Century Insurance

A Lakson Group Company

new WAYS

Annual Report
2010

new WAYS

At Century Insurance Company Limited, we are exploring new and innovative ways to do business.

This means exploring new markets, developing and offering new products, adopting new technologies, communicating with our clients in new ways and rearranging and processing our workflows in new ways so as to better serve the needs of our valuable clients.

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 83% 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"

Century's Team

Contents

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. Mohammad Hussain Hirji - Chief Executive
(w.e.f. 14 September 2010)
Mr. Tinku Irfan Johnson - Chief Executive
(upto 14 September 2010)

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. Mohammad Hussain Hirji
Mr. Afzal-ur-Rahman

Claim Settlement Committee

Mr. Amin Mohammed Lakhani (Chairman)
Mr. Mohammad Hussain Hirji
Mr. Afzal-ur-Rahman

Reinsurance & Co-Insurance Committee

Mr. Zulfiqar Ali Lakhani (Chairman)
Mr. Mohammed Hussain Hirji
Mr. Afzal-ur-Rahman
Ms. Madiha Khalid

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
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited

Shares Registrar

M/s. FAMCO Associates (Pvt) Ltd.
State Life Building No.1-A,
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. 6, Mezzanine Floor, 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

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. Mohammad Hussain Hirji
Director & Chief Executive

Mr. Muhammad Abdul Qadir
Director

Mr. Tasleemuddin A. Batlay
Director

Mr. A. Aziz H. Ebrahim
Director

Notice of meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of CENTURY INSURANCE COMPANY LIMITED will be held on Saturday 30 April 2011 at 12:00 noon 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 2010 together with the Directors' and Auditors' reports thereon.

2. To declare final cash dividend @ 10% i.e. Re.1.00 per share as recommended by the Board of Directors.

3. To appoint Auditors and fix their remuneration.

4. To elect seven Directors as fixed by the Board of Directors for the next term of three years in accordance with the provisions of the Companies Ordinance, 1984. The retiring Directors are M/s. Iqbal Ali Lakhani, Zulfiqar Ali Lakhani, Amin Mohammed Lakhani, Tasleemuddin A. Batlay, A. Aziz H. Ebrahim, Muhammad Abdul Qadir and Mohammad Hussain Hirji. The retiring Directors are eligible for re-election.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

KARACHI: 18 March 2011

NOTES:

1. The share transfer books of the Company will remain closed from 23 April 2011 to 30 April 2011 (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 22 April 2011 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 entitled to attend and vote at the 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 valid must be properly filled in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, 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.

Senior management

Sitting from left to right

Ms. Madiha Khalid
Head of Reinsurance

Mr. Javed Muslim
Head of Marketing (South)

Mr. Mohammad Hussain Hirji
Director & Chief Executive

Mr. Afzal-ur-Rahman
Head of Operations

Mr. Ghulam Mustafa Khan
Head of Underwriting (Marine)

Standing from left to right

Mr. Ali Asghar
Head of Underwriting (Fire)

Mr. Shahid Mobeen
Head of Internal Audit

Mr. Altaf Siddiqi
Head of Claims

Mr. Sabza Ali Pirani
Chief Financial Officer

Mr. Safdar Abbas
Head of HR

Mr. Nabeel Dean
Head of Personal Lines

Financial performance at a glance

Rupees in million

Gross Premium Written	
2010	450
2009	456
Percentage	-1%

Net Premium	
2010	219
2009	207
Percentage	6%

Net Claims	
2010	107
2009	65
Percentage	65%

Underwriting Profit	
2010	64
2009	95
Percentage	-33%

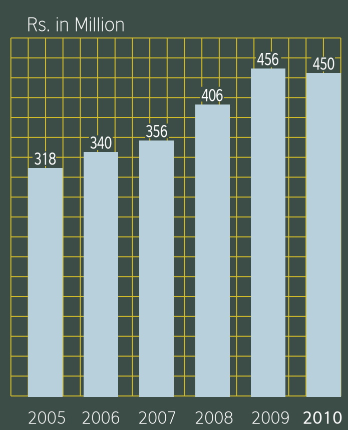
Investment Income	
2010	106
2009	-73
Percentage	245%

Total Assets	
2010	1,330
2009	1,152
Percentage	15%

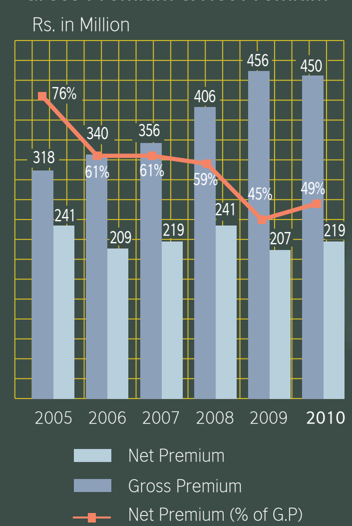
Total Shareholders' Equity	
2010	962
2009	852
Percentage	13%

Investments	
2010	840
2009	736
Percentage	14%

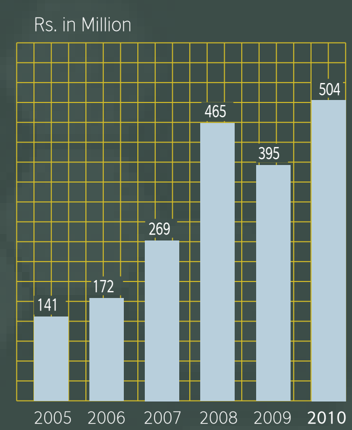
Gross Premium



Gross Premium & Net Premium



Reserves



The management of your Company strives to maintain and increase the growth momentum, with the ultimate objective of enhancing investor equity in the future. Your dedicated and committed management is confident about the future and will strive hard to make 2011 a better year, Inshallah.

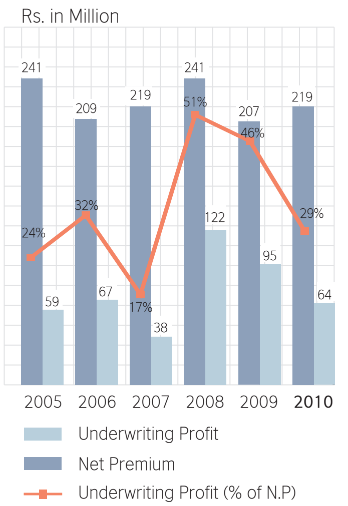
Key operating and financial data

Rupees in million

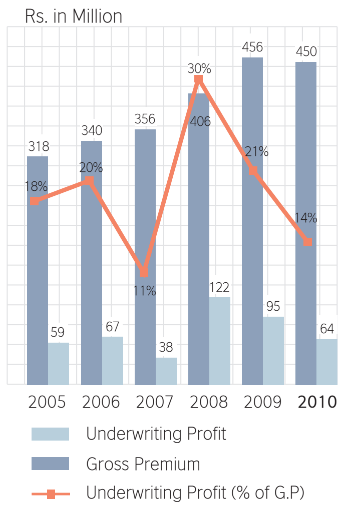
	2010	2009	2008	2007	2006	2005
Financial Data						
Paid-up Capital	457.2	457.2	457.2	254.0	203.2	150.5
Reserves & Retained Earning	504.4	394.8	464.7	268.5	171.6	140.8
Equity	961.6	852.0	922.0	522.5	374.8	291.3
Underwriting Premium Reserves	253.5	228.4	247.3	999.6	242.4	199.9
Investments	840.0	736.0	464.4	464.2	358.8	222.4
Total Assets	1,330.5	1,151.8	1,293.5	1,691.6	695.4	567.3
Fixed Assets (Tangible & Intangible)	44.6	42.6	42.2	31.8	27.7	20.8
Cash & Bank Deposits	87.1	75.3	316.4	248.8	79.4	110.3
Operating Data						
Gross Premium	449.7	456.2	406.1	356.4	340.1	317.9
Net Premium	219.1	206.6	241.4	218.6	208.6	241.0
Net Claims	106.6	64.7	79.3	146.2	109.7	159.8
Underwriting Profit	63.6	95.0	122.3	37.9	66.7	58.8
Investment Income / (Loss)	105.9	(73.0)	(38.0)	169.4	62.9	76.1
Profit / (Loss) Before Tax (PBT)	121.1	(39.9)	53.8	168.2	105.1	117.8
Income Tax	11.4	30.0	35.3	0.2	9.3	23.4
Profit / (Loss) After Tax (PAT)	109.6	(70.0)	18.4	168.0	95.8	94.3
Dividends	-	-	-	-	20.3	15.1
Financial Ratios						
Profitability						
Profit Before Tax / Net Premium (%)	55.3	(19.3)	22.3	76.9	50.4	48.9
Profit After Tax / Net Premium (%)	50.0	(33.9)	7.6	76.8	45.9	39.1
Management Expenses / Gross Premium (%)	27.0	24.8	23.8	25.2	20.4	14.7
Management Expenses / Net Premium (%)	55.5	54.7	40.0	41.1	33.3	19.4
Underwriting Profits / Net Premium (%)	29.1	46.0	50.7	17.4	32.0	24.4
Net Claims / Net Premium (%)	48.7	31.3	32.9	66.9	52.6	66.3
Return on Assets (%)	8.2	(6.1)	1.4	9.9	13.8	16.6
Return to Shareholders						
Return on Equity (%)	11.4	(8.2)	2.0	32.1	25.6	32.4
Return on Investment (%)	13.44	(12.2)	(8.2)	41.2	21.6	45.1
Earnings / (Loss) Per Share (Rs.)	2.40	(1.53)	0.40	3.67	2.10	2.06
*Dividend (%)	10.0	-	-	-	10.0	10.0
Dividend Yield (%)	8.9	-	-	-	2.4	2.3
Dividend Payout (%)	41.71	-	-	-	47.7	48.5
Bonus share (%)	-	-	-	30.0	25.0	35.0
Price Earning Ratio (Times)	4.70	-	30.4	19.1	19.8	21.4
Market Value per share	11.27	13.7	12.3	70.3	41.5	44.2
Liquidity / Leverage						
Break-up Value per share (Rs.)	21.0	18.6	20.2	20.6	18.4	19.4
Current Ratio (Times)	4.2	7.2	4.9	1.5	3.6	3.2
Total Assets Turnover Ratio (Times)	0.3	0.40	0.31	0.21	0.5	0.6
Total Liabilities / Equity (Times)	0.38	0.35	0.40	2.24	0.9	0.9
Paid-up Capital / Total Assets (%)	34.4	39.7	35.3	15.0	29.2	26.5
Equity / Total Assets (%)	72.3	74.0	71.3	30.9	53.9	51.3

* Includes cash dividend amounting to Rs. 45.724 million proposed by the Board of Directors subsequent to the year end.

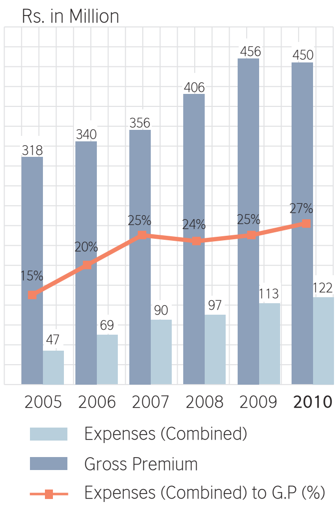
Net Premium & Underwriting Premium



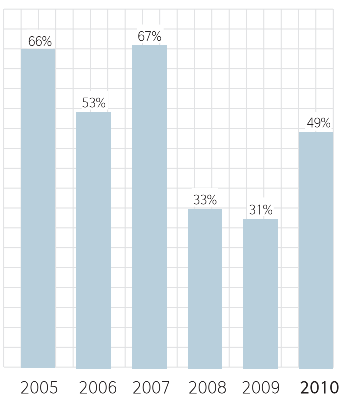
Gross Premium & Underwriting Profit



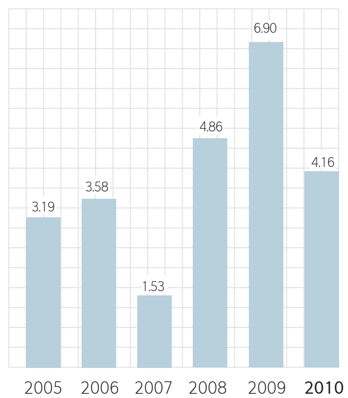
Expenses (Combined) to Gross Premium Ratio (%)



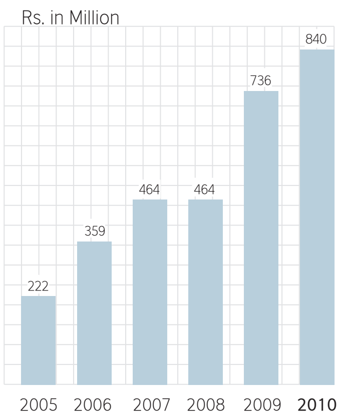
Net Claim Ratio (% of net premium)



Current Ratio (Times)



Investments



Gross Premium (Category Wise)

Fire & Property	40%
Marine, Aviation & Transport	16%
Motor	24%
Miscellaneous	20%

Horizontal analysis

	2010 (Rupees)	%	2009 (Rupees)	%	2008 (Rupees)	%
BALANCE SHEET ITEMS						
Assets						
Cash and bank deposits	87,059,857	15.6%	75,313,774	-76.2%	316,415,603	27.2%
Investments	840,031,282	14.1%	735,978,003	58.5%	464,449,483	0.0%
Deferred taxation	3,063,779	425.7%	582,852	-4.8%	612,122	-42.3%
Premiums due but unpaid - unsecured	90,538,623	24.0%	72,986,651	-8.6%	79,871,002	61.8%
Amounts due from other insurers / reinsurers	76,954,600	-4.4%	80,510,620	-43.9%	143,639,270	298.0%
Reinsurance recoveries due but unpaid	10,036,487	-14.2%	11,703,178	-90.8%	127,454,211	848.3%
Salvage recoveries accrued	6,923,000	49.5%	4,630,000	6.3%	4,355,000	1.1%
Accrued investment income	3,451,981	-5.6%	3,655,257	47.2%	2,483,376	-12.7%
Reinsurance recoveries against outstanding claims	38,934,607	427.0%	7,387,579	-74.0%	28,374,752	-96.3%
Taxation - net	23,620,476	378.4%	4,937,229	-	-	-100.0%
Deferred commission expense	13,140,306	10.4%	11,897,979	12.8%	10,548,890	8.2%
Prepayments	85,901,593	-10.6%	96,067,521	38.4%	69,403,482	29.8%
Sundry receivables	6,219,559	75.2%	3,549,379	-5.5%	3,757,899	-8.8%
Fixed assets (tangible & intangible)	44,591,007	4.6%	42,636,050	1.1%	42,178,621	32.7%
Total assets	**1,330,467,157**	**15.5%**	**1,151,836,072**	**-11.0%**	**1,293,543,711**	**-23.5%**
Shareholders' equity and liabilities						
Paid-up capital	457,243,660	0.0%	457,243,660	0.0%	457,243,660	80.0%
Retained earnings	131,365,194	504.5%	21,732,162	-76.3%	91,690,876	-47.4%
Reserves	373,024,260	0.0%	373,024,260	0.0%	373,024,260	296.7%
Provision for outstanding claims (including IBNR)	100,129,274	71.5%	58,386,567	-45.1%	106,347,616	-87.7%
Provision for unearned premium	134,453,913	-11.6%	152,173,290	23.3%	123,383,463	0.5%
Commission income unearned	18,925,026	6.0%	17,858,380	1.7%	17,554,354	15.9%
Staff retirement benefits	-	0.0%	-	-100.0%	1,020,000	-74.2%
Premiums received in advance	4,146,578	-12.2%	4,721,213	389.6%	964,318	62.6%
Amounts due to other insurers / reinsurers	55,179,287	113.0%	25,908,539	-68.5%	82,168,132	41.2%
Accrued expenses	3,671,215	14.9%	3,195,441	-21.8%	4,084,654	51.2%
Taxation - net	-		-	-100.0%	1,511,026	-
Other creditors and accruals	51,857,776	39.7%	37,121,586	8.9%	34,080,378	-67.1%
Unclaimed dividend	470,974	0.0%	470,974	0.0%	470,974	-2.1%
Total shareholders' equity and liabilities	**1,330,467,157**	**15.5%**	**1,151,836,072**	**-11.0%**	**1,293,543,711**	**-23.5%**
PROFIT AND LOSS ACCOUNT						
Net premium revenue	219,069,662	6.0%	206,646,121	-14.4%	241,371,386	10.4%
Net claims	(106,645,552)	64.8%	(64,707,924)	-18.4%	(79,296,296)	-45.7%
Expenses	(62,589,282)	5.1%	(59,530,383)	24.4%	(47,854,321)	8.3%
Net commission	13,809,108	9.4%	12,623,117	57.0%	8,039,621	-16.6%
Investment income / (loss)	105,875,469	245.0%	(73,034,849)	92.0%	(38,041,033)	-122.5%
Other income - net	7,451,724	-63.2%	20,238,268	-9.5%	22,366,115	358.3%
General and administration expenses	(58,949,497)	10.2%	(53,514,513)	9.7%	(48,771,613)	7.0%
Share of (loss) of associates	(772,337)	-84.7%	(5,031,869)	797.1%	(560,887)	-136.1%
Reversal / (impairment) in value of investment in associates	3,813,129	116.1%	(23,635,007)	575.3%	(3,500,000)	-
Taxation - net	(11,431,295)	-61.9%	(30,011,674)	-15.1%	(35,331,398)	21087.5%
Profit / (loss) after tax	109,631,129	256.7%	(69,958,714)	-479.8%	18,421,574	-89.0%

Vertical analysis

	2010 (Rupees)	2010 %	2009 (Rupees)	2009 %	2008 (Rupees)	2008 %
BALANCE SHEET ITEMS						
Assets						
Cash and bank deposits	87,059,857	6.5%	75,313,774	6.5%	316,415,603	24.5%
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Unclaimed dividend	470,974	0.0%	470,974	0.0%	470,974	0.0%
Total shareholders' equity and liabilities	**1,330,467,157**	**100.0%**	**1,151,836,072**	**100.0%**	**1,293,543,711**	**100.0%**
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General and administration expenses	(58,949,497)	-26.9%	(53,514,513)	-25.9%	(48,771,613)	-20.2%
Share of (loss) of associates	(772,337)	-0.4%	(5,031,869)	-2.4%	(560,887)	-0.2%
Reversal / (impairment) in value of investment in associates	3,813,129	1.7%	(23,635,007)	-11.4%	(3,500,000)	-1.5%
Taxation - net	(11,431,295)	-5.2%	(30,011,674)	-14.5%	(35,331,398)	-14.6%
Profit / (loss) after tax	109,631,129	50.0%	(69,958,714)	-33.9%	18,421,574	7.6%

Statement of value addition

	2010 Rupees in '000	2009 Rupees in '000
WEALTH GENERATED		
Gross Premium (Including FED & FIF)	521,736	512,528
Commission Income	13,809	12,623
Profit / (Loss) from Investment	108,916	(101,702)
Other Income	7,452	20,238
	651,913	443,688
Management & other expenses	(376,445)	(353,757)
	275,468	89,931
WEALTH DISTRIBUTED		
To Employees	75,696	67,248
To Government:		
Company taxation	11,431	30,012
Levies (including FED & FIF)	72,062	56,328
	83,493	86,340
To Shareholders:		
Dividend *	45,724	-
	45,724	-
Retained in Business:		
Depreciation and amortization	6,648	6,302
Net earnings	63,907	(69,959)
	70,554	(63,657)
	275,468	89,931

* Includes cash dividend amounting to Rs. 45.724 million proposed by the Board of Directors subsequent to the year end.

Distribution of Value Added

2010 (Rs. in '000)

Shareholders	45,724
Government	83,493
Employees	75,696

2009 (Rs. in '000)

Shareholders	-
Government	86,340
Employees	67,248

Services

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

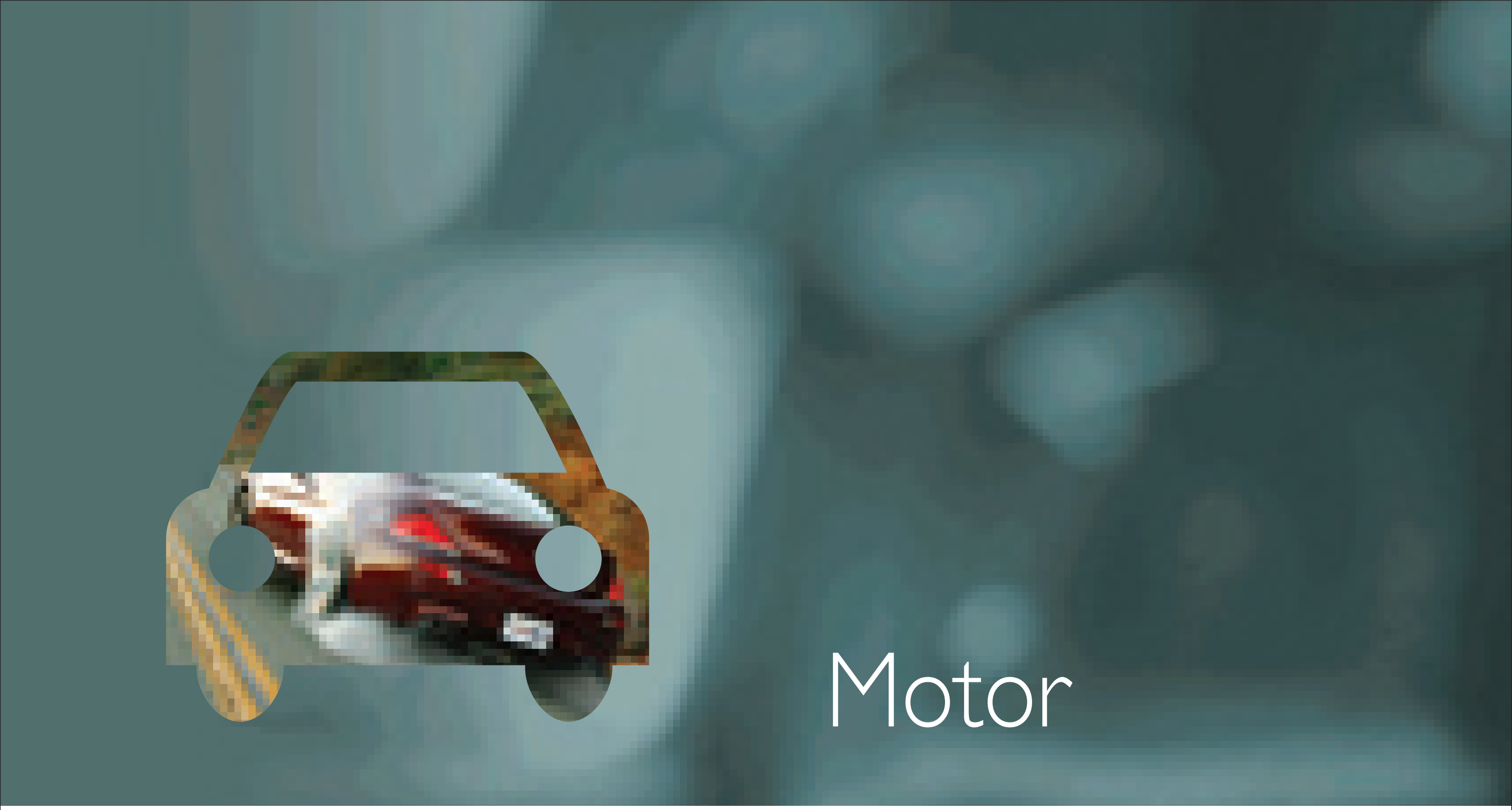
While the goods are imported or exported, they are exposed to significant financial losses should the international shipments be damaged or destroyed in transit. An organisation needs to depend on an insurance company that understands the importance of swift response and efficient service in handling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

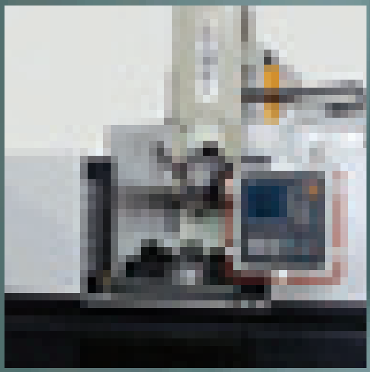
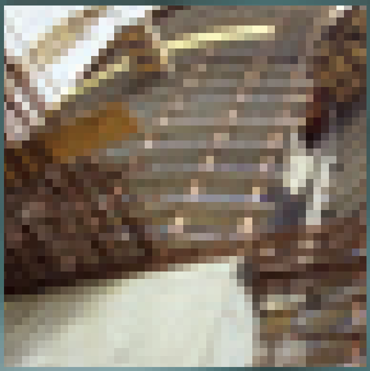
Consequential losses following a breakdown of machinery, plant or equipment due to a sudden or unforeseen event can sometimes be worse than the extent of the physical damage. Production and business operations may cease. However, fixed expenses such as salary, wages, interest on capital, rent etc, will 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.

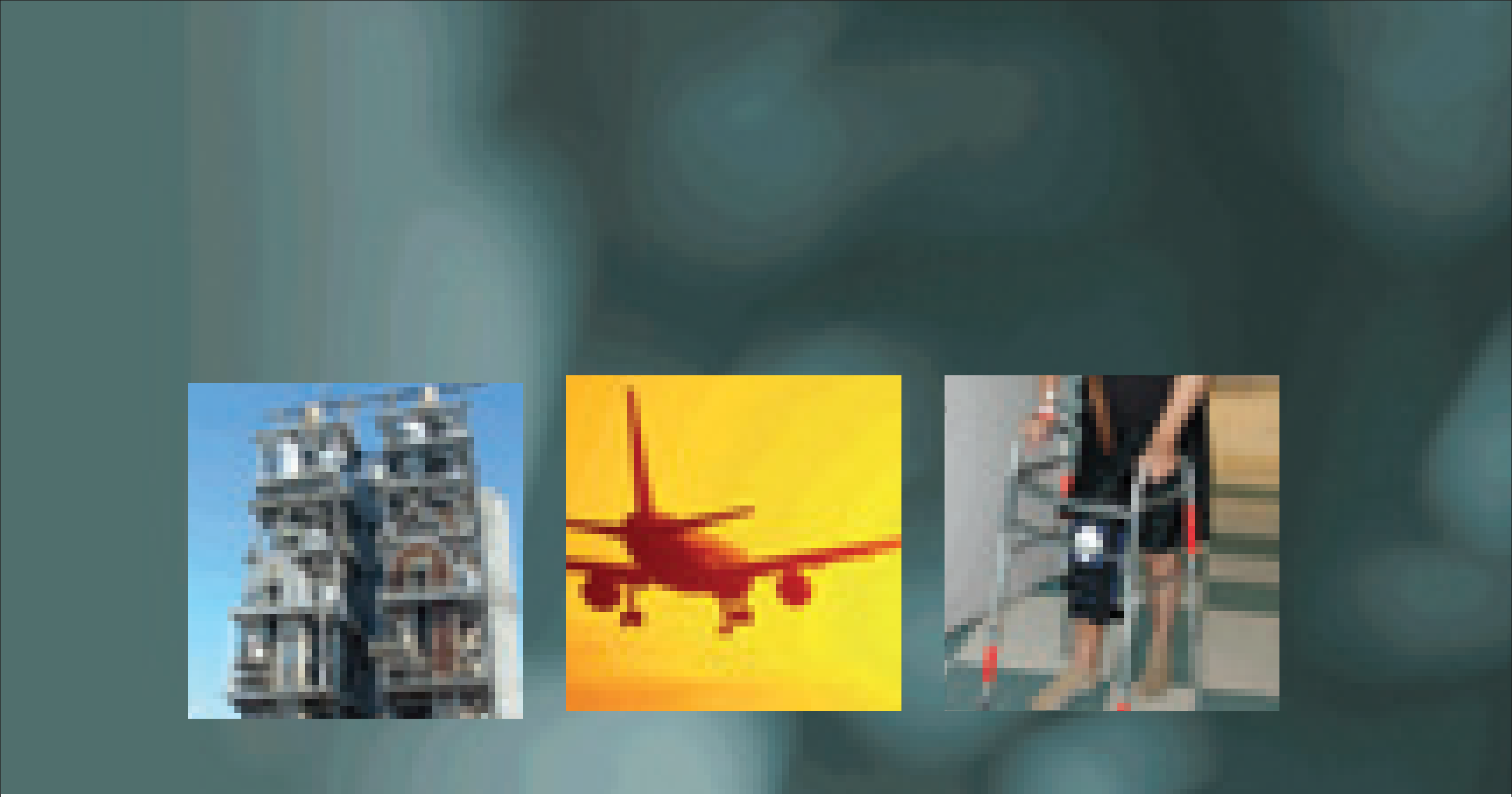
Unless specially excluded, this "all risk" insurance covers accidental physical loss or damage to contract works during the execution of a civil engineering project.

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 project 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 round-the-clock….But even the most heavy-duty machines can break 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, compressors, etc, due to an accident arising out of external perils. The cover is operative while the insured property is at work or at rest, or being dismantled for the purpose of cleaning or overhauling, or during subsequent re-erection.

Travel Insurance

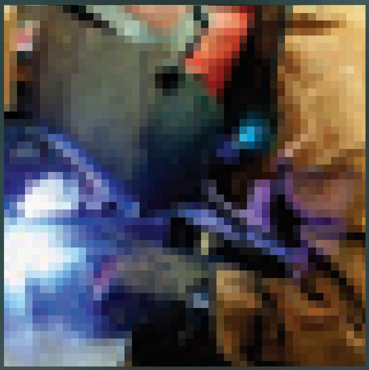
Traveling inside the country or worldwide is an essential part of most of the executives' working lives. Certainly, along with it comes the risk for any personal and financial loss that they might face on a business trip. That is why Century Insurance offers travel policies that cover the employer and 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 covered 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 provides 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 environment, 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 Insured 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 more 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 result 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 threat 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 ensure protection with Century Insurance Workmen's Compensation Insurance. Workers' compensation (colloquially known as workers' comp) provides insurance to cover medical care and compensation for employees who are 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 from the Insured's premises during business hours caused by theft or robbery; and Loss of money from the insured's safe or strong 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 premises of the Insured due to armed hold-ups, burglary, house breaking.

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.

Mr. M. Hussain Hirji
Director & Chief Executive

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.

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, 2010.

General Review

Alhamd-o-lillah, your Company with its professionalism stands in the forefront of the domestic insurance industry and is widely recognized as one of the premier general insurance companies of the country. In order to meet the challenges of your Company's continued growth and to increase its market share and profitability, the Company is in the process of further strengthening its infrastructure.

Economic Review

2010 was another challenging year for Pakistan - the country witnessed unprecedented floods that wreaked havoc on the rural infrastructure, displacing millions of people. The economy remains under pressure due to high inflation, an energy crisis, high financial cost and a dismal law and order situation. Large scale manufacturing continued its depressed performance thereby taking a toll on the financial sector including the insurance industry.

Financial Highlights

The comparative financial highlights for the years 2010 and 2009 are presented as follows:

Rupees in millions (except as otherwise stated)	2010	2009
Gross Premium written	450	456
Net Premium	219	207
Underwriting Profit	64	95
Investment and Other Income	116	(81)
Profit / (loss) after tax	110	(70)
Total Assets	1,330	1,152
Paid-up Capital	457	457
Total Equity	962	852
Earnings / (loss) per share - Rs.	2.40	(1.53)

Operating Results

By the Grace of Allah, your Company has achieved a healthy underwriting profit despite the slowing down of the economy. The gross premium recorded this year was Rs. 450 million as compared to Rs. 456 million achieved in 2009 depicting a slight decline of 1%. The net premium however, has increased by 6% from Rs. 207 million in 2009 to Rs. 219 million in 2010. The net claim to net premium ratio of the Company has been recorded at 49% in 2010 as against 31% in 2009. The underwriting profit for the year is Rs. 64 million as against Rs. 95 million 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.

Segments at a Glance

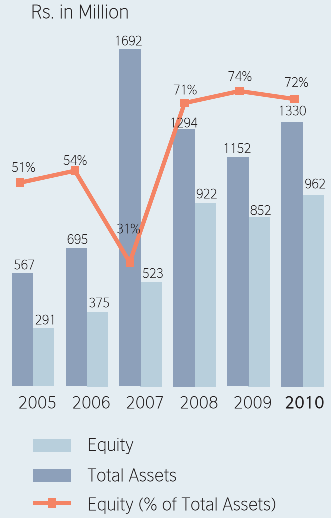
Alhamd-o-lillah, all classes of business activities maintained profitability during the year. Segment-wise performance of each class of business is given below:

Fire Business

The gross premium and net premium during the current year were Rs. 176.8 million and Rs. 23.6 million as against Rs. 192.4 million and Rs. 28 million respectively in 2009. Due to the impact of flood losses net claims increased by Rs. 8.2 million in 2010. The underwriting profit during the current was Rs. 16.3 million less than it was in 2009.

Equity and Total Assets

Rs. in Million



Marine Business

The gross premium grew by 16% from Rs. 62.9 million in 2009 to Rs. 73.2 million in 2010. Net premium however, decreased marginally by Rs. 1.1 million during the current year. Net claims during the current year stood at Rs. 4.6 million as compared to Rs. 11.3 million in 2009. Thus, the underwriting profit during the current year increased by 30% from Rs. 23 million in 2009 to Rs. 29.8 million in 2010.

Motor Business

The gross premium and net premium during the current year were Rs. 109.3 million and Rs. 104.9 million as against Rs. 109.1 million and Rs. 101.3 million respectively in 2009. Net claims however, increased by Rs. 25.9 million in 2010 and as a result, the underwriting profit during the current year decreased by Rs. 23 million.

Miscellaneous Business

The gross premium and net premium during the current year were Rs. 90.4 million and Rs. 48.7 million as against Rs. 91.8 million and Rs. 34.4 million respectively in 2009. The net claims increased by Rs. 14.6 million in 2010. The underwriting profit during the current year increased by Rs. 1.2 million.

Investment Activities

During the year under review, investment and other income contributed Rs. 116.4 million to the bottom line of the Company as against an investment loss of Rs. 81.5 million in 2009. The management as part of its investment strategy diluted the existing equity portfolio by investing in low risks debt and money market instruments.

The Investment income includes a realized gain of Rs. 49.2 million on sale of shares and funds, an unrealized gain on trading investments of Rs. 14.9 million, dividend income of Rs. 17.8 million and returns earned on Government Securities of Rs. 13.4 million and fixed income securities of Rs. 2.2 million. Other income includes interest on bank deposits of Rs. 7 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 reinsurance arrangements with some of the world's best "A" rated companies which have full faith and confidence in its underwriting practices. As risk underwriting capacities for traditional lines of business have increased further in 2010, your Company will now 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)

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

HR Initiatives

The management is of the firm belief that complete alignment of the HR mission and vision with the corporate goals is vital for the success of any organization. In today's competitive environment, we foresee an acute shortage of professionals particularly in the insurance industry and realize 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 been 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.

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.

Paid-up Capital

Your Company is on a sound footing having a paid up capital of Rs. 457 million which is Rs. 207 million above the threshold specified by the Government for general insurance companies as at December 2010. The larger capital base will enhance the financial strength and underwriting capability of the Company.

RATED

"A"

BY JCR-VIS

Appropriation of Profit

Profits for the year ended 31 December 2010 has been appropriated as follows:

	(Rupees)
Amount brought forward from previous years	21,732,162
Profit after tax for the year ended 31 December 2010	109,631,129
Unappropriated amount available for appropriation	**131,363,291**
Appropriation:	
Proposed final cash dividend @ 10% (2009: Nil)	45,724,366
Unappropriated amount carried forward	85,638,925
	131,363,291

Future Outlook

With no reprieve in the ongoing energy crisis, continued economic volatility, accelerating inflationary trends and the ongoing law and order situation, the overall economic situation of the country is under pressure and we see 2011 as another challenging year for the financial sector including the insurance industry. Despite the challenges being faced in the country, we continue to have a long term optimistic outlook for our business. We are hopeful that the economic prospects of the country will improve in the future.

Your Company plans to focus its energies on those products and channels of distribution that have potential to grow, with an acceptable level of risk and can also contribute positively to the bottom line. We firmly believe that rapid progress can only be achieved by continuously striving to identify new and innovative products, expanding the branch network, providing superior quality service and enhancing the financial strength of the Company. Your dedicated and committed management is confident about the future and will strive hard to make 2011 a still better year, Inshallah.

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, 2010 have been duly complied with. A statement to this effect is annexed with the report.

Board of Directors

The Board of Directors have 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.

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)	3
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. M. A. Qadir	4
Mr. Mohammad Hussain Hirji (Director & Chief Executive since 14 September 2010)	1
Mr. Tinku Irfan Johnson (Director & Chief Executive upto 14 September 2010)	3

Mr. Tinku Irfan Johnson, Director and Chief Executive, has resigned from Century Insurance's Board. The Board welcomes Mr. Mohammad Hussain Hirji as a Director and Chief Executive, who has been co-opted in place of Mr. Tinku Irfan Johnson with effect from 14 September 2010.

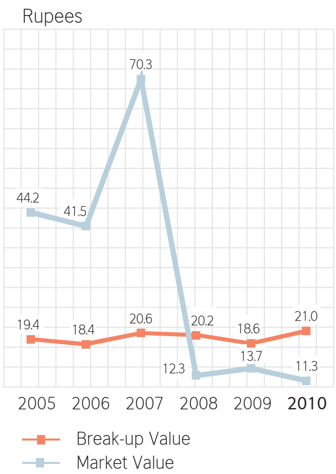
Statement of Ethics and Business Practices

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.

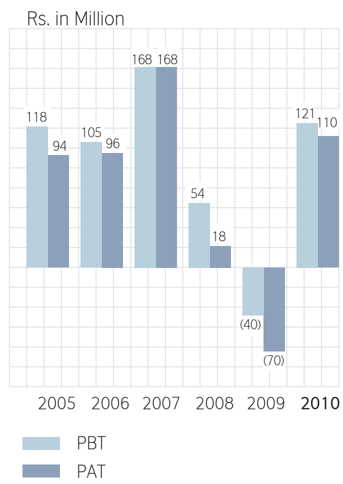
Corporate and Financial Reporting Frame Work

- 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.

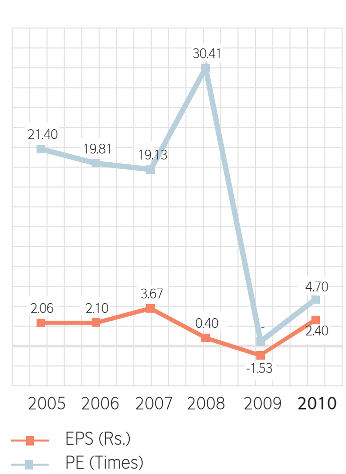
Break-up & Market Value Per Share



PROFITS



Earnings per share (EPS) & Price Earning (PE) Ratio



- 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.

- The value of investments in respect of retirement benefits funds based on their audited accounts as on December 31, 2010 and June 30, 2010 were the following:

Provident Fund	Rs. 17.52 million
Gratuity Fund	Rs. 5.45 million

Pattern of Shareholding

The pattern of shareholding is annexed with the report

Mr. Mohammad Hussain Hirji, 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, the 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 commitment 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 of 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: 18 March 2011

Statement of ethics and business practices

Relationship with Employees

Century Insurance Company Limited (CICL) takes pride in the strong 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 growth of its employees. This is achieved through 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 adhere to the Company's guidelines and objectives and to give our best efforts to improve its performance. We recognize the trust and confidence placed in us and acts with integrity and honesty in all situations to preserve that trust and confidence. Thus we avoid conflicts of interest and other situations that are potentially harmful in the progress of the Company.

Uses Company's assets, facilities or services only for lawful, proper and authorized purposes . We intend to make best use of Company's equipment, system and technological methods in order to have fast and reliable communication and strong MIS system in accordance with Company's guidelines.

Relationship with Business Community

Each of us in CICL is responsible for how we are perceived by our clients and other business partners; it is essential that we maintain our reputation 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 creative marketing. CICL's motto: "Prompt 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 are enforced. The Company co-operates fully with all government and regulatory bodies and is committed to high standard 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 strongly 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 respects 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 share holder 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 2010

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 a 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. During the current year, a casual vacancy occurred in the Board which was filled up within 30 days. Appointment of new Chief Executive has also been made during the 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, remuneration and terms and conditions 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. In order to apprise the directors for their duties and responsibilities and the requirements of the Code they have been kept updated with the change in relevant laws applicable to the Company. Directors are conversant of the relevant laws applicable to the Company and are aware of their duties and responsibilities.

11. 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. Mr. Mansoor Ahmed was assigned the responsibilities of the Company Secretary of Century Insurance Company Limited in addition to his responsibilities in other Group Companies.

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 CFO 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 for approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The 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: 18 March 2011

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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 are not required to consider whether the Board' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

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 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

KPMG Taseer Hadi & Co.

18 March 2011

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: 18 March 2011

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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' report to the members

We have audited the annexed financial statements comprising of:

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

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

It is the responsibility of the Company's 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;

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

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2010 and of its profit, 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: 18 March 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Balance sheet as at 31 December 2010

	Note	2010	2009
		(Rupees)	
Share capital and reserves			
Authorised share capital			
[50,000,000 (31 December 2009:			
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		131,365,194	21,732,162
Reserves		373,024,260	373,024,260
		961,633,114	852,000,082
Underwriting provisions			
Provision for outstanding claims (including IBNR)		100,129,274	58,386,567
Provision for unearned premium		134,453,913	152,173,290
Commission income unearned		18,925,026	17,858,380
Total underwriting provisions		253,508,213	228,418,237
Deferred liabilities			
Staff retirement benefits	6	-	-
Creditors and accruals			
Premiums received in advance		4,146,578	4,721,213
Amounts due to other insurers / reinsurers	7	55,179,287	25,908,539
Accrued expenses	8	3,671,215	3,195,441
Other creditors and accruals	9	51,857,776	37,121,586
		114,854,856	70,946,779
Other liabilities			
Unclaimed dividend		470,974	470,974
TOTAL LIABILITIES		368,834,043	299,835,990
TOTAL EQUITY AND LIABILITIES		1,330,467,157	1,151,836,072
CONTINGENCIES AND COMMITMENT	10		

The annexed notes from 1 to 35 form an integral part of these financial statements.

	Note	2010	2009
		(Rupees)	
Cash and bank deposits	11		
Cash and other equivalents		1,849,180	2,506,105
Current and other accounts		85,210,677	72,807,669
		87,059,857	75,313,774
Investments	12	840,031,282	735,978,003
Deferred taxation	13	3,063,779	582,852
Current assets- others			
Premiums due but unpaid - unsecured	14	90,538,623	72,986,651
Amounts due from other insurers / reinsurers - unsecured	15	76,954,600	80,510,620
Reinsurance recoveries due but unpaid		10,036,487	11,703,178
Salvage recoveries accrued		6,923,000	4,630,000
Accrued investment income	16	3,451,981	3,655,257
Reinsurance recoveries against outstanding claims	17	38,934,607	7,387,579
Taxation - net	18	23,620,476	4,937,229
Deferred commission expense		13,140,306	11,897,979
Prepayments	19	85,901,593	96,067,521
Sundry receivables	20	6,219,559	3,549,379
		355,721,232	297,325,393
Fixed assets	21		
Tangible and intangible			
Office improvement		7,671,864	10,180,811
Furniture and fixtures		3,847,141	4,428,489
Office equipment		1,997,589	2,230,448
Computer and related accessories		1,520,200	1,170,436
Motor vehicles		28,579,204	24,625,857
Computer software		975,009	9
		44,591,007	42,636,050
TOTAL ASSETS		1,330,467,157	1,151,836,072

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Profit and loss account for the year ended 31 December 2010

	Note	Fire and property	Marine aviation and transport	Motor	Miscellaneous	2010 Aggregate	2009 Aggregate
		(Rupees)					
Revenue account							
Net premium revenue	22	23,644,776	41,804,835	104,893,353	48,726,698	**219,069,662**	206,646,121
Net claims		(11,770,073)	(4,576,512)	(56,296,515)	(34,002,452)	**(106,645,552)**	(64,707,924)
Expenses	23	(24,611,467)	(10,183,288)	(15,211,967)	(12,582,559)	**(62,589,282)**	(59,530,383)
Net commission		13,626,237	2,728,715	(4,421,909)	1,876,065	**13,809,108**	12,623,117
Underwriting result		889,473	29,773,750	28,962,962	4,017,752	**63,643,936**	95,030,931
Net investments income / (loss)						**105,875,469**	(73,034,849)
Other income - net	24					**7,451,724**	20,238,268
General and administration expenses	25					**(58,949,497)**	(53,514,513)
Share of loss of associates - net	12.1.2					**(772,337)**	(5,031,869)
Reversal / (impairment) in value of investment in associates	12.1.2					**3,813,129**	(23,635,007)
Profit / (loss) before tax						**121,062,424**	(39,947,039)
Taxation - net	26					**(11,431,295)**	(30,011,674)
Profit / (loss) after tax						**109,631,129**	(69,958,714)
Profit and loss appropriation account							
Balance at commencement of the year						**21,732,162**	91,690,876
Profit / (loss) after tax for the year						**109,631,129**	(69,958,714)
Balance of unappropriated profit at end of the year						**131,363,291**	21,732,162
Basic earnings / (loss) per share of Rs. 10 each	27					**2.40**	(1.53)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Statement of comprehensive income for the year ended 31 December 2010

	2010	2009
	(Rupees)	
Profit / (loss) after tax	**109,631,129**	(69,958,714)
Other comprehensive income		
Share of associate reserves	**1,903**	-
Total comprehensive income / (loss)	**109,633,032**	(69,958,714)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

Tasleemuddin A. Batlay
Director

A. Aziz Ebrahim
Director

Mohammad Hussain Hirji
Director & Chief Executive

Statement of changes in equity for the year ended 31 December 2010

	Share capital: Issued, subscribed and paid-up	Reserves: Capital reserves: Share premium	Reserves: Revenue reserves: General reserves	Reserves: Revenue reserves: Retained earnings	Total Reserves	Total
	(Rupees)					
Balance as at 1 January 2009	457,243,660	254,024,260	119,000,000	91,690,876	464,715,136	921,958,796
Total comprehensive (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
Total comprehensive income for the year	-	-	-	109,633,032	109,633,032	109,633,032
Balance as at 31 December 2010	**457,243,660**	**254,024,260**	**119,000,000**	**131,365,194**	**504,389,454**	**961,633,114**

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani
Chairman

Tasleemuddin A. Batlay
Director

A. Aziz Ebrahim
Director

Mohammad Hussain Hirji
Director & Chief Executive

Statement of cash flows for the year ended 31 December 2010

	2010	2009
	(Rupees)	
Operating cash flows		
(a) Underwriting activities		
Premiums received	402,486,547	399,304,478
Reinsurance premiums paid	(195,984,712)	(316,507,426)
Claims paid	(159,492,693)	(144,279,582)
Reinsurance and other recoveries received	97,908,616	265,740,422
Commissions paid	(33,154,667)	(33,296,264)
Commissions received	38,725,549	88,449,191
Net cash inflow from underwriting activities	150,488,640	259,410,819
(b) Other operating activities		
Income tax paid	(32,595,469)	(36,430,659)
General management expenses paid	(111,772,831)	(105,043,276)
Other operating payments	-	(745,923)
Other operating receipts	2,746,321	-
Net cash outflow from other operating activities	(141,621,979)	(142,219,858)
Total cash inflow from all operating activities	8,866,661	117,190,961
Investment activities		
Profit / return received	19,936,290	31,214,120
Dividends received	17,796,280	16,645,727
Payments for investments	(757,500,000)	(453,181,154)
Proceeds from disposal of investments	731,869,202	53,564,500
Fixed capital expenditure	(12,393,350)	(7,769,119)
Proceeds from disposal of fixed assets	3,171,000	1,233,136
Total cash inflow / (outflow) from investing activities	2,879,422	(358,292,790)
Net cash inflow / (outflow) from all activities	11,746,083	(241,101,829)
Cash at beginning of the year	75,313,774	316,415,603
Cash at end of the year	87,059,857	75,313,774

Statement of cash flows for the year ended 31 December 2010

	2010	2009
	(Rupees)	
Reconciliation to profit and loss account		
Operating cash flows	8,866,661	117,190,961
Depreciation / amortisation expense	(6,647,694)	(6,301,948)
(Loss) / profit on disposal of fixed assets	(619,699)	223,394
Profit on disposal of investments	64,121,782	37,251,651
Dividend income	17,779,280	15,856,852
Investment and other expense	35,952,905	(132,948,614)
Increase / (decrease) in assets other than cash	59,175,947	(172,290,997)
(Increase) / decrease in liabilities other than running finance	(68,998,054)	71,059,987
Profit / (loss) after taxation	109,631,129	(69,958,714)

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

	2010	2009
Cash and other equivalents		
- Cash	126,700	110,877
- Policy stamps and bond papers in hand	517,906	271,228
- Cheques in hand	1,204,574	2,124,000
	1,849,180	2,506,105
Current and other accounts		
- Current accounts	7,581,620	5,054,491
- PLS savings accounts	77,629,057	67,753,178
	85,210,677	72,807,669
Cash and bank deposits as per balance sheet	87,059,857	75,313,774

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Statement of premiums for the year ended 31 December 2010

Business underwritten inside Pakistan

Class	Premiums written (note 22)	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Reinsurance ceded	Prepaid reinsurance premium Opening	Prepaid reinsurance premium Closing	Reinsurance expenses	2010 Net premium revenue	2009 Net premium revenue
	(Rupees)									
Direct and facultative										
1. Fire and property damage	176,821,780	68,228,138	66,190,779	178,859,139	152,249,381	66,836,983	63,872,001	155,214,363	**23,644,776**	27,986,263
2. Marine, aviation and transport	73,162,119	3,791,689	3,803,449	73,150,359	29,933,918	3,690,213	2,278,607	31,345,524	**41,804,835**	42,875,108
3. Motor	109,290,805	45,259,169	40,277,343	114,272,631	9,364,677	2,286,723	2,272,122	9,379,278	**104,893,353**	101,344,567
4. Miscellaneous	90,399,752	34,894,294	24,182,342	101,111,704	46,664,895	22,040,017	16,319,906	52,385,006	**48,726,698**	34,440,183
Grand total	449,674,456	152,173,290	134,453,913	467,393,833	238,212,871	94,853,936	84,742,636	248,324,171	**219,069,662**	206,646,121

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani Chairman	Tasleemuddin A. Batlay Director	A. Aziz Ebrahim Director	Mohammad Hussain Hirji Director & Chief Executive

Statement of claims for the year ended 31 December 2010

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2010 Net claims expense*	2009 Net claims expense
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
1. Fire and property damage	25,607,527	3,616,323	18,863,299	40,854,503	17,514,559	2,567,920	14,137,791	29,084,430	11,770,073	3,537,301
2. Marine, aviation and transport	9,267,259	4,036,910	5,019,060	10,249,409	4,819,105	1,435,505	2,289,297	5,672,897	4,576,512	11,283,961
3. Motor	70,468,858	40,163,107	44,687,644	74,993,395	16,030,171	1,394,291	4,061,000	18,696,880	56,296,515	30,444,522
4. Miscellaneous	54,149,049	10,570,227	31,559,271	75,138,093	24,678,985	1,989,863	18,446,519	41,135,641	34,002,452	19,442,140
Grand total	159,492,693	58,386,567	100,129,274	201,235,400	63,042,820	7,387,579	38,934,607	94,589,848	106,645,552	64,707,924

* This includes net claims of Rs. 4.67 million reported in respect of flood in Pakistan during the year.

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Statement of expenses for the year ended 31 December 2010

Business underwritten inside Pakistan

Class	Commission paid or payable a	Deferred commission Opening b	Deferred commission Closing c	Net commission expenses d=a+b-c	Other management expenses (note 23) e	Underwriting expenses f=d+e	Commission from reinsurers* g	2010 Net Underwriting expense h=f-g	2009 Net Underwriting expense
					(Rupees)				
Direct and facultative									
1. Fire and property damage	24,556,141	8,241,070	8,944,498	23,852,713	24,611,467	48,464,180	37,478,950	**10,985,230**	7,258,854
2. Marine, aviation and transport	9,847,662	571,236	574,190	9,844,708	10,183,288	20,027,996	12,573,423	**7,454,573**	8,605,998
3. Motor	4,668,408	1,471,141	1,708,788	4,430,761	15,211,967	19,642,728	8,852	**19,633,876**	18,852,008
4. Miscellaneous	7,293,781	1,614,532	1,912,830	6,995,483	12,582,559	19,578,042	8,871,548	**10,706,494**	12,190,406
Grand total	46,365,992	11,897,979	13,140,306	45,123,665	62,589,282	107,712,947	58,932,773	**48,780,174**	46,907,266

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

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Statement of investment income for the year ended 31 December 2010

	Note	2010	2009
		(Rupees)	
Income from trading investments			
Gain on sale of trading investments		4,144,210	622,200
Dividend income		5,163,548	4,083,273
Unrealised gain on remeasurement of securities to fair value - net		14,921,049	37,329,365
		24,228,807	42,034,838
Income from non-trading investments			
Held to maturity			
Return on Government Securities		13,433,340	13,473,070
Return on other fixed income securities and deposits			
- Term finance certificates		2,150,925	2,889,440
- Certificate of musharika		-	850,685
		2,150,925	3,740,125
Available for sale			
Dividend income		12,615,732	11,773,579
		28,199,997	28,986,774
Gain / (loss) on sale of non-trading investments		45,056,523	(699,914)
Reversal / (provision) for impairment in value of available for sale securities - net	12.4.2	9,256,425	(141,509,807)
Investments related expenses		(866,283)	(1,846,740)
Net investments income / (loss)		105,875,469	(73,034,849)

The annexed notes from 1 to 35 form an integral part of these financial statements.

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Notes to the financial statements for the year ended 31 December 2010

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 judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and 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 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.

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.

3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 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 July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.

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

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

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 policy holders 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 in to 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.

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

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

- Fire and property damage	18.89%
- Marine, aviation and transport	19.04%
- Motor	42.40%
- Miscellaneous	60.45%

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 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 2010 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

- 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. 41.116 million and net equity would have been higher by the same amount (Refer note 12.4).

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 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.

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.

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

2010	2009		2010	2009
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 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	38,699
	35,079,244	35,079,244

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 14% (2009: 13%) per annum.
- Expected rate of increase in the salaries of the employees 13% (2009: 12%) per annum.
- Expected interest rate on plan assets of the fund 10% (2009: 13%) per annum.
- Expected service length of the employees 9 years (2009: 10 years).

		2010	2009
		(Rupees)	
6.1	**Liability in balance sheet**		
	Present value of defined benefit obligations	8,455,615	6,657,000
	Fair value of plan assets	(7,522,097)	(5,117,000)
	Unrecognised actuarial losses	(933,518)	(1,540,000)
		-	-
6.2	**Movement in liability during the year**		
	Opening balance	-	1,020,000
	Charge to profit and loss account	1,791,805	1,892,000
	Contributions to the fund during the year	(1,791,805)	(2,912,000)
	Closing balance	-	-
6.3	**Reconciliation of the present value of defined benefit obligations**		
	Present value of obligations as at 01 January	6,657,000	5,206,000
	Current service cost	1,504,175	1,291,000
	Interest cost	865,410	781,000
	Benefits paid	(140,400)	(20,000)
	Actuarial gain	(430,570)	(601,000)
	Present value of obligations as at 31 December	8,455,615	6,657,000
6.4	**Reconciliation of the fair value of plan assets**		
	Fair value of plan assets as at 1 January	5,117,000	2,133,000
	Expected return on plan assets	665,210	320,000
	Contribution to the fund	1,791,805	2,912,000
	Benefits paid	(140,400)	(20,000)
	Actuarial gain / (loss)	88,482	(228,000)
	Fair value of plan assets as at 31 December	7,522,097	5,117,000
6.5	**Charge for the defined benefit plan**		
	Current service cost	1,504,175	1,292,000
	Interest cost	865,410	781,000
	Expected return on plan assets	(665,210)	(320,000)
	Actuarial loss recognized	87,430	139,000
		1,791,805	1,892,000
6.6	**Actual return on plan assets**		
	Expected return on assets	665,210	320,000
	Actuarial gain / (loss) on assets	88,482	(228,000)
		753,692	92,000

6.7 Composition of fair value of plan assets

	2010 Fair value (Rupees)	2010 Percentage	2009 Fair value (Rupees)	2009 Percentage
Term Deposit Receipts - Faysal Bank	-	0%	1,489,560	29%
Term Finance Certificates - UBL	476,525	6%	474,052	9%
Cash and bank balances	7,045,572	94%	3,154,006	62%
Fair value of plan net assets	7,522,097	100%	5,117,618	100%

6.8 Historical data of the fund

	2010	2009	2008	2007	2006
	(Rupees)				
Present value of defined benefit obligations	8,455,615	6,657,000	5,206,000	10,938,000	4,351,000
Fair value of plan assets	(7,522,097)	(5,117,000)	(2,133,000)	(4,210,000)	(4,103,000)
Deficit	933,518	1,540,000	3,073,000	6,728,000	248,000
Experience adjustments					
- Actuarial (gain) / loss on obligation	(430,570)	(601,000)	(605,000)	(2,271,000)	-
- Actuarial gain / (loss) on assets	88,482	(228,000)	(18,000)	(262,000)	-

6.9 The estimated contribution to the Fund for the year ended 31 December 2011 is Rs. 1.809 million.

7. AMOUNT DUE TO OTHER INSURERS / REINSURERS

	Note	2010	2009
		(Rupees)	
Foreign reinsurers		19,387,797	9,156,089
Local reinsurers		35,179,189	16,018,135
Co-insurers		612,301	734,315
		55,179,287	25,908,539

8. ACCRUED EXPENSES

	Note	2010	2009
Auditors' remuneration		586,500	402,000
Professional services fee		37,500	38,333
Provision for compensated absences		2,007,512	2,042,181
Utilities and others	8.1	1,039,703	712,927
		3,671,215	3,195,441

8.1 This includes a sum of Rs. 0.49 million (31 December 2009: Rs. 0.36 million) due to related parties.

9. OTHER CREDITORS AND ACCRUALS

	Note	2010	2009
Federal excise duty		3,232,289	2,272,708
Federal insurance fees		214,251	157,045
Retention money		151,277	51,277
Commission payable	9.1	41,221,525	30,364,466
Cheques payable		920,754	826,752
Worker welfare fund		4,112,986	1,635,244
Margin deposits		536,949	513,009
Payable to an employee against insurance claims		-	500,000
Others	9.2	1,467,745	801,085
		51,857,776	37,121,586

9.1 This includes a sum of Rs. 33.39 million (31 December 2009: Rs. 24.42 million) due to related parties.

9.2 This includes a sum of Rs. 1.413 million (31 December 2009: Rs. 0.669 million) deducted from employees' salary against motor vehicles installments.

10. CONTINGENCIES AND COMMITMENT

CONTINGENCIES

The income tax assessments of the Company have been finalized up to and including the Tax Year 2010. However, the Company has filed appeals in respect of certain assessment years which mainly relate to the following:

- The return for the Tax Year 2008 has been filed. The Additional Commissioner Audit Division-II has issued notice under section 122(5A) of the Income Tax Ordinance, 2001 for the passing an amended order on certain issues. The Company has filed an appeal before the CIR(A) against the disallowances which is pending adjudication.

- For the Tax Year 2010, the Additional Commissioner Audit Division-II has passed the amended order under section 122(5A) of the Income Tax Ordinance, 2001 and treated Unearned Commission Income as taxable and adjusting it with Deferred Commission Expense. The Company has filed an appeal before the CIR(A) against the disallowances which is pending adjudication.

COMMITMENT	Note	2010	2009
		(Rupees)	
Outstanding letter of credit		676,750	669,300

11. CASH AND BANK DEPOSITS

	Note	2010	2009
Cash and other equivalents			
- Cash		126,700	110,877
- Policy stamps and bond papers in hand		517,906	271,228
- Cheques in hand		1,204,574	2,124,000
		1,849,180	2,506,105
Current and other accounts			
- Current accounts	11.1	7,581,620	5,054,491
- PLS savings accounts		77,629,057	67,753,178
		85,210,677	72,807,669
		87,059,857	75,313,774

11.1 This includes lien on a local currency account, amounting to Rs. 0.677 million (31 December 2009: Rs. 0.669 million) in respect of a letter of credit arranged from a bank for securing claims arising outside Pakistan.

12. INVESTMENTS

	Note	2010	2009
		(Rupees)	
In related parties			
Investment in associates - equity accounting	12.1	14,711,269	11,904,797
Others			
Investments at fair value through profit and loss- held for trading			
Quoted shares		80,347,356	76,487,308
Held to maturity			
Government securities	12.2	88,107,815	134,166,973
Term Finance Certificates - quoted	12.3	15,241,074	18,551,582
		103,348,889	152,718,555
Available for sale - quoted	12.4	641,623,768	494,867,343
		840,031,282	735,978,003

12.1 Investment in associates – equity accounting

12.1.1 Particulars of investment in associates - listed

2010	2009	Face value per share (Rupees)	Name of associates	2010	2009
Number of shares				(Rupees)	
364,925	364,925	10	Century Paper & Board Mills Limited	7,140,597	4,831,606
66,528	66,528	10	Clover (Pakistan) Limited	3,716,721	3,525,985
11,621	10,106	10	Colgate Palmolive (Pakistan) Limited	3,853,951	3,547,206
				14,711,269	11,904,797

12.1.2 Movement of investment in associates - listed

	Beginning of the year	Share in profit / (loss)	Dividend received	Share in equity	Reversal of Impairment	2010	2009
	(Rupees)						
Century Paper and Board Mills Limited	4,831,606	(1,504,138)	-	-	3,813,129	7,140,597	4,831,606
Clover (Pakistan) Limited	3,525,985	290,528	(99,792)	-	-	3,716,721	3,525,985
Colgate Palmolive (Pakistan) Limited	3,547,206	441,273	(136,431)	1,903	-	3,853,951	3,547,206
	11,904,797	(772,337)	(236,223)	1,903	3,813,129	14,711,269	11,904,797

12.1.3 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')						
2010									
Century Paper and Board Mills Limited	Pakistan	December	13,360,187	11,496,379	1,863,808	9,622	5,262,669	(223,570)	0.52
Clover (Pakistan) Limited	Pakistan	December	461,301	105,854	355,447	2,506	383,779	(106)	0.71
Colgate Palmolive (Pakistan) Limited	Pakistan	December	5,151,179	1,444,131	3,707,048	1,676	6,562,601	496,542	0.04
			18,972,667	13,046,364	5,926,303	13,804	12,209,049	272,866	
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	

12.1.4 Market value of investment in associates is Rs. 21.760 million (31 December 2009: 11.904 million).

12.2 Held to maturity - amortized cost

12.2.1 Government securities

2010	2009	Face value per certificate	Particulars	Coupon rate	Profit payment	Maturity date	2010	2009
Number of certificates		(Rupees)					(Rupees)	
1	1	46,000,000	Pakistan Investment Bond* (10 years)	8.00%	Semi annually	6-Oct-2013	39,618,013	37,842,390
1	1	25,000,000	Pakistan Investment Bond (3 years)	11.25%	Semi annually	30-Aug-2011	24,765,215	24,442,594
1	1	25,000,000	Pakistan Investment Bond (10 years)	12.00%	Semi annually	30-Aug-2018	23,724,587	23,631,969
-	5	10,000,000	Treasury Bills		Maturity	6-May-2010	-	48,250,020
							88,107,815	134,166,973

* 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.

12.2.2 Market value of Pakistan Investment Bonds and Treasury Bills are Rs. 89.357 million (31 December 2009: Rs. 136.93 million).

12.3 Term Finance Certificates-quoted

2010	2009	Face value per certificate	Name of investee	Profit rate (note12.3.1)	Maturity date	2010	2009
Number of certificates		(Rupees)				(Rupees)	
600	600	5,000	Askari Commercial Bank Limited (I)	Base rate plus 1.5% per annum*	4-Feb-2013	2,993,400	2,994,600
600	600	5,000	Askari Commercial Bank Limited (II)	Base rate plus 1.5% per annum*	31-Oct-2013	2,994,000	2,995,200
281	281	5,000	Bank Alfalah Limited (II)	Base rate plus 1.5% per annum*	23-Nov-2012	1,401,760	1,402,300
400	400	5,000	Bank Alfalah Limited (III)	Base rate plus 1.5% per annum*	25-Nov-2013	1,996,160	1,996,928
200	200	5,000	Soneri Bank Limited	Base rate plus 1.6% per annum*	5-May-2013	997,800	998,200
198	198	5,000	Faysal Bank Limited (formerly Royal Bank of Scotland)	Base rate plus 1.9% per annum*	10-Feb-2013	741,114	988,218
600	600	5,000	Standard Chartered Bank (Pakistan) Limited (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	750,000	2,097,600
200	200	5,000	Telecard Limited	Base rate plus 3.75% per annum*	27-May-2011	367,500	455,700
600	600	5,000	United Bank Limited	Base rate plus 1.9% per annum**	15-Mar-2013	2,999,340	2,999,460
-	400	5,000	Jahangir Siddiqui & Company Limited (III)	Base rate plus 1.9% per annum***	30-Sep-2010	-	1,623,376
						15,241,074	18,551,582

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.

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

12.3.2 Market value of quoted term finance certificates is Rs. 14.704 million (31 December 2009: 17.685 million). The market value is determined as per rates quoted by Mutual Funds Association of Pakistan on 31 December 2010.

12.4 Available for sale - quoted

	Note	2010	2009
		(Rupees)	
Cost	12.4.1	792,018,636	654,518,636
Provision for impairment - net of reversals	12.4.2	(150,394,868)	(159,651,293)
		641,623,768	494,867,343

12.4.1 Market value of quoted available for sale investments is Rs. 673.483 million (31 December 2009: Rs. 513.625 million).

	2010	2009
	(Rupees)	
12.4.2 Provision for impairment - net of reversals		
Opening provision	159,651,293	18,141,486
(Reversals) / charge for the year - net	(9,256,425)	141,509,807
Closing provision	150,394,868	159,651,293

13. DEFERRED TAXATION

	2010	2009
Deferred tax debits / (credits) arising in respect of:		
- Accelerated depreciation on operating fixed assets	(2,534,030)	(2,647,091)
- Provision for claims incurred but not reported (IBNR)	2,030,000	-
- Provision for employees' benefits	702,629	714,763
- Provision for due but unpaid	2,865,180	2,515,179
	3,063,779	582,852

		Note	2010	2009
			(Rupees)	
14.	**PREMIUMS DUE BUT UNPAID - unsecured**			
	Considered good	14.1	90,538,623	72,986,651
	Considered doubtful		7,370,125	6,725,535
			97,908,748	79,712,186
	Provision against premium due but unpaid - net	14.2	(7,370,125)	(6,725,535)
			90,538,623	72,986,651

14.1 This includes a sum of Rs. 65.242 million (31 December 2009: Rs. 54.949 million) due from related parties.

		2010	2009
		(Rupees)	
14.2	**Provision against premium due but unpaid - net**		
	Opening balance	6,725,535	5,336,848
	Provision made during the year	959,683	5,226,364
	Recoveries during the year	(284,072)	(25,345)
	Written off during the year	(31,021)	(3,812,332)
		7,370,125	6,725,535
15.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured**		
	Considered good		
	- Local reinsurer	6,596,048	32,863,495
	- Co-insurer	71,174,654	48,107,817
		77,770,702	80,971,312
	Provision against amount due from insurers / reinsurers	(816,102)	(460,692)
		76,954,600	80,510,620
16.	**ACCRUED INVESTMENT INCOME**		
	Return on government securities	2,835,884	2,835,884
	Return on Term Finance Certificates	502,097	688,373
	Dividend income on equity securities	114,000	131,000
		3,451,981	3,655,257
17.	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**		
	These are unsecured and considered good.		
18.	**TAXATION - NET**		
	Advance tax including tax deducted at source	37,532,698	34,919,633
	Provision for taxation	(13,912,222)	(29,982,404)
		23,620,476	4,937,229

18.1 The Company has filed returns upto tax year 2010. The income tax returns of the Company are deemed as assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

		2010	2009
		(Rupees)	
19.	**PREPAYMENTS**		
	Prepaid reinsurance premium ceded	84,742,636	94,853,936
	Others	1,158,957	1,213,585
		85,901,593	96,067,521

	Note	2010	2009
		(Rupees)	
20. SUNDRY RECEIVABLES			
Profit on bank deposits - savings accounts	20.1	**577,477**	612,645
Security deposits		**717,334**	797,462
Advance to employees	20.2	**1,723,535**	1,845,413
Advance against expenses		**659,925**	199,000
Receivable against sale of shares		**1,722,657**	-
Others		**818,631**	94,859
		6,219,559	3,549,379

20.1 The mark-up on savings accounts during the year was between 5% to 12% (2009: 3.65% to 16%).

20.2 This includes advance to Chief Executive Officer against salary.

21. FIXED ASSETS

21.1 Tangible assets

31 December 2010

	Cost				Depreciation				Written down value as at 31 December 2010	Depreciation rate %
	As at 1 January 2010	Additions	(Disposals)/ Write off	As at 31 December 2010	As at 1 January 2010	For the year	(Disposals)/ Write off	As at 31 December 2010		
	(Rupees)									
Office improvements	17,487,675	206,600	1,690,036	16,004,239	7,306,864	1,510,338	484,827	8,332,375	**7,671,864**	10
Furniture and fixtures	7,565,196	142,818	48,410	7,659,604	3,136,707	700,922	25,166	3,812,463	**3,847,141**	10
Office equipment	5,361,414	309,951	21,750	5,649,615	3,130,966	529,398	8,338	3,652,026	**1,997,589**	10 - 33
Computer and related accessories	6,303,266	1,107,081	809,500	6,600,847	5,132,830	757,289	809,472	5,080,647	**1,520,200**	33
Motor vehicles	32,384,356	9,326,900	3,764,231	37,947,025	7,758,499	2,824,747	1,215,425	9,367,821	**28,579,204**	20
	69,101,907	**11,093,350**	**6,333,927**	**73,861,330**	**26,465,866**	**6,322,694**	**2,543,228**	**30,245,332**	**43,615,998**	

31 December 2009

	Cost				Depreciation				Written down value as at 31 December 2009	Depreciation rate %
	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		
	(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	

21.2 Depreciation charge for the year has been allocated as follows:	Note	2010	2009
		(Rupees)	
Management expenses	23	**3,351,028**	3,210,485
General and administrative expenses	25	**2,971,666**	2,847,033
		6,322,694	6,057,518

21.3 Intangible assets

	Cost			Amortisation			Written down	Amortisation
	As at 1 January 2010	Additions / (Disposals)	As at 31 December 2010	As at 1 January 2010	For the year	As at 31 December 2010	value as at 31 December 2010	rate %
	(Rupees)							
Computer software	**3,824,839**	**1,300,000**	**5,124,839**	**3,824,830**	**325,000**	**4,149,830**	**975,009**	**33**
2009	3,824,839	-	3,824,839	3,580,400	244,430	3,824,830	9	33

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

	Note	2010	2009
		(Rupees)	
Management expenses	23	172,250	129,548
General and administrative expenses	25	152,750	114,882
		325,000	244,430

21.5 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 24)	Mode of disposal	Sold to
	(Rupees)						
Office improvement	386,723	112,794	273,929	32,000	(241,929)	Sale	M. Manzoor Renovation Works
Office improvement	1,303,313	372,033	931,280	-	(931,280)	Written off	-
Furniture and fixture	48,410	25,166	23,244	-	(23,244)	Written off	-
Computer and related accessories	40,000	39,999	1	4,000	3,999	Sale	Abdul Mobeen Khan
Computer and related accessories	19,500	19,499	1	5,500	5,499	Sale	Ms. Star Comm
Computer and related accessories	174,700	174,694	6	15,300	15,294	Sale	Employees
Computer and related accessories	544,800	544,782	18	46,800	46,782	Sale	Ms. Star Comm
Computer and related accessories	20,500	20,499	1	1,800	1,799	Sale	Employees
Computer and related accessories	10,000	9,999	1	1,200	1,199	Sale	Ms. Prime Computer Services
Office equipment	21,750	8,338	13,412	8,000	(5,412)	Sale	Mr. Tinku Irfan (ex-employee)
Motor vehicle	61,800	46,800	15,000	19,000	4,000	Sale	Mr. Yasin Siddiqui
Motor vehicle	61,800	46,800	15,000	19,000	4,000	Sale	Mr. Aamir
Motor vehicle	68,287	53,287	15,000	13,500	(1,500)	Sale	Mr. Usman Ali
Motor vehicle	879,000	190,837	688,163	970,000	281,837	Sale	Mr. Diamond Pirani
Motor vehicle	68,287	53,287	15,000	15,300	300	Sale	Mr. Muhammad Shafique
Motor vehicle	125,000	-	125,000	200,000	75,000	Sale	Mr. Rizwan Ullah
Motor vehicle	66,200	51,200	15,000	13,800	(1,200)	Sale	Mr. Muhammad Shafique
Motor vehicle	66,200	51,200	15,000	13,800	(1,200)	Sale	Mr. Muhammad Shafique
Motor vehicle	61,000	17,080	43,920	53,000	9,080	Insurance claim	Premier Insurance Co. Ltd.
Motor vehicle	110,000	22,000	88,000	110,000	22,000	Sale	Mr. Rizwan Ullah
Motor vehicle	68,057	53,057	15,000	12,000	(3,000)	Sale	Mr. Usman Ali
Motor vehicle	61,800	46,800	15,000	12,000	(3,000)	Sale	Mr. Ghulam Muhammad
Motor vehicle	41,000	4,920	36,080	30,000	(6,080)	Sale	Mr. Muhammad Irfan
Motor vehicle	846,000	221,400	624,600	625,000	400	Sale	Mr. Arif Anwer Ali (ex-employee)
Motor vehicle	795,000	286,200	508,800	625,000	116,200	Sale	Mr. S Faizan Ali Jafri
Motor vehicle	325,000	32,500	292,500	325,000	32,500	Insurance claim	Premier Insurance Co. Ltd.
Motor vehicle	59,800	38,057	21,743	-	(21,743)	Theft Claim	-
	6,333,927	**2,543,228**	**3,790,699**	**3,171,000**	**(619,699)**		

22. ADMINISTRATIVE SURCHARGE

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

	Note	2010	2009
		(Rupees)	
Fire and property damage		731,733	818,367
Marine, aviation and transport		2,078,421	1,846,778
Motor		2,819,377	3,038,121
Miscellaneous		999,231	947,652
		6,628,762	6,650,918

23. MANAGEMENT EXPENSES

	Note	2010	2009
Salaries, wages and benefits	23.1	40,523,831	36,255,525
Rent, taxes and electricity		5,706,086	5,163,912
Communications		2,346,927	2,814,734
Printing and stationery		1,570,381	1,560,820
Travelling and entertainment		1,292,206	960,461
Repairs and maintenance		701,078	714,445
Advertisement and sales promotion		412,960	408,477
Depreciation	21.2	3,351,028	3,210,485
Amortisation	21.4	172,250	129,548
Legal and professional charges		222,150	41,575
Workers welfare fund		1,313,204	1,339,300
Provision against premium due but unpaid - net	14.2	675,611	5,201,019
Provision against amount due from insurers/ reinsurers		355,410	-
Other expenses	23.2	3,946,160	1,730,083
		62,589,282	59,530,383

23.1 These include Rs.1.516 million (31 December 2009: Rs. 1.445 million) in respect of employees' provident fund and Rs. 0.95 million (31 December 2009: Rs. 1.003 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	2010	2009
		(Rupees)	
Income from financial assets			
Profit on bank deposits			
- Savings accounts		7,044,292	19,724,973
- Exchange gain / (loss)		2,175	(5,670)
		7,046,467	19,719,303
Income from non-financial assets			
(Loss) / gain on sale of fixed assets - net	21.5	(619,699)	223,394
Management fee sharing commission		643,342	268,303
Branch facilitation remuneration from a related party		292,354	-
Others		89,260	27,268
		405,257	518,965
		7,451,724	20,238,268

		Note	2010	2009
			(Rupees)	
25.	GENERAL AND ADMINISTRATION EXPENSES			
	Salaries, wages and benefits	25.1	35,172,444	30,992,241
	Rent, taxes and electricity		4,711,179	4,281,978
	Fees and subscription		2,440,469	3,032,002
	Communications		1,889,005	2,314,446
	Printing and stationery		523,460	520,273
	Travelling and entertainment		996,758	762,966
	Depreciation	21.2	2,971,666	2,847,033
	Amortisation	21.4	152,750	114,882
	Repairs and maintenance		621,711	633,564
	Legal and professional		570,260	690,833
	Auditors' remuneration	25.2	648,600	709,600
	Advertisement and sales promotion		2,857,445	1,641,279
	Insurance premium		2,559,030	2,238,570
	Bank charges		388,153	192,245
	Worker welfare fund		1,164,538	1,187,681
	Other expenses		1,282,029	1,354,920
			58,949,497	53,514,513

25.1 These include Rs.1.344 million (31 December 2009: Rs. 1.281 million) in respect of employees' provident fund and Rs. 0.842 million (31 December 2009: Rs. 0.889 million) in respect of defined benefit plan.

		2010	2009
25.2	Auditors' remuneration		
	Audit fee	248,400	216,000
	Interim review	124,200	118,800
	Special reports and certificates for various government agencies and sundry advisory services	226,000	249,800
	Out of pocket expenses	50,000	125,000
		648,600	709,600
26.	TAXATION - NET		
	Current		
	- for the year	13,912,222	29,104,714
	- for prior years	-	877,690
		13,912,222	29,982,404
	Deferred		
	- for the year	(2,480,927)	29,270
		11,431,295	30,011,674
26.1	Relationship between tax expense and accounting profit		
	Profit / (loss) for the year before taxation	121,062,424	(39,947,039)
	Tax at the applicable rate of 35% (31 December 2009: 35%)	42,371,848	(13,981,464)
	Tax effect of expenses that are not allowable in determining taxable income	(8,159,430)	45,381,766
	Tax effect of capital gains exempt from tax	(17,220,256)	27,200
	Tax effect of income subject to lower rates	(4,503,876)	(3,929,569)
	Tax effect of share of loss not recorded	270,318	1,636,051
	Others	(1,327,309)	-
	Prior year tax charge	-	877,690
		11,431,295	30,011,674

27. EARNINGS / (LOSS) PER SHARE

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

	2010	2009
	(Rupees)	
Profit / (loss) after tax for the year	109,631,129	(69,958,714)
	(Number of shares)	
Weighted average number of shares of Rs.10 each	45,724,366	45,724,366
	(Rupees)	
Basic earnings / (loss) per share of Rs.10 each	2.40	(1.53)

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 in these financial statements, including all benefits, to the Chief Executive and Executives of the Company are as follows:

	Chief Executive		Executives		Total	
	2010	2009	2010	2009	2010	2009
	(Rupees)					
Managerial remuneration	3,739,190	3,671,460	15,374,902	11,293,259	19,114,092	14,964,719
Bonus	340,370	727,223	3,647,265	2,827,401	3,987,635	3,554,624
Retirement benefits	263,873	333,790	1,332,486	1,072,723	1,596,359	1,406,513
House rent	1,682,583	1,652,100	6,927,289	5,083,925	8,609,872	6,736,025
Others	751,614	376,440	2,163,599	1,255,985	2,915,213	1,632,425
	6,777,630	6,761,013	29,445,541	21,533,293	36,223,171	28,294,306
Number of persons	*2	1	20	14	22	15

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

28.2 * Includes remuneration of former Chief Executive upto the date i.e. 14 September 2010, when he was holding this office.

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 received	Sale of asset	Expenses
	(Rupees)				(No. of shares)	(Rupees)	
ASSOCIATED COMPANIES							
Accuracy Surgical Limited	886,807	110,360	173,865	-	-	-	-
Balochistan Polyproducts (Private) Limited	139,650	20,948	-	-	-	-	-
Century Aviation & Tourism Services (Private) Limited	1,473	198	-	-	-	-	-
Century Paper & Board Mills Limited	60,445,668	8,894,439	628,507	-	-	-	1,502,564
Clover Pakistan Limited	5,989,480	842,146	-	99,792	-	-	-
Colgate Palmolive (Pakistan) Limited	59,702,542	8,378,747	3,411,884	136,431	1,515	-	-
Cyber Internet Services (Private) Limited	5,981,295	454,308	811,909	-	-	-	1,610,639
ICE Animations (Private) Limited	507,213	58,903	-	-	-	-	-
GAM Corporation (Private) Limited	6,746,618	721,326	179,388	-	-	-	-
Hasanali Karabhai Foundation	1,204,624	152,707	-	-	-	-	326,875
Lakson Business Solution Limited	121,881	12,188	29,937	-	-	-	18,550
Lakson Investment limited	509,390		124,335	-	-	-	-
Merit Packaging Limited	4,956,719	714,117	423,934	-	-	-	-
Premier Fashions (Private) Limited	(2,920)	(292)	-	-	-	-	-
Princeton Travels (Private) Limited	903,543	101,389	-	-	-	-	855,264
Siza (Private) Limited	144,882	16,662	-	-	-	-	-
Reliance Chemicals Limited	100,525	15,079	-	-	-	-	-
Siza Commodities (Private) Limited	23,597	2,360	-	-	-	-	-
Siza Foods (Private) Limited	5,521,536	567,571	4,106,215	-	-	-	105,000
Sybrid (Private) Limited	691,735	40,890	677,651	-	-	-	-
Siza Services (Private) Limited	3,481,969	449,436	142,781	-	-	-	5,048,639
Tetley Clover (Private) Limited	5,116,595	718,860	460,528	-	-	-	34,560
Tritex Cotton Mills Limited	4,278,088	634,918	483,251	-	-	-	-
OTHERS							
Anchor Commodities (Private) Limited	444,672	46,544	-	-	-	-	-
Century Publication (Private) Limited	4,033,531	495,399	2,614,128	-	-	-	20,100
Matrix Press (Private) Limited	834,008	125,101	-	-	-	-	-
Printek (Private) Limited	246,791	32,474	-	-	-	-	-
Television Media Network (Private) Limited	18,424,729	2,105,481	3,130,683	-	-	-	-
31 December 2010	**191,436,641**	**25,712,260**	**17,398,996**	**236,223**	**1,515**	**-**	**9,522,191**
31 December 2009	186,851,442	22,721,738	33,714,943	101,062	1,318	755,000	8,485,090

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 2010 and 31 December 2009, allocated and unallocated capital expenditures and non-cash expenses during the year:

	Fire		Marine		Motor		Miscellaneous		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees)									
SEGMENT ASSETS										
Segment assets	86,954,290	77,645,973	5,142,094	5,696,954	8,041,910	5,152,155	36,679,255	25,644,412	136,817,549	114,139,494
Unallocated corporate assets									1,193,649,608	1,037,696,578
Consolidated total assets									1,330,467,157	1,151,836,072
SEGMENT LIABILITIES										
Segment liabilities	100,527,218	85,393,187	9,604,576	9,034,500	84,967,385	85,422,276	58,409,033	48,568,274	253,508,212	228,418,237
Unallocated corporate liabilities									115,325,831	71,417,752
Consolidated total liabilities									368,834,043	299,835,989
CAPITAL EXPENDITURE										
Capital expenditure	-	20,470	-	10,370	1,500,150	66,640	1,832,100	41,000	3,332,250	138,480
Unallocated capital expenditure									9,061,100	10,721,474
Consolidated capital expenditure									12,393,350	10,859,954
Depreciation / amortisation	1,385,429	1,408,605	573,238	460,781	856,313	798,636	708,297	672,010	3,523,277	3,340,032
Non-cash expenses other than depreciation / amortisation	405,421	2,193,446	167,747	717,518	250,584	1,243,617	207,269	1,046,438	1,031,021	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 example, subsidence claims). 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.

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 reputable 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. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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 technique is 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 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	
	2010	2009	2010	2009
	(Rupees)			
10% increase in loss / decrease				
Fire	(1,177,007)	(353,730)	(765,055)	(229,925)
Marine	(457,651)	(1,128,396)	(297,473)	(733,457)
Motor	(5,629,652)	(3,044,452)	(3,659,273)	(1,978,894)
Miscellaneous	(3,400,245)	(1,944,214)	(2,210,159)	(1,263,739)
	(10,664,555)	(6,470,792)	(6,931,960)	(4,206,015)
10% decrease in loss / increase				
Fire	1,177,007	353,730	765,055	229,925
Marine	457,651	1,128,396	297,473	733,457
Motor	5,629,652	3,044,452	3,659,273	1,978,894
Miscellaneous	3,400,245	1,944,214	2,210,159	1,263,739
	10,664,555	6,470,792	6,931,960	4,206,015

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	
	2010	2009	2010	2009	2010	2009
	(Rupees in millions)					
Fire	100,760	129,568	86,182	114,443	14,577	15,125
Marine	31,191	29,875	8,966	7,888	22,225	21,986
Motor	4,331	870	5	24	4,326	846
Miscellaneous	844,239	1,136,815	730,897	1,025,190	113,342	111,625
	980,521	1,297,127	826,050	1,147,545	154,470	149,582

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 2010.

Analysis on gross basis

Accident year	2008	2009	2010	Total
	(Rupees)			
Estimate of ultimate claims cost:				
At end of accident year	3,274,607	51,908,471	**191,913,358**	-
One year later	4,047,336	63,124,228	-	
Two years later	4,584,381	-	-	-
Estimate of cumulative claims	4,584,381	63,124,228	**191,913,358**	**259,621,967**
Cumulative payments to date	(2,932,929)	(46,043,925)	**(110,515,839)**	**(159,492,693)**
Liability recognised in the balance sheet	1,651,452	17,080,303	**81,397,519**	**100,129,274**

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	2010	2009
		(Rupees)	
Bank balances	11	85,210,677	72,807,669
Investments	12	737,212,198	589,906,233
Premiums due but unpaid	14	90,538,623	72,986,651
Amounts due from other insurers / reinsurers	15	76,954,600	80,510,620
Accrued investment income	16	616,097	819,373
Reinsurance recoveries against outstanding claims	17	38,934,607	7,387,579
Sundry receivables	20	6,219,559	3,549,379
		1,035,686,361	827,967,504

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

	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	Aa3	MOODY'S
NIB Bank Limited	A1+	AA-	PACRA
Citibank Limited	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
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 2010 (Rupees)	31 December 2010 %	31 December 2009 (Rupees)	31 December 2009 %
Insurance (re / co-insurance)	139,721	0.2%	-	0.0%
Tobacco	7,987,692	8.8%	939,686	1.3%
Paper and board	26,309,020	29.1%	32,508,667	44.5%
Textiles	3,037,670	3.4%	944,723	1.3%
Food and allied industries	4,621,476	5.1%	3,848,416	5.3%
Chemical and pharmaceuticals	2,006,233	2.2%	11,373	0.0%
Technology and communication	28,132,575	31.1%	16,353,405	22.4%
Miscellaneous	17,814,689	19.7%	17,960,825	24.6%
Individuals	489,547	0.5%	419,556	0.6%
	90,538,623	100%	72,986,651	100%

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

	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
	(Rupees)			
Upto 1 year	84,898,387	-	65,943,933	-
1-2 years	2,704,880	-	3,410,924	-
2-3 years	2,069,763	-	3,540,456	-
Over 3 years	8,235,718	7,370,125	6,816,873	6,725,535
Total	97,908,748	7,370,125	79,712,186	6,725,535

Reinsurance Risk

The Company enters into re-insurance arrangements with re-insurers having sound credit ratings accorded by reputed credit rating agencies. 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	Total 2010	Total 2009
	(Rupees)				
A or above (including PRCL)	-	28,128,438	41,952,934	70,081,372	39,930,148
BBB	-	476,810	-	476,810	3,714,018
Total	-	28,605,248	41,952,934	70,558,182	43,644,166

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

	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
	(Rupees)			
Upto 1 year	56,675,576	-	35,237,538	-
1-2 years	12,761,923	-	40,491,482	-
2-3 years	6,090,191	-	2,940,781	-
Over 3 years	2,243,012	816,102	2,301,511	460,692
Total	77,770,702	816,102	80,971,312	460,692

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

	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Upto 1 year	35,328,667	-	4,293,632	-
1-2 years	1,542,255	-	2,421,431	-
2-3 years	1,548,980	-	260,908	-
Over 3 years	514,705	-	411,615	-
Total	38,934,607	-	7,387,586	-

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:

	2010 Carrying Amount	2010 Contractual cash flows upto one year	2009 Carrying Amount	2009 Contractual cash flows upto one year
	(Rupees)			
Non-derivative Financial liabilities				
Provision for outstanding claims	100,129,274	(100,129,274)	58,386,567	(58,386,567)
Amount due to other insurers / reinsurers	55,179,287	(55,179,287)	25,908,539	(25,908,539)
Accrued expenses	3,671,215	(3,671,215)	3,195,441	(3,195,441)
Other creditor and accruals	51,857,776	(51,857,776)	37,121,586	(37,121,586)
Unclaimed dividend	470,974	(470,974)	470,974	(470,974)
	211,308,526	(211,308,526)	125,083,107	(125,083,107)

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:

	2010	2009	2010	2009
	Effective interest rate (in %)		------------- (Rupees) ------------	
Fixed rate instruments				
- Government securities	(12% to 15%)	(12% to 15%)	88,107,815	134,166,973
Variable rate instruments				
- PLS savings accounts	(5% to 12%)	(5% to 16%)	77,629,057	67,753,178

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. 0.5 million (2009: Rs. 0.01million).

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 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 is disclosed in note 12 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 analysis summarizes Company's equity price risk as of 31 December 2010 and 2009 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse 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. 8.0345 million (2009: Rs. 7.648 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. 24.839 million (2009: Rs. 51.363 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. 13.6 million (2009: Rs. 15.219 million) as per the policy of the Company.

Notes to the financial statements for the year ended 31 December 2010

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. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 18 March 2011 has announced cash dividend of Re. 1.0 per share (10%) in respect of the year ended 31 December 2010 (31 December 2009: Nil).

These financial statements for the year ended 31 December 2010 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 18 March 2011.

35. GENERAL

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

Iqbal Ali Lakhani	Tasleemuddin A. Batlay	A. Aziz Ebrahim	Mohammad Hussain Hirji
Chairman	Director	Director	Director & Chief Executive

Pattern of shareholding as at 31 December 2010

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

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
198	1	100	5,768
275	101	500	91,331
193	501	1000	156,136
396	1001	5000	1,004,976
127	5001	10000	885,972
54	10001	15000	675,463
21	15001	20000	378,148
23	20001	25000	518,964
15	25001	30000	419,151
3	30001	35000	94,910
2	35001	40000	76,599
5	40001	45000	213,958
8	45001	50000	382,910
3	50001	55000	155,810
1	70001	75000	73,527
2	75001	80000	158,653
2	80001	85000	165,238
1	85001	90000	90,000
2	90001	95000	182,848
1	95001	100000	100,000
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	230001	235000	230,850
1	350001	355000	355,000
1	360001	365000	363,619
1	400001	405000	401,312
1	415001	420000	420,000
1	430001	435000	430,635
1	450001	455000	452,881
1	595001	600000	600,000
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
1,351			**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	601,934	1.32
Insurance Companies	14,550	0.03
Modaraba & Mutual Funds	401,312	0.88
Shareholders holding 10% or more	30,522,160	66.75
General Public	8,105,267	17.72
Others	1,516,221	3.32

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 2010

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. Mohammad Hussain Hirji	Director/Chief Executive	500
8.	Mrs. Ronak Iqbal Lakhani 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		1,017,796
g)	SHAREHOLDERS HOLDING 10% OR MORE (Other than those reported at (a) (1, 2 & 4)		Nil
h)	INDIVIDUAL AND OTHER THAN THOSE MENTIONED ABOVE		9,621,488
			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 30th day of April 2011 or at any adjournment thereof.

Signed this ______________ day of ______________ 2011.

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

Signature over Revenue Stamp

Witness 1

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

____

Witness 2

Signature ______________________

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.

Century Insurance

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