

TPL DIRECT INSURANCE LIMITED

DIRECTORS' REPORT

On behalf of the Directors I am pleased to present the report of the company along with the Audited Financial Statements and Auditor's Report for the year ended December 31, 2010.

BUSINESS REVIEW

The insurance industry is expected to register a steady growth of about 4%, surpassing last year's growth of 2%. The macroeconomic indicators faced some anxious moments with energy and water crises, security concerns and recovery from the catastrophic floods. Despite severe challenges the economy has shown resilience in the outgoing year. The GDP has been recorded at a provisional 2.7% as against 1.2% of last year. The economy received robust support from the inflow of foreign remittances and exports.

TDI's sales performance has been extortionate with a growth of 42% from Rs.287m to Rs.409m, being highest in the industry. This is mainly ascribed to improved brand image of TDI that continues to uphold its motto of providing equitable premium rating, attending claims in 60 seconds, claims processing in 45 minutes and settlement of total loss and theft claims in 7 days. The customer's confidence can be gauged from the fact that our renewal ratio was achieved at around 70%.

The current portfolio is predominantly motor insurance and with its great success we launched Travel Insurance and Healthcare Insurance in the third quarter of 2010. This account is expected to grow in the coming year. We plan to launch Household insurance, few new motor insurance products specially tailored for Senior Citizens and Lady Drivers in 2011.

TDI is the first company to offer free of cost value added services viz. Ambulance Service, that caters for critical injuries and sickness of the insured and its family members and the Road Side Assistance through a fully owned subsidiary EVAC Pakistan Limited.

Claims

Risk profiling mechanism is applied prior to assuming the insurance risk and this enabled us in quoting judicious premium rates, have quality risk retention and have fairly low claim ratio of 43%. The lower claims ratio resulted in positive underwriting balance of Rs.17.8m. Last year's claims ratio was even lower at 29% and the jump in ratio is mainly attributable to increase in the theft of vehicles. To have our risk calculated we as a part of our policy install tracking device in the insured vehicles that are prone to theft. Unfortunately the tracking devices in some cases were made redundant by the snatchers with the use of the prohibited Jamming Device. As a part of risk management for restraining the incidence of theft, we have started installing Anti Jamming Device in certain vehicles.

Reinsurance

Our lead reinsurer continues to be "A" rated Malaysian Re with 45% share, followed by Best Re with 20% and 35% with Pakistan Reinsurance Company Ltd.

Insurance Penetration and Density

TDI being a direct insurance company has managed to tap the general public with over 13,000 customers. We have extended our branch network by adding Multan, Faisalabad and Hyderabad branch to our folio to reach the key cities. The insurance penetration continues to be one of the lowest in the world with 0.7% as against 5.2% of India. Similarly, the insurance density also remains low at \$6.6m versus \$54.3m of India. Our aim is to create insurance awareness through effective media policy and tap the micro business in the country and contribute in improving the country's insurance penetration and density.

Information Technology

To keep pace with the increase in the number of customers and growth we have acquired Oracle Financials and developing complete General Insurance System with ERP. This is under testing and will be live in 2011.

The overall comparative performance of your company for the year ended December 31, 2010 is set-forth below:

	2010	2009
- Gross Premium	408,732,711	287,268,104
- Net Premium	331,294,224	223,569,508
- Net Claim	(141,859,637)	(64,630,329)
- Management Expenses	(135,963,824)	(112,488,369)
- Net Commission	(35,653,887)	(17,468,976)
- Underwriting Result	17,816,876	28,981,834
- Investment Income	3,977,729	(2,561,256)
- Other Income	15,498,177	14,812,776
- General & Administrative Expenses	(41,719,894)	(25,481,198)
- Financial Charges	(7,947,644)	(5,609,674)
- Profit (Loss) Before Taxation	(12,374,756)	10,142,482
- Provision for Taxation	(5,636,660)	(8,278,480)
- Profit after Taxation	(18,011,416)	1,864,002

TDI suffered a post tax loss at Rs.18.0m as against profit of Rs.1.8m last year. This mainly ascribed to increase in loss ratio to 43% from 29% of last year as explained in detail under the claims head.

Earnings per share was recorded at Rs.-0.58.

Investment

The book value of investment stands at Rs. 33.8m in comparison with 38.8m of last year. We had placed Rs.45m with AKD Securities with the intention to carry out trading in shares in the stock market. Subsequently, the stock market index fell drastically resulting in decline in the share prices across the board. Board decided

that trading will not be carried out unless stock market stabilizes significantly. This amount is held under sundry receivables and during the year Rs.10m was recovered from AKD.

Written down value of fixed assets of the company were at Rs. 273m as against Rs. 271m of last year.

Capital Work in Progress

TDI has booked the space for office premises at the leading commercial building - Center Point comprising of 20,546 square feet. Till the year end total installments were paid at Rs: 160.9m. The project is expected to be handed over in 2012.

Insurers Financial Strength Rating and Awards

The Pakistan Credit Rating Agency Ltd (PACRA) has maintained its rating at "A-" for the third consecutive year.

For the consecutive third year TDI was conferred with the Brands of the Year Award for best Motor Insurance Company in Pakistan.

Key Financial Data for the Last Seven Years

	(Rs. in '000)						
	2010	2009	2008	2007	2006	2005	2004
Paid-up Share Capital	310,000	310,000	310,000	160,412	150,412	150,412	80,000
Gross Premium	408,733	287,268	188,364	164,402	112,024	23,528	109
Net Premium Revenue	331,294	223,570	166,697	138,704	68,775	4,453	11,935
Investment & Other Income	19,476	12,252	8,097	3,752	656	215	49
Profit (Loss) Before Tax	(12,375)	10,142	(4,676)	(1,156)	(23,819)	(37,253)	(34,618)
Profit (Loss) After Tax	(18,011)	1,864	1,848	34,077	(23,819)	(35,993)	(34,776)
Total Equity	195,507	213,518	211,654	60,218	26,141	39,960	15,072
Investment	33,848	38,839	34,315	25,703	15,796	32,496	251
Cash & Bank Balance	4,659	1,812	1,627	4,998	15,009	6,891	6,106
Total Assets Book Value	562,175	462,843	357,893	191,508	134,195	87,336	41,342
Total Assets Market Value	564,389	466,203	357,453	193,043	135,927	88,049	41,671

TPL DIRECT INSURANCE LTD

**PATTERN OF HOLDING OF THE SHARES
HELD BY THE SHAREHOLDERS
as at December 31, 2010**

No. of Shareholders	Shareholdings	Total Shares held
2	Shareholding form 1 to 500 Shares	1,000
1	Shareholding form 501 to 31,000,000 Shares	30,999,000
3		31,000,000

Categories of Shareholders

	Shareholdings	Percentage
Director :		
Mr. Jameel Yusuf	500	0.002
Mr. Muhammad Ali Jameel	500	0.002
Holding Company :		
TPL Trakker Limited	30,999,000 *	99.996
TOTAL	31,000,000	100.000

* Shareholders holding 10% or more voting interest.

Auditors

M/s KMPG Taseer Hadi & Company, Chartered Accountants retire and offer themselves for reappointment. The Board of Directors have recommended their appointed as auditors for the year ending December 31, 2011, at a fee to be mutually agreed.

Corporate Social Responsibility

TDI is fully conscious of its corporate social responsibility and this is addressed as under:

- Issuing statement of Ethics and Business Practices that are signed by the employees.
- Donations made to charitable institutions.
- High level staff intake without discrimination.
- Fair and equitable annual reviews and increments.
- Continuing education programs at all levels for the staff.
- Offering internship to students of leading institutions including intake from overseas and also sponsoring local students abroad.
- Participating and sponsoring workshops and seminars conducted by the world's largest student-run organization – AIESEC, the international platform for young people to discover and develop their potential to have a positive impact on society.

Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment and changes if any are adequately disclosed.
- International Financial Reporting Standard as applicable in Pakistan has been followed in the preparation of the financial statements and any departure there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.

Board Meetings

The Board of Directors held twelve meetings in 2010. Attendance of Directors is indicated below:

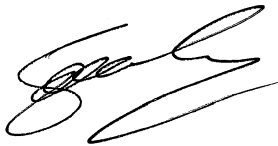
Name of Director	Meetings Attended
Mr. Jameel Yusuf	12
Mr. Ali Jameel	12
Mr. Saad Nissar	12
Mr. Adil Matchiswala	09
Mr. Rizwan Punjwani	09
Mr. Mustafa Ali	12
Syed Kazim Hasan	12

Outlook

TDI is ambitious to penetrate the retail market more aggressively. As a consequence of the recent catastrophe in Japan, the production capacity of the local auto industry will be impaired as leading auto manufacturers will not be able to supply the parts on time. This will have a negative effect on the auto insurance sales. However, with addition of Travel and Healthcare we expect to further improve our business portfolio. Efforts are underway to further improve the business in the Punjab region.

Acknowledgement

We would like to thank our valued customers, reinsurers, Securities and Exchange Commission of Pakistan, Federal Board of Revenue and State Bank of Pakistan for their valued support and assistance. We would also like to thank all the staff members for their unstinted support in pursuit of our corporate objectives.

**CHIEF EXECUTIVE**