askari

ANNUAL REPORT 2009

askari general insurance co. ltd.

"SUSTAINABLE RELATIONSHIPS"

CONTENTS

Vision

The vision of the
askari general insurance company limited
is to be amongst the leading insurance companies of the Country
with the clear perception of
upholding the principles of
corporate governance and making
agico
a profitable and growth oriented insurance company
while creating insurance awareness and culture.

Mission

To become a leading insurance company
by providing client friendly services
through highly motivated team of dedicated professionals
and
ensuring progressive return to the shareholders

Corporate Information

Chairman	Lt. General (Retd.) Imtiaz Hussain
Directors	Maj. Gen. (Retd.) Saeed Ahmed Khan Brig. (Retd.) Javed Qayum Brig. (Retd.) Mushtaq Ahmad Malik Mr. Abdul Waheed Syed Suhail Ahmad Rizvi Mr. Abdul Hai Mahmood Bhaimia
Audit Committee	Mr. Abdul Waheed Chairman Syed Suhail Ahmad Rizvi Member Brig. (Retd.) Mushtaq Ahmad Malik Member
President & Chief Executive	Mr. Mohammad Hussain Hirji
Chief Financial Officer	Mr. Jamil Ahmed (ACA)
Company Secretary	Mr. Waseemullah
Internal Auditor	Syed Imran Abid Bukhari
Auditors	KPMG Taseer Hadi & Company Chartered Accountants
Legal Advisor	Mr. Farrukh Karim Qureshi
Bankers	Askari Bank Limited Habib Bank Limited Standard Chartered Bank (Pakistan) Limited Arif Habib Bank Limited Soneri Bank Limited
Registrar and Share Transfer Office	THK Associates (Private) Limited Ground Floor, State Life Building No. 3 Dr. Zia ud Din Ahmad Road, Karachi-75530, P.O Box 8533 UAN: 111-000-322 Fax: 021-5655595
Registered Office/Head Office	4th Floor, AWT Plaza, The Mall, Rawalpindi, Pakistan Tel: 051-9272425-7 Fax: 051-9272424 Website: www.agico.com.pk

Management

President & Chief Executive
Mr. Mohammad Hussain Hirji

Senior Vice Presidents
Mr. Jamil Ahmad (CFO)
Mr. Waseemullah (Company Secretary)
Mrs. Rubina S. Rizvi

Vice Presidents
Maj. (Retd.) Muhammad Ajmal Khan
Mr. Sohail Khalid
Syed Imran Abid Bukhari
Mrs. Samina Khan
Mr. Muhammad Younus Bashir
Syed Iqbal Alam

Assistant Vice Presidents
Mr. Ghulam Asghar
Mr. Ashraf Malik (Advocate)
Syed Tazeem Hussain
Syed Gulzar Hussain Shah
Mrs. Talat Raza
Mr. Taqi Ud Din
Mr. Muhammad Qamar Ikram
Mr. Anwar Ahmed Malik
Engr. Kashif Gul

Managers
Mr. Noor Afsar
Mr. Muhammad Ali Somroo
Syed Ishtiaq Haider
Mr. Mohammad Riaz Khan
Mr. Fayyaz Gul
Mr. Imran Afzal
Mr. Tahir Mehmood Fazal
Mr. Shahid Qayyum
Mr. Umar Shahzad
Mr. Asim Raza
Mr. Rizwan Mughal

Health
Dr. Muhammad Abbas Zaidi
Dr. Sania Abrar
Dr. Muhammad Shakeel Ahmed

Executive Vice Presidents (Marketing)
Syed Hassan Nadeem
Rana Shahbaz Ahmad

Senior Vice Presidents (Marketing)
Ch. Shams ul Haq
Mr. Sarfaraz Ahmad Tarrar
Mr. Shah Rukh
Sheikh Muhammad Hanif
Sheikh Abdul Wahab

Vice Presidents (Marketing)
Mr. Mubashar ul Hassan
Mr. Tahir ul Haq
Mr. Moeen ud Din
Mian Arif Tanveer
Mr. Tahir Ahmed Tayyab
Mr. Aslam Ikramzai
Mr. Ehsan Ullah Warriach
Syed Hassan Zaheer
Mr. Azhar Iqbal Bajwa
Mr. Fayyaz Ahmed Khan
Mr. Muhammad Asif Akhtar

Assistant Vice Presidents (Marketing)
Mr. Nasir Ehsan
Syed Qaisar Shah
Mr. Tanveer Ahmad
Mr. Arslan Pasha
Mr. Khizar Rehman Raja
Mr. Asim Zia Alam
Mr. Hassan Raza
Mr. Khurram Khan

Branch Network

Head Office (051)
(Underwriting / Reinsurance Deptt.)
askari insurance house,
32- A, Hyder Road, Rawalpindi Cantt.
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Ph: 2279565, 2270471-3, Fax: 2279566
e-mail: agicoisb@agico.com.pk

Jhelum (0544)
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Civil Line, Jhelum.
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Lahore (042)
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Gujranwala (055)
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Karachi (021)
Marium Centre, Plot No. 167-G,
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Khalid Bin Waleed Road, Karachi.
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Quetta (081)
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Jinnah Road, Quetta.
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Abbotabad (0992)
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e-mail: agicomtn@agico.com.pk

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Hyderabad (022)
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e-mail: agicohyd@agico.com.pk

NOTICE OF 15th ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of **askari general insurance company limited** ("the Company") will be held on Friday, April 30, 2010 at 10:00 am at Blue Lagoon Complex, Masood Akhtar Road (off. The Mall) Rawalpindi Cantt, to transact the following business:

1 To confirm the minutes of the 14th Annual General Meeting held on April 30, 2009.

2 To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2009 together with Directors and Auditors Reports thereon.

3 To appoint Auditors of the Company for the year ending December 31, 2010 and to fix their remuneration.

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

By the order of the Board

Waseemullah
Company Secretary

Dated. 09 April, 2010

Notes:

1. The Share Transfer Book of the Company will remain closed from April 23, 2010 to April 30, 2010 (both days inclusive) Transfers received at our Registrars, Messrs THK Associates (Pvt) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi at the close of business on April 22, 2010 will be treated in time.

2. Members of the Company are requested to immediately notify the change in address if any, and ask for consolidation of folio number, provided the member holds more than one folio, to our registrar M/s THK Associates (Pvt) Limited.

3. (a) A Member is entitled to attend and vote at the General Meeting as well as appoint a proxy to attend, speak and vote on his/her behalf. A proxy must be a member of the Company. The proxy form, duly completed, in order to be effective must be received by the company at its registered office at least 48 Hours before the time of meeting.

   (b) CDC shareholders entitled to attend and vote at this meeting will further follow the guidelines as laid down in Circular No 1 of 2000 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

Directors' Report to the Shareholders

The Directors are pleased to present the 15th Annual report of **askari general insurance company limited** along with the audited Financial Statements and Auditor's Report thereon for the year ended 31st December 2009.

Overall, 2009 was a tough year for the general insurance industry due to general slowing down of business as a result of the international economic crisis. However for askari general insurance company limited, 2009 has been a year of steady progress with gross written premium growing by over 10%.

Underwriting profit of the Company in 2009 increased by 8 % to Rs. 79.00 Millions as compared to Rs.73 Millions in 2008. Results would have been better had the Company not experienced an unexpected rise in Health insurance claims vis-à-vis the premium charged, resulting in an underwriting loss of Rs. 42 million in this class of business. However the Company has taken remedial measures and significant improvement was noticeable in the last quarter of 2009. We believe that there will continue to be improvement in this area in 2010.

In the period under review, the Company absorbed, as provided for in SECP's circular no. 3/2009 dated 16th February 2009, impairment loss related to 2008 in its available for sale investments. These losses initially amounting to Rs. 108 million reduced to Rs. 67 million due to subsequent improvement in Net Assets Value during 2009. Despite the impairment loss of Rs. 67 million, the Company managed to reduce its investment loss to Rs. 28 million through fresh investments in low risk instruments. The impairment, generally speaking, was quite benign as compared to the investment losses suffered by the industry as a whole, reflecting the prudent investment policy followed by the Company.

The Company has taken a number of steps to ensure better underwriting and claims control, including the establishment of a Risk Management department to help reduce exposure to loss and provide value added services to its clients. We hope that with the continuous commitment and hard work of its staff and the confidence shown by its valued shareholders and clients, the Company shall, Inshallah, show good results in future

KEY OPERATION FIGURES **(Rupees in million)**

	2009	2008	Growth %
Gross Premium	1,108	1,003	10
Net Premium Revenue	805	650	24
Underwriting Profit	79	73	8
(Loss)/Income from Investment	(28)	13	(315)
(Loss)/ Profit before tax	(15)	17	(188)
(Loss)/profit after tax	(27)	7	(485)
Reserve for un-expired risks	486	468	4
Total Assets	1,196	1,217	(2)

UNDERWRITING PERFORMANCE

FIRE AND PROPERTY DAMAGE

	2009	2008	Growth %
Gross Premium	248	152	63
Net Premium Revenue	49	35	40
Net Claims	18	25	(28)
Underwriting profit (2008 restated)	19	10	90

MARINE, AVIATION AND TRANSPORT

	2009	2008	Growth %
Gross Premium	62	126	(51)
Net Premium Revenue	39	29	34
Net Claims	8	4	100
Underwriting profit (2008 restated)	23	24	(4)

(Rupees in million)

MOTOR

	2009	2008	Growth %
Gross Premium	427	432	(1)
Net Premium Revenue	420	386	9
Net Claims	242	245	(1)
Underwriting profit (2008 restated)	63	34	85

ACCIDENT & HEALTH

	2009	2008	Growth %
Gross Premium	290	241	20
Net Premium Revenue	275	192	43
Net Claims	249	146	71
Underwriting profit (2008 restated)	(42)	(2)	(2,000)

MISCELLANEOUS AND TREATY

	2009	2008	Growth %
Gross Premium	81	53	53
Net Premium Revenue	22	8	175
Net Claims	5	3	67
Underwriting profit (2008 restated)	15	7	114

REINSURANCE

The Company's reinsurance treaties have been revamped under the lead of SCOR Reinsurance Company of France, nominated by Reinsurance Magazine as European reinsurer of the year. SCOR has been 'A' rated by Standard & Poor's. Reinsurance treaty capacities and commission rates have increased substantially in 2010 signifying the trust reinsurers have reposed in the Company's ability to underwrite profitable business. Hannover Re has given a Terrorism reinsurance treaty to the Company enabling it to underwrite small and medium sized terrorism risks serving the needs of its clients. This year the Company has also acquired a Health reinsurance treaty to protect itself against unforeseen volatility in its health insurance results.

FINANCIAL RESULTS

The financial results of the Company for the year ended December 31, 2009 with 2008 comparative figures are summarized hereunder:

	2009	2008	Growth %
Profit from underwriting operations	79	73	8
Investment & Other Income	(2)	24	(108)
General & Administrative Expenses including financial charges	(91)	(80)	14
Profit before tax	(15)	17	(188)
Provision for tax	(12)	(11)	18
Profit after tax	(27)	7	(485)
Un-appropriated profit brought forward	17	63	(250)
(Loss)/profit available for appropriation	(10)	18	(112)

DIVIDEND

Due to non availability of profit after tax, no dividend has been recommended for 2009.

AUDITORS

In compliance of the Circular No. 24 of 2005 dated December 19, 2005 issued by Securities & Exchange Commission of Pakistan, the Board, on the proposal of the Audit Committee, recommends appointment of the Messer's M. Yousaf Adil Saleem & Co. Chartered Accountants, as the Auditors of the Company for the year 2010.

The Board of Directors wish to place on record and acknowledge the highest standard of professional independence, objectivity and effectiveness shown by Messrs KPMG Taseer Hadi & Co Chartered Accountants, who have been the statutory auditors of the Company since 2005.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements together with the notes forming an integral part of these statements have been prepared by the management of the Company in conformity with the Companies Ordinance 1984 and the Insurance Ordinance 2000; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of account of the Company have been maintained.

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

4. Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

5. The system of internal controls is sound in design and has been effectively implemented and monitored. Internal controls and their implementation are reviewed continuously by the Internal Audit Department and any weakness in controls will be removed.

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

7. There has been no material departure from the best practice of Code of Corporate Governance as detailed in the listing regulations.

8. Key operational and financial data for the last 10 years is annexed at page 11

9. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2009, except as disclosed in the financial statements.

10. The value of investment of provident fund and gratuity fund, on the basis of audited accounts, as on December 31, 2009 was:

	(Rupees in Millions)	
	2009	**2008**
Employees' Provident Fund	**27**	**23**
Employees' Gratuity Fund	**16**	**15**

11. During the year 2009 five meetings of the Board of Directors were held. Attendance by each of the directors was as follows:

		Attendance
a.	Lt. Gen. (Retd.) Imtiaz Hussain Chairman	05
b.	Maj. Gen. (Retd.) Saeed Ahmed khan	02
c.	Brig. (Retd.) Javed Qayum	05
d.	Mr. Kashif Mateen Ansari	03
e.	Brig. (Retd.) Mushtaq Ahmed Malik	05
f.	Mr. Abdul Waheed	05
g.	Syed Suhail Ahmad Rizvi	05
h.	Mr. Abdul Hai Mehmood Bhaimia	05

The Board granted leave of absence to those directors who could not attend the Board Meeting.

Two casual vacancies occurred during the year 2009. With effect from January 15, 2009 Lt. Gen. (Retd.) Imtiaz Hussain Chairman replaced Lt. Gen. (Retd.) Zarrar Azim and from June 26, 2009 Maj. Gen. (Retd.) Saeed Ahmed Khan replaced Mr. Kashif Mateen Ansari for the remaining period of the term.

The Board welcomes the new directors and records its appreciation for the valuable services rendered by the outgoing Directors.

12. The pattern of shareholding and additional information regarding pattern of shareholding is given at page 55-56.

13. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

14. The related party transaction are approved or ratified by the Audit Committee and the Board of Directors.

FUTURE PROSPECTS

The Company expects the general economic conditions of the country to improve gradually throughout 2010 and to continue thereafter to grow at a healthy rate in the years ahead. The insurance industry will also benefit from this economic growth. As the penetration of insurance in the economy grows this is expected to have a positive compounding effect on the growth and profitability of the insurance sector.

The Company will focus on long-term profitable growth through consolidation, improvement in systems and the quality and knowledge of human resources, and the effective use of technology and management information systems in order to make informed and prudent underwriting and investment decisions. Business volume in real terms is expected to grow in 2010 along with profitability.

ACKNOWLEDGEMENTS

The Directors of your company were elected in the Annual General Meeting held on March 31, 2008 for a period of three years. We would like to take this opportunity to welcome Maj. Gen. (Retd.) Saeed Ahmed Khan on the Board.

The encouraging performance of the Company in trying economic and investment conditions was made possible by the commitment and teamwork of its executives, officers and field force. We are also grateful to the Securities and Exchange Commission of Pakistan for its continued guidance and support.

Finally, we are particularly grateful to our shareholders for their valued investment and trust in the Company.

For and on behalf of the Board

April 02, 2010
Rawalpindi

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

A Glimpse of Ten Years Performance

(Rupees in million)

31 December	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Profit Before Tax	20.97	23.48	19.52	22.41	40.91	60.45	84.51	69.99	17.39	(15.08)
Profit After Tax	13.12	13.59	12.69	15.91	26.91	45.02	57.09	51.73	6.66	(27.54)
Investment and Other Income	14.81	17.41	26.73	25.80	23.71	33.18	35.79	59.67	24.50	(2.40)
Underwriting Income	20.69	22.38	13.97	27.54	48.55	69.38	108.81	79.80	73.00	78.76
Gross Premium	191.41	220.11	272.92	383.60	513.34	590.57	717.45	829.10	1,002.65	1,107.66
Net Premium Revenue	111.94	131.08	155.99	221.83	325.31	432.39	507.24	583.32	650.43	805.18
Net Claims	57.70	79.78	112.31	145.36	205.61	276.10	300.06	378.58	423.39	522.43
Paid-Up Capital	66.13	76.04	81.75	81.75	102.18	102.18	120.58	156.75	203.77	203.77
General Reserve	8.00	10.00	12.00	15.00	15.00	22.50	50.00	65.00	70.00	70.00
Underwriting Reserve	44.77	103.50	135.59	174.23	238.57	273.54	310.47	353.18	467.78	485.79
Investments	102.49	116.87	144.59	147.38	251.82	329.07	380.12	423.23	512.84	413.61
Fixed Assets - tangible and intangible	16.48	19.73	19.20	23.65	27.67	43.99	71.16	103.97	126.99	130.64
Retained Profit	5.33	5.51	3.94	4.59	31.50	51.14	62.33	62.89	17.52	(10.02)
Dividend (Restated)	15% (B)	15% (B)	15% (C)	15% (C)	15% (C)	17.5% (C)	18% (B)	30% (B)	30% (B)	-
Total Assets	183.25	245.21	301.03	423.77	641.24	732.49	882.80	1,117.59	1,217.25	1,195.75

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in Listing Regulations of the Stock Exchanges where the Company's shares are listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present all the seven directors are non Executive Directors.

2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including ***askari general insurance company limited***.

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 a NBFI or being a member of the stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year 2009 two casual vacancies occurred on the Board, which were filled within the prescribed period.

5. The Company has prepared a "Code of Conduct and Ethics" 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 decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.

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

9. Directors of the Company have participated in an orientation course at group level to apprise them of their duties and responsibilities. Directors, who have not participated in these have been apprised and adequately briefed.

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

11. 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.

12. The CEO and the CFO duly endorsed the financial statements of the Company before approval of the Board.

13. The Directors, CEO and the Executives do not hold any interest in the shares of the company other than that disclosed in the Pattern of Shareholding.

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

15. The Board has formed an Audit Committee. It comprises three members, of which all are non-executive Directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the code. The terms of reference of the Committee were fully complied with.

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. 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 the minor children do not hold shares of the Company and the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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 regard.

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

21. The Company has complied with, approval of transactions with related parties as per Karachi Stock Exchange Notice No. KSE/N-269 Dated January 19, 2009.

For and on behalf of the Board

April 02, 2010
Rawalpindi

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

KPMG Taseer Hadi & Co.
Chartered Accountants
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REVIEW REPORT TO THE MEMBERS ON DIRECTORS' STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Askari General Insurance Company Limited, ("the Company") to comply with the Listing Regulations No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires the Company to place before the Board of Director 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 alternative 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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

April 02, 2010
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Rehan Chughtai

KPMG

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AUDITORS' REPORT TO THE MEMBERS OF ASKARI GENERAL INSURANCE COMPANY LIMITED

We have audited the annexed financial statements comprising of:

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

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the 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 polices consistently applied except for the change as described in note 5.22 to the financial statements with which we concur;
c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009 and of the loss, its cash flows and changes in equity for the year then ended in accordance with the 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 .

April 02, 2010
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Rehan Chughtai

Balance Sheet

As at 31 December 2009

	Note	2009 (Rupees)	2008 (Rupees)
Share Capital and Reserves			
Authorized share capital			
50,000,000 (2008: 50,000,000) ordinary shares of Rs. 10 each		**500,000,000**	500,000,000
Paid up share capital	6	**203,774,920**	203,774,920
Retained earnings		**(10,021,303)**	17,523,626
Reserves	7	**74,657,681**	74,657,681
		268,411,298	295,956,227
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		**261,489,677**	223,068,789
Provision for unearned premium		**485,793,190**	467,780,079
Commission income unearned		**29,304,827**	19,494,486
Total underwriting provisions		**776,587,694**	710,343,354
Creditors and accruals			
Premiums received in advance		**6,947,085**	9,017,193
Amounts due to other insurers/reinsurers		**56,211,135**	93,719,774
Accrued expenses	8	**2,205,507**	6,254,400
		65,363,727	108,991,367
Borrowing			
Liabilities against assets subject to finance lease	9	**722,297**	1,945,693
Deferred liability-staff compensated absences	10	**12,294,231**	11,496,305
Other Liabilities			
Unclaimed dividend		**834,251**	834,251
Others	11	**71,537,586**	87,682,934
		72,371,837	88,517,185
TOTAL LIABILITIES		**927,339,786**	921,293,904
TOTAL EQUITY AND LIABILITIES		**1,195,751,084**	1,217,250,131
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 31 form an integral part of these financial statements.

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

Mohammad Hussain Hirji
President & Chief Executive

	Note	2009 (Rupees)	2008 (Rupees)
Cash and bank deposits			
Cash and other equivalents	12.1	**306,475**	274,893
Current and other accounts	12.2	**112,470,799**	83,332,999
Deposits maturing within 12 months		**1,500,000**	1,500,000
		114,277,274	85,107,892
Advances to employees-secured, considered good	13	**4,197,435**	2,955,672
Investments	14	**413,606,523**	512,843,411
Other assets			
Premiums due but unpaid-unsecured, considered good	15	**144,129,463**	164,540,764
Amounts due from other insurers/reinsurers-unsecured, considered good		**28,707,468**	61,381,887
Salvage recoveries accrued		**17,063,285**	10,940,000
Accrued investment income		**4,988,832**	6,423,918
Reinsurance recoveries against outstanding claims-unsecured, considered good		**76,151,749**	60,809,689
Taxation - provision less payment		**2,689,458**	13,171,847
Deferred commission expense		**41,598,471**	40,914,441
Prepayments - prepaid reinsurance premium ceded		**172,988,982**	116,709,351
- Others		**8,173,889**	7,648,041
Sundry receivables	16	**36,534,584**	6,816,691
		533,026,181	489,356,629
Fixed assets	17		
tangible and intangible			
Leasehold improvements		**8,929,887**	8,664,784
Furniture and fixtures		**8,758,870**	9,388,087
Computer and office equipment		**11,920,550**	10,573,122
Motor vehicles		**41,639,836**	46,818,539
Capital work in progress		**55,571,000**	51,541,995
Software license		**3,823,528**	-
		130,643,671	126,986,527
TOTAL ASSETS		**1,195,751,084**	1,217,250,131

Brig. (Retd.) Mushtaq Ahmad Malik
Director

Syed Suhail Ahmad Rizvi
Director

Profit and Loss Account

For the year ended 31 December 2009

(Amount in Rupees)

	Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Treaty Non-proportional	2009 Aggregate	2008 Aggregate
Revenue Account									
Net premium revenue	18	49,373,651	38,506,395	420,143,153	274,724,159	22,429,604	(490)	**805,176,472**	650,428,814
Net Claims		(18,250,625)	(8,103,663)	(242,388,254)	(248,848,423)	(4,597,490)	(237,902)	**(522,426,357)**	(423,393,312)
Expenses	19	(9,504,735)	(7,412,721)	(80,880,171)	(52,886,110)	(4,317,838)	94	**(155,001,481)**	(130,818,241)
Net commission		(2,410,819)	(352,339)	(33,499,225)	(14,568,026)	1,838,623	268	**(48,991,518)**	(23,221,251)
Underwriting results		**19,207,472**	**22,637,672**	**63,375,503**	**(41,578,400)**	**15,352,899**	**(238,030)**	**78,757,116**	72,996,010
Net Investment (loss)/income								**(28,173,734)**	12,536,498
Other income	20							**21,728,570**	7,797,266
Profit on bank deposits/income from financial assets								**3,393,185**	4,198,599
Share of profit/(loss) in associated company								**650,003**	(34,803)
Finance cost								**(235,497)**	(365,793)
General and administration expenses	21							**(90,482,542)**	(79,387,253)
								(93,120,015)	(55,255,486)
(Loss)/profit before Workers' Welfare Fund								**(14,362,899)**	17,740,524
Workers' Welfare Fund								**(712,584)**	(354,810)
(Loss)/Profit before tax								**(15,075,483)**	17,385,714
Provision for taxation	22							**(12,469,446)**	(10,726,295)
(Loss)/Profit after tax - Total Comprehensive (loss)/income for the year								**(27,544,929)**	6,659,419
Profit and loss appropriation account									
Balance at commencement of the year								**17,523,626**	62,889,187
(Loss)/Profit after tax for the year								**(27,544,929)**	6,659,419
Bonus shares issued NIL (2008: 30%)								-	(47,024,980)
Transfer to general reserve								-	(5,000,000)
Balance at end of the year								**(10,021,303)**	17,523,626
(Loss)/Earning per share-basic and diluted	26							**(1.35)**	0.33

The annexed notes 1 to 31 form an integral part of these financial statements

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

Mohammad Hussain Hirji
President & Chief Executive

Brig. (Retd.) Mushtaq Ahmad Malik
Director

Syed Suhail Ahmad Rizvi
Director

Statement of Changes in Equity

For the year ended 31 December 2009

(Amount in Rupees)

	Share Capital	Reserves			Total Reserves	Total Equity
		Capital Reserve	Revenue reserves			
	Issued, Subscribed and paid up	Share premium	General reserve	Retained earnings		
Balance as at 01 January 2008	156,749,940	4,657,681	65,000,000	62,889,187	132,546,868	289,296,808
Profit for the year	-	-	-	6,659,419	6,659,419	6,659,419
Total comprehensive income	-	-	-	6,659,419	6,659,419	6,659,419
Transactions with owners, recorded directly in equity						
Bonus shares issued	47,024,980	-	-	(47,024,980)	(47,024,980)	-
Others						
Transfer to general reserve	-	-	5,000,000	(5,000,000)	-	-
Balance at 31 December 2008	**203,774,920**	**4,657,681**	**70,000,000**	**17,523,626**	**92,181,307**	**295,956,227**
Balance as at 01 January 2009	203,774,920	4,657,681	70,000,000	17,523,626	92,181,307	295,956,227
Loss for the year	-	-	-	(27,544,929)	(27,544,929)	(27,544,929)
Total comprehensive income	-	-	-	(27,544,929)	(27,544,929)	(27,544,929)
Balance as at 31 December 2009	**203,774,920**	**4,657,681**	**70,000,000**	**(10,021,303)**	**64,636,378**	**268,411,298**

The annexed notes 1 to 31 form an integral part of these financial statements.

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Statement of Cash Flows

For the year ended 31 December 2009

	2009 (Rupees)	2008 (Rupees)
Operating Cash Flows		
a) Underwriting activities:		
Premium received	**1,116,290,106**	928,422,422
Reinsurance premium paid	**(292,970,420)**	(245,619,778)
Claims Paid	**(591,541,598)**	(515,503,297)
Reinsurance and other recoveries received	**67,697,181**	77,393,736
Commission paid	**(113,600,990)**	(81,344,089)
Commission received	**44,696,956**	55,243,229
Other underwriting payments (management expenses)	**(142,600,702)**	(122,624,361)
Net cash flow from underwriting activities	**87,970,533**	95,967,862
b) Other operating activities:		
Income tax paid	**(1,987,057)**	(11,019,204)
General management expenses paid	**(87,428,683)**	(74,565,292)
Other operating receipts	**14,565,125**	959,451
Advances to employees	**(1,241,763)**	(138,700)
Other (payments)/receipts on operating assets	**(7,022,172)**	14,480,186
Net cash used in other operating activities	**(83,114,550)**	(70,283,559)
Total cash flow from all operating activities	**4,855,983**	25,684,303
Investment activities:		
Profit/return received	**24,456,541**	27,130,521
Dividends received	**2,486,345**	5,115,579
Payments for investments	**(180,150,599)**	(212,594,469)
Proceeds from disposal of investments	**180,640,088**	101,838,074
Redemptions of Term Finance Certificates	**21,407,320**	8,033,430
Fixed capital expenditure	**(25,226,330)**	(41,379,940)
Proceeds from disposal of fixed assets	**2,158,926**	3,737,407
Net cash generated from/(used in) investing activities	**25,772,291**	(108,119,398)
Financing activities:		
Dividend paid	**-**	(2,679)
Financial charges paid	**(235,497)**	(365,793)
Payment of lease rentals	**(1,223,396)**	(1,872,003)
Total cash used in financing activities	**(1,458,893)**	(2,240,475)
Net cash generated from/(used in) all activities	**29,169,382**	(84,675,570)
Cash at the beginning of the year	**85,107,892**	169,783,462
Cash at the end of the year	**114,277,274**	85,107,892

The annexed notes 1 to 31 form an integral part of these financial statements.

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Statement of Cash Flows

For the year ended 31 December 2009

Reconciliation to Profit and Loss Account:

	2009 (Rupees)	2008 (Rupees)
Operating cash flows	4,855,983	25,684,303
Depreciation expense	(19,503,530)	(15,985,194)
Financial charges	(235,497)	(365,793)
Profit on disposal of fixed assets	93,270	1,357,926
Increase in assets other than cash	41,268,085	78,846,839
Increase in liabilities other than running finance	(7,269,280)	(94,871,865)
Doubtful premium written off	(12,141,025)	(5,000,000)
Un-realized gain/(loss) on investments, held for trading	6,878,224	(30,885,273)
Provision for diminution in value of investment	(66,762,828)	-
Dividend income	11,110,295	23,722,632
Investment income	21,818,353	24,152,084
Profit on bank deposits	3,393,185	4,198,599
Income tax provision	(12,469,446)	(10,726,295)
Share of profit in associated company	650,003	(34,803)
Loss on trading	(1,217,778)	(4,452,945)
Tax paid	1,987,057	11,019,204
(Loss)/profit after taxation	(27,544,929)	6,659,419

Definition of cash:

Cash comprises of cash in hand, bank balances, stamps in hand 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 purpose of the statement of cash flows consist of:

	2009 (Rupees)	2008 (Rupees)
Cash in hand	146,370	124,097
Stamps in hand	160,105	150,796
Cash and other equivalents	306,475	274,893
On current accounts	22,435,423	18,242,320
On deposit accounts	90,035,376	65,090,679
Current and other accounts	112,470,799	83,332,999
Deposits maturing within 12 months	1,500,000	1,500,000
	114,277,274	85,107,892

The annexed notes 1 to 31 form an integral part of these financial statements

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Statement of Premiums

For the year ended 31 December 2009

Business underwritten inside Pakistan

(Amount in Rupees)

Class of Business	Premiums Written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	**2009 Net premium revenue**	2008 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	247,752,343	77,335,775	116,279,525	**208,808,593**	197,087,751	58,224,732	95,877,541	**159,434,942**	**49,373,651**	34,734,112
Marine, aviation and transport	62,330,165	39,390,146	12,132,578	**89,587,733**	33,181,585	27,093,590	9,193,837	**51,081,338**	**38,506,395**	28,952,733
Motor	427,372,956	197,942,551	186,836,389	**438,479,118**	9,812,538	15,650,013	7,126,586	**18,335,965**	**420,143,153**	386,242,453
Accident and Health	289,626,419	128,616,200	132,091,832	**286,150,787**	42,372,683	-	30,946,055	**11,426,628**	**274,724,159**	192,437,396
Miscellaneous	80,580,468	24,495,407	38,452,866	**66,623,009**	58,297,352	15,741,016	29,844,963	**44,193,405**	**22,429,604**	8,070,341
Total	1,107,662,351	467,780,079	485,793,190	**1,089,649,240**	340,751,909	116,709,351	172,988,982	**284,472,278**	**805,176,962**	650,437,035
Treaty-Non-proportional	(490)	-	-	**(490)**	-	-	-	**-**	**(490)**	(8,221)
Grand total	1,107,661,861	467,780,079	485,793,190	**1,089,648,750**	340,751,909	116,709,351	172,988,982	**284,472,278**	**805,176,472**	650,428,814

The annexed note 1 to 31 form an integral part of these financial statements.

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

Mohammad Hussain Hirji
President & Chief Executive

Brig. (Retd.) Mushtaq Ahmad Malik
Director

Syed Suhail Ahmad Rizvi
Director

Statement of Claims

For the year ended 31 December 2009

Business underwritten inside Pakistan

(Amount in Rupees)

Class of Business	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	**2009 Net claims expense**	2008 Net claims expense
Direct and facultative										
Fire and property damage	73,905,626	55,824,664	45,681,208	**63,762,170**	52,308,392	45,066,265	38,269,418	**45,511,545**	**18,250,625**	25,328,583
Marine, aviation and transport	20,059,286	17,709,732	21,796,176	**24,145,730**	11,328,114	10,219,513	14,933,466	**16,042,067**	**8,103,663**	3,695,397
Motor	254,965,753	121,227,488	120,988,885	**254,727,150**	9,744,327	855,000	3,449,569	**12,338,896**	**242,388,254**	244,834,216
Accident and Health	226,367,638	21,073,001	66,551,836	**271,846,473**	8,777,641	-	14,220,409	**22,998,050**	**248,848,423**	146,293,959
Miscellaneous	16,095,287	7,233,904	6,471,572	**15,332,955**	10,125,489	4,668,911	5,278,887	**10,735,465**	**4,597,490**	3,212,137
Total	591,393,590	223,068,789	261,489,677	**629,814,478**	92,283,963	60,809,689	76,151,749	**107,626,023**	**522,188,455**	423,364,292
Treaty-Non-proportional	237,902	-	-	**237,902**	-	-	-	**-**	**237,902**	29,020
Grand total	591,631,492	223,068,789	261,489,677	**630,052,380**	92,283,963	60,809,689	76,151,749	**107,626,023**	**522,426,357**	423,393,312

The annexed note 1 to 31 form an integral part of these financial statements.

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Statement of Expenses

For the year ended 31 December 2009

Business underwritten inside Pakistan

(Amount in Rupees)

Class of Business	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers*	**2009 Net underwriting expense**	(Restated) 2008 Net underwriting expense
Direct and facultative									
Fire and property damage	29,111,987	10,883,931	13,902,793	**26,093,125**	9,504,735	35,597,860	23,682,306	**11,915,554**	(744,259)
Marine, aviation and transport	9,472,544	3,380,857	1,005,320	**11,848,081**	7,412,721	19,260,802	11,495,742	**7,765,060**	1,588,708
Motor	32,233,863	17,814,829	14,830,429	**35,218,263**	80,880,171	116,098,434	1,719,038	**114,379,396**	107,511,729
Accident and Health	18,730,098	6,430,814	8,307,561	**16,853,351**	52,886,110	69,739,461	2,285,325	**67,454,136**	48,040,426
Miscellaneous	7,962,310	2,404,010	3,552,368	**6,813,952**	4,317,838	11,131,790	8,652,575	**2,479,215**	(2,353,729)
Total	97,510,802	40,914,441	41,598,471	**96,826,772**	155,001,575	251,828,347	47,834,986	**203,993,361**	154,042,875
Treaty-Non-proportional	(268)	-	-	**(268)**	(94)	(362)	-	**(362)**	(3,383)
Grand total	97,510,534	40,914,441	41,598,471	**96,826,504**	155,001,481	251,827,985	47,834,986	**203,992,999**	154,039,492

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

The annexed note 1 to 31 form an integral part of these financial statements

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Statement of Investment Income

For the year ended 31 December 2009

	2009 (Rupees)	2008 (Rupees)
Income from trading investments		
Loss on trading	**(1,217,778)**	(4,452,945)
Dividend income	**722,502**	1,407,159
	(495,276)	(3,045,786)
Income from non-trading investments		
Return on government securities	**2,141,876**	5,052,126
Return on other fixed income securities	**17,795,428**	18,846,081
	19,937,304	23,898,207
Available for sale investments		
Dividend income	**10,387,793**	22,315,473
Gain on sale	**2,048,209**	323,766
	12,436,002	22,639,239
Unrealized gain/(loss) on re-measurement of investments held for trading	**6,878,224**	(30,885,273)
Impairment loss in available for sale investments-net of reversals	**(66,762,828)**	-
Investment related expenses	**(167,160)**	(69,889)
Net investment (loss)/profit	**(28,173,734)**	12,536,498

The annexed note 1 to 31 form an integral part of these financial statements

Lt. Gen. (Retd.) Imtiaz Hussain
Chairman

Mohammad Hussain Hirji
President & Chief Executive

Brig. (Retd.) Mushtaq Ahmad Malik
Director

Syed Suhail Ahmad Rizvi
Director

Notes to the Financial statements

For the year ended 31 December 2009

1 THE COMPANY AND ITS OPERATIONS

askari general insurance company limited ("the Company") was incorporated under the Companies Ordinance, 1984 as a public limited company on 12 April 1995. The Company is engaged in non-life insurance business comprising of fire, marine, motor, accident, health and miscellaneous. The Company commenced its commercial operations on 15 October 1995. Shares of the Company are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office and principal place of business of the Company is located at AWT Plaza, Rawalpindi. The Company has 19 branches in Pakistan. Army Welfare Trust (AWT) directly and indirectly holds a significant portion of the Company's equity.

2 BASIS OF PRESENTATION

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

3 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.

4 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are carried at their fair values and certain employee benefit funds which are carried at their present values.

4.1 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable to insurance companies in Pakistan requires management to make judgments/estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgment/estimates and associated assumptions are based on historical experience 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of 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:

Income tax

In making the estimates for income taxes currently payable by the Company, the management takes into account 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 and depreciation

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

Outstanding claims including incurred but not reported (IBNR)

The liability for IBNR is accounted for from subsequent to year end data on an estimated basis by the management. Any significant event may affect the management's judgment which could effect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognised as an asset and are measured at the amount expected to be received.

Premium deficiency reserves

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.

Defined benefits plan

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

Impairment of investment

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.

Associate

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

Held to maturity

Investments held to maturity are reviewed for impairment at year end and any losses arising from impairment is recognised if the management assesses that the carrying amount of the investment is not recoverable.

Provision against premiums due but unpaid

The Company reviews its premium portfolio to assess amount of premium due but unpaid and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the insured are considered.

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.

4.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5. SIGNIFICANT ACCOUNTING POLICES

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from policy holders by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. The Company enters into the insurance contract for following class of business:

-Fire and property damage

-Marine, aviation and transport

-Motor

-Health

-Miscellaneous

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 insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and liabilities are extinguished or expired.

5.2 Distribution and appropriations

Cash dividends declared, bonus shares issued and other reserves' appropriations are recognized in the period in which these announcements or appropriations are made.

5.3 Provision for unearned premium

In accordance with the requirements of Insurance Rules 2002, provision for unearned premium is calculated by applying 1/24th method. Unearned portion of premium is recognized as liability.

5.4 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

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

-Fire and property damage	35%
-Marine, aviation and transport	25%
-Motor	60%
-Health	75%
-Miscellaneous	20%

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 reserve for the same has been made in these financial statements.

5.5 Claims

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

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claims 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 estimates and the claims actually reported subsequent to the balance sheet date.

5.6 Revenue recognition

5.6.1 Premium and reinsurance ceded

Premium

Premium written under all insurance policies is recognised as income over the period of insurance from the date of issuance of policy to which it relates to its expiry. Amount is recorded as premium written at the time the policy is written. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised 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 recognised as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income included administrative surcharge that represents documentation charges recovered by the Company from policy holders in respect of policies issued.

Receivable under insurance contracts are recognised 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 recognises that impairment loss in the profit and loss account.

Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities, income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets. Reinsurance liabilities or assets are derecognised when the contractual rights are extinguished or expire.

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

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

5.6.2 Dividend income and gain/loss on trading

Dividend income is recognized when right to receive the dividend is established. Gain/loss on sale of investments which represents the difference between the carrying value of investments and the actual sale proceeds are included in the profit and loss account in the period in which these are sold.

5.6.3 Return on investment- held to maturity and bank deposits

Return on investments- held to maturity and bank deposits is recognized on a time proportion basis.

5.7 Commission

Commission expense incurred on issuance of policies is deferred and recognised as asset and is recognised in the profit and loss account as an expense in accordance with pattern of recognition of premium revenue. Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium. Profit/commission, if any, under the terms of reinsurance arrangements, is recognised when the Company's right to receive the same is established.

5.8 Receivables

Receivables are stated at cost less provision for impairment. Known bad debts are written off while provision is made for debts considered doubtful of recovery.

5.9 Fixed assets and capital work in progress

Owned- tangible

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress, which is stated at cost less impairment. Depreciation is charged on depreciable amount over the useful life of the asset by applying reducing balance method at the following rates:

Furniture and fixtures	10%
Computer and office equipment	35%
Vehicles	20%
Leasehold improvements	33%

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the period in which they are incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Owned- intangible

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

Leased

The Company has leased certain vehicles. Leases where the Company has substantially all the risks and rewards are classified as finance lease. Assets and liabilities under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of the fair value of assets and present value of minimum lease payments at inception of the lease less accumulated depreciation and impairment losses, if any. Finance charges are allocated over the period of lease term so as to provide constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the leased assets on the basis similar to that of the owned assets.

5.10 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are classified as follows:

- Investments held to maturity
- Investments at fair value through profit and loss-Held for trading
- Investments available for sale
- Investment in associates

All 'regular way' purchases and sales of financial assets are accounted for at settlement date.

5.10.1 Held to maturity

Investments with fixed maturity, where the management has both the intent and ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity instruments is recognised on a time proportion basis taking into account the effective yield on investments.

5.10.2 Investments at fair value through profit and loss

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

5.10.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale. It also includes investments in associated undertakings where the Company does not have significant influence. The Company follows settlement date accounting for 'regular way purchase and sales' of investments. Subsequent to initial recognition at cost, quoted investments are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of S.R.O 938 issued by the Securities and Exchange Commission of Pakistan on 12 December 2002. Had the Company adopted IAS 39 "Financial Instruments: Recognition and Measurement " the investments available for sale as of 31 December 2009 would have been higher by Rs.189,525 (2008: lower by Rs. 115,281,970) with the corresponding decrease in equity by the same amount. The Company's available for sale investments represent investment in mutual funds. Investment in the unit of these funds are valued at their respective redemption/ repurchase price.

5.10.4 Investment in associates

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost and the carrying value is increased or decreased to recognize the Company's share of the profit and loss of the associate after the date of its acquisition and the Company's share in the associates' equity that has not been recognized in the associate's profit and loss account. The Company's share of profit and loss of associates is included in the profit and loss account for the year. This method is applied from the date when significant influence commences until the date when the significant influence ceases. When the associates' share of losses exceed the carrying amount of investment in associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred obligation in respect of the associate.

5.11 Reinsurance recoveries against outstanding claims

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

5.12 Taxation

Current

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

Deferred taxation

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 to the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

5.13 **Employees' retirement benefits**

5.13.1 **Defined benefit plan**

The Company operates a funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. The assets of the funded plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 31 December 2009.

Actuarial valuation was carried out using the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	12% per annum
Expected return on plan assets	15% per annum
Expected rate of increase in salary	12% per annum
Average expected remaining working life time of the employee	12 years
Mortality rate	EFU (61-66)

The Company recognizes the actuarial gains or losses over the expected remaining working life of the employees when it exceeds the corridor limit as required in IAS-19

During the year, the Company has charged Rs.4,923,566 (December 31, 2008: Rs. 3,434,165) on account of gratuity expense.

5.13.2 **Defined contribution plan**

The Company operates a recognized staff provident fund as a defined contribution plan for all eligible employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary. The Company's contribution is charged to income during the year. During the year, the Company contributed Rs. 3,666,399 (2008:Rs.3,109,969) to the employees provident fund.

5.14 **Compensated absences**

Provisions for compensation absences, determined by actuary, are made annually to cover the obligation for compensated absences and charged to profit and loss account. The latest actuarial valuation was carried out as at 31 December 2009.

Actuarial valuation was carried out on the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	12% per annum
Expected rate of increase in salary	12% per annum
Average number of leaves accumulated per annum	12 days
Average number of leaves utilization per annum	18 days
Mortality rate	EFU (61-66)

5.15 Management expenses

Expenses of management have been allocated to various revenue accounts on equitable basis.

5.16 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. 'The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The 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 following business segments

Fire insurance segment provides insurance cover against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

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

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

Accident and health provides inpatient and outpatient medical coverage.

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

Investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets pertaining to two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.17 Foreign currency transactions

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are routed through profit and loss account.

5.18 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents comprise of (a) cash on current and deposit accounts with banks (b) cash in hand and (c) stamps in hand.

5.19 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.

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

5.20 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

5.21 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

5.22 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.23 Changes in accounting policies

The Company has applied "Revised IAS 1 - Presentation of financial statements (2007)" which became effective from 1 January 2009. The Company has opted single statement approach to present is comprehensive income for the year ended 31 December 2009 and comparative period. The changes in accounting policies only affects presentation of financial statements and there is no impact on (loss)/earnings per share.

IFRS 4 - Insurance Contracts . The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these financial statements. Comparative information has been re-presented so that it is in conformity with the new standard. The changes in accounting policies only affects presentation of financial statements and there is no impact on (loss)/earnings per share.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 - Operating Segments introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. The information provided to chief decision maker is consistent to the information required by the Insurance Rules to be presented in the financial statements. However during the year, the management has changed the basis of allocating the assets, liabilities and expenses to different segments. The allocation is now made on the basis of net premium revenue. Previously these were allocated on the basis of gross premium written. This change in policy has resulted in restatement of comparative segment information. Further, due to application of IFRS-8 certain increased disclosures have also been presented in these financial statements. However there was no impact of this change on (loss)/earnings per share.

5.24 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 01 July 2009)

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

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

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)

Amendment to IAS 32 - Financial Instruments: Presentation -Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010) .

Amendments to IFRIC 14, IAS 19 - The Limit on a Defined Benefit Assets. Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)

IFRIC 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009)

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010) .

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

Improvements to IFRSs 2008 - Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - (effective for annual periods beginning on or after 1 July 2009).

6. PAID UP SHARE CAPITAL

	2009 (Rupees)	2008 (Rupees)
7,614,005 (2008: 7,614,005) ordinary shares of Rs.10/- issued as fully paid-up in cash	**76,140,050**	76,140,050
12,763,487 (2008: 12,763,487) ordinary shares of Rs.10/- issued as fully paid bonus shares	**127,634,870**	127,634,870
	203,774,920	203,774,920

Army Welfare Trust (AWT), Askari Bank Limited and Askari Leasing Limited held 5,739,041 (2008: 5,739,041), 3,056,611 (December 31, 2008: 3,056,611) and 2,037,737 (December 31, 2008: 2,037,737) ordinary shares of the Company respectively at the year end.

7. RESERVES

	2009 (Rupees)	2008 (Rupees)
General reserves	**70,000,000**	70,000,000
Share premium	**4,657,681**	4,657,681
	74,657,681	74,657,681

8. ACCRUED EXPENSES	2009 (Rupees)	2008 (Rupees)
Accrued liabilities	**2,073,890**	6,071,171
Employees' bonus	**131,617**	183,229
	2,205,507	6,254,400

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009 (Rupees)			2008 (Rupees)		
	Minimum lease payments	**Finance charges allocable to future periods**	**Principal outstanding**	Minimum lease payments	Finance charges allocable to future periods	Principal outstanding
Not later than one year	757,882	35,585	722,297	1,458,213	233,101	1,225,112
Later than one year but not later than five years	-	-	-	755,802	35,221	720,581
Total	757,882	35,585	722,297	2,214,015	268,322	1,945,693

The Company has entered into various lease agreements with banks for vehicles. Lease rentals are payable on monthly installment in advance/arrears and include finance charges ranging from 13% to 15% per annum which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option.

	Note	2009 (Rupees)	2008 (Rupees)
10. DEFERRED LIABILITY - STAFF COMPENSATED ABSENCES	10.1	**12,294,231**	11,496,305
10.1 Charge for compensated absences			
Current service cost		**2,636,943**	2,459,112
Interest cost		**1,724,446**	989,441
Actuarial (gain)/loss recognised		**(276,515)**	1,377,472
		4,084,874	4,826,025
Movement in liability			
Balance at beginning of the year		**11,496,305**	9,894,411
Expense for the year		**4,084,874**	4,826,025
Benefits paid during the year		**(3,286,948)**	(3,224,131)
		12,294,231	11,496,305

Comparison of the present value of defined benefit obligation for the current and previous four years

	2009 (Rupees)	2008 (Rupees)	2007 (Rupees)	2006 (Rupees)	2005 (Rupees)
Present value of obligation	**12,294,231**	11,496,305	9,894,411	7,558,701	5,797,746

11. OTHERS	Note	2009 (Rupees)	2008 (Rupees)
Agents' commission payable	11.1	**23,001,948**	33,634,900
Security deposit against bond insurance		**35,162,260**	36,755,281
Staff gratuity fund	11.2	**661,028**	413,124
Tax deducted at source		**1,253,667**	1,009,497
Federal Excise Duty/ Federal Insurance Fee		**8,099,367**	8,196,973
Workers' Welfare fund		**712,584**	354,810
Others		**2,646,732**	7,318,349
		71,537,586	87,682,934

11.1 This includes unsecured balance of Rs.314,034 (December 31, 2008: Rs.1,457,110) on account of commission payable to an associated undertaking.

11.2 Staff gratuity fund

	2009 (Rupees)	2008 (Rupees)
Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	20,452,975	19,770,196
Fair value of plan assets	(12,057,734)	(11,335,550)
Net actuarial losses not recognized	(7,734,213)	(8,021,522)
	661,028	413,124
Charge for defined benefit plan		
Current service cost	3,108,870	2,998,008
Interest cost	2,965,529	1,489,412
Expected return on plan assets	(1,700,333)	(1,186,038)
Actuarial losses recognized	549,500	132,783
	4,923,566	3,434,165
Actual return on plan assets		
Expected return on assets	1,700,333	1,186,038
Actuarial loss on assets	(705,206)	(4,331,231)
	995,127	(3,145,193)
Changes in fair value of plan assets		
Fair value of plan assets as at 01 January	11,335,550	11,860,383
Expected return on plan assets	1,700,333	1,186,038
Contribution to the fund	4,675,662	2,839,189
Benefits paid	(4,948,605)	(218,829)
Actuarial loss	(705,206)	(4,331,231)
Fair value of plan assets as at 31 December	12,057,734	11,335,550
Movement in amount payable to defined benefit plan		
Balance at beginning of the year	413,124	(181,852)
Expense for the year	4,923,566	3,434,165
Contributions to the fund	(4,675,662)	(2,839,189)
	661,028	413,124

Composition of fair value of plan assets

	2009		2008	
	Fair value (Rupees)	Percentage	Fair value (Rupees)	Percentage
Debt instruments	2,881,563	24%	4,840,447	43%
Cash and bank balances	309,207	3%	470,293	4%
Others	8,866,964	74%	6,024,810	53%
Fair value of plan assets	12,057,734		11,335,550	

Historical data of the fund

	2009 (Rupees)	2008 (Rupees)	2007 (Rupees)	2006 (Rupees)	2005 (Rupees)
Present value of defined benefit obligation	(20,452,975)	(19,770,196)	(14,894,122)	(12,481,435)	(8,154,041)
Fair value of plan assets	12,057,734	11,335,550	11,860,383	8,359,134	6,761,909
Deficit	(8,395,241)	(8,434,646)	(3,033,739)	(4,122,301)	(1,392,132)
Experience adjustments					
- Actuarial loss on obligation	(7,734,213)	(8,021,522)	(3,215,591)	(3,295,165)	(1,313,762)
- Actuarial (loss)/gain on assets	(705,206)	(4,331,231)	272,433	20,310	489,325

The estimated contribution to the fund for the year ending 31 December 2010 is Rs.4.64 million.

12. CASH AND BANK DEPOSITS

12.1 Cash and other equivalents

	2009 (Rupees)	2008 (Rupees)
Cash in hand	146,370	124,097
Stamps in hand	160,105	150,796
	306,475	274,893

		Note	2009 (Rupees)	2008 (Rupees)
12.2	**Current and other accounts**			
	Cash at bank:			
	- on current accounts		**22,435,423**	18,242,320
	- on deposit accounts	12.2.1	**90,035,376**	65,090,679
			112,470,799	83,332,999

These include amounts aggregating to Rs.43,315,637 (31 December 2008: Rs 33,117,527) held with an associated company.

12.2.1 These carry profit rate of 9% p.a. (2008 : 3.5% to 7% p.a.)

13. ADVANCES TO EMPLOYEES - SECURED, CONSIDERED GOOD

These advances are interest free and short term in nature. These are given in accordance with the terms of employment and are repayable in monthly installments within a period of 12 months. These are secured against retirement benefits. This includes Rs.44,508 (December 31, 2008: 124,000) recoverable from an executive of the Company.

14. INVESTMENTS

		Note	2009 (Rupees)	2008 (Rupees)
	These are made up as follows:			
	Held to maturity	14.1	**155,038,029**	200,069,197
	Investments at fair value through profit and loss - Held for trading	14.2	**19,483,473**	13,527,262
	Available for sale	14.3	**224,421,097**	294,233,031
	Investment in associated company	14.4	**14,663,924**	5,013,921
			413,606,523	512,843,411
14.1	Held to maturity			
	Government Securities	14.1.1	**25,000,000**	35,358,126
	Certificates of Investment (COIs)	14.1.3	**21,713,441**	31,114,595
	Term Finance Certificates - Quoted	14.1.4	**116,947,280**	138,354,600
	Musharika Certificates		**-**	3,864,568
			163,660,721	208,691,889
	Less: Provision for impairment	14.1.3	**(8,622,692)**	(8,622,692)
			155,038,029	200,069,197

14.1.1 These are made up as follows:

	Number of certificates 2009	Number of certificates 2008	Face value of certificates (Rupees)	Note	2009	2008
Defence Saving Certificates	-	8	50,000 to 1,000,000		**-**	10,358,126
Pakistan Investment Bonds (PIBs)				14.1.2	**25,000,000**	25,000,000
					25,000,000	35,358,126

14.1.2 PIBs are deposited with the State Bank of Pakistan to comply with the requirements of Section 29 (2) of the Insurance Ordinance, 2000. The rate of return on PIBs is 8% per annum and having maturity period of 10 years with remaining maturity period of 4 years and 4 months. Profit is payable bi-annually. Market value of PIBs at the year end was Rs.26.02 million (December 31, 2008: Rs. 19.09 million).

14.1.3 This represents investment in certificates of investment (COIs) of various financial institutions carrying interest ranging from 5% to 10.5% per annum having maturity for a period of 3 months to 5 years (2008: 2 month to 4 years). This also includes investment in COIs issued by the associated company of Rs. 5,495,000 (December 31, 2008: Rs.8,270,000)

This includes Company's investment in COIs of Islamic Investment Bank Limited (IIBL) amounting to Rs. 8.6 million which went under liquidation in 2005. The Company later filed a claim of Rs. 11.8 million with the Honourable Peshawar High Court, which includes Rs. 3.2 million on account of profit calculated up to 2005 financial year end.

Pursuant to the Securities and Exchange Commission of Pakistan's letter dated 08 March 2007, the Company opted to convert deposit of Rs. 5.1 million to non-voting preference shares in IIBL, redeemable in six years and the payment of investment amount of Rs. 3.5 million in one year, this option is subject to a decision of the Honourable Peshawar High Court. The Company has however, on a prudent basis, made a provision for full amount of principal and has written off the accrued interest, calculated upto financial year 2005.

14.1.4 Term Finance Certificates - Quoted

Number of certificates 2009	Number of certificates 2008	Face value per certificate Rupees	Redemption value per certificate Rupees	Company's Name	2009 (Rupees)	2008 (Rupees)
60	60	100,000	69,920	Standered Chartered Bank (Pakistan) Ltd.	**4,195,200**	5,690,400
1500	1500	5,000	4,993	Standered Chartered Bank (Pakistan) Ltd.	**7,489,500**	7,492,500
-	75	100,000	-	Trust Investment Bank Limited	**-**	1,500,000
1	1	10,000,000	9,980,000	Bank Al-Habib Limited	**9,980,000**	9,984,000
2000	2000	5,000	4,990	United Bank Limited	**9,980,800**	9,984,640
4000	4000	5,000	4,999	United Bank Limited	**19,996,400**	19,997,200
2500	2500	5,000	4,990	Bank Alfalah Limited	**12,476,000**	12,480,800
1500	1500	5,000	4,992	Bank Alfalah Limited	**7,488,480**	7,491,360
-	150	100,000	-	Jahangir Siddiqui & Co. Ltd.	**-**	14,976,000
1400	1400	5,000	4,991	Royal Bank of Scotland	**6,987,400**	6,990,200
1500	1500	5,000	4,991	Soneri Bank Limited	**7,486,500**	7,489,500
2000	2000	5,000	1,700	Al-Zamin Leasing Modaraba	**3,400,000**	6,800,000
3000	3000	5,000	4,993	Pakistan Mobile Communications Ltd.	**14,979,000**	14,985,000
1500	1500	5,000	4,996	Faysal Bank Limited	**7,494,000**	7,497,000
1000	1000	5,000	4,994	Allied Bank Limited	**4,994,000**	4,996,000
				Book value	**116,947,280**	138,354,600
				Market value	**114,064,567**	134,909,219

The market values is determined as per rates quoted by Mutual Funds Association of Pakistan on 31 December 2009.

These carry rates of return ranging from 8.29% to 18.51% per annum (December 31, 2008: 8.29% to 18.51% per annum) having a maturity of 5 years to 8 years. Remaining maturity period of these certificates ranges from 5 months to 5 years. Profit is payable bi-annually.

14.2 Investments at fair value through profit and loss- Held for trading
Investment in shares/ units - Quoted

Number of share / units 2009	2008	Face value (Rupees)	Company's Name	2009 (Rupees)	2008 (Rupees)
22,446	22,446	10	Arif Habib Bank Limited	**538,908**	538,908
10,025	10,025	10	Arif Habib Securities Limited	**1,340,160**	1,340,160
50,000	50,000	10	Atlas Bank Limited	**851,420**	851,420
12,120	10,100	10	Attock Cement Pakistan Limited	**1,164,245**	1,164,245
2,900	2,400	10	Attock Refinery Limited	**456,133**	491,418
368	5,000	10	Azgard Nine Limited	**9,598**	179,300
-	50	10	Bank Alfalah Limited	**-**	2,802
30,250	30,250	10	The Bank of Punjab	**2,232,137**	2,232,137
38,000	38,000	10	Byco Petroleum Pakistan Limited	**851,467**	851,467
4,550	4,550	10	Century Insurance Company Limited	**310,732**	310,732
33,000	33,000	10	Chenab Limited	**629,554**	629,554
20,400	17,000	10	D.G.Khan Cement	**1,314,475**	1,246,475
10,000	10,000	10	Dost Steels Limited	**337,509**	337,509
-	1,000	10	Engro Chemicals Company Limited	**-**	224,618
40,000	40,000	10	Fauji Cement Company Limited	**780,334**	780,334
39,000	20,000	10	Fauji Fertilizer Bin Qasim Limited	**1,193,790**	765,070
46,000	40,000	10	Faysal Bank Limited	**2,149,954**	2,149,954
-	20,000	10	First UDL Modaraba	**-**	89,858
16,500	16,500	10	Flying Cement Company Limited	**246,649**	246,649
92,000	92,000	10	IGI Invesment Bank Limited	**1,136,923**	1,136,923
27,000	27,000	10	Invest and Finance Securities Ltd.	**1,135,757**	1,135,757
19,032	12,032	10	Jahangir Siddiqui & Company Limited	**2,196,883**	2,004,578
2,518	1,518	10	Javed Omer Vohra & Co Limited	**124,825**	109,195
10,000	10,000	10	JS Bank Limited	**196,134**	196,134
3,219	3,219	10	JS Globel Capital Limited	**890,258**	890,258
-	1,000	10	JS Growth Fund	**-**	11,307
1,000	-	10	JS Investment Limited	**21,632**	-
70,000	70,000	10	Lafarage Pakistan Cement Limited	**914,933**	914,933
59,000	39,000	10	Maple Leaf Cement Factory Limited	**906,612**	783,212
7,700	7,000	10	MCB Bank Limited	**2,257,290**	2,257,290
49,000	49,000	10	Mukhtar Textile Mills Limited	**230,323**	230,323
9,840	8,200	10	National Bank of Pakistan	**1,493,322**	1,493,322
14,000	14,000	10	National Refinery Limited	**4,462,140**	4,561,555
34,320	34,320	10	Netsol Technologies INC.	**2,986,262**	2,986,262
28,241	28,241	10	NIB Bank Limited	**545,856**	545,856
51,975	34,650	10	Nishat Chunnian Limited	**1,706,743**	1,533,493
1,000	10,000	10	Nishat Mills Limited	**66,259**	989,667
9,000	9,000	10	Pak Suzuki Motor Company Limited	**2,898,707**	2,898,707
60	60	10	Pakistan Oilfields Limited	**19,386**	19,386
38,718	38,718	10	Pakistan Premier Fund Limited	**364,194**	364,194
-	85,000	10	Pakistan PTA Limited	**-**	885,251
4,666	4,666	10	Pakistan Refinery Limited	**1,166,585**	1,166,585
16,500	6,500	10	Pakistan Reinsurance Company Limited	**909,197**	642,262
49,000	45,000	10	Pakistan Telecommunication Company Limited	**2,341,698**	2,277,485
27,625	17,625	10	Pervez Ahmed Securities Limited	**1,381,656**	1,288,708
36,775	36,775	10	PICIC Growth Fund	**1,361,395**	1,361,395
4,000	500	10	Sitara Peroxide Limited	**101,586**	28,984
23,180	19,000	10	Soneri Bank Limited	**822,324**	822,324
15,000	15,000	10	Tariq Glass Industries Limited	**433,652**	433,652
6,720	5,600	5	Thal Limited	**937,768**	937,768
16,718	16,718	10	WorldCALL Telecom Limited	**297,484**	297,484
				48,714,849	49,636,860
			Un-realized loss on re-measurement of investments to fair value	**(29,231,376)**	(36,109,598)
			Carrying value	**19,483,473**	13,527,262
			Market Value	**19,483,473**	13,527,262

14.3 Available for sale - Quoted

	No. of Units	Face value (Rupees)	2009 (Rupees)	2008 (Rupees)
ABL Income Fund	899,164	10	9,000,000	5,216,924
AKD Opportunity Fund	539,731	50	35,306,555	35,306,555
Atlas Fund of Funds	210,000	10	2,000,000	2,000,000
Atlas Islamic Fund	6,393	500	3,586,519	3,586,519
Atlas Islamic Income Fund	-	500	-	5,000,000
Atlas Stock Market Fund	12,363	500	7,932,300	7,932,300
Dawood Money Market Fund	14,433	100	1,491,925	1,491,925
First Dawood Mutual Fund	101,000	10	1,000,000	1,000,000
First Habib Income Fund	84,690	100	8,877,319	8,361,554
JS - Capital Protected Fund	112,241	100	11,568,457	11,249,499
KASB Islamic Income Fund	22,042	100	2,250,193	2,058,582
KASB Liquid Fund	60,627	100	6,249,248	6,174,419
MCB Dynamic Cash Fund	-	100	-	4,118,135
Meezan Islamic Fund	180,529	50	11,504,662	11,504,662
NAFA Cash Fund	1,834,254	10	19,167,758	18,116,223
NAFA Govt. Securities Liquid Fund	519,579	10	5,196,961	-
NAFA Multi Asset Fund	2,520,933	10	32,132,472	31,814,790
NAFA Stock Fund	935,976	10	12,938,537	12,938,537
National Investment Trust (NIT)	542,721	10	33,078,908	33,078,908
Pakistan Cash Management Fund	179,023	50	9,000,065	-
Pakistan Income Enhancement Fund	-	50	-	2,029,690
Reliance Income Fund	306,827	50	16,112,439	16,112,439
United Composite Islamic Fund	394,041	100	44,702,271	44,702,271
United Growth & Income Fund	-	100	-	9,616,883
United Islamic Income Fund	-	100	-	2,734,880
United Stock Advantage Fund	106,646	100	13,087,336	13,087,336
UTP Large Capital Fund	500,000	10	5,000,000	5,000,000
			291,183,925	294,233,031
Provision for impairment in available for sale investments			(66,762,828)	-
Carrying value			224,421,097	294,233,031
Market value			224,610,622	178,951,061

14.3.1 In terms of Securities and Exchange Commission of Pakistan circular No. 3/2009 dated 16 February 2009 and as explained in note 14.3.1 to the financial statements for the year ended 31 December 2008, the Company opted to treat the fall in the value of available for sale securities as temporary and consequently the available for sale securities as at 31 December 2008 were carried in the balance sheet at cost and the impairment loss of Rs. 108.86 million was not recognised in the profit and loss account in year 2008. Under the above referred circular, this amount was to be charged to profit and loss account on a quarterly basis during the calender year 2009 at twenty five percent of the difference as at the end of quarter between the cost and the market value as at 31 December 2008, after taking into account the adjustments/ effect of price movements during each quarter.

As allowed by the notification, the above impairment loss on investment held as 'Available for sale' as on 31 December 2008 including adjustment for price movements has been taken to profit and loss account to the extent of Rs 23.12 million, Rs 20.76 million, Rs. 4.3 million and Rs. 18.58 million during the quarters ended March 31, 2009, June 30, 2009, September 30, 2009 and December 31, 2009 respectively.

Had the Company applied International Accounting Standard 'Financial Instruments: Recognition and Measurement' (IAS 39), the impairment loss of Rs. 108.86 million based on the market price as at 31 December 2008 would have been recognised in the profit and loss account.

14.4 Investment in associated company

	No. of Units	Face value (Rupees)	2009 (Rupees)	2008 (Rupees)
Askari Income Fund	53,323	100	5,663,924	5,013,921
Askari Sovereign Cash Fund	87,389	100	9,000,000	-
			14,663,924	5,013,921

14.4.1 Summary of assets, liabilities and results of Askari Income Fund and Askari Sovereign Cash Fund as derived from the un-audited financial statements for six months' period ended 31 December 2009 are as follows:

	Askari Soveriegn Cash Fund		Askari Income Fund	
	2009 (Rupees)	2008 (Rupees)	**2009 (Rupees)**	2008 (Rupees)
Total assets	**1,098,266,607**	-	**2,487,252,547**	4,130,113,031
Total liabilities	**2,911,930**	-	**391,371,657**	670,426,952
Net assets	**1,095,354,677**	-	**2,095,880,890**	3,459,686,079
Revenue for the period	**35,653,664**	-	**88,535,279**	(68,359,767)
Net income/(loss) for the period	**33,771,693**	-	**58,981,972**	(146,316,057)

15. PREMIUMS DUE BUT UNPAID - UNSECURED, CONSIDERED GOOD

	Note	2009 (Rupees)	2008 (Rupees)
Premiums due but unpaid- unsecured, considered good	15.1	**144,129,463**	164,540,764

15.1 Premium due but unpaid includes an amount of Rs.8.7 million (December 31, 2008: Rs. 5.9 million) receivable from the Company's associated undertakings (Refer note 23).

16. SUNDRY RECEIVABLES

	Note	2009 (Rupees)	2008 (Rupees)
Deposits		**832,541**	832,541
Advances to suppliers - unsecured, considered good		**109,101**	830,472
Receivable from staff provident fund		**1,636,665**	-
Other receivables- unsecured, considered good	16.1	**33,956,277**	5,153,678
		36,534,584	6,816,691

16.1 This includes investments of Rs. 27.7 million (31 December 2008: Nil) in the following funds which was encashed at the year end however proceeds for encashment were received, subsequent to the year end.

	2009 (Rupees)	2008 (Rupees)
MCB Dynamic Cash Fund	**10,246,421**	-
MCB Cash Management Optimizer Fund	**6,159,522**	-
Faysal Saving & Growth Fund	**10,572,247**	-
Atlas Islamic Income Fund	**723,540**	-
	27,701,730	-

17. FIXED ASSETS

	Note	2009 (Rupees)	2008 (Rupees)
Operating fixed assets - tangible and intangibles	17.1	**75,072,671**	75,444,532
Capital work in progress	17.2	**55,571,000**	51,541,995
		130,643,671	126,986,527

17.1 FIXED ASSETS - TANGIBLE AND INTANGIBLE

(Amount in Rupees)

	OPERATING FIXED ASSETS - TANGIBLE								INTANGIBLE	
	Furniture and fixtures	Computer and office equipment	Vehicles	Leasehold improvements	TOTAL OWNED	Leased vehicles	TOTAL	Capital work in progress	Software Licence	TOTAL
COST										
Balance as at Jan 01, 2008	16,116,799	21,846,057	57,480,102	4,670,080	100,113,038	7,715,100	107,828,138	43,696,800	-	151,524,938
Additions during the year	325,786	6,359,123	20,982,432	5,867,404	33,534,745	-	33,534,745	7,845,195	-	41,379,940
Disposals	(39,600)	(186,056)	(5,365,000)	-	(5,590,656)	(920,451)	(6,511,107)	-	-	(6,511,107)
Transfers/adjustments	-	-	924,500	-	924,500	(924,500)	-	-	-	-
Balance as at Dec 31, 2008	16,402,985	28,019,124	74,022,034	10,537,484	128,981,627	5,870,149	134,851,776	51,541,995	-	186,393,771
Balance as at Jan 01, 2009	**16,402,985**	**28,019,124**	**74,022,034**	**10,537,484**	**128,981,627.**	**5,870,149**	**134,851,776**	**51,541,995**	-	**186,393,771**
Additions during the year	**336,900**	**5,580,768**	**6,720,046**	**2,701,282**	**15,338,996**	-	**15,338,996**	**5,999,000**	**3,888,334**	**25,226,330**
Disposals	-	**(808,926)**	**(5,781,800)**	-	**(6,590,726)**	**(360,000)**	**(6,950,726)**	-	-	**(6,950,726)**
Transfers/adjustments	-	**300,000**	**920,000**	**1,669,995**	**2,889,995**	**(920,000)**	**1,969,995**	**(1,969,995)**	-	-
Balance as at Dec 31, 2009	**16,739,885**	**33,090,966**	**75,880,280**	**14,908,761**	**140,619,892**	**4,590,149**	**145,210,041**	**55,571,000**	**3,888,334**	**204,669,375**
DEPRECIATION/AMORTISATION										
Balance as at Jan 01, 2008	5,955,635	14,010,942	25,259,545	371,334	45,597,456	1,956,220	47,553,676	-	-	47,553,676
Charge for the year	1,059,263	3,611,819	8,914,482	1,501,366	15,086,930	898,264	15,985,194	-	-	15,985,194
Depreciation on disposals	-	(176,759)	(3,713,177)	-	(3,889,936)	(241,690)	(4,131,626)	-	-	(4,131,626)
Transfers/adjustments	-	-	331,200	-	331,200	(331,200)	-	-	-	-
Balance as at Dec 31, 2008	7,014,898	17,446,002	30,792,050	1,872,700	57,125,650	2,281,594	59,407,244	-	-	59,407,244
Balance as at Jan 01, 2009	**7,014,898**	**17,446,002**	**30,792,050**	**1,872,700**	**57,125,650**	**2,281,594**	**59,407,244**	-	-	**59,407,244**
Charge for the year	**966,117**	**4,459,123**	**9,320,672**	**4,106,174**	**18,852,086**	**586,639**	**19,438,725**	-	**64,806**	**19,503,531**
Depreciation on disposals	-	**(734,709)**	**(3,974,682)**	-	**(4,709,391)**	**(175,680)**	**(4,885,071)**	-	-	**(4,885,071)**
Transfers/adjustments	-	-	**448,960**	-	**448,960**	**(448,960)**	-	-	-	-
Balance as at Dec 31, 2009	**7,981,015**	**21,170,416**	**36,587,000**	**5,978,874**	**71,717,305**	**2,243,593**	**73,960,898**	-	**64,806**	**74,025,704**
Written down value as at Dec 31, 2008	9,388,087	10,573,122	43,229,984	8,664,784	71,855,977	3,588,555	75,444,532	51,541,995	-	126,986,527
Written down value as at Dec 31, 2009	**8,758,870**	**11,920,550**	**39,293,280**	**8,929,887**	**68,902,587**	**2,346,556**	**71,249,143**	**55,571,000**	**3,823,528**	**130,643,671**
Rate of depreciation in %	10	35	20	33		20			20	

Detail of disposal of fixed assets during the year

Description of assets/particulars of buyer	Original cost (Rupees)	Accumulated depreciation (Rupees)	Sale proceeds (Rupees)	Mode of Disposal
Vehicle:				
- Mohammad Jamaluddin - Ex Chief Executive	954,000	563,242	390,758	Buy back option (as per the Company's policy)
- Mr. Rana Saeed Akhtar	832,500	743,111	180,000	Auction
- Mr. Faheem Aftab	568,000	277,184	635,000	Auction
- Claim adjustment	360,000	175,680	-	Theft
- Claim adjustment	500,000	244,000	-	Theft
- Muhammad Iqbal - Employee	950,400	733,817	400,000	Buy back option (as per the Company's policy)
- Aslam Ikram Zai - Employee	200,000	97,600	177,777	Buy back option (as per the Company's policy)
- Afzal Karim - Employee	856,900	661,624	200,000	Buy back option (as per the Company's policy)
- Claim adjustment	365,000	215,496	-	Theft
- Claim adjustment	555,000	438,608	116,392	Theft
Office Equipment	64,400	37,190	-	Theft
Others having books values lower than Rs. 50,000	744,526	697,519	58,999	
2009	6,950,726	4,885,071	2,158,926	
2008	6,511,107	4,131,626	3,737,407	

17.2 This mainly represents cost incurred in office space in Islamabad Stock Exchange Tower.

18 NET PREMIUM REVENUE - administrative surcharge

Net premium revenue includes administrative surcharge as per details given below:

	2009 (Rupees)	2008 (Rupees)
Fire and property damage	**2,796,982**	3,577,319
Marine, aviation and transport	**2,242,612**	2,972,596
Motor	**16,063,758**	10,265,405
Accident and health	**2,455,072**	5,712,713
Miscellaneous	**873,225**	1,230,904
	24,431,649	23,758,937

19 MANAGEMENT EXENSES

This represents management expenses, the breakup of which is as follows:

	Note	2009 (Rupees)	2008 (Rupees)
Salaries and other benefits	5.13.1, 5.13.2, 10.1, 11.2	**92,666,903**	74,031,175
Rent expense		**16,503,019**	15,017,563
Communication		**11,136,642**	9,390,054
Printing and stationery		**2,693,556**	2,416,125
Travelling and entertainment		**2,860,682**	3,104,229
Depreciation and amortisation		**14,830,116**	12,975,492
Repairs and maintenance		**5,946,328**	6,373,986
Utilities		**5,082,816**	4,375,572
Advertisement		**411,549**	313,230
Legal and professional		**836,615**	992,107
Bank charges		**698,870**	488,037
Miscellaneous expenses		**1,334,385**	1,340,671
		155,001,481	130,818,241

20 OTHER INCOME

	2009 (Rupees)	2008 (Rupees)
Income from non-financial assets		
Gain on sale of fixed assets	**93,270**	1,357,926
Old liabilities written back	**20,757,372**	1,264,836
Miscellaneous income	**877,928**	5,174,504
	21,728,570	7,797,266

21 GENERAL AND ADMINISTRATION EXPENSES

	Note	2009 (Rupees)	2008 (Rupees)
Salaries and other benefits	5.13.1, 5.13.2, 10.1, 11.2	**45,149,663**	43,119,158
Rent expense		**6,593,296**	5,494,482
Communication		**3,068,222**	2,177,581
Printing and stationery		**2,336,748**	2,772,298
Travelling and entertainment		**3,335,264**	2,959,903
Depreciation and amortisation		**4,673,415**	3,009,702
Repairs and maintenance		**2,081,694**	2,608,648
Legal and professional		**2,601,292**	1,892,012
Subscription/donation		**1,475,305**	2,306,248
Utilities		**1,602,119**	1,048,636
Advertisement		**2,926,791**	2,107,486
Auditors' remuneration	21.1	**660,000**	650,000
Bank charges		**447,706**	313,445
Doubtful premium written off		**12,141,025**	5,000,000
Miscellaneous expenses		**1,390,002**	3,927,654
		90,482,542	79,387,253

21.1 Auditor's remuneration

	2009 (Rupees)	2008 (Rupees)
Audit fee	**325,000**	225,000
Half yearly review	**125,000**	125,000
Tax advisory services	**100,000**	200,000
Other certifications	**60,000**	50,000
Out of pocket expenses	**50,000**	50,000
	660,000	650,000

22 PROVISION FOR TAXATION

	2009 (Rupees)	2008 (Rupees)
Current	**(12,469,446)**	6,483,353
Deferred	**-**	4,242,942
	(12,469,446)	10,726,295

22.1 Relationship between tax expense and accounting profit

	2009 (%)	2008 (%)
(Loss)/profit for the year before taxation	**(15,075,483)**	17,385,714
Tax at the applicable rate of 35% (31 December 2008: 35%)	**(5,276,419)**	6,085,000
Tax effect of expenses that are not allowable in determining taxable income-net	**21,385,834**	12,438,060
Tax effect of amounts chargeable to tax at reduced rate	**(3,639,969)**	(7,796,765)
	12,469,446	10,726,295

23 TRANSACTIONS WITH RELATED PARTIES

AWT holds directly and indirectly significant portion of the Company's equity at the year end, therefore all subsidiaries and associated undertakings of AWT are related parties of the Company. Also related parties comprise of entities under common control, entities with common directors, directors, key management personnel and employees retirement benefit funds. Remuneration to chief executive, directors and executives under the terms of their employment are disclosed in note 25 to the financial statements.

Transactions and balances with related parties during the year/ at the year end were as follows:

Associates:	2009 (Rupees)	2008 (Rupees)
Premium due		
Balance at beginning of the year (note: 15)	**5,901,898**	8,881,193
Insurance premium written (including government levies, administrative surcharge and policies stamps)	**51,504,502**	44,198,027
Premium received during the year	**(48,667,017)**	(47,177,322)
Balance at end of the year (note: 15)	**8,739,383**	5,901,898

Transactions during the year
Associates:

Profit on deposit accounts	**1,505,821**	1,306,697
Bank charges	**813,983**	731,831
Interest income	**865,020**	467,474
Insurance commission expense	**314,034**	905,473
Insurance claims paid	**19,010,514**	12,185,491
Purchase of listed securities through broker, ASL, including brokerage fee	**7,257,148**	263,746,689
Sale of listed securities through broker, ASL, including brokerage fee	**7,268,534**	244,234,436
Investments made - held to maturity (included in note 14)	**5,495,000**	5,270,000
Investments made - available for sale (included in note 14)	**9,000,000**	-
Bonus shares issued- number	**-**	2,500,011
Services acquired	**5,984,605**	6,151,008

Other :

Payment to staff retirement benefit funds	**8,542,961**	5,996,280

24 CONTINGENCIES AND COMMITMENT

Contingencies

Tax returns filed by the Company stand assessed upto and including Tax Year 2009 (income year ended 31 December 2008).

Tax assessments for assessment years 1996-97 to 2002-03 were finalized by the tax authorities mainly by curtailing management expenses and thereby raising demands aggregating to Rs. 19.5 million. Assessments upto and including the assessment year 1999-2000 have been set aside by the Income Tax Appellate Tribunal (ITAT). The Company has filed reference applications to the High Court on question of admissibility of management expenses. These are pending decisions. Provision has not been made in these financial statements in respect of outstanding matters as the management is confident of a favorable outcome.

Appeals filed by the Company against Assessment Orders for Assessment Years 2000-2001 and 2001-2002 are pending decision by the ITAT whereas appeal for the Assessment year 2002-2003 was decided in favour of the Company by the Commissioner (Appeals) where-against the tax department has filed appeal to the ITAT which is pending decision.

Certain cases against the Company are pending before various courts of law. However management is confident of a favorable outcome.

Commitment

Commitment in respect of Capital expenditure as at 31 December 2009 is Nil (31 December 2008: Rs. 52,400,000)

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2009 (Rupees)			2008 (Rupees)		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
Remuneration and bonus	-	2,243,883	2,286,974	-	2,040,000	1,678,056
Housing and utilities	-	1,441,682	1,845,872	-	1,110,000	1,335,744
Provision for leave encashment	-	20,856	305,826	-	262,500	223,650
Provident fund	-	13,247	176,666	-	169,932	139,788
Meeting fee	360,000	-	-	184,000	-	-
	360,000	**3,719,668**	**4,615,338**	**184,000**	**3,582,432**	**3,377,238**
No of person(s)	**7**	**1**	**4**	7	1	3

25.2 The Chief Executive and executives are also provided with the Company's maintained car. They are also entitled to gratuity, the provision for which is determined by the actuary.

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

	2009	2008 (Restated)
(Loss)/profit after taxation (Rupees)	**(27,544,929)**	6,659,419
Weighted average number of shares (Numbers)	**20,377,492**	20,377,492
(Loss)/earnings per share (Rupees)	**(1.35)**	0.33

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

27.1 Credit risk and concentration of credit risk

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

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

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

	2009 (Rupees)	2008 (Rupees)
Bank deposits	**113,970,799**	84,832,999
Investments	**413,606,523**	512,843,411
Premium due but unpaid	**144,129,463**	164,540,764
Amounts due from other insurers/reinsurers	**28,707,468**	61,381,887
Accrued investment income	**4,988,832**	10,940,000
Reinsurance recoveries against outstanding claims	**76,151,749**	60,809,689
Sundry receivables	**36,425,483**	5,986,219
	817,980,317	901,334,969

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The age analysis of receivables is as follows	2009 (Rupees)	2008 (Rupees)
Upto 1 year	**195,602,908**	186,369,644
1-2 year	**9,310,239**	25,392,751
2-3 year	**1,872,709**	14,680,356
Over 3 year	**2,476,554**	5,466,119
	209,262,410	231,908,870

The Company based on the past experience concludes that provision is not required against receivables which are outstanding for more than one year.

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

	Rating			2009	2008
	Short term	Long term	Rating Agency	(Rupees)	(Rupees)
Askari Bank Ltd	A1+	AA	PACRA	**43,315,637**	33,154,344
Standered Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**9,926,291**	40,722,927
Arif Habib Bank Limited	A-2	A	JCR-VIS	**55,098,758**	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	**4,015,556**	8,843,071
Royal Bank of Scotland Limited	A1+	AA	PACRA	**42,164**	42,164
MCB Bank Limted	A1+	AA+	PACRA	**565**	67,905
Meezan Bank Limited	A-1	A+	JCR-VIS	**1,535**	193,659
JS Bank Limited	A1	A	PACRA	**17,850**	17,123
Soneri Bank Limited	A1+	AA-	PACRA	**52,443**	-
Citibank N.A	A-1	A+	Standard & Poor's	**-**	763
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**-**	291,043
Bank Alfalah Limited	A1+	AA	PACRA	**1,000,000**	1,000,000
First Women Bank Limited	A2	BBB+	PACRA	**500,000**	500,000
				113,970,799	84,832,999

Sectorwise analysis of premiums due but unpaid		
Financial Services	**12,983,216**	22,395,205
Textile & composits	**7,680,279**	9,485,780
Pharmaceuticals	**527,116**	3,965,219
Engineering	**3,645,420**	9,038,982
Other manufacturing	**24,329,959**	7,182,445
Construction companies	**1,047,384**	3,661,442
Education	**7,766,709**	19,954,198
Development	**19,210,659**	9,630,255
Telecommunication	**1,207,598**	3,621,135
Other Services	**9,920,854**	10,821,890
Miscellaneous	**55,810,269**	64,784,213
	144,129,463	164,540,764

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

	Amount due from other insurer/reinsurers (Rupees)	Reinsurance recoveries against outstanding claims (Rupees)	2009 (Rupees)	2008 (Rupees)
A or above (including PRCL)	25,662,527	74,878,535	**100,541,062**	122,191,576
Others	3,044,941	1,273,214	**4,318,155**	-
	28,707,468	76,151,749	**104,859,217**	122,191,576

27.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial instruments when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity requirements are monitored by management to ensure that adequate funds are available to meet any committment as it arise. As at the balance sheet date the company has cash and bank balance of Rs. 114.2 million (31 December 2008: Rs, 85.1 million) and marketable securities of Rs. 243.4 million (31 December 2008: Rs. 307.7 million)

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

Financial Liabilities	2009 (Rupees) Carrying amount	Contractual cash flow	Up to one year	More than one year
Provision for outstanding claims	**261,489,677**	**261,489,677**	**261,489,677**	**-**
Amounts due to other insurers/reinsurers	**56,211,135**	**56,211,135**	**56,211,135**	**-**
Accrued expenses	**2,205,507**	**2,205,507**	**2,105,507**	**-**
Unclaimed dividend	**834,251**	**834,251**	**834,251**	**-**
Liabilities against assets subject to finance lease	**722,297**	**757,882**	**757,882**	**-**
Other liabilities	**71,537,586**	**71,537,586**	**71,537,586**	**-**
	393,000,453	**393,036,038**	**393,036,038**	**-**

Financial Liabilities	2008 (Rupees) Carrying amount	Contractual cash flow	Up to one year	More than one year
Provision for outstanding claims	223,068,789	223,068,789	223,068,789	-
Amounts due to other insurers/reinsurers	93,719,774	93,719,774	93,719,774	-
Accrued expenses	6,254,400	6,254,400	6,254,400	-
Unclaimed dividend	834,251	834,251	834,251	-
Liabilities against assets subject to finance lease	1,945,693	2,214,015	1,458,213	755,802
Other liabilities	87,682,934	87,682,934	87,682,934	-
	413,505,841	413,774,163	413,018,361	755,802

27.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk and price risk. The Company is not exposed to material currency risk.

a) Interest/mark up rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009	2008	**2009**	2008
	Effective interest rate (in %)		Carrying amounts (Rupees)	
Saving Accounts	**9%**	3.5% to 7%	**90,035,376**	65,090,679
Bank deposits	**8% to 12.14%**	6% to 12.14%	**1,500,000**	1,500,000
Investments	**5% to 18.51%**	5% to 18.51%	**155,038,029**	200,069,197

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / increased loss for the year by the amounts shown below:

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

As at 31 December 2009	Loss before tax for the year (Rupees)
Cash flow sensitivity - Variable rate financial liabilities- increase in 100 basis points (increase in loss)	2,131
Cash flow sensitivity - Variable rate financial liabilities- decrease in 100 basis points (decrease in loss)	2,131
Cash flow sensitivity - Variable rate financial assets-increase in 100 basis points (decrease in loss)	693,963
Cash flow sensitivity - Variable rate financial assets-decrease in 100 basis points (increase in loss)	693,963

As at 31 December 2008	Profit for the year before tax (Rupees)
Cash flow sensitivity - Variable rate financial liabilities- increase in 100 basis points (decrease in profit)	14,308
Cash flow sensitivity - Variable rate financial liabilities- decrease in 100 basis points (increase in profit)	14,308
Cash flow sensitivity - Variable rate financial assets-increase in 100 basis points (increase in profit)	694,223
Cash flow sensitivity - Variable rate financial assets-decrease in 100 basis points (decrease in profit)	694,223

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to price risk since it has investments in quoted securities amounting to Rs.243.9 million (2008: Rs. 307.76 million) at the balance sheet date.

The Company manages price risk by monitoring exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to price risk are based on quoted market prices as of the balance sheet date except for investments held to maturity securities which are measured at their amortized cost, investment in associates which are carried under equity method and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

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

Sensitivity analysis

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

Had all the quoted investments, other than associates and held to maturity, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase/(decrease) in shareholders' equity	Hypothetical increase/(decrease in profit/(loss) before tax
31 December 2009	244,094,095	10 % increase	268,503,505	22,461,062	1,948,347
		10 % decrease	219,684,686	(22,461,062)	(1,948,347)
31 December 2008	192,478,323	10 % increase	211,726,155	17,895,106	1,352,726
		10 % decrease	173,230,491	(17,895,106)	(1,352,726)

27.4 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 available for sale and held to maturity investments whose fair values have been disclosed in their respective notes to these financial statements.

The basis for determining the fair values is as follows:

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the balance sheet date, the Company's investments in fairvalue through profit or loss of Rs. 19,483,473 (31 December 2008: 13,527,262) are carried in the financial statements at their fair values. The fair values for these investments have been determined using the valuation method as described in fair value hierarchy level 1.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement/or disclosure purpose based on the following methods:

Investment in fair value through profit and loss account- held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investment

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date. The fair value is determined for disclosure purposes.

Held to maturity investment

Fair value for held to maturity investment except for Term Finance Certificates (TFC) is estimated as the present values of future cash flows, discounted at the market rate of interest at the reporting date. Fair values for TFC is estimated as per rates quoted by Mutual Funds Association of Pakistan for 31 December 2009. The fair values are determined for disclosure purposes.

Non-derivatives financial assets and liabilities

The fair value is estimated based on the present values of future cash flows, discounted at the market rate of interest at the reporting date. However since these assets and liabilities are due to be settled with in one year, the fair value is approximate to their carrying values.

27.5 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 on an annual basis.

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

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

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

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

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

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

(c) Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to 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, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Increase in loss/decrease in profit before tax		Decrease in shareholders' equity	
	2009	2008	**2009**	2008
	Rupees			
10% increase in loss				
Net				
Fire & property damage	**(1,825,063)**	(2,532,858)	**(1,186,291)**	(1,646,358)
Marine, Aviation & transport	**(810,366)**	(369,540)	**(526,738)**	(240,201)
Motor	**(24,238,825)**	(24,483,422)	**(15,755,236)**	(15,914,224)
Health	**(24,884,842)**	(14,629,396)	**(16,175,147)**	(9,509,107)
Miscellaneous	**(459,749)**	(321,214)	**(298,837)**	(208,789)
Treaty - Non - Proportional	**(23,790)**	(2,902)	**(15,464)**	(1,886)
	(52,242,635)	(42,339,332)	**(33,957,713)**	(27,520,565)
10% decrease in loss				
Net				
Fire & property damage	**1,825,063**	2,532,858	**1,186,291**	1,646,358
Marine, Aviation & transport	**810,366**	369,540	**526,738**	240,201
Motor	**24,238,825**	24,483,422	**15,755,236**	15,914,224
Health	**24,884,842**	14,629,396	**16,175,147**	9,509,107
Miscellaneous	**459,749**	321,214	**298,837**	208,789
Treaty - Non - Proportional	**23,790**	2,902	**15,464**	1,886
	52,242,635	42,339,332	**33,957,713**	27,520,565

Concentration of insurance risk

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

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	**2009**	2008	**2009**	2008
	Rupees in ,000					
Fire & property damage	**104,410,887**	79,710,837	**84,656,347**	57,766,443	**19,754,540**	21,944,393
Marine Aviation & transport	**61,114,893**	83,511,050	**28,243,228**	59,634,531	**32,871,665**	23,876,518
Motor	**15,752,323**	15,291,646	**315,046**	917,499	**15,437,277**	14,374,147
Miscellaneous	**22,720,347**	18,963,406	**16,558,355**	13,569,315	**6,161,992**	5,394,091
	203,998,450	197,476,939	**129,772,976**	131,887,788	**74,225,474**	65,589,149

Claims development tables

The following table shows the development of fire claims over a period of time. 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 i.e., claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. In accordance with the guidelines issued by the Securities and Exchange Commission of Pakistan vide Circular No. 4/2010 dated 23 January 2010, the claims where uncertainty about the amount and timings of claims payment is usually resolved within a year are not disclosed in the below table.

Analysis on gross basis

Accident year

	2007	2008	2009	**Total**
Estimate of ultimate claims cost:	Rupees			
At end of accident year	94,420,141	123,448,238	72,270,018	**290,138,397**
One year later	65,144,512	115,949,641	-	**181,094,153**
Two year later	65,367,395	-	-	**65,367,395**
Estimate of cumulative claims	65,367,395	115,949,641	72,270,018	**253,587,054**
Cumulative payments to date	65,332,395	94,438,145	48,135,306	**207,905,846**
Liability recognized in the balance sheet	35,000	21,511,496	24,134,712	**45,681,208**

28. SEGMENT REPORTING

The following table presents revenue and profit information regarding segments for the years ended 31 December 2009 and 31 December 2008 and estimated information regarding certain assets and liabilities of the segments as at 31 December 2009 and 31 December 2008.

(Amount in Rupees)

	Fire and property damage		Marine, aviation and transport		Motor		Accident and Health		Miscellaneous		Treaty Non proportional		TOTAL	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
REVENUE														
Net premium revenue	**49,373,651**	34,734,112	**38,506,395**	28,952,733	**420,143,153**	386,242,453	**274,724,159**	192,437,396	**22,429,604**	8,070,341	**(490)**	(8,221)	**805,176,472**	650,428,814
Segment result	**19,207,472**	10,149,788	**22,637,672**	23,668,628	**63,375,503**	33,896,508	**(41,578,400)**	(1,896,989)	**15,352,899**	7,211,933	**(238,030)**	(33,858)	**78,757,116**	72,996,010
Investment income													**(28,173,734)**	12,536,498
Other income													**21,728,570**	7,797,266
Profit on bank deposits													**3,393,185**	4,198,599
Share of profit/(loss) in associated company													**650,003**	(34,803)
Finance cost													**(235,497)**	(365,793)
Unallocated general and administration expenses													**(90,482,542)**	(79,387,253)
													(93,120,015)	(55,255,486)
(Loss)/profit before Workers Welfare Fund													**(14,362,899)**	17,740,524
Workers Welfare Fund													**(712,584)**	(354,810)
(Loss)/profit before tax													**(15,075,483)**	17,385,714
Provision for taxation													**(12,469,446)**	(10,726,295)
(Loss)/profit after tax													**(27,544,929)**	6,659,419
OTHER INFORMATION														
Segment assets	**33,030,098**	27,758,326	**25,760,096**	23,138,043	**281,068,331**	308,671,878	**183,785,598**	153,789,445	**15,005,008**	6,449,543	**(328)**	(6,570)	**538,648,804**	519,800,664
Unallocated corporate assets													**657,102,280**	697,449,467
Consolidated total assets													**1,195,751,084**	1,217,250,131
Segment liabilities	**53,400,600**	45,653,907	**41,647,004**	38,054,963	**454,410,323**	507,670,287	**297,130,854**	252,936,329	**24,258,978**	10,607,514	**(530)**	(10,806)	**870,847,229**	854,912,194
Unallocated corporate liabilities													**56,492,557**	66,381,710
Consolidated total liabilities													**927,339,786**	921,293,904
Capital expenditure	**1,179,026**	1,790,818	**919,519**	1,492,742	**10,032,870**	19,913,851	**6,560,316**	9,921,668	**535,611**	416,090	**(12)**	(424)	**19,227,330**	33,534,745
Unallocated capital expenditure													**55,571,000**	51,541,995
Depreciation	**1,195,962**	853,639	**932,728**	711,554	**10,176,992**	9,492,446	**6,654,555**	4,729,417	**543,305**	198,340	**(12)**	(202)	**19,503,530**	15,985,194

29 CAPITAL MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company is required to maintain minimum paid up capital under the Insurance Ordinance, 2000 as per the following schedule:

	2009	2010	2011
	Rupees		
Minimum paid up capital requirement at each year end	200,000,000	250,000,000	300,000,000

The Company has adopted a policy of profit capitalization to meet the regulatory requirements for minimum paid up capital and where required call further capital. There was no change in the Company's approach towards capital management during the year.

30 AUTHORISATION FOR ISSUE

These financial statements were authorised to be issued by the Board of Directors of the Company in their meeting held on April 02, 2010.

31 GENERAL

Figures have been rounded off to the nearest rupee.

Lt. Gen. (Retd.) Imtiaz Hussain Chairman	Mohammad Hussain Hirji President & Chief Executive	Brig. (Retd.) Mushtaq Ahmad Malik Director	Syed Suhail Ahmad Rizvi Director

Pattern of Shareholding

As at 31 December 2009

369	1	100	15,084
763	101	500	175,851
214	501	1,000	150,525
295	1,001	5,000	607,315
57	5,001	10,000	420,305
18	10,001	15,000	218,185
14	15,001	20,000	256,357
9	20,001	25,000	208,103
7	25,001	30,000	192,242
5	30,001	35,000	161,739
3	35,001	40,000	111,490
3	40,001	45,000	128,577
3	45,001	50,000	146,841
1	50,001	55,000	51,410
3	65,001	70,000	203,728
1	70,001	75,000	72,455
2	75,001	80,000	155,818
1	105,001	110,000	106,770
1	110,001	115,000	113,642
1	115,001	120,000	119,078
1	135,001	140,000	140,000
2	165,001	170,000	338,000
1	170,001	175,000	170,482
1	180,001	185,000	180,723
1	455,001	460,000	457,730
1	730,001	735,000	733,985
1	1,900,001	1,905,000	1,902,672
1	2,010,001	2,015,000	2,013,065
1	2,035,001	2,040,000	2,035,703
1	3,050,001	3,055,000	3,054,577
1	5,735,001	5,740,000	5,735,040
1,782			**20,377,492**

Categories of Shareholders

Particulars	No. of Shareholders	Share held	Percentage
Individuals	1,735	5,178,353	25.42
Insurance Companies	-	-	-
Financial Institutions	8	5,307,158	26.04
Charitable Trust	1	5,735,040	28.14
Others	38	4,156,941	20.40
Total	1,782	20,377,492	100

Note 1: Individuals include 7 Directors Holding 9,368 Shares in their capacity as nominee of Army Welfare Trust, Askari Bank Limited and Askari Leasing Limited. The ultimate ownership remains with respective Company/Trust.

Pattern of Shareholding

As at 31 December 2009

Pattern of Shareholding
Information required under Code of Corporate Governance
Categories of Shareholders

Particulars	No. Of Share holders	Share Held	Percentage
Associated undertakings			
Army Welfare Trust	1	5,735,040	28.14
Askari Bank Limited	1	3,054,577	14.99
Askari Leasing Limited	1	2,035,703	9.99
Askari Securities Limited	1	79	0.00
NIT/ICP	-	-	
Directors & Chief Executive			
Lt. Gen. (Retd.) Imtiaz Hussain	1	1,000	0.005
Maj. Gen. (Retd.) Saeed Ahmed Khan	1	1,000	0.005
Brig. (Retd.) Javed Qayum	1	1,000	0.005
Brig. (Retd.) Mushtaq Ahmed malik	1	1,000	0.005
Mr. Abdul Waheed	1	2,034	0.01
Syed Suhail Ahmed Rizvi	1	2,034	0.01
Mr. Abdul Hai Mahmood Bhaimia	1	1,300	0.01
Executives	-	-	-
Public Sector Companies and Corporations (Other than specified above)	-	-	-
Banks, Development Financial Institurins, Non Banking Financial Institutions, Mudarbas & Mutual Funds (other than specified above)	5	216,799	1.06
Individuals	1,728	5,168,985	25.37
Others	38	4,156,941	20.40
Paid up Capital	**1,782**	**20,377,492**	**100.00**

Note 2: There have been no trade in the shares of the Company, carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children. The change in the Holding is due to transfer of shares from nominee directors to parent company (AWT)

Form of Proxy

I/We ______________________________ of ______________ being member(s) of ***askari general insurance co.** ltd.,* holding ______________ Ordinary shares, hereby appoint Mr./Mrs./Miss ______________________________ of ______________ or failing him / her ______________________________ of ______________ who is also a member of the Company, as my / our proxy to vote for me / us, and on my / our behalf at the **15th Annual General Meeting** of the Company to be held on Friday April 30, 2010 at 10:00 a.m. and at any adjournment thereof.

Folio No.	CDC Account No.	
	Participant ID	Account No.

Signature on
Rs. 5.00 Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

As witness my / our hand this ______________ day of ______________ 2010

Signed by the said ______________________________

Witnesses:1.2,

	1.	2.
Signature		
Name		
Address		
CNIC No. / Passport No.		

Notes:

1. This form of Proxy, duly completed, must be deposited at the Company's Head Office at 4th Floor, AWT Plaza, The Mall, Rawalpindi, Pakistan, not later than 48 hours before the time appointed for the meeting.

2. CDC Shareholders and their proxies are each requested to attach attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

3. No person shall act as proxy unless he/she is a member of the Company.

4. CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

5. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Company all such instruments of proxy shall be rendered invalid.

AFFIX
CORRECT
POSTAGE

The Company Secretary
askari general insurance co.ltd.
P.O. Box No. 843, 4th Floor, AWT Plaza,
The Mall, Rawalpindi - Pakistan

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