

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expenses	Other management expenses (note 23)	Underwriting expenses	Commission from reinsurers*	2009 Net Underwriting expense	2008 Net Underwriting expense
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
					(Rupees)				
Direct and facultative									
1. Fire and property damage	25,413,006	6,753,823	8,241,070	23,925,759	25,105,977	49,031,736	41,772,882	7,258,854	1,606,712
2. Marine, aviation and transport	9,015,023	590,062	571,236	9,033,849	8,212,642	17,246,491	8,640,493	8,605,998	8,959,928
3. Motor	4,647,157	1,447,537	1,471,141	4,623,553	14,234,322	18,857,875	5,867	18,852,008	20,811,960
4. Miscellaneous	6,302,287	1,757,468	1,614,532	6,445,223	11,977,442	18,422,665	6,232,259	12,190,406	8,436,100
Grand total	45,377,473	10,546,890	11,897,979	44,028,384	59,530,383	103,558,767	56,651,501	46,907,266	39,814,700

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

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

Statement of Investment Income for the year ended 31 December 2009

	Note	2009	2008
		(Rupees)	
Income from trading investments			
Gain on sale of trading investments		622,200	26,452,781
Dividend income		4,083,273	5,364,563
Unrealised gain / (loss) on remeasurement of securities to fair value		37,329,365	(85,911,539)
		42,034,838	(54,094,195)
Income from non-trading investments			
Held to maturity			
Return on Government Securities		13,473,070	1,531,310
Return on other fixed income securities and deposits			
- Term finance certificates		2,889,440	2,659,672
- Certificate of musharika		850,685	13,699
		3,740,125	2,673,371
Available for sale			
Dividend income		11,773,579	11,176,028
		28,986,774	15,380,709
(Loss) / gain on sale of non-trading investments		(699,914)	17,017,345
Provision for impairment in value of available for sale securities - net of reversals	13.4.2	(141,509,807)	(12,532,368)

Investments related expenses (1,846,740) (3,812,524)

	Note	2009	2008
Investments related expenses		(1,846,740)	(3,812,524)
Net investments loss		(73,034,849)	(38,041,033)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

1. STATUS AND NATURE OF BUSINESS

Century Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on 10 October 1985 under the Companies Ordinance, 1984. The Company is listed on the Karachi and Lahore stock exchanges and is engaged in general insurance business. The registered office of the Company is situated at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi.

2. BASIS OF PREPARATION

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, 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.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except for certain investments which are stated at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are [illegible]
and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

Classification of investment

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

Income tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard-8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

Impairment

Available-for-sale

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

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Associates

The Company determines that a significant or prolonged decline in the fair value of its investments in associates below their cost is an objective evidence of impairment. The impairment loss is recognized when the higher of fair value less cost to sell or value in use exceed the carrying value.

Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims which include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

2.5 Changes in accounting policies

Starting 1 January 2009, the Company has changed its accounting policies in the following areas:

- The Company has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. The Company has opted single statement approach to present comprehensive income for the year ended 31 December 2009 and comparative period.

- The Company has applied IFRS-8 Operating Segments which became effective from 1 January 2009. The application of this IFRS has resulted increased disclosures.

- The Company has adopted "IFRS-4 Insurance Contracts", which became effective for financial periods beginning on or after 1 January 2009. Although the Securities and Exchange Commission of Pakistan (SECP) through its circular no. 22/2009 dated 30 June 2009 had deferred the applicability of certain requirements of IFRS-4 for the purpose of quarterly accounts for 1st, 2nd and 3rd quarter of the year ended 2009, SECP through its circular no. 4/2010, dated 23 January 2010 has directed the insurance companies to make full compliance with the requirements of IFRS-4 in the annual financial statements for the year ended 31 December 2009 in accordance with the guidelines as well as make necessary disclosures required to be made in the financial statements as framed by the SECP. Accordingly, disclosures have been presented in these financial statements.

- The Company has also applied "IFRS - 7 Financial Instruments: Disclosures" from 1 January 2009. As a result, disclosures have been made relating to financial instruments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. The changes in accounting policies only affects presentation of financial statements and there is no impact on earning per share.

3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginningon or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

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

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements. As the Company does not have any share based options therefore amendment is not likely to have an effect on the Company's financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial statements.

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

- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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 policyholders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. 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.

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

4.1.1 Premium

Premiums and administrative surcharge under a policy are recognized at the time of issuance of insurance policy. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

4.1.2 Reinsurance ceded

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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 as required by Insurance Ordinance, 2000.

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

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes it as impairment loss.

4.1.3 Claims expense

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 based on the best estimate of the claims intimated or assessed on or before the end of the financial year and measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims 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 the claims actually reported subsequent to the balance sheet date.

4.1.4 Reinsurance recoveries against outstanding claims

Claims recoveries from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

4.1.5 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24 method.

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, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

4.1.6 Premium deficiency reserve

4.1.6 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgement 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	38.48%
- Marine, aviation and transport	21.17%
- Motor	50.92%
- Miscellaneous	48.02%

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

4.2 Creditors, accruals and provisions

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

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

4.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

4.4 Taxation

4.4.1 Current

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

4.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes

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

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

4.5 Staff retirement benefits

4.5.1 Defined benefit plan

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out for the year ended 31 December 2009 using the Projected Unit Credit Method. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

4.5.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary plus cost of living allowance.

4.5.3 Employees' compensated absences

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

4.6 Investments

4.6.1 Recognition

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

- Investment at fair value through profit and loss
- Held to maturity
- Available for sale

4.6.2 Measurement

4.6.2.1 Investment at fair value through profit or loss

4.6.2.1 Investment at fair value through profit or loss

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in market price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

- Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair market value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

4.6.2.2 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

4.6.2.3 Available for sale

These are investments that do not fall under investment at fair value through profit or loss or held to maturity categories.

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been higher by Rs. 18.758 million and net equity would have been higher by Rs. 18.758 million (Refer note 13.4).

Unquoted

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

Provision for diminution in the value of securities is made after considering impairment losses, if any.

4.6.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each year less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates profit and loss account, are recognised [illegible]
in the associate's equity which has not been recognised in the associates profit and loss account, are recognised
directly in the equity of the Company. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments. However, amortisation of that goodwill is not permitted and is therefore not included in the determination of the investor's share of the associate's profit or losses.

After the application of equity method including recognizing the associates losses, the Company determines whether it is necessary to recognize any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell.

4.6.2.5 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

4.7 Fixed assets

4.7.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 21.1 to the financial statements, after taking into account residual value.

Depreciation on additions is charged from the month in which the asset is put to use where as no depreciation is charged from the month the asset is disposed off.

Subsequent cost are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognized.

4.7.2 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible fixed assets.

4.7.3 Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 21.3 to the financial statements.

Amortisation on additions is charged from the month in which the asset is acquired or capitalised whereas no amortisation is charged from the month the asset is disposed off.

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

by the Company. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets' are written down to their estimated recoverable amounts.

4.8 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

- Dividend income from investments (other than those which are accounted for under the equity method) is recognised when the Company's right to receive the payment is established.

- Gain or loss on sale of investment is included in income currently.

- Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.

4.9 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year. Expenses not allocable to the underwriting business are charged as administrative and investment related expenses.

4.10 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

4.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous.

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

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

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

Miscellaneous insurance provides cover against health, burglary, loss of cash in safe and cash in transit, travel, personal accident, money, engineering losses and other covers.

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

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

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium written.

4.12 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

4.13 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.14 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.15 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5. PAID-UP SHARE CAPITAL

2009	2008		2009	2008
---------Number of shares---------			-------------(Rupees)-------------	
13,981,213	13,981,213	Ordinary shares of Rs. 10 each issued as fully paid in cash	139,812,130	139,812,130
31,743,153	31,743,153	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	317,431,530	317,431,530
45,724,366	45,724,366		457,243,660	457,243,660

5.1 Movement during the year

2009	2008		2009	2008
---------Number of shares---------			-------------(Rupees)-------------	
45,724,366	25,402,426	At 01 January	457,243,660	254,024,260
-	12,701,213	Ordinary shares of Rs. 10 each issued during the year ended December 31 as fully paid right shares (note 5.2)	-	127,012,130
-	7,620,727	Ordinary shares of Rs. 10 each		
-	7,620,727	Ordinary shares of Rs. 10 each issued during the year ended December 31 as fully paid bonus shares	-	76,207,270
45,724,366	45,724,366		457,243,660	457,243,660

5.2 These right shares were issued at a premium of Rs.20 per share.

5.3 Ordinary shares of the Company held by associated companies / persons are as follows:

	-------- (Number of Shares) --------	
Siza (Private) Limited	6,506,692	6,506,692
Siza Services (Private) Limited	10,774,674	10,774,674
Siza Commodities (Private) Limited	4,518,385	4,518,385
Premier Fashions (Private) Limited	13,240,794	13,240,794
Directors and their spouses	38,699	38,199
	35,079,244	35,078,744

6. STAFF RETIREMENT BENEFITS

Defined benefit plan - Gratuity fund

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

- Discount rate 13% (2008: 15%) per annum.
- Expected rate of increase in the salaries of the employees 12% (2008: 12%) per annum.
- Expected interest rate on plan assets of the fund 13% (2008: 15%) per annum.
- Expected service length of the employees 10 years (2008: 11 years).

6.1 Liability in balance sheet

	2009	2008
	(Rupees)	
Present value of defined benefit obligations	6,657,000	5,206,000
Fair value of plan assets	(5,117,000)	(2,133,000)
Unrecognised actuarial losses	(1,540,000)	(2,053,000)
	-	1,020,000

6.2 Movement in liability during the year

	2009	2008
Opening balance	1,020,000	3,947,000
Liability of transferred employee	-	110,000
Charge to profit and loss account	1,892,000	1,419,000
Contributions to the fund during the year	(2,912,000)	(4,346,000)
Contributions of transferred employees	-	(110,000)
Closing balance	-	1,020,000

6.3 Reconciliation of the present value of defined benefit obligations

	2009	2008
Present value of obligations as at 01 January	5,206,000	10,938,000
Liability of transferred employee	-	110,000
Current service cost	1,291,000	1,031,000
Interest cost	781,000	425,000
Benefits paid	(20,000)	(6,693,000)
Interest cost	781,000	425,000
Benefits paid	(20,000)	(6,693,000)
Actuarial gain	(601,000)	(605,000)
Present value of obligations as at 31 December	6,657,000	5,206,000

6.4 Reconciliation of the fair value of plan assets

	2009	2008
Fair value of plan assets as at 1 January	2,133,000	4,210,000
Expected return on plan assets	320,000	178,000
Contribution to the fund	2,912,000	4,346,000
Contribution to the fund in respect of employees transferred	-	110,000
Benefits paid	(20,000)	(6,693,000)
Actuarial loss	(228,000)	(18,000)
Fair value of plan assets as at 31 December	5,117,000	2,133,000

6.5 Charge for the defined benefit plan

	2009	2008
	(Rupees)	
Current service cost	1,292,000	1,031,000
Interest cost	781,000	425,000
Expected return on plan assets	(320,000)	(178,000)
Actuarial loss recognized	139,000	141,000
	1,892,000	1,419,000

6.6 Actual return on plan assets

	2009	2008
Expected return on assets	320,000	178,000
Actuarial loss on assets	(228,000)	(18,000)
	92,000	160,000

6.7 Composition of fair value of plan assets

	2009		2008	
	Fair value (Rupees)	Percentage	Fair value (Rupees)	Percentage
Term Deposit Receipts - Faysal Bank	1,489,560	29%	1,563,965	73%
Term Finance Certificates - UBL	474,052	9%	437,535	21%
Cash and bank balances	3,154,006	62%	131,973	6%
Fair value of plan net assets	5,117,618	100%	2,133,473	100%

6.8 Historical data of the fund

	2009	2008	2007	2006	2005
			(Rupees)		
Present value of defined benefit obligations	6,657,000	5,206,000	10,938,000	4,351,000	3,405,000
Fair value of plan assets	(5,117,000)	(2,133,000)	(4,210,000)	(4,103,000)	(2,614,000)
Deficit	1,540,000	3,073,000	6,728,000	248,000	791,000
Experience adjustments					
- Actuarial loss on obligation	601,000	605,000	2,271,000	-	12,000
- Actuarial loss on assets	228,000	18,000	262,000	-	128,000

6.9 The estimated contribution to the Fund for the year ended 31 December 2010 is Rs.1.606 million.

7. AMOUNT DUE TO OTHER INSURERS / REINSURERS

--------- (Rupees) ---------

	Note	2009	2008
		(Rupees)	
Foreign reinsurers		9,156,089	40,531,362
Local reinsurers		16,018,135	41,155,430
Co-insurers		734,315	481,340
		25,908,539	82,168,132

8. ACCRUED EXPENSES

	Note	2009	2008
Auditors' remuneration		402,000	402,000
Professional services fee		38,333	364,595
Provision for compensated absences		2,042,181	1,621,888
Utilities and others	8.1	712,927	1,696,171
		3,195,441	4,084,654

8.1 This includes a sum of Rs.0.36 million (31 December 2008: Rs. 0.58 million) due to related parties.

9. TAXATION - NET

	2009	2008
Advance tax including tax deducted at source	34,919,633	33,372,149
Provision for taxation	(29,982,404)	(34,883,175)
	4,937,229	(1,511,026)

9.1 The Company has filed returns upto tax year 2009. The income tax returns of the Company are deemed as assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

10. OTHER CREDITORS AND ACCRUALS

	Note	2009	2008
		(Rupees)	
Federal excise duty		2,272,708	2,518,984
Federal insurance fees		157,045	254,471
Retention money		51,277	299,779
Commission payable	10.1	30,364,466	28,566,693
Cheques payable		826,752	1,244,851
Worker welfare fund		1,635,244	1,096,999
Margin deposits		513,009	-
Payable to an employee against insurance claims		500,000	-
Others		801,085	98,601
		37,121,586	34,080,378

10.1 This includes a sum of Rs. 24.42 million (31 December 2008: Rs.19.33 million) due to related parties.

11. CONTINGENCY AND COMMITMENTS

CONTINGENCY

During the year ended 31 December 2009, the Company received notice of demand of Rs. 894,719 under section137 (2) of the Income Tax Ordinance, 2001 from Taxation Officer in respect of non deduction of tax on the remittance made to foreign reinsurance companies during the period from July 2008 to March 2009 under the provisions of subsection (5) read with (5A) of section 152 of the Income Tax Ordinance, 2001. This demand has been made as the Company did not obtain certificate of exemption from Commissioner of Income Tax before remittance to foreign reinsurance companies as required by the double taxation treaties with the respective country where the reinsurance companies are situated. The Company has filed a write petition before Honourable High Court of Sindh against the demand. The stay is granted by the Honourable High Court of Sindh. Based on the legal advisor's opinion, the Company is confident that the ultimate outcome of the write petition will be in its favour. Hence, no provision has been made in these financial statements for the year ended 31 December 2009.

	Note	2009	2008
		(Rupees)	
COMMITMENTS			
		(Rupees)	
COMMITMENTS			
Outstanding letters of credit		669,300	578,900
Commitments for capital expenditure- renovation of branch		-	1,234,765

12. CASH AND BANK DEPOSITS

	Note	2009	2008
Cash and other equivalents			
- Cash		110,877	115,059
- Policy stamps and bond papers in hand		271,228	244,126
- Cheques in hand		2,124,000	-
		2,506,105	359,185
Current and other accounts			
- Current accounts	12.1	5,054,491	6,400,255
- PLS savings accounts		67,753,178	309,656,163
		72,807,669	316,056,418
		75,313,774	316,415,603

12.1 This includes lien on a local currency account, amounting to Rs.0.669 million (31 December 2008: Rs. 0.58 million, in respect of a letters of credit arranged from a bank for securing claims arising outside Pakistan.

13. INVESTMENTS

	Note	2009	2008
		(Rupees)	
In related parties			
Investment in associates - equity accounting	13.1	11,904,797	40,672,735
Others			
Investments at fair value through profit and loss- held for trading			
Quoted shares		76,487,308	39,433,384
Held to maturity			
Government securities	13.2	134,166,973	36,292,460
Term Finance Certificates - quoted	13.3	18,551,582	21,673,754
		152,718,555	57,966,214
Available for sale - quoted	13.4	494,867,343	326,377,150
		735,978,003	464,449,483

13.1 Investment in associates – equity accounting

13.1.1 Particulars of investment in associates - listed

2009	2008	Face value per share (Rupees)	Name of associates	2009	2008
Number of shares				(Rupees)	
364,925	364,925	10	Century Paper & Board Mills Limited	4,831,606	25,292,832
66,528	66,528	10	Clover (Pakistan) Limited	3,525,985	9,564,326
10,106	8,788	10	Colgate Palmolive (Pakistan) Limited	3,547,206	5,815,577
				11,904,797	40,672,735
				11,904,797	40,672,735

13.1.2 Movement of investment in associates - listed

	Beginning of the year	Share in profit / (loss)	Dividend received	Impairment* net of reversals	2009	2008
	(Rupees)					
Century Paper and Board Mills Limited	25,292,832	(5,662,254)	-	(14,798,972)	4,831,606	25,292,832
Clover (Pakistan) Limited	9,564,326	196,159	-	(6,234,500)	3,525,985	9,564,326
Colgate Palmolive (Pakistan) Limited	5,815,577	434,226	(101,062)	(2,601,535)	3,547,206	5,815,577
	40,672,735	(5,031,869)	(101,062)	(23,635,007)	11,904,797	40,672,735

13.1.3 Summarized latest available interim financial information of the associates of the Company along with its respective share are as follows:

Name of associate	Country of incorporation / listing	Date of financial statements	Total assets	Total liabilities	Net assets	Share of net assets	Revenues	Profit/(loss) after tax	Interest held
			(Rupees in 000')						%
2009									
Century Paper and Board Mills Limited	Pakistan	December	13,751,940	9,073,469	4,678,472	2,432,805	4,565,012	(138,448)	0.52%
Clover (Pakistan) Limited	Pakistan	December	428,542	100,145	328,397	233,162	366,880	(3,611)	0.71%
Colgate Palmolive (Pakistan) Limited	Pakistan	December	4,564,742	1,467,258	3,097,484	123,899	5,647,677	363,533	0.04%
			18,745,224	10,640,872	8,104,353	2,789,867	10,579,569	221,474	
2008									
Century Paper and Board Mills Limited	Pakistan	September	13,797,302	10,995,855	2,801,447	14,464	1,823,809	(131,175)	0.52%
Clover (Pakistan) Limited	Pakistan	December	470,202	169,624	300,578	2,119	248,146	(50,162)	0.71%
Colgate Palmolive (Pakistan) Limited	Pakistan	December	3,755,289	1,563,421	2,191,868	806	7,131,928	679,293	0.04%
			18,022,793	12,728,900	5,293,893	17,389	9,203,883	497,956	

13.1.4 Market value of investment in associates is Rs. 11.904 million (31 December 2008: 23.27 million).

13.2 Held to maturity - amortized cost

13.2.1 Government securities

Number of certificates 2009	Number of certificates 2008	Face value per certificate (Rupees)	Particulars	Coupon rate	Profit payment	Maturity date	2009 (Rupees)	2008 (Rupees)
1	1	46,000,000	Pakistan Investment Bond* (10 years)	8.00%	Semi annually	6-Oct-2013	37,842,390	36,292,460
1	-	25,000,000	Pakistan Investment Bond (3 years)	11.25%	Semi annually	30-Aug-2011	24,442,594	-
1	-	25,000,000	Pakistan Investment Bond (10 years)	12.00%	Semi annually	30-Aug-2018	23,631,969	-
5	-	10,000,000	Treasury Bills		Maturity	6-May-2010	48,250,020	-
							134,166,973	36,292,460

* This security is placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

13.2.2 Market value of Pakistan Investment Bond and treasury bills is Rs.136.93 million (31 December 2008: Rs. 34.44 million). Market value is determined based on quotations obtained from brokers.

13.3 Term finance certificates-quoted

based on quotations obtained from brokers.

13.3 Term finance certificates-quoted

Number of certificates 2009	Number of certificates 2008	Face value per certificate (Rupees)	Name of investee	Profit rate (note13.3.1)	Maturity date	2009 (Rupees)	2008 (Rupees)
600	600	5,000	Askari Commercial Bank Limited (I)	Base rate plus 1.5% per annum*	4-Feb-2013	2,994,600	2,995,800
600	600	5,000	Askari Commercial Bank Limited (II)	Base rate plus 1.5% per annum*	31-Oct-2013	2,995,200	2,996,400
281	281	5,000	Bank Alfalah Limited (II)	Base rate plus 1.5% per annum*	23-Nov-2012	1,402,300	1,402,840
400	400	5,000	Bank Alfalah Limited (III)	Base rate plus 1.5% per annum*	25-Nov-2013	1,996,928	1,997,696
200	200	5,000	Soneri Bank Limited	Base rate plus 1.6% per annum*	5-May-2013	998,200	998,600
198	198	5,000	Royal Bank of Scotland (formerly ABN-AMRO Bank)	Base rate plus 1.9% per annum*	10-Feb-2013	988,218	988,614
600	600	5,000	Standard Chartered Bank (Pakistan) Ltd (II)	Base rate plus 0.75% per annum subject to floor of 5% per annum and cap rate of 10.75% per annum*	20-Jan-2011	2,097,600	2,845,200
200	200	5,000	Telecard Limited	Base rate plus 3.75% per annum*	27-May-2011	455,700	578,700
600	600	5,000	United Bank Limited	Base rate plus 1.9% per annum**	15-Mar-2013	2,999,460	2,999,580
400	400	5,000	Jahangir Siddiqui & Company Limited (II)	Base rate plus 1.9% per annum**	21-Dec-2009	-	1,997,200
400	400	5,000	Jahangir Siddiqui & Company Limited (III)	Base rate plus 1.9% per annum***	30-Sep-2010	1,623,376	1,873,124
						18,551,582	21,673,754

whereas,
* Base rate is defined as six months KIBOR
** Base rate is defined as trading yield of eight year Pakistan Investment Bond
*** Base rate is defined as trading yield of five year Pakistan Investment Bond.

13.3.1 Profit on these term finance certificates are on semi-annual basis.

13.3.2 Market value of quoted term finance certificates is Rs. 17.685 million (31 December 2008: 18.88 million). The market value is determined as per rates quoted by Mutual Funds Association of Pakistan on 31 December 2009.

13.4 Available for sale - quoted	Note	2009	2008
		(Rupees)	
Cost	13.4.1	654,518,636	344,518,636
Provision for impairment - net of reversals	13.4.2	(159,651,293)	(18,141,486)
		494,867,343	326,377,150

13.4.1 Market value of quoted available for sale investments is Rs. 513.625 million (31 December 2008: Rs. 136.13 million).

13.4.2 Provision for impairment - net of reversals	2009	2008
	(Rupees)	
Opening provision	18,141,486	5,609,118
Charge for the year - net of reversals	141,509,807	12,532,368
Closing provision	159,651,293	18,141,486

13.4.3 At 31 December 2008, fall in the value of investments classified as available for sale was Rs. 190.300 million, which was considered as temporary and accordingly not recognized in annual financial statements for the year ended 31 December 2008 in view of the exemption available under circular no.3/2009 dated 16 February 2009 issued by Securities and Exchange Commission of Pakistan (SECP). Consequently comparative year's profit was higher by the same amount and earnings per share were higher by Rs. 4.16 per share. As per the said circular, fall in the value of available for sale investments as at 31 December 2008 (considered as temporary) is required to be recognized on quarterly basis (twenty five percent in each quarter) after any adjustment / effect for price movements during each quarter through profit and loss account during the calendar year ending 31 December 2009. Accordingly, the total fall in value, after adjustments / effect for the price movement, of Rs. 141.510 million has been recognized on quarterly basis in these financial statements.

14. DEFERRED TAXATION	Note	2009	2008
		(Rupees)	
Deferred tax debits / (credits) arising in respect of:			
- Accelerated depreciation on operating fixed assets		(2,647,091)	(1,948,934)
- Accelerated depreciation on operating fixed assets		(2,647,091)	(1,948,934)
- Share of profit of associates		-	(35,744)
- Provision for employees' benefits		714,763	567,661
- Provision for due but unpaid		2,515,179	2,029,139
		582,852	612,122

15. PREMIUMS DUE BUT UNPAID - unsecured			
Considered good	15.1	72,986,651	79,871,002
Considered doubtful		6,725,535	5,336,848
		79,712,186	85,207,850
Provision against premium due but unpaid - net	15.2	(6,725,535)	(5,336,848)
		72,986,651	79,871,002

15.1 This includes a sum of Rs. 54.949 million (31 December 2008: Rs. 33.77 million) due from related parties.

		Note	2009	2008
15.2	**Provision against premium due but unpaid - net**		(Rupees)	
	Opening balance		5,336,848	5,285,976
	Provision made during the year		5,226,364	66,059
	Recoveries during the year		(25,345)	(15,187)
	Written off during the year		(3,812,332)	-
			6,725,535	5,336,848
16.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured**			
	Considered good			
	- Local reinsurer		32,863,495	94,802,929
	- Co-insurer		48,107,817	49,297,033
			80,971,312	144,099,962
	Provision against amount due from insurers / reinsurers		(460,692)	(460,692)
			80,510,620	143,639,270
17.	**ACCRUED INVESTMENT INCOME**			
	Return on government securities		2,835,884	879,560
	Return on Term Finance Certificates		688,373	683,941
	Dividend income on equity securities		131,000	919,875
			3,655,257	2,483,376
18.	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**			
	These are unsecured and considered good.			
19.	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		94,853,936	68,744,432
	Others		1,213,585	659,050
	Prepaid reinsurance premium ceded		94,853,936	68,744,432
	Others		1,213,585	659,050
			96,067,521	69,403,482
20.	**SUNDRY RECEIVABLES**			
	Profit on bank deposits - savings accounts	20.1	612,645	2,001,381
	Security deposits		797,462	738,464
	Advance to employees	20.2	1,845,413	783,846
	Advance against expenses		199,000	106,000
	Advance against salaries		-	18,966
	Others		94,859	109,242
			3,549,379	3,757,899

20.1 The mark-up on savings accounts during the year was between 5% to 16% (2008: 3.65% to 16%).

20.2 This includes advance to Chief Executive Officer against salary.

21. FIXED ASSETS

21.1 Tangible assets

31 December 2009

	Cost				Depreciation				Written down	Depreciation
	As at 1 January 2009	Additions	(Disposals)	As at 31 December 2009	As at 1 January 2009	For the year	(Disposals)	As at 31 December 2009	value as at 31 December 2009	rate %
	(Rupees)									
Office improvements	14,559,256	2,928,419	-	17,487,675	5,755,978	1,550,886	-	7,306,864	10,180,811	10
Furniture and fixtures	6,340,032	1,225,164	-	7,565,196	2,442,812	693,895	-	3,136,707	4,428,489	10
Office equipment	4,903,813	614,520	(156,919)	5,361,414	2,712,756	575,120	(156,910)	3,130,966	2,230,448	10 - 33
Computer and related accessories	6,263,380	802,559	(762,673)	6,303,266	5,138,771	756,710	(762,651)	5,132,830	1,170,436	33
Motor vehicles	29,042,864	5,289,292	(1,947,800)	32,384,356	6,215,681	2,480,907	(938,089)	7,758,499	24,625,857	20
	61,109,345	10,859,954	(2,867,392)	69,101,907	22,265,998	6,057,518	(1,857,650)	26,465,866	42,636,041	

31 December 2008

	Cost				Depreciation				Written down	Depreciation
	As at 1 January 2008	Additions	(Disposals)	As at 31 December 2008	As at 1 January 2008	For the year	(Disposals)	As at 31 December 2008	value as at 31 December 2008	rate %
	(Rupees)									
Office Improvements	12,437,671	2,121,585	-	14,559,256	4,415,103	1,340,875	-	5,755,978	8,803,278	10
Furniture and fixtures	5,362,373	977,659	-	6,340,032	1,869,520	573,292	-	2,442,812	3,897,220	10
Office equipment	4,576,418	336,395	(9,000)	4,903,813	2,047,778	673,977	8,999	2,712,756	2,191,057	10 - 33
Computer and related accessories	5,553,561	709,819	-	6,263,380	4,355,291	783,480	-	5,138,771	1,124,609	33
Motor vehicles	19,276,153	11,265,903	(1,499,192)	29,042,864	4,962,496	1,745,725	(492,540)	6,215,681	22,827,183	20
	47,206,176	15,411,361	(1,508,192)	61,109,345	17,650,188	5,117,349	(483,541)	22,265,998	38,843,347	

21.2 Depreciation charge for the year has been allocated as follows:

	Note	2009	2008
		(Rupees)	
Management expenses	23	3,210,485	2,712,195
General and administrative expenses	25	2,847,033	2,405,154
		6,057,518	5,117,349

21.3 Intangible assets

Cost As at Additions / As at Amortisation As at For the As at Written down value as at Amortisation rate

	Cost			Amortisation			Written down	Amortisation
	As at 1 January 2009	Additions / (Disposals)	As at 31 December 2009	As at 1 January 2009	For the year	As at 31 December 2009	value as at 31 December 2009	rate %
	(Rupees)							
Computer software	3,824,839	-	3,824,839	3,580,400	244,430	3,824,830	9	33
2008	3,824,839	-	3,824,839	3,091,537	488,863	3,580,400	244,439	33

21.4 Amortization charge for the year has been allocated as follows:

		2009	2008
		(Rupees)	
Management expenses	23	129,548	259,098
General and administrative expenses	25	114,882	229,766
		244,430	488,864

21.5 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain (note 24)	Mode of disposal	Sold to
	(Rupees)						
Office equipment	156,919	156,910	9	28,000	27,991	Sale	Muhammad Arshad
Computer and related accessories	20,000	20,000	0	3,000	3,000	Sale	Mr. Safder, Mr. Ishtiaq Mr. Ghayyur & Mr. Omer Abdullah (Employees)
Computer and related accessories	586,173	586,155	18	10,900	10,882	Sale	World Tech Technology
Computer and related accessories	42,500	42,499	1	3,000	2,999	Sale	Mr. Iftikhar, Mr. Kashif Mr Imran & Mr. Moazzam (Employees)
Computer and related accessories	39,000	38,999	1	1,500	1,499	Sale	Star Computers
Computer and related accessories	75,000	74,998	2	15,000	14,998	Sale	Live Computers
Motor vehicle	1,049,000	829,009	219,991	343,736	123,745	Sale	Mr. Muhammad Faran
Motor vehicle	61,800	31,800	30,000	13,000	(17,000)	Sale	Mr. Hassan
Motor vehicle	772,000	69,480	702,520	755,000	52,480	Sale	Lakson Investment Company Limited
Motor vehicle	65,000	7,800	57,200	60,000	2,800	Insurance claim	Premier Insurance Company Limited
	2,867,392	1,857,650	1,009,742	1,233,136	223,394		

22. ADMINISTRATIVE SURCHARGE

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

	Note	2009	2008
		(Rupees)	
Fire and property damage		818,367	784,411
Marine, aviation and transport		1,846,778	1,894,157
Motor		3,038,121	3,949,373
Miscellaneous		947,652	1,231,284
Motor		3,038,121	3,949,373
Miscellaneous		947,652	1,231,284
		6,650,918	7,859,225

23. MANAGEMENT EXPENSES

	Note	2009	2008
Salaries, wages and benefits	23.1	36,255,525	30,425,344
Rent, taxes and electricity		5,163,912	4,377,742
Communications		2,814,734	1,266,128
Printing and stationery		1,560,820	3,077,640
Travelling and entertainment		960,461	1,778,225
Repairs and maintenance		714,445	666,510
Advertisement and sales promotion		408,477	355,923
Depreciation	21.2	3,210,485	2,712,195
Amortisation	21.4	129,548	259,098
Legal and professional charges		41,575	901,840
Workers welfare fund		1,339,300	-
Provision against premium due but unpaid - net	15.2	5,201,019	50,872
Other expenses	23.2	1,730,083	1,982,804
		59,530,383	47,854,321

23.1 These include Rs.1.445 million (31 December 2008: Rs. 1.16 million) in respect of employees' provident fund and Rs.1.003 million (31 December 2008: Rs. 0.75 million) in respect of defined benefit plan.

23.2 This include Rs. 1.618 million service surcharge @ 2.5% in respect of Coinsurance recoveries.

24. OTHER INCOME - NET

	Note	2009	2008
		(Rupees)	
Income from financial assets			
Profit on bank deposits			
- Savings accounts		19,724,973	19,435,743
- Exchange (loss) / gain		(5,670)	2,423,444
		19,719,303	21,859,187
Income from non-financial assets			
Net gain / (loss) on sale of fixed assets	21.5	223,394	(28,653)
Liability no longer payable written back		-	510,939
Others		295,571	24,642
		518,965	506,928
		20,238,268	22,366,115

25. GENERAL AND ADMINISTRATION EXPENSES

	Note	2009	2008
Salaries, wages and benefits	25.1	30,992,241	24,724,056
Rent, taxes and electricity		4,281,978	3,698,617
Fees and subscription		3,032,002	1,948,567
Communications		2,314,446	907,984
Printing and stationery		520,273	1,806,377
Travelling and entertainment		762,966	1,392,879
Depreciation	21.2	2,847,033	2,405,154
Amortisation	21.4	114,882	229,766
Repairs and maintenance		633,564	591,056
Legal and professional		690,833	1,906,611
Auditors' remuneration	25.2	709,600	697,029
Advertisement and sales promotion		1,641,279	2,773,141
Insurance premium		2,238,570	2,359,744
Bank charges		192,245	239,089
Insurance premium		2,238,570	2,359,744
Bank charges		192,245	239,089
Worker welfare fund		1,187,681	1,096,999
Other expenses		1,354,920	1,994,544
		53,514,513	48,771,613

25.1 These include Rs.1.281 million (31 December 2008: Rs. 1.03 million) in respect of employees'provident fund and Rs.0.889 million (31 December 2008: Rs. 0.67 million) in respect of defined benefit plan.

25.2 Auditors' remuneration

	2009	2008
Audit fee	216,000	216,000
Interim review	118,800	108,000
Special reports and certificates for various government agencies and sundry advisory services	249,800	249,800
Out of pocket expenses	125,000	123,229
	709,600	697,029

26. TAXATION - NET

	2009	2008
	(Rupees)	
Current		
- for the year	29,104,714	34,883,175
- for prior years	877,690	-
	29,982,404	34,883,175
Deferred		
- for the year	29,270	448,223
	30,011,674	35,331,398

26.1 Relationship between tax expense and accounting profit

	2009	2008
(Loss) / profit for the year before taxation	(39,947,039)	53,752,972
Tax at the applicable rate of 35% (31 December 2008: 35%)	(13,981,464)	18,813,540
Tax effect of expenses that are not allowable in determining taxable income	45,381,766	35,793,415
Tax effect of capital gains exempt from tax	27,200	(15,214,544)
Tax effect of income subject to lower rates	(3,929,569)	(4,061,014)
Tax effect of share of loss not recorded	1,636,051	-
Prior year tax charge	877,690	-
	30,011,674	35,331,398

27. (LOSS) / EARNINGS PER SHARE

Basic (loss) / earnings per share are calculated by dividing the net (loss) / profit for the year by the weighted average number of shares as at the year end as follows:

	2009	2008
	(Rupees)	
(Loss) / profit after tax for the year	(69,958,714)	18,421,574
	(Number of shares)	
Weighted average number of shares of Rs.10 each	45,724,366	45,724,366
	(Rupees)	
Basic (loss) / earnings per share of Rs.10 each	(1.53)	0.40

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

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

28. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive and Executives of the Company are as follows:

	Chief Executive		Executives		Total	
	2009	2008	2009	2008	2009	2008
	(Rupees)					
Managerial remuneration	3,671,460	581,315	11,293,259	10,145,475	14,964,719	10,726,790
Bonus	727,223	17,555	2,827,401	2,476,929	3,554,624	2,494,484
Retirement benefits	333,790	-	1,072,723	2,109,448	1,406,513	2,109,448
House rent	1,652,100	261,582	5,083,925	4,564,944	6,736,025	4,826,526
Others	376,440	59,602	1,255,985	1,599,751	1,632,425	1,659,353
	6,761,013	920,054	21,533,293	20,896,547	28,294,306	21,816,601
Number of persons	1	2	14	11	15	13

28.1 In addition, some of the executives are provided with free use of Company maintained cars.

29. RELATED PARTY TRANSACTIONS

Related parties comprise companies with common directorship, group companies, key management personnel and retirement benefit funds. Remuneration to the key personnel are included in note 28 to these financial statements and are determined in accordance with the terms of their appointments.

Balances, including investments in associates, are disclosed in relevant notes to these financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party	Premiums written	Commission paid and due	Claims Paid	Dividend Income	Bonus shares issued	Right shares issued	Sale of asset	Expenses
				(Rupees)				
ASSOCIATED COMPANIES								
Accuray Surgical Limited	735,454	90,164	47,832	-	-	-	-	-
Baluchistan Polyproducts (Pvt.) Ltd.	102,155	15,323	-	-	-	-	-	-
Century Aviation & Tourism Services (Private) Limited	5,089	559	-	-	-	-	-	-
Century Paper & Board Mills Ltd.	68,908,443	7,667,301	17,817,600	-	-	-	-	1,028,396
Clover Pakistan Ltd.	5,367,663	743,187	213,045	-	-	-	-	-
Colgate Palmolive (Pakistan) Ltd.	50,321,570	7,116,154	8,877,351	101,062	-	-	-	-
Cyber Internet Services (Pvt.) Ltd.	9,641,309	869,578	3,920,769	-	-	-	-	2,081,342
ICE Animations (Pvt.) Ltd.	155,062	22,810	-	-	-	-	-	-
GAM Corporation Pvt.) Ltd.	6,167,327	659,064	633,882	-	-	-	-	-
Hasanali Karabhai Foundation	1,335,023	178,337	-	-	-	-	-	194,234
Lakson Business Solution Ltd.	133,919	14,116	-	-	-	-	-	108,000
Lakson Investment Ltd.	204,442	20,445	-	-	-	-	755,000	-
Merit Packaging Ltd.	4,693,090	683,677	120,793	-	-	-	-	-
Premier Fashions (Pvt.) Ltd.	12,845	1,285	-	-	-	-	-	-
Princeton Travels (Pvt.) Ltd.	650,798	70,609	-	-	-	-	-	518,707
Siza (Private) Limited	150,151	17,275	33,926	-	-	-	-	-
Reliance Chemicals Ltd.	83,715	12,557	-	-	-	-	-	-
Siza Commodities (Pvt.) Ltd.	24,427	2,443	-	-	-	-	-	-
Siza Foods (Pvt.) Ltd.	5,836,358	590,978	779,596	-	-	-	-	30,000
Siza Foods (Pvt.) Ltd.	5,836,358	590,978	779,596	-	-	-	-	30,000
Sybrid (Private) Limited	808,531	33,106	69,684	-	-	-	-	-
Siza Services (Pvt.) Ltd.	3,472,525	444,450	414,268	-	-	-	-	4,485,111
Tetley Clover (Pvt.) Ltd.	4,820,182	660,153	190,407	-	-	-	-	19,200
Tritex Cotton Mills Ltd.	2,258,876	332,885	-	-	-	-	-	-
OTHERS								
Anchor Commodities (Pvt.) Ltd.	292,359	31,199	-	-	-	-	-	-
Century Publication (Pvt.) Ltd.	3,225,926	374,192	112,137	-	-	-	-	20,100
Rollins Industries (Pvt.) Ltd.	-	-	-	-	-	-	-	-
Matrix Press (Pvt.) Ltd.	1,017,850	152,678	-	-	-	-	-	-
Printek (Private) Limited	-	-	-	-	-	-	-	-
Television Media Network (Pvt.) Ltd.	16,426,353	1,917,213	483,653	-	-	-	-	-
31 December 2009	**186,851,442**	**22,721,738**	**33,714,943**	**101,062**	**-**	**-**	**755,000**	**8,485,090**
31 December 2008	168,253,216	21,453,448	246,343,497	264,350	5,524,171	11,102,468	-	7,224,226

30. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2009 and 31 December 2008, allocated and unallocated capital expenditures and non-cash expenses during the year:

	Fire		Marine		Motor		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees)									
SEGMENT ASSETS										
Segment assets	77,645,973	72,486,279	5,696,954	8,960,773	5,152,155	10,618,454	25,644,412	15,602,568	114,139,494	107,668,074
Unallocated corporate assets									1,037,696,578	1,185,875,637
Consolidated total assets									1,151,836,072	1,293,543,711
SEGMENT LIABILITIES										
Segment liabilities	85,393,187	88,055,131	9,034,500	17,145,118	85,422,276	116,807,410	48,568,274	25,277,774	228,418,237	247,285,433
Unallocated corporate liabilities									71,417,752	124,299,482
Consolidated total liabilities									299,835,989	371,584,915
CAPITAL EXPENDITURE										
Capital expenditure	20,470	642,000	10,370	931,753	66,640	731,730	41,000	681,230	138,480	2,986,713
Unallocated capital expenditure									10,721,474	14,016,483
Consolidated capital expenditure									10,859,954	17,003,196
Depreciation / amortisation	1,408,605	1,166,211	460,781	520,975	798,636	910,242	672,010	373,865	3,340,032	2,971,293
Non-cash expenses other than depreciation / amortisation	2,193,446	-	717,518	-	1,243,617	-	1,046,438	-	5,201,019	-

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

31.1 Insurance risk management

Insurance risk

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences. For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan.

overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputtable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. The adequate event limit which is a multiple of the treaty capacity is very much in line with the risk management philosophy of the Company and market practice.

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

- The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analysed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

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

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and equity is set out below.

	Underwriting results		Shareholders' equity	
	2009	2008	2009	2008
	(Rupees)			
10% increase in loss / decrease				
Fire	(353,730)	(268,607)	(229,925)	(174,595)
Marine	(1,128,396)	(802,092)	(733,457)	(521,360)
Motor	(3,044,452)	(5,678,484)	(1,978,894)	(3,691,015)
Miscellaneous	(1,944,214)	(1,180,446)	(1,263,739)	(767,290)
	(6,470,792)	(7,929,630)	(4,206,015)	(5,154,259)
10% decrease in loss / increase				
Fire	353,730	268,607	229,925	174,595
Marine	1,128,396	802,092	733,457	521,360
Motor	3,044,452	5,678,484	1,978,894	3,691,015
Miscellaneous	1,944,214	1,180,446	1,263,739	767,290
	6,470,792	7,929,630	4,206,015	5,154,259

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
	(Rupees in millions)					
Fire	129,568	93,883	114,443	76,542	15,125	17,341
Marine	29,875	31,727	7,888	10,285	21,986	21,443
Motor	870	3,603	24	3	846	3,600
Miscellaneous	1,136,815	37,807	1,025,190	25,632	111,625	12,176
	1,297,127	167,021	1,147,545	112,461	149,582	54,560

The net sum is reinsured under the non-proportional treaties (excess of loss). The Company's maximum exposure to a particular policy's claim under non-proportional treaties varies according to class of business.

Claims development tables

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

Analysis on gross basis

Accident year	2007	2008	2009	Total
	(Rupees)			
Estimate of ultimate claims cost:				
At end of accident year	1,377,322	86,105,656	108,445,176	195,928,155
One year later	1,533,871	92,495,632	-	94,029,503
Two years later	1,725,341	-	-	1,725,341
Estimate of cumulative claims	1,725,341	92,495,632	108,445,176	202,666,149
Cumulative payments to date	(1,074,463)	(74,937,415)	(68,267,704)	(144,279,582)
Liability recognised in the balance sheet	650,878	17,558,217	40,177,472	58,386,567

Liability recognised in the balance sheet 650,878 17,558,217 40,177,472 58,386,567

31.2 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

31.2.1 Credit risk

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

31.2.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers /reinsurers , reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

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

	Note	2009	2008
		(Rupees)	
Cash and bank deposits	12	72,807,669	316,056,418
Investments	13	589,906,233	387,484,288
Premiums due but unpaid	15	72,986,651	79,871,002
Amounts due from other insurers / reinsurers	16	80,510,620	143,639,270
Accrued investment income	17	819,373	1,603,816
Reinsurance recoveries against outstanding claims	18	7,387,579	28,374,752
Sundry receivable	20	3,549,379	3,757,899
		827,967,504	960,787,445

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

JS Bank Limited A1 A PACRA

	Rating		Rating
	Short term	Long term	Agency
JS Bank Limited	A1	A	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
HSBC Bank Middle East Limited	P-1	Aa2	MOODY'S
NIB Bank Limited	A1+	AA-	PACRA
Citibank Limited N.A.	P-1	A1	MOODY'S
Allied Bank Limited	A1+	AA	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA
Standard Chartered Bank Limited	A1+	AAA	PACRA
Habib Bank Limited	A1+	AA+	JCR-VIS
National Bank Limited	A1+	AAA	JCR-VIS
United Bank Limited	A1+	AA+	JCR-VIS
Bank Alfalah Limited	A1+	AA	PACRA
Faysal Bank Limited	A1+	AA	PACRA
Royal Bank of Scotland	A1+	AA	PACRA
MCB Bank Limited	A1+	AA+	PACRA

The Company is exposed to credit risk in respect of investments made in term finance certificates and quoted equity securities. The Company invests in term finance certificates of banks having sound credit rating by recognised credit rating agencies whereas investment in liquid quoted securities are made.

Premium due but unpaid

Premium due but unpaid is mostly recoverable from group companies and are considered good.

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	31 December 2009		31 December 2008	
	(Rupees)	%	(Rupees)	%
Banks	-	0.0%	5,856,644	7.3%
Insurance (Re/co-insurance)	-	0.0%	82,798	0.1%
Tobacco	939,686	1.3%	24,096,717	30.2%
Paper and board	32,508,667	44.5%	13,698,769	17.2%
Textiles	944,723	1.3%	1,487,747	1.9%
Food and allied industries	3,848,416	5.3%	1,826,631	2.3%
Chemical and pharmaceuticals	11,373	0.0%	6,886,898	8.6%
Technology & Communication	16,353,405	22.4%	11,903,622	14.9%
Miscellaneous	17,960,825	24.6%	12,945,241	16.2%
Individuals	419,556	0.6%	1,085,935	1.4%
	72,986,651	100%	79,871,002	100%

Age analysis of premium due but unpaid at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Upto 1 year	65,943,933	-	74,410,641	-
1-2 years	3,410,924	-	3,587,326	-
2-3 years	3,540,456	-	1,560,002	-
Over 3 years	6,816,873	6,725,535	5,649,881	5,336,848
Total	79,712,186	6,725,535	85,207,850	5,336,848

Amount due from other insurers / reinsurers reinsurance recoveries against outstanding claims

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

	Amount due from reinsurance	Reinsurance recoveries against outstanding claims	Prepaid Reinsurance Premium ceded	2009	2008
	(Rupees)				
A or above (including PRCL)	358,040	5,285,360	34,286,748	39,930,148	28,575,986
BBB	-	536,584	3,177,434	3,714,018	5,042,821
Total	358,040	5,821,944	37,464,183	43,644,167	33,618,807

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2009 Gross	2009 Impairment	2008 Gross	2008 Impairment
	(Rupees)			
Upto 1 year	35,237,538	-	131,999,048	-
1-2 years	40,491,482	-	7,634,395	-
2-3 years	2,940,781	-	2,704,287	-
Over 3 years	2,301,511	460,692	1,762,232	460,692
Total	80,971,312	460,692	144,099,962	460,692

Age analysis of reinsurance recoveries against outstanding claims at the reporting date was:

	2009 Gross	2009 Impairment	2008 Gross	2008 Impairment
Upto 1 year	4,293,632	-	25,217,171	-
1-2 years	2,421,431	-	2,595,090	-
2-3 years	260,908	-	545,924	-
Over 3 years	411,615	-	16,567	-
Total	7,387,586	-	28,374,752	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes in to account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

31.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities:

2009
Carrying Contractual
The following are the contractual maturities of financial liabilities:

Non-Derivative Financial liabilities	2009 Carrying Amount	2009 Contractual cash flows upto one year
	(Rupees)	
Provision for outstanding claims	58,386,567	(58,386,567)
Amount due to other insurers / reinsurers	25,908,539	(25,908,539)
Accrued expenses	3,195,441	(3,195,441)
Other creditor and accruals	37,121,585	(37,121,585)
Unclaimed dividend	470,974	(470,974)
	125,083,106	(125,083,106)

Non-Derivative Financial liabilities	2008 Carrying Amount	2008 Contractual cash flows upto one year
	(Rupees)	
Provision for outstanding claims	106,347,616	(106,347,616)
Amount due to other insurers / reinsurers	82,168,132	(82,168,132)
Accrued expenses	4,084,654	(4,084,654)
Other creditor and accruals	34,080,378	(34,080,378)
Unclaimed dividend	470,974	(470,974)
	227,151,754	(227,151,754)

31.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

31.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument is:

	2009	2008	2009	2008
	Effective interest rate (in %)		------------- (Rupees) ------------	
Fixed rate instruments				
- Government securities	(12% to 15%)	14.25%	134,166,973	36,292,460
Variable rate instruments				
- PLS savings accounts	5% to 16%	3.65% to 16%	67,753,178	309,647,547

Fair value sensitivity analysis for fixed rate instruments

The Company does not account fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its deposits with banks. In case 100 basis points (bp) increase / decrease in interest rates at year end, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs. 0.01 million (2008: 0.02).

31.2.3.2 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments
Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines. A summary analysis of investments by industry sector is disclosed in note 13 to these financial statements.

The Management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2009 and 2008 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets in Company's equity investment portfolio.

Sensitivity analysis of equity investment as at the reporting date is as follows:

- For held for trading equity investments, in case of 10% increase / decrease in equity prices at the reporting date, the net income and equity would have been higher / lower by Rs. 7.648 million (2008: Rs. 3.943 million).

- For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs. 51.363 million (2008: Rs. 13.613 million). However, an increase of 10% in equity prices at the reporting such increase is restricted to amount of cost of investment of such securities, i.e., Rs. 15.219 million (2008: Nil) as per the policy of the Company.

31.3 Fair value of financial instruments

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

32. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

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

33. AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2010.
These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2010.

34. GENERAL

All figures have been rounded off to the nearest of rupees, except otherwise stated.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Tinku I. Johnson
Chairman	Director	Director	Director & Chief Executive

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2009

INCORPORATION NUMBER: K-192/8927 1985-86
CUIN REGISTRATION NUMBER. 0013587

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
198	1	100	6,328
306	101	500	101,039
227	501	1000	184,531
427	1001	5000	1,072,489
130	5001	10000	905,804
47	10001	15000	593,636
22	15001	20000	389,655
21	20001	25000	476,683
11	25001	30000	309,580
3	30001	35000	94,910
2	35001	40000	75,049
3	40001	45000	128,715
7	45001	50000	332,053
3	50001	55000	155,810
1	65001	70000	66,950
2	70001	75000	148,527
2	75001	80000	158,653
2	80001	85000	165,238
1	85001	90000	90,000
2	90001	95000	182,848
2	95001	100000	200,000
1	110001	115000	113,000
2	115001	120000	232,039
1	125001	130000	126,250
1	155001	160000	159,300
1	165001	170000	166,810
1	190001	195000	193,500
1	210001	215000	211,325
1	240001	245000	244,385
1	275001	280000	280,000
1	315001	320000	316,716
1	370001	375000	372,600
1	430001	435000	430,635
1	595001	600000	600,000
1	675001	680000	677,500
1	720001	725000	721,263
1	4515001	4520000	4,518,385
1	720001	725000	721,263
1	4515001	4520000	4,518,385
1	6505001	6510000	6,506,692
1	10770001	10775000	10,774,674
1	13240001	13245000	13,240,794
1,439			45,724,366

Categories of Shareholders	Shares Held	Percentage
- Directors, Chief Executive, their spouse and minor children	38,699	0.08
- Associated Companies, undertakings and related parties	35,046,383	76.65
- NIT and ICP	NIL	-
- Banks, Development Financial Institutions, Non Banking Financial Institutions	318,650	0.70
- Insurance Companies	4,550	0.01
- Modaraba and Mutual Funds	NIL	-
- Shareholders holding 10% or more	30,522,160	66.75
- General Public	10,316,084	22.56

Note: Some of the shareholders are reflected in more than one category.

Details of pattern of shareholding

As per requirement of code of corporate governance as at 31 December 2009

Categories of Shareholders			No. of shares held
a)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
1.	M/s. Siza (Pvt) Limited		6,506,692
2.	M/s. Siza Services (Pvt) Limited		10,774,674
3.	M/s. Siza Commodities (Pvt) Limited		4,518,385
4.	M/s. Premier Fashions (Pvt) Limited		13,240,794
5.	Mrs. Gulbanoo Lakhani		560
6.	Mr. Sultan Ali Lakhani		540
7.	Mrs. Shaista Sultan Ali Lakhani		360
8.	Mr. Babar Ali Lakhani		900
9.	Mr. Bilal Ali Lakhani		329
10.	Mr. Danish Ali Lakhani		921
11.	Miss. Sanam Iqbal Lakhani		400
12.	Miss. Misha Lakhani		660
13.	Miss. Anushka Zulfiqar Lakhani		566
14.	Miss. Anika Amin Lakhani		602
b)	**NIT & ICP**		NIL
c)	**DIRECTORS, CHIEF EXECUTIVE, THEIR SPOUSE AND MINOR CHILDREN**		
1.	Mr. Iqbal Ali Lakhani	Chairman/Director	1,110
2.	Mr. Zulfiqar Ali Lakhani	Director	900
3.	Mr. Amin Mohammed Lakhani	Director	1,605
4.	Mr. Tasleemuddin Ahmed Batlay	Director	29,632
5.	Mr. A. Aziz H. Ebrahim	Director	3,014
6.	Mr. Muhammad Abdul Qadir	Director	1,124
7.	Mr. Tinku Irfan Johnson	Director/Chief Executive	500
8.	Mrs. Ronak Iqbal Lakhani W/o. Mr. Iqbal Ali Lakhani		360
[illegible]	[illegible] W/o. Mr. Iqbal Ali Lakhani		360
9.	Mrs. Fatima Lakhani W/o. Mr. Zulfiqar Ali Lakhani		180
10.	Mrs. Saira Amin Lakhani W/o. Mr. Amin Mohammed Lakhani		274
d)	**EXECUTIVE**		Nil
e)	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**		Nil
f)	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS**		323,200
g)	**SHAREHOLDERS HOLDING 10% OR MORE** (Other than those reported at (a) (1, 2 & 4)		Nil
h)	**INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE**		10,316,084
			45,724,366

Form of proxy

I/We ____

of ____

a member of CENTURY INSURANCE COMPANY LIMITED hereby

appoint ____

of ____

or failing him ____

of ____

who is/are also member/s of Century Insurance Company Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held on the 15th day of April 2010 or at any adjournment thereof.

Signed this ____________ day of____________ 2010.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over Revenue Stamp

Witness 1

Signature ______________________________

Name ______________________________

Name ______________________________

CNIC No. ______________________________

Address ______________________________

____

Witness 2

Signature ______________________________

Name ______________________________

Name ______________________________

CNIC No. ______________________________

Address ______________________________

____

Notes:

1. The proxy must be a member of the Company.

2. The signature must tally with the specimen signature/s registered with the Company.

3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

Branch Network

Head Office:
11th Floor, Lakson Square,
Building No. 3, Sarwar Shaheed Road,
Karachi-74200.
Tel: (021) 35671603, 35657445-9 (5 Line)
Fax: (021) 35671665
Email: info@cicl.com.pk

Karachi Marketing Office:
10th Floor, Lakson Square,
Building No. 3, Sarwar Shaheed Road,
Karachi-74200.
Tel: (021) 35698550
Fax: (021) 35689518

Islamabad Branch:
Office No. 5, Kashmir Plaza,
Jinnah Avenue, Blue Area,
Islamabad.
Tel: (051) 2801327-29
Fax: (051) 2870228

Lahore Branch:
Suite No. 209, Eden Centre,
43-Jail Road, Lahore.
Tel: (042) 37590500, 37567390, 37552177, 37539048
Fax: (042) 37567881

Rawalpindi Branch:
Suite No. 3, 1st Floor, Majeed Plaza,
Bank Road, Rawalpindi.
Tel: (051) 5512251-52
Fax: (051) 5110996

Faisalabad Branch:
1st Floor, FM Plaza,
15-D, Peoples Colony,
Faisalabad.
Tel: (041) 8554450-52
Fax: (041) 8554453

Sialkot Branch:
1st Floor, Karim Plaza
Iqbal Town, Defence Road,
Sialkot.
Tel: (052) 3241704-07
Fax: (052) 3241703

UAN: 111-111-717
Website: www.cicl.com.pk

Century Insurance

111-111-717
www.cicl.com.pk