990
30/4/010
ASIC
Done

asiaINSURANCE
company Ltd.

ANNUAL REPORT 2009

RSRIR RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

54-P, Gulberg II,
Lahore-54660, Pakistan.
Tel: 92-42-5875965-67
Fax: 92-42-5758621
E-Mail:rsrirhr@brain.net.pk
Other Offices: Islamabad-Karachi

CERTIFICATE

Receipt of Right Shares Subscription

In continuation of certificate issued dated 07 December, 2009 for the captioned matter, as desired by the management of Asia Insurance Company Ltd., we certify that a sum of Rs. 40,000,000 (Rupees forty million only) was received till 3rd December, 2009 in the bank account titled "Asia Insurance Company Ltd-Right Share Subscription Account" with Atlas Bank Ltd. Model Town Branch, Lahore. Allotment of shares was made on 12 December 2009 against the subscription and intimated to SECP vide Form 3. Consequently company's paid-up capital is increased from Rs. 160,000,000 (Rupees One Hundred and Sixty Million) to Rs. 200,000,000 (Rupees Two Hundred Million).

We also certify that:

i) All statutory / regulatory approvals as applicable under the Companies Ordinance, 1984 or under any other law, rule or regulations including listing regulations of relevant Stock Exchange have been complied with / obtained with regards to the increase of Share Capital through Right Issue.
ii) Conditions (if any) imposed by the regulatory body have been satisfied by the Issuer in every respect and
iii) All requirements with regards to allotment of shares have been fulfilled by the Issuer
This certificate is being worded and issued on specific request of the client.

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
19 January 2010

CONTENTS

Vision Statement

To transform the Company into an ideal Insurance Company with larger equity base which could provide more opportunities and options for utilization of funds and help to increase profitably through economy of scale, better resource mobilization and reduction in operational cost alongside to provide better services to our clients and stakeholders which could gather the confidence of both shareholders and policyholders.

Mission Statement

To provide excellent service, best risk management, prompt settlement of claims, expand branches network of the company, induct and build sound and dynamic team, ensure good governance for sustainable and equitable growth and prosperity of the Company.

- The Company's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has relationship.

- The Company complies with Insurance ordinance 2000 and all other relevant laws and regulations. All employees are expected to familiarize themselves with these laws and regulations governing their individual areas of responsibility and not to transgress them. If in doubt, employees are expected to seek advice. The Company believes in fair and healthy competition.

- The Company is committed to provide services, with consistency which could make our clients most comfortable in terms of prompt settlement of claims and quality service.

- The Company fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.

- The Company is employee friendly, its policies for recruitment and promotional merit oriented are free from any gender bias, and believes in providing its employees healthy working conditions, surety & security of job.

- The Company expects from employees to abide by personal ethics, whereby Company information and assets are not used for any personal advantage or gain and Company secrets are not shared with outsiders.

- The Board ensures that the above principles are complied with, for which the Board has constituted the audit committee.

Notice is hereby given that the 30th Annual General Meeting of **Asia Insurance Company Limited** will be held at its registered office at 456-K, Model Town Extension, Lahore on 29th April, 2010 at 11.00 a.m. to transact the following business.

1. To confirm the minutes of the 29th Annual General Meeting held on 31.03.2009.
2. To receive, consider, and adopt the Audited Annual Accounts of the Company for the year ended 31st December 2009 together with Director's and Auditor's report thereon.
3. To appoint auditors of the Company and fix their remuneration for the year ending December 31, 2010.
4. To consider and approve remuneration of the full time Director of the Company as approved by the Board.
5. To transact any other business with the permission of the chair.

By the order of the Board

MUHAMMAD SALEEM AKHTER
COMPANY SECRETARY

Lahore: April 03, 2010

Notes:

1. The share transfer books of the company will remain close from 23rd April, 2010 to 29th April, 2010 (both days inclusive).Transfers received in order by the Share Registrar M/s Corplink (Pvt.) Limited, Wing Arcade, 1-K, Commercial, Model Town, Lahore, up to the close of business on 22 April, 2010 will be treated in time.
2. A member entitled to attend speak and vote at the meeting is entitled to appoint a proxy to attend speak and vote for him/her.
3. An instrument of proxy and power of Attorney or the Authority (if any) under which it is signed or a naturally certified copy of such power of Authority, in order to valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. Members are requested to notify Share Registrar of the Company of any change in their address.
5. CDC shareholders are requested to bring with them their original National Identity Cards or original passport along with the participant I. D. No. and their Account No. At the time of attending the Annual General meeting in order to facilitate identification of the respective shareholders.

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

COMPANY INFORMATION

Chairman & Chief Executive	Engr. Ihtsham ul Haq Qureshi Prince Henrik Medal of Honour by Royal Kingdom of Denmark.	
Directors	Mrs. Nosheen Ihtsham Qureshi Tamgha-e-Imtiaz by Governament of Pakistan Mr. Hassan Ahmad Khan Mr. Aisam ul Haq Qureshi Pride of Performance Award by President of Pakistan Arthur Ashe Humanitarian of the year 2002 Award by ATP Tour USA Mrs. Shiza Hassan Mr. Zain ul Haq Qureshi Khawaja Suhail Iftikhar	
Audit Committee		
	Mr.Zain ul Haq Qureshi	Chairman
	Mr.Khawaja Suhail Iftikhar	Member
	Mrs Nosheen Ihtsham	Member
	Muhammad Saleem Akhter	Secretary
President	Mr. Ali Munem Shamsi	
Legal Advisor	Barister Munawar-us-Salam Cornelius Lane & Mufti Advocates and Solicitors Nawa-e-Waqt Building, 4-Shahra-e-Fatima Jinnah, Lahore.	
Company Secretary/CFO	Muhammad Saleem Akhter	
Internal Auditor	Miss Faiza Yousaf	
Auditors	Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants	
Management at Head Office	Mr. Gulfaraz Anis	Manager Operation
	Mr. Mehmood Akhtar	Executive Claims
	Mr. Shahid Mehmood Mirza	Deputy Manager U/W
	Mr. Khurram Javed	Deputy Manager Finance & Accounts
	Mr. Muhammad Masood	Asst. Manager Reinsurance
	Mr. Muhammad Adnan Ahsan	Asst. Manager Risk Management
Registered & head Office	456-K, Model Town, Lahore Phones: 92-42-35916801-3, Fax: 92-42-35865579	

PRODUCTS AND SERVICES

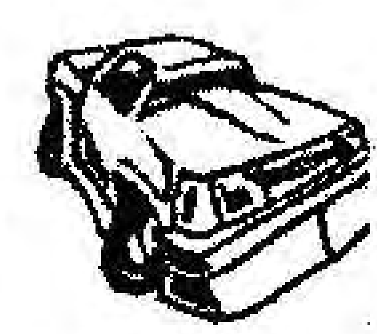
Fire & Allied Perils Insurance:

This covers insurance for factories, offices and homes and it Residence coverage against perils like fire and lightening which can be extended to cover the following:
Impact damage, storms, earthquakes, rain flood damage, riot and strike damage, burglary and malicious damage etc.

Marine Cover:

Covers imports and exports of consignments, loss or damage of cargo during transit by Air, Sea and Rail/Road; it also covers dispatch of finished goods from the insured's factory to anywhere in Pakistan and outside Pakistan.
This type of coverage is provided to transport-related business such as Ship Agents, Freight Forwarders, Terminal operators, Stevedores Courier Services, etc.

Motor Cover:



Motor cover is complete auto insurance plan for both individuals and corporate offering:

- A comprehensive cover includes theft, snatching, armed hold up, accidental damage, third party liability and terrorism.
- The liberty to have your vehicle repaired at the workshop of your own choice and the cost of repairs being directly settled with workshop.
- Reduction of premium up to 50% through No-Claim Bonus, which is transferable from other insurance companies and within immediate family members.
- Guaranteed settlement of Snatching, theft, Total loss claim with in 15 days of completion of required documents.

Miscellaneous Insurance

We also provide customized insurance solution for our corporate clients. The covers range from the Insurance of Engineering Projects to Electrical Equipment and Machinery, Personal Accident, Life Insurance, Burglary, Guaranties, Cash in safe, Cash in Transit etc.

Reinsurance Arrangements

We are re-insured with the best renowned international Re-insurers holding the highest rating in their business. These are:

- Hanover Re
- Mitsui Sumitomo Re
- PakRe

BRANCHES NETWORK

LAHORE

Principal Office/Eden Center Branch
Room No. 315, 3rd Floor,
Eden Center, 43-Jail Road,
Phones:042-7525105 to 07

Jail Road Branch
Suit No.33-34, 1st floor, Taj arcade,
Opposite Services Hospital,
Jail Road, Lahore
Phones:042-7581923-7581925

KARACHI

Branch-I
Office No.612, 6th floor, Hussain Trade Centre,
Altaf Hussain Road New Challi,
Phone:021-2411798,2420511.

Branch-II
House# 176-v, Block-2
P.E.C.H.S., Tariq Road, Karachi
Phones:- 021-34304048-9

FAISALABAD

2nd Floor Rehman Plaza, P-78,
Main Kotwali Road Faisalabad
Phone # 041-2605557-58
Fax # 041-265559
Cell# 0321-6602858

MULTAN

1st Floor Saragana Manzil,
Kutchery Road , Multan
Phone #061-782958, 4782955 and 4577143

GUJRAT

Sain Muhammad Hussain Plaza,
Fawara Chowk,
Phone # 0533-537787

JHANG

Yousaf Shah Road
Jhang Sadar
Phone# 047-7611102

ISLAMABAD

Office No.5, Ist Floor, Galaxy Plaza,
G-11, Markaz, Islamabad
Phone:- 051-2220828-29

DIRECTORS' REPORT TO THE SHARE HOLDERS

On behalf of your directors' it is my pleasure to present the 30th Annual Report and Audited Financial Statement of Asia Insurance Company Limited with Auditors' Report thereon for the year ended 31 December 2009.

OVERVIEW

There is consistent downfall in the share prices of almost all the listed companies in the Stock Exchanges. Petrol, Diesel, Kerosene Oil, Electricity and gas prices are being increased after regular intervals. Both these factors are definitely going to affect the Economy of the Country adversely, rate of inflation will also go up substantially and trade deficit will further increase due to costlier oil import bill, Swat and south Wizaristan Operation and load shedding.

Federal Excise duty on the services provided or rendered in respect of insurance to a policy holder by an insurer has also been increased from 10% to 16% in the budget which is going to be an additional financial burden for the Insurers, they will not be comfortable.

REINSURANCE

As usual we have made excellent Re–insurance Arrangement which is the backbone for every insurance Company. We have increased 10% Share of Pakistan Reinsurance Company Limited (PRCL) for the year 2010 to reduce foreign exchange outgo. All our foreign Re-insurance Companies are AA Rated. Their International Credit Rating is AA assigned by the Standard and Poor International Rating Agency and is known to be the second largest Insurance Group of Germany. Our other foreign Re-Insurance treaty partner is M/s Mitsui Sumitomo Re-Insurance Company of Japan which is also AA Rated Company of Japan. Terms and conditions of our Re-Insurers are improving year by year which shows their confidence in your company. During the year 2010 we have made arrangement with new A rated reinsurance companies.

CONSTRUCTION OF HEAD OFFICE BUILDING

The Lahore Development Authority (LDA) has approved the construction plan of Asia House on Ferozepur Road. We are hopeful that the tendering process will be completed during the year 2010 and construction would be started in the mid of 2010.

INCREASE IN PAID UP CAPITAL

Although the legal requirement to enhance the Paid Up Capital of the Company up to Rs. 200millions was up to 31 December 2009. Consequently Paid up Capital of your Company has been increased from Rs. 160 millions to Rs. 200 millions by way of issuing Right Shares. This shows the willingness, commitment and interest of your Company's Directors for the growth, development and prosperity of your company.

BRANCHES NETWORK

Your Company is fully aware of the fact that branches network must be established in as many cities as possible, feasible and profitable. We want to ensure presence of our company in almost all the big cities of the country i.e. Karachi, Faisalabad and Islamabad and we are determined to open few more branches during the year 2010.

Our aims and objective of opening branches are very clear. On the one hand, we are determined to provide excellent service to the Clients and prompt settlement of Claims on the other hand; we will have to ensure ultimate profitability for the shareholders through prudent underwriting and cost consciousness.

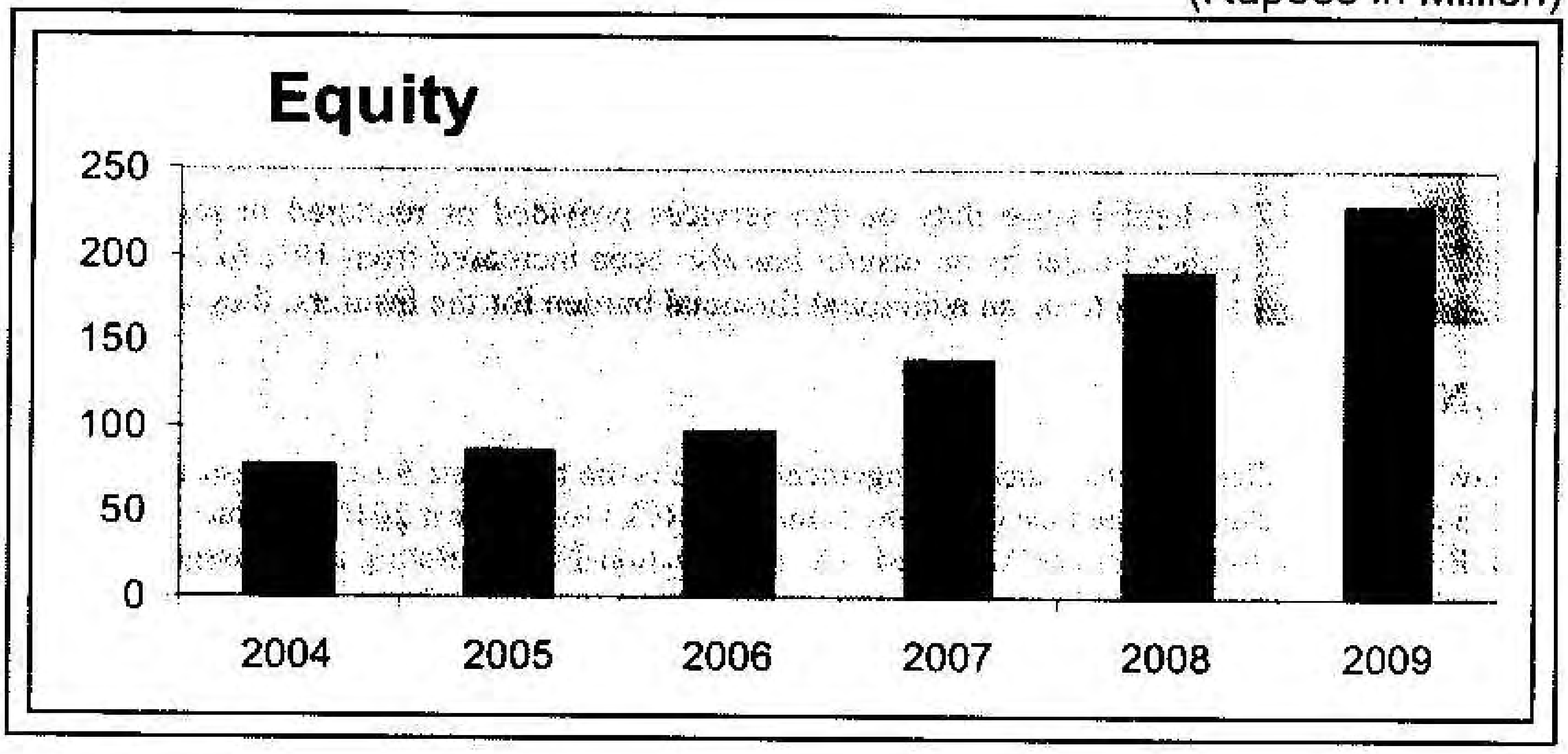
FUTURE OUTLOOK

We have prepared multidimensional business plan for promotion and development of your company. Our focus will be corporate sector, co-operation with other like minded insurance companies and to engage qualified/experienced field force in the days to come.

FINANCIAL RESULTS

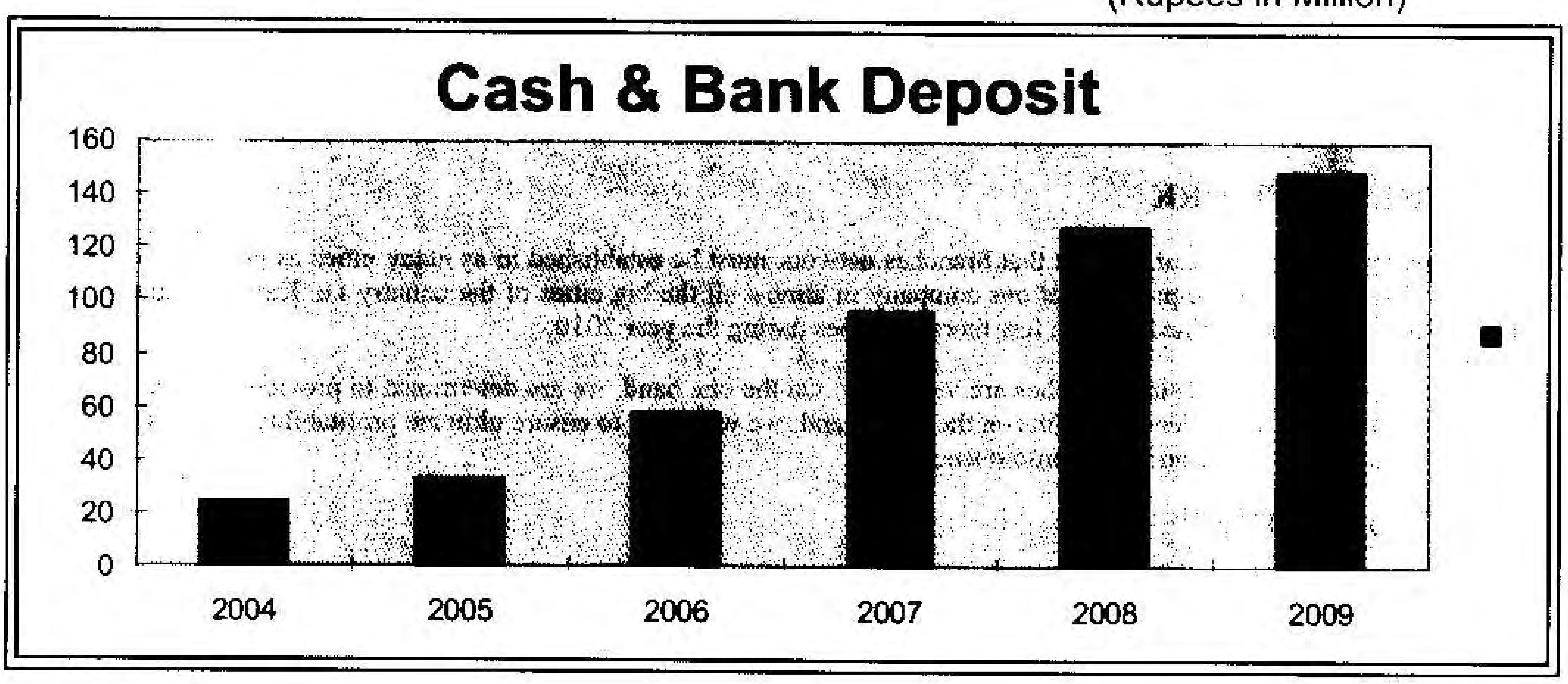
This year as well your company's financial results are better than last year. Equity of the company has increased from Rs. 183.57 million in the year 2008 to Rs. 228.45 million in 2009 as is evident from the graph given here as under.

(Rupees in Million)



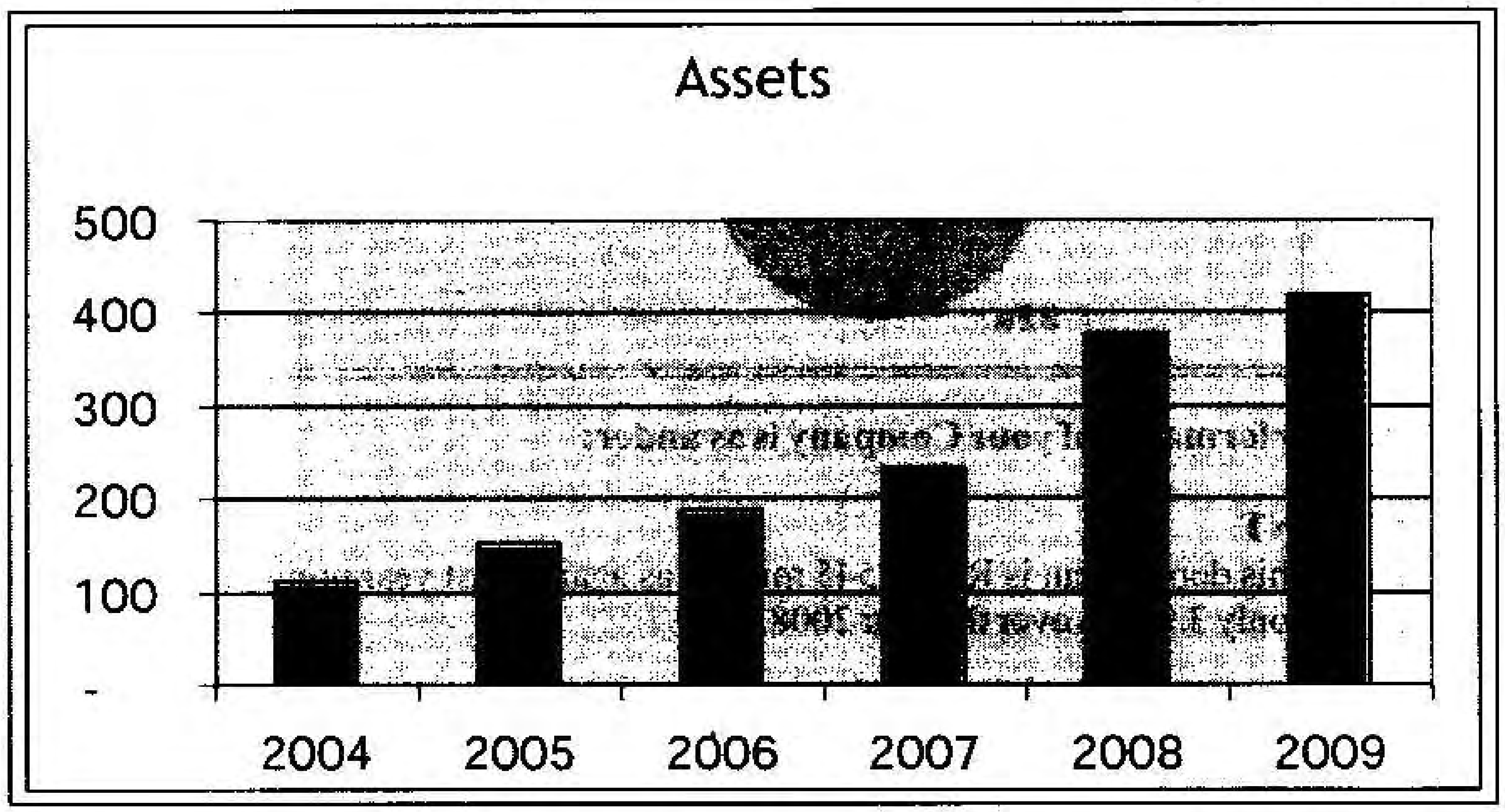
Cash and Bank Balances of your Company have also increased considerably from Rs. 128.42 million in the year 2008 to Rs. 148.998 million in the year 2009 which shows an increase of 16%

(Rupees in Million)



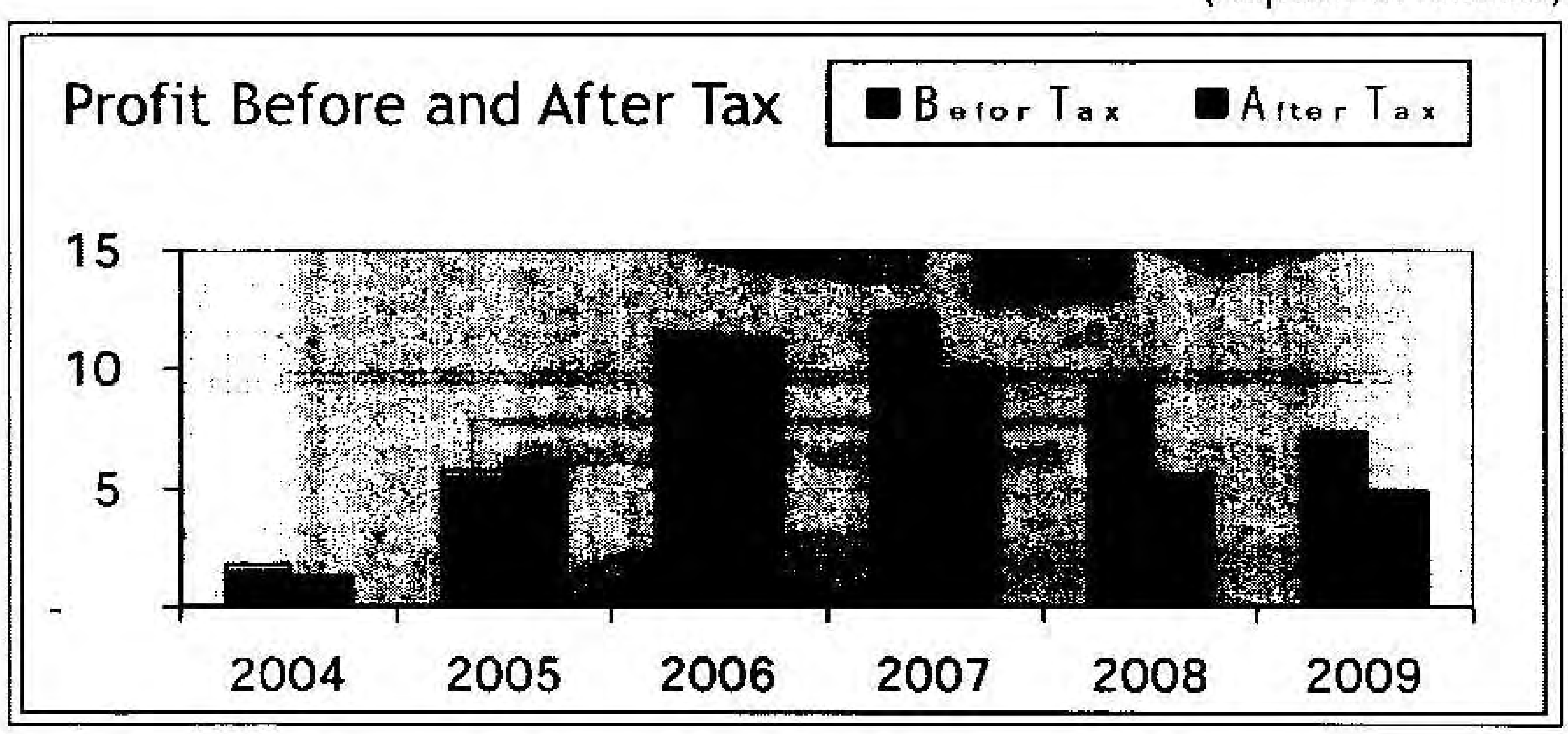
Assets have also increased by 11% i.e. from Rs. 377.913 million in the year 2008 to Rs. 419.519 million in the year 2009.

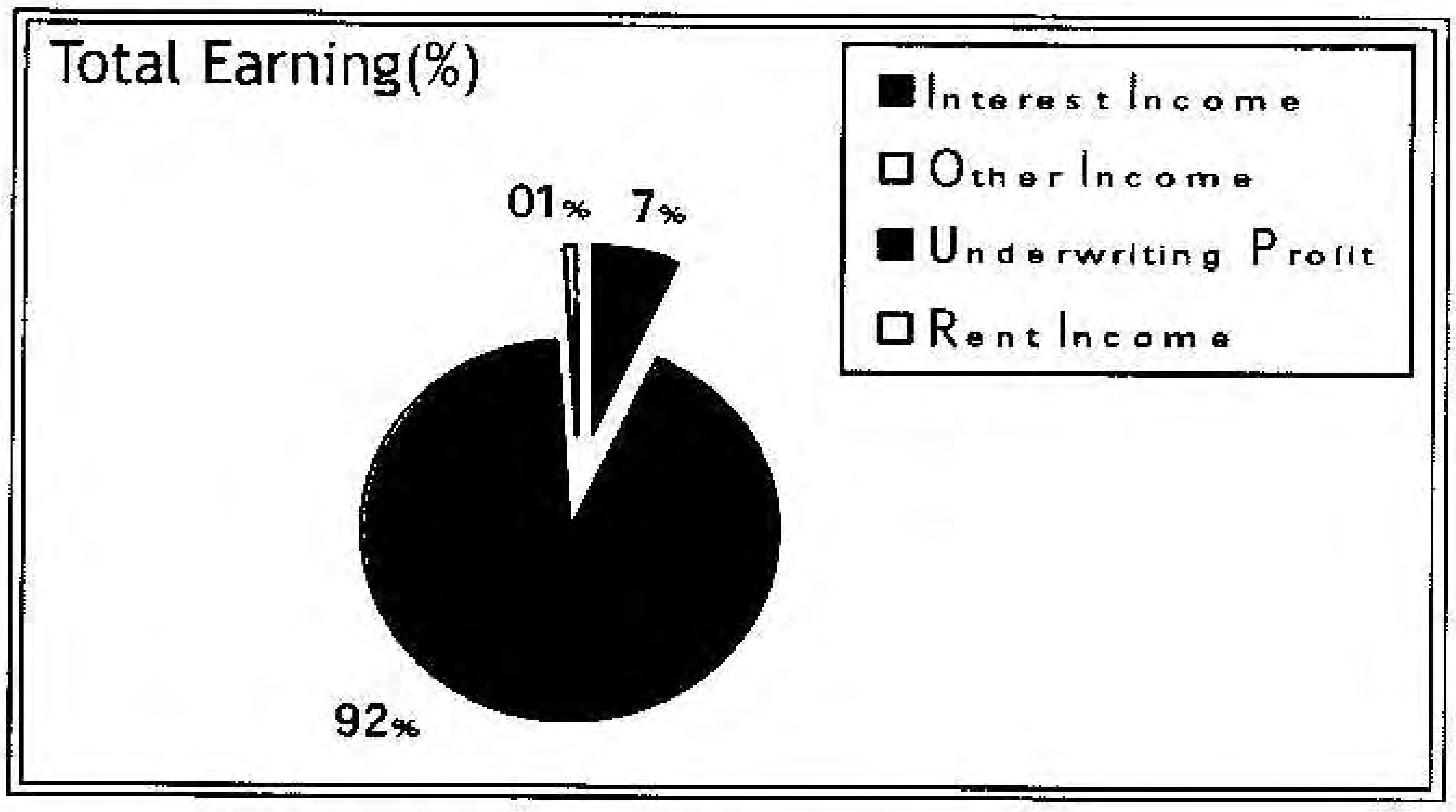
(Rupees in Million)



During the year under review your Company has earned profit before tax amounting to Rs. 7,355,089 as against Rs. 9,447,621 for the year 2008. Whereas profit after tax is Rs. 4.886 million for the year ended 31.12.2009 as against Rs. 5.517 million for the

(Rupees in Million)



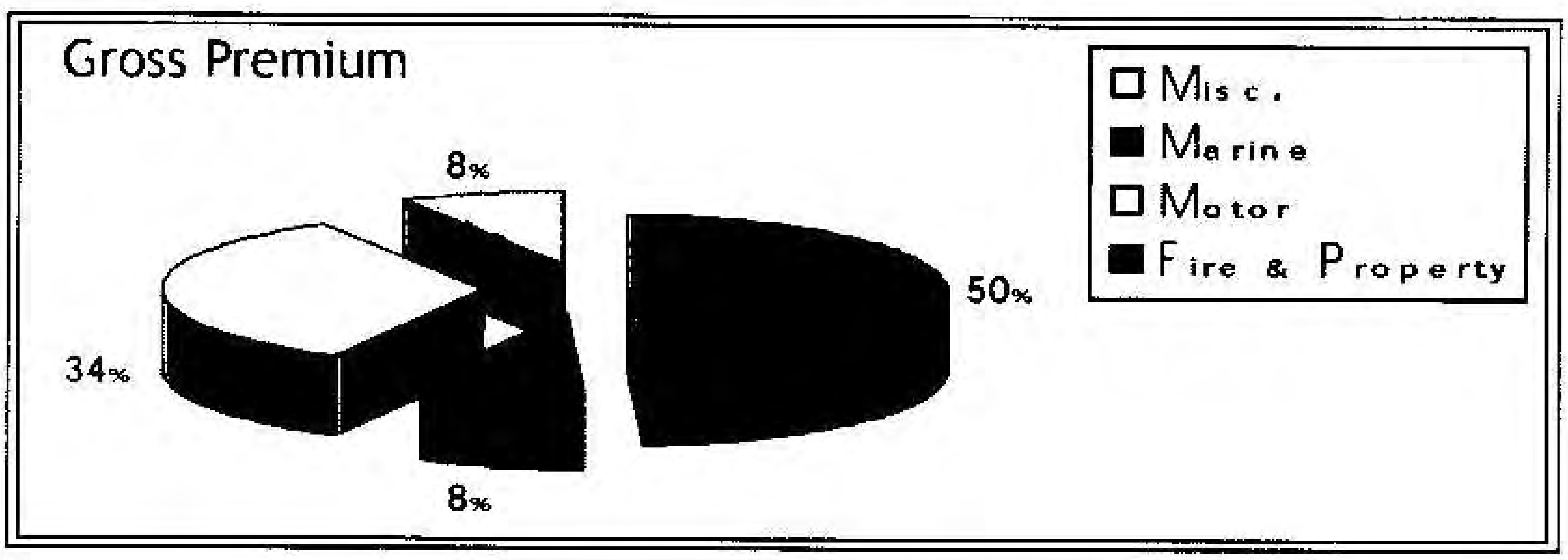


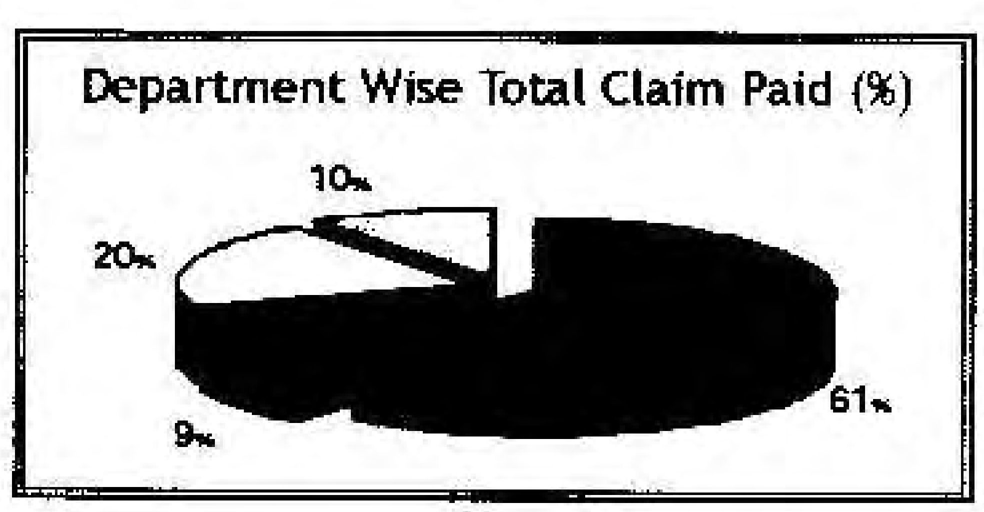
Department wise performance of your Company is as under:

FIRE DEPARTMENT
The net premium of this department is Rs. 13.545 million as against last year premium Rs. 14.100 million, showing Decrease of only 3.936% over the year 2008.

MARINE DEPARTMENT
The net premium of Marine Department is Rs. 2.654 million as against last year premium of Rs. 4.081 million showing decrease of 35%.

MOTOR AND MISCELLANEOUS DEPARTMENT
The net premium of this department is Rs. 13.568 million for the year ended 31st December 2009 as against Rs. 14.020 million for the year 2008, showing slight decrease of 3.22%



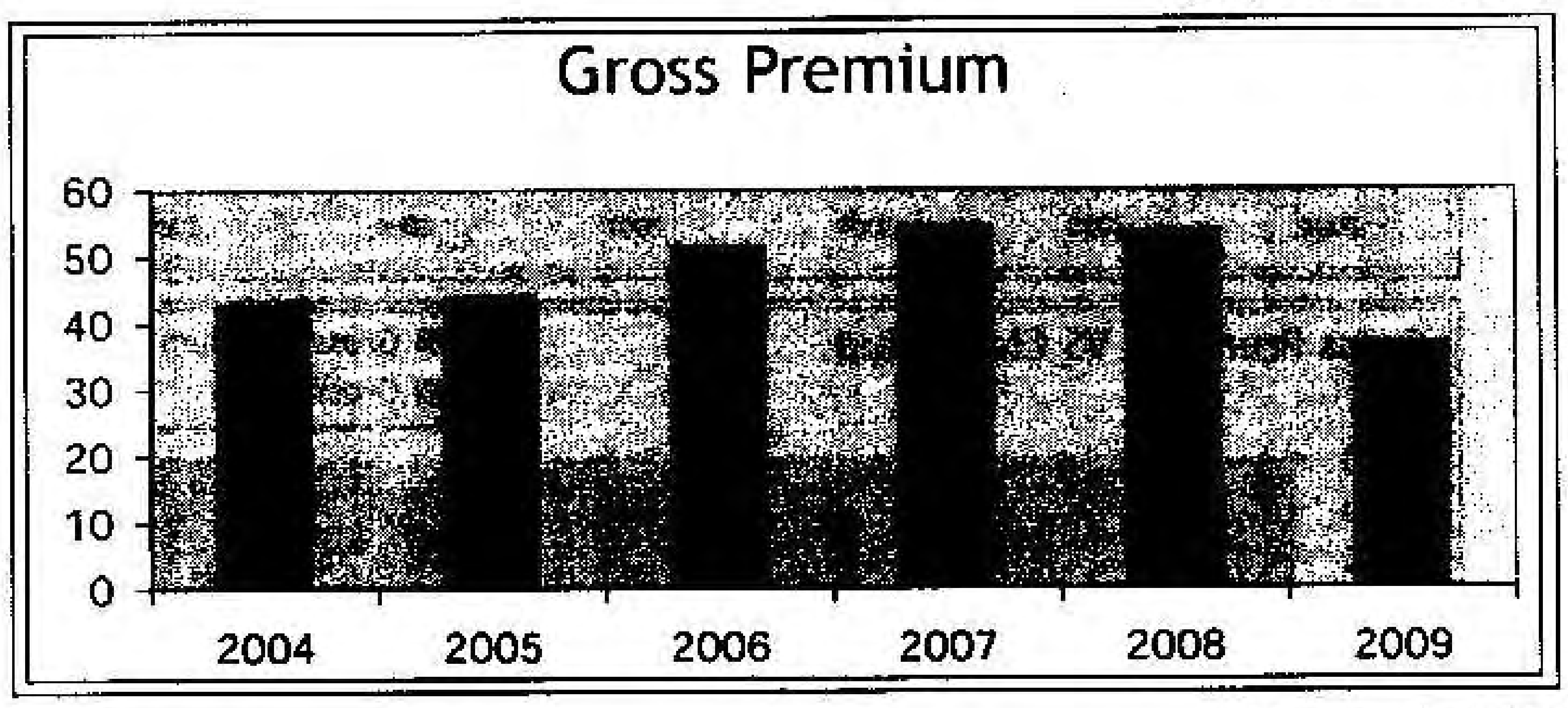


SUMMARIZED OPERATING AND FINANCIAL DATA FOR FIVE YEARS

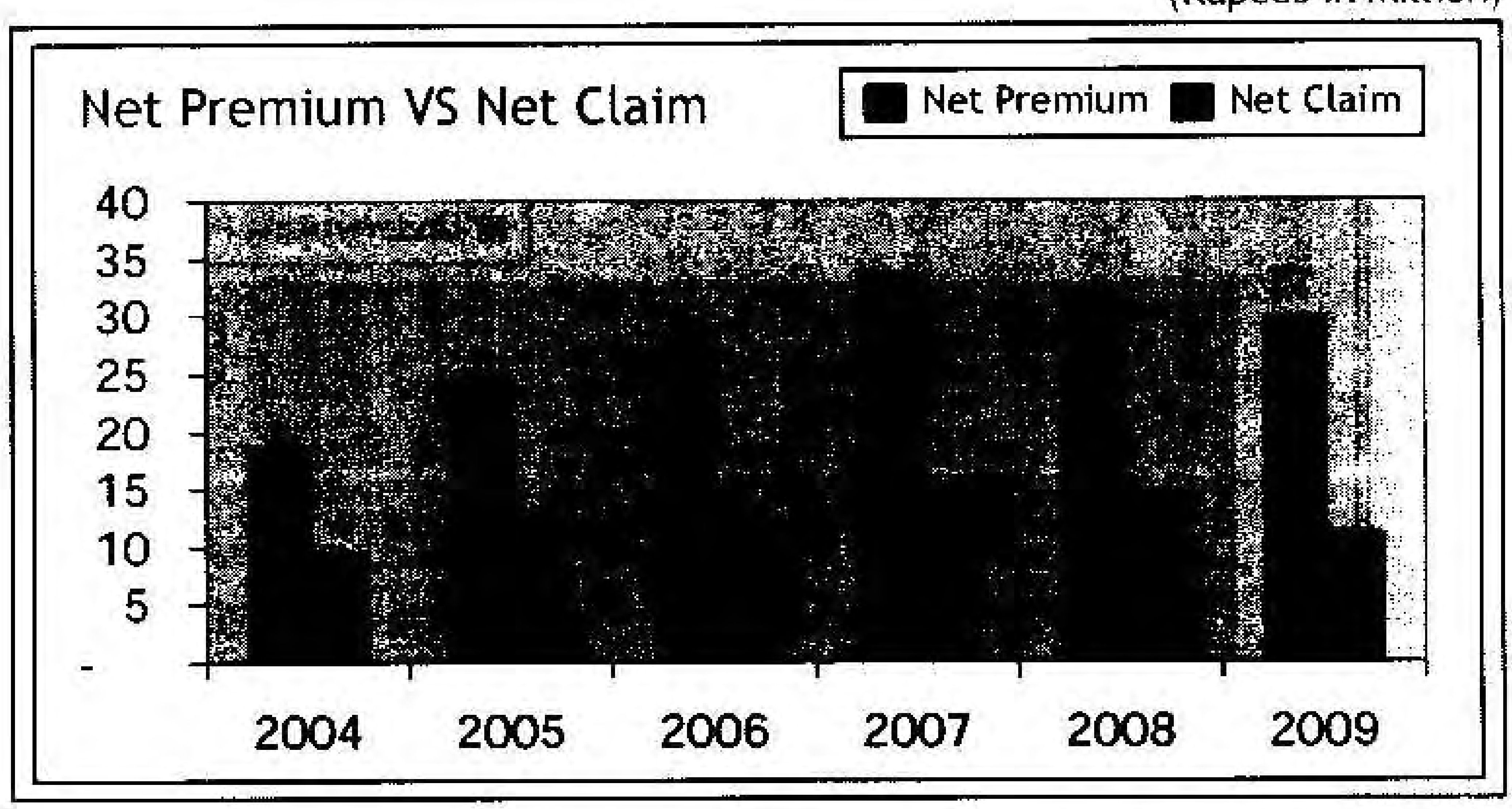
	2009 Rs.	2008 Rs.	2007 Rs.	2006 Rs.	2005 Rs.	2004 Rs.
Paid up Capital	200,000,000	160,000,000	120,000,000	80,000,000	80,000,000	80,000,000
Total Assets	419,518,988	377,912,973	232,643,339	188,635,022	151,384,812	112,742,217
Equity	228,456,743	183,570,332	138,052,600	96,108,668	84,739,264	76,215,288
Cash and Bank Deposits	148,998,262	128,416,946	96,321,341	57,680,237	32,681,568	23,852,776
Gross Premium	36,699,428	53,644,125	54,302,316	51,178,930	43,764,663	42,701,819
Retained Premium	33,411,668	3,220,299	33,411,668	28,998,379	24,576,260	18,399,485
Gross Claim Paid	27,910,165	24,054,277	23,478,017	24,955,028	28,071,527	19,477,621
Net Claim Paid	10,951,547	14,737,256	14,680,111	13,286,992	13,035,529	9,479,369
Under/Writing Profit/(Loss)	1,460,982	3,260,822	7,143,382	6,121,366	910,895	1,165,366
Profit/(Loss) Before Tax	7,355,089	9,447,621	12,303,633	11,432,626	5,719,654	1,712,027
Profit/(Loss) After Tax	4,886,411	5,517,732	9,485,039	11,269,669	6,197,621	1,275,987
Investment Income	19,548,570	9,569,669	7,231,582	4,595,500	2,274,512	1,337,541
Earning Per Share*	0.30	0.44	1.18	1.41	0.77	0.16

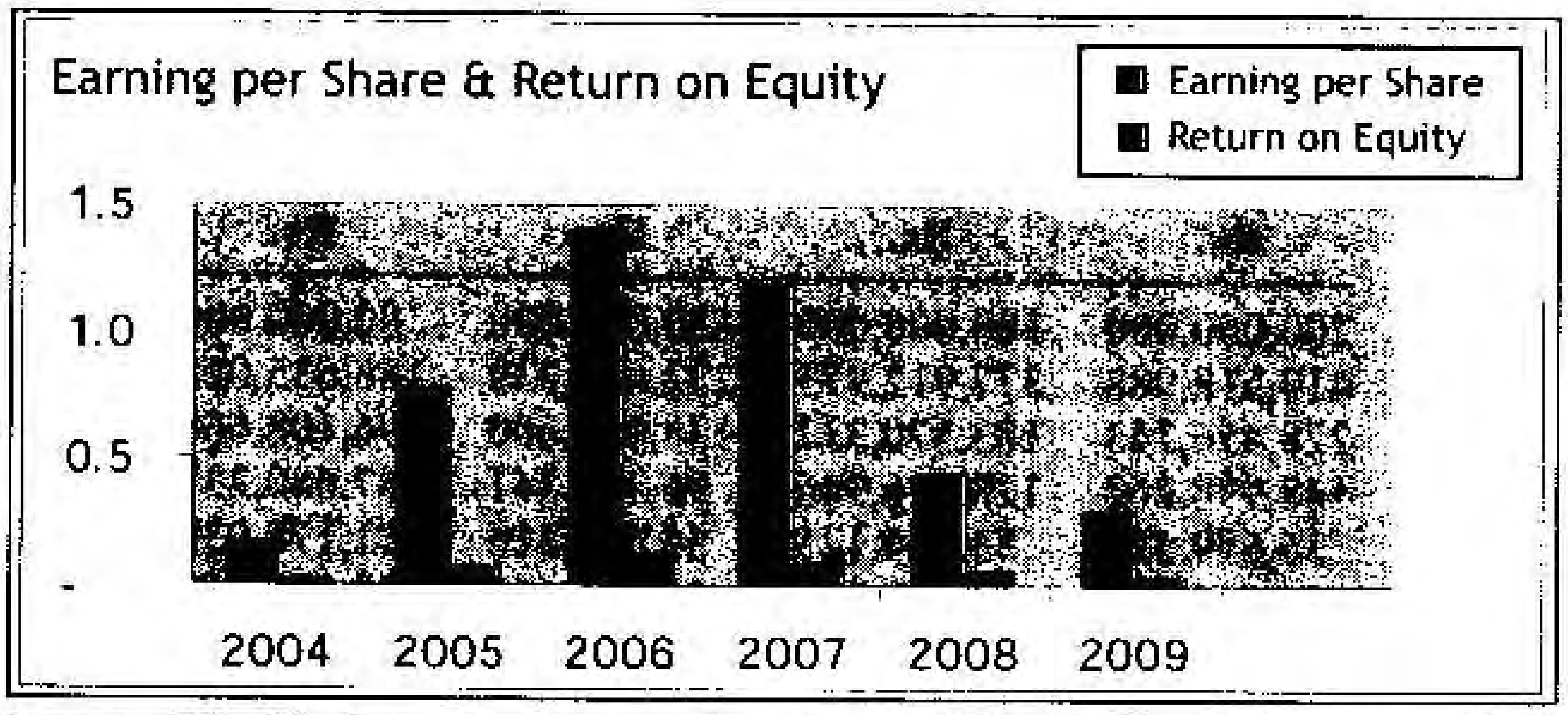
*** Due to increase in capital from Rs. 160 million to Rs. 200 million in December 2009.**

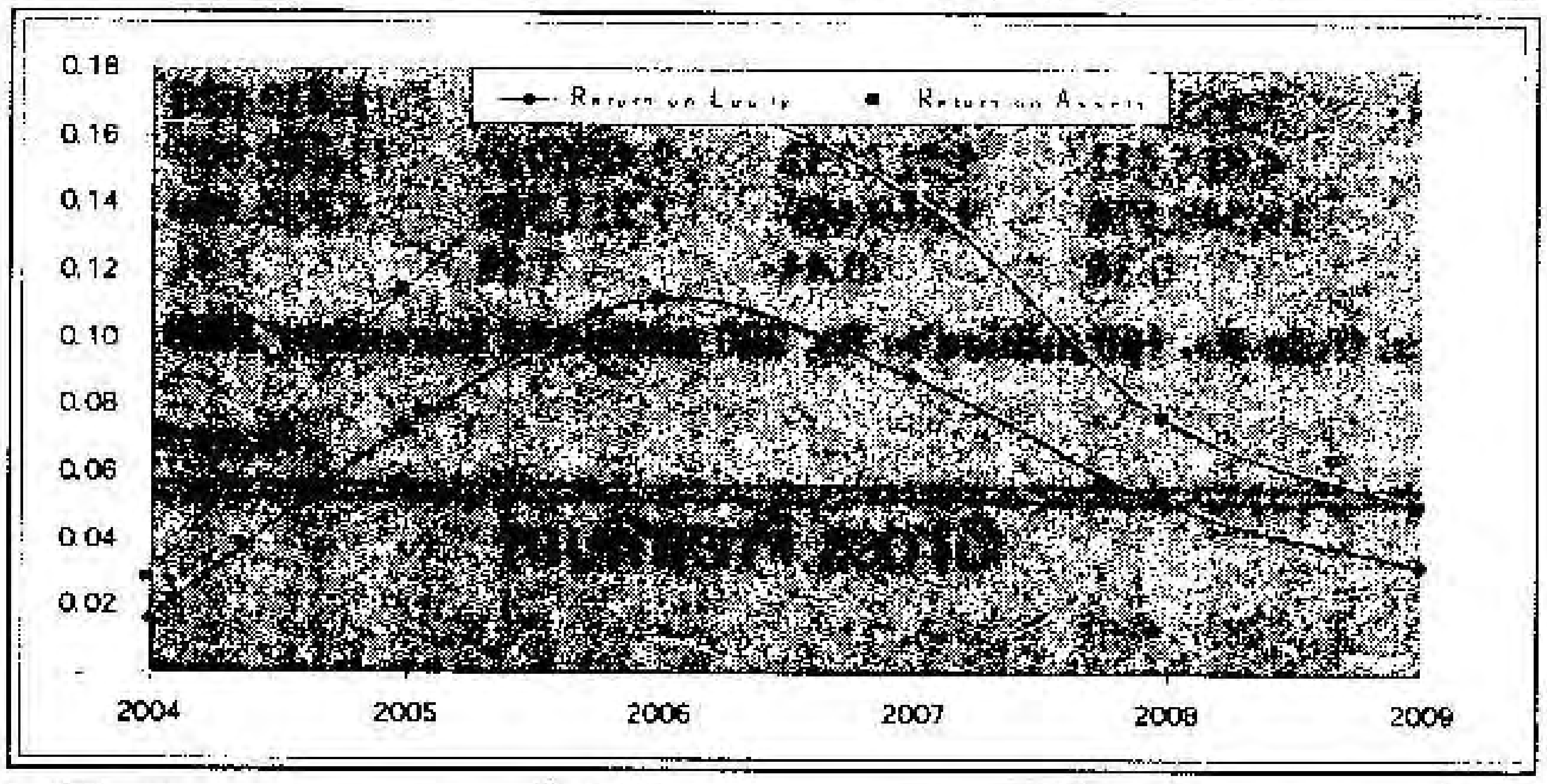
(Rupees in Million)

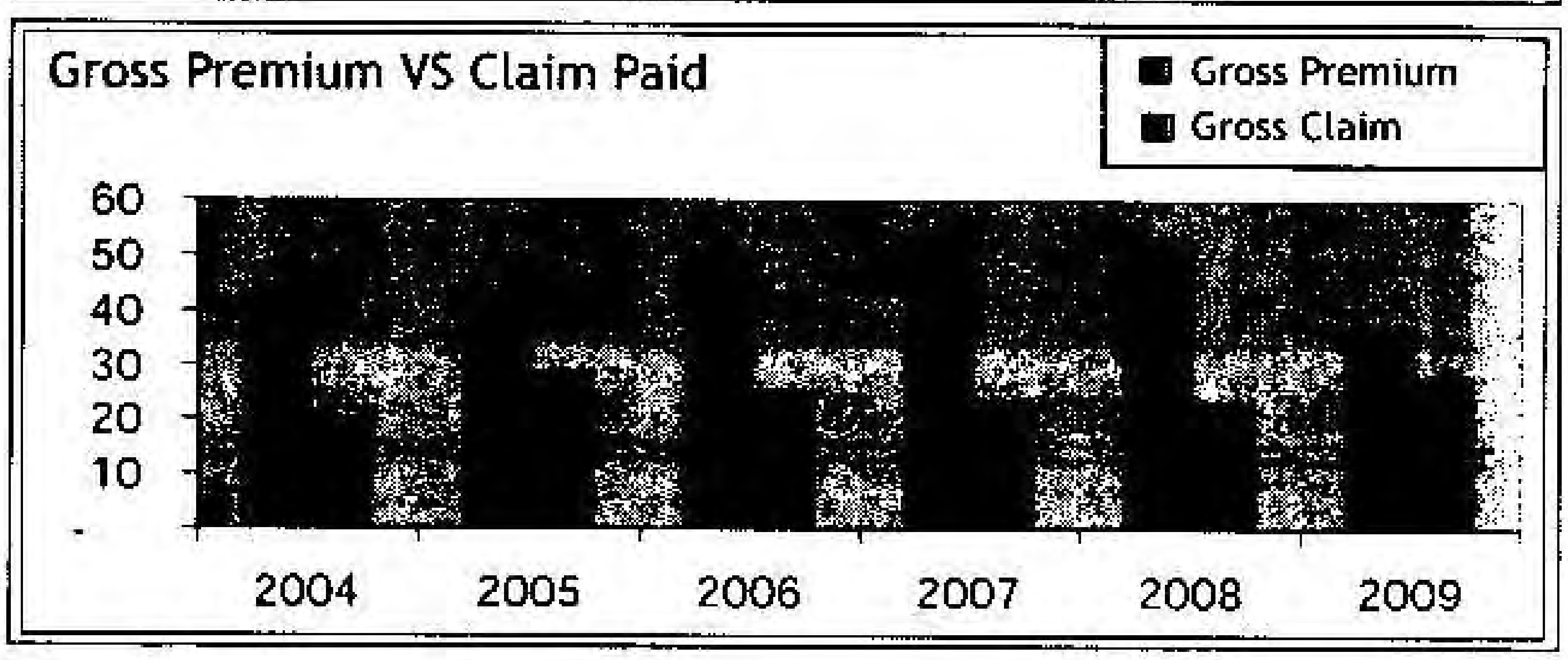


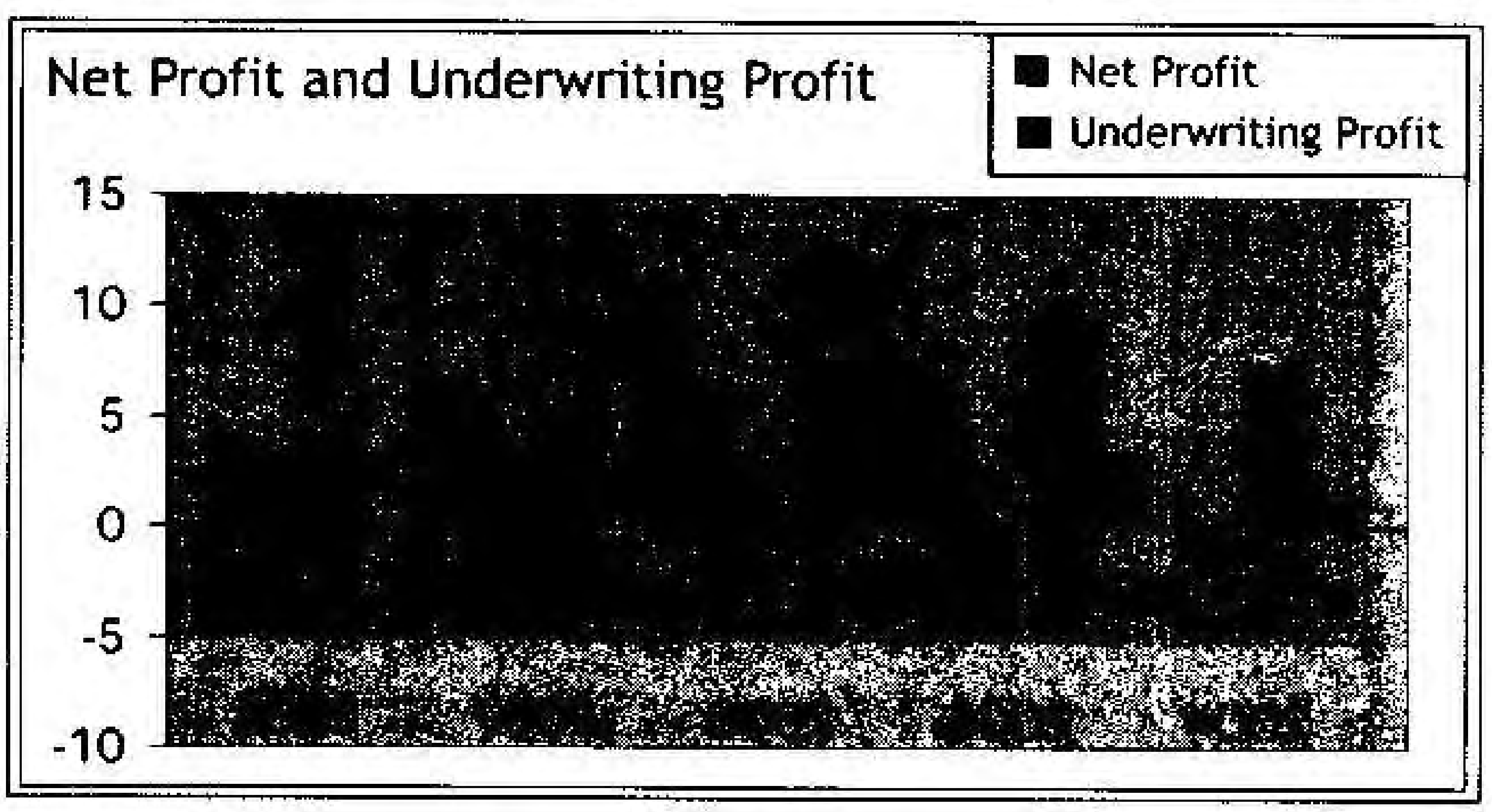
(Rupees in Million)




Earning per Share & Return on Equity
Earning per Share
Return on Equity
1.5
1.0
0.5
-
2004
2005
2006
2007
2008
2009


0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
-
2004
2005
2006
2007
2008
2009


Gross Premium VS Claim Paid
Gross Premium
Gross Claim
60
50
40
30
20
10
-
2004
2005
2006
2007
2008
2009


Net Profit and Underwriting Profit
Net Profit
Underwriting Profit
15
10
5
0
-5
-10

STATEMENT OF INVESTMENT OF PROVIDENT FUND

The Company operates approved provident fund scheme covering all its permanent employees. The investment balances are as follows:

	31st December 2009	31st December 2008
	Rs.	Rs.
Amount of investment of P.F.	2,881,759	3,959,151

BOARD MEETINGS

During the year 2009 nine meetings of the Board of Directors were held and attendance of directors was as under:

Name of Director	Meeting Attended
Mr. Ihtsham ul Haq Qureshi	09
Mr. Hassan Ahmed Khan	07
Mrs. Nosheen Ihtsham Qureshi	08
Mr. Khawaja Suhail Iftikhar	09
Mrs. Shiza Hassan	07
Mr. Aisam ul Haq Qureshi	03
Mr. Zain ul Haq Qureshi	09

CHANGE IN THE BOARD OF DIRECTORS

During the year 2009 there were following changes in the Board of Directors

Mr. Hassan Ahmed Khan became director after resignation of Mr.Irfan ul Haq Qureshi

AUDIT COMMITTEE

The Board in compliance with the Code of Corporate Governance has established an Audit Committee. The Audit Committee assists the Board in discharging its responsibilities for corporate control. The Composition of Audit Committee is as follows:

Mr. Zain ul Haq Qureshi	Chairman
Mrs. Nosheen Ihtsham	Member
Mr. Khawaja Suhail Iftikhar	Member
Muhammad Saleem Akhter	Secretary

PATTERN OF SHARE HOLDING

Pattern of share holding as at 31.12.2009 is set out on separate page.

Statement Of Compliance With Code Of Corporate Governance

From its inception the company has maintained a visible record of Good Corporate Governance. This is reflected clearly by the growth of the company over the years. In the phase of implementing the Code of Corporate Governance as required by Listing Regulations, the Company has implemented all aspects of the Code of Corporate Governance and the management is pleased to state that the fullest efforts have been made to comply with the provisions of the Code.

1. The financial statements together with the notes forming an integral part of these statements are drawn up in conformity with the Companies Ordinance, 1984, and the Insurance Ordinance, 2000, prepared bye management of your Company, Present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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

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

4. The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been continually monitored by the internal audits. This is a continuing process and any weakness will be removed and its effective implementation shall be ensured.

6. There is no doubt upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last six years is attached with this report.

9. Outstanding taxes and duties are given in the financial statements.

10. The accounting policy of the valuation method as disclosed in note 5 attached to the financial statements has been duly approved by the board.

11. Boar granted leave of absence to those directors who could not attend the board meetings during the year 2009.

All the major decisions relating to investments/disinvestments of funds, change in the policy of underwriting, if any, appointment, remuneration and terms and conditions of CEO are taken to the board and approved with the consent of the members.

EARNING PER SHARE

Earning per share during the year has decreased by 31.12% from Rs.0.437 per share in 2008 to Rs.0.301 per share in 2009. Due to tight financial conditions no dividend has been declared by the Board of Director of the company.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The board has adopted." The Statement of Ethics and Business Practices." Entire management and employees are aware of the statement and are obliged to observe the rules of conduct in relation to the business operations and regulations.

INSURANCE ORDINANCE,2000

As required under the Insurance Ordinance and Rules framed there under, the directors confirm that:

- In their opinion and to the best of their belief the annual statutory accounts of the company are set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;
- The company has at all times in the year complied with provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and
- As at the date of the statement, the company continues to be in compliance with the provisions of the Ordinance and Rules made framed there under as mentioned above.

ACKNOWLEDGEMENT

Your Directors are thankful to the Insurance Division of Securities & Exchange Commission of Pakistan. Pakistan Reinsurance Company Limited (PRCL) our Overseas Re-insurers and Banks for their wholehearted support and cooperation. Thanks are due to our esteemed and valued clients for their continued patronage. The above results would not have been possible without hard work, dedication and efforts of Officers, Field Force and the Staff of your Company. Your Directors therefore, record their indebtedness and thanks to all of them, for their hard work and dedication.

Lahore:
March 31, 2010

Chairman and Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE For The Year Ended December 31, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange and also of Lahore Stock Exchange 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 effective representation of independent non-executive directors and directors representing minority interests in its Board of Directors. At present the Board includes one independent director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the Directors have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of relevant stock exchanges.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. No casual vacancy occurred in the Board during the year.
6. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. Directors are well aware of their duties and responsibilities; however orientation courses for the directors were arranged to apprise them of their duties and responsibilities and all excepting who could not attend, have participated in orientation courses.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO and initialed by the External Auditor before approval of the Board.

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

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

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

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. Once a year the audit committee also meets the representation. of External Auditors without the presence of CFO and the head of internal auditor and similarly it meets the head of internal audit without the presence of the CFO and External Auditor. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has formed Underwriting, Claims Settlement, Re-insurance & Co-insurance and Investment committees.

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

20. The related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation No. 35 (xiiia) of Karachi and Lahore Stock Exchanges. These details were also placed before the audit committee.

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

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

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

Lahore:
March 31, 2010

Chairman and Chief Executive

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
54-P, Gulberg II,
Lahore-54660, Pakistan.
Tel: 92-42-5875965-67
Fax: 92-42-5758621
E-Mail:rsrirlhr@brain.net.pk
Other Offices: Islamabad-Karachi

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ASIA INSURANCE COMPANY LIMITED** to comply with the Listing Regulation No. 35 of the Lahore & also of Karachi Stock

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

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

Further, Sub-Regulation (xiiia) of the said Listing Regulation No. 35 of the Lahore & Karachi Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
31 MAR 2010
LAHORE:

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

54-P, Gulberg II,
Lahore-54660, Pakistan.
Tel: 92-42-5875965-67
Fax: 92-42-5758621
E-Mail:rsrirlhr@brain.net.pk
Other Offices: Islamabad-Karachi

AUDITORS' REPORT TO THE MEMBERS -

We have audited the annexed financial statements comprising of:

i) Balance sheet;
ii) Profit and loss account;
iii) Statement of Comprehensive Income;
iv) Statement of changes in equity;
v) Cash flow statement;
vi) Statement of premiums;
vii) Statement of claims;
viii) Statement of expenses; and
ix) Stateinent of investment income;

of **Asia insurance Company Limited** (The Company) as at December 31, 2009 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit. The financial statements for the year ended December 31, 2008 were audited by another firm of Chartered Accountants who issued report dated March 31, 2009. The aforesaid auditors' report expressed an unqualified opinion.

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 fiancial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2009 and of the profit, its comprehensive income, its cash flows & changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir
31 MAR 2010
Lahore

BALANCE SHEET

	Note	2009 Rupees	2008 Rupees
Share capital and Reserves			
Authorised share capital			
30,000,000 ordinary shares of Rs.10/- each		**300,000,000**	**300,000,000**
Paid up share capital	6	200,000,000	160,000,000
Retained Earnings		25,956,743	21,070,332
Reserves		2,500,000	2,500,000
		228,456,743	**183,570,332**
Surplus on revaluation of fixed assets	7	**127,207,970**	**127,207,970**
Underwriting provisions			
Provision for outstanding claims (including IBNR)		26,408,814	22,378,416
Provision for unearned premium		18,153,713	27,991,574
Commission income unearned		1,486,717	2,278,033
		46,049,244	**52,648,023**
Deferred liabilities			
Deferred Taxation	8	**-**	**1,285,016**
Creditors and accruals			
Premiums received in advance		1,749,675	237,616
Amounts due to other insurers / reinsurers		4,550,746	8,401,276
Accrued expenses		250,000	200,000
Taxation - provision less payment		1,872,024	2,659,348
Other creditors and accruals	9	9,322,624	1,643,430
		17,745,069	**13,141,670**
Other liabilities			
Unclaimed Dividend		59,962	59,962
TOTAL LIABILITIES		63,854,275	67,134,671
TOTAL EQUITY AND LIABILITIES		**419,518,988**	**377,912,973**
Contingencies and Commitments	10		

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

Chairman **Director** **Director** **Principal Officer**

	Note	2009 Rupees	2008 Rupees
Cash and bank deposits	11		
Current and other accounts		4,998,262	4,686,222
Deposits maturing within 12 months		144,000,000	123,730,726
		148,998,262	**128,416,948**
Investments	12	**22,455,644**	**6,356,135**
Deferred tax Asset	13	**330,496**	-
Current Assets- Others			
Premiums due but unpaid-unsecured	14	12,465,512	17,795,878
Amounts due from other insurers / reinsurers-unsecured		23,600,955	18,198,319
Accrued investment income		8,904,016	8,410,592
Reinsurance recoveries against outstanding claims		13,916,040	9,832,749
Deferred commission expense		1,887,879	2,960,460
Prepaid reinsurance premium ceded		6,710,788	10,077,214
Sundry receivables	15	11,485,806	13,062,599
		78,970,996	**80,337,811**
Fixed Assets (Tangible)	16		
Land - freehold		151,147,800	150,000,000
Building		518,433	-
Furniture and fixtures		669,310	476,556
Office equipment		1,350,897	1,179,704
Motor vehicles		10,751,901	7,347,556
Computer Accessories		216,886	-
		164,655,227	**159,003,816**
Capital Work in Progress (Building)		**4,108,363**	**3,798,263**
TOTAL ASSETS		**419,518,988**	**377,912,973**

Chairman **Director** **Director** **Principal Officer**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Fire & Property	Marine, Aviation and Transport	Motor	Miscellaneous	2009 Aggregate	2008 Aggregate
		----------Rupees----------					
Net Premium Revenue		13,545,219	2,654,688	12,628,820	939,430	29,768,157	32,202,992
Net Claims		(6,024,728)	(218,351)	(3,803,783)	(904,685)	(10,951,547)	(14,737,256)
Expenses	17	(7,969,101)	(1,350,581)	(5,571,512)	(1,335,327)	(16,226,521)	(12,183,433)
Net Commission		(1,274,009)	(284,783)	(716,321)	1,146,006	(1,129,107)	(2,021,481)
Underwriting results		(1,722,619)	800,973	2,537,204	(154,576)	1,460,982	3,260,822
Investment Income						19,548,570	9,569,669
Other Income	18					257,980	279,017
						19,806,550	9,848,686
						21,267,532	13,109,508
General and administration expenses	19					(13,912,443)	(3,661,887)
Profit before tax						**7,355,089**	**9,447,621**
Provision for taxation	20					(2,468,678)	(3,929,889)
Profit after tax						**4,886,411**	**5,517,732**
Earnings per share (EPS)	21					**0.301**	**0.437**

Appropriations have been reflected in statement of changes in equity.

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

Chairman **Director** **Director** **Principal Officer**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
	RUPEES	
Profit after tax for the year	4,886,411	5,517,732
Other comprehensive income:		
Gain on property revaluation	-	100,000,000
Income tax relating to components of other comprehensive income	-	-
Total comprehensive income for the year	4,886,411	105,517,732

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

Chairman **Director** **Director** **Principal Officer**

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

	Paid up share capital	Revenue Reserves		Total share capital & reserves	Surplus on revaluation of fixed assets	Total
		Un-appropriated profit	Reserves			
	----------Rupees----------					
Balance as at January 1, 2008	120,000,000	15,552,600	2,500,000	138,052,600	27,207,970	**165,260,570**
Issue of right shares- 1 share for every 3 shares held	40,000,000	-	-	40,000,000	-	**40,000,000**
Surplus arising on revaluation of freehold land					100,000,000	**100,000,000**
Net profit for the year ended Dec 31, 2008	-	5,517,732	-	5,517,732	-	**5,517,732**
Total comprehensive income for the year	-	5,517,732	-	5,517,732	100,000,000	105,517,732
Balance as at December 31, 2008	**160,000,000**	**21,070,332**	**2,500,000**	**183,570,332**	**127,207,970**	**310,778,302**
Balance as at January 1, 2009	160,000,000	21,070,332	2,500,000	183,570,332	127,207,970	**310,778,302**
Issue of right shares- 1 share for every 4 shares held	40,000,000	-	-	40,000,000	-	**40,000,000**
Net profit for the year ended Dec 31, 2009	-	4,886,411	-	4,886,411	-	**4,886,411**
Total comprehensive income for the year	-	4,886,411	-	4,886,411	-	**4,886,411**
Balance as at December 31, 2009	**200,000,000**	**25,956,743**	**2,500,000**	**228,456,743**	**127,207,970**	**355,664,713**

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

Chairman **Director** **Director** **Principal Officer**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 Rupees	2008 Rupees
Operating Cash Flows		
a) Underwriting activities		
Premiums received	37,627,141	49,844,656
Reinsurance premiums paid	(22,655,872)	(20,113,882)
Claims paid	(27,910,165)	(24,054,277)
Reinsurance and other recoveries received	16,905,725	11,184,444
Commissions paid	(3,943,604)	(5,755,307)
Commissions received	3,095,762	6,052,991
Other underwriting payments	265,576	447,482
Other underwriting receipts	1,576,793	93,684
Net cash flow from underwriting activities	4,961,356	17,699,791
b) Other operating activities		
Income tax paid	(4,871,514)	(849,925)
General management expenses paid	(14,910,536)	(13,548,014)
Other operating payments	(200,000)	(1,534,366)
Other operating receipts in respect of operating assets	160,506	(4,897,874)
Net cash outflow from other operating activities	(19,821,544)	(20,830,179)
Total cash flow from operating activities	(14,860,188)	(3,130,388)
Investment activities		
Profit / return received	19,032,596	8,681,179
Dividends received	22,550	598,750
Proceeds from disposal of investments	-	225,000
Payments for investments	(16,099,509)	(4,010,083)
Fixed capital expenditure	(8,014,135)	(3,663,403)
Proceeds from disposal of fixed assets	500,000	2,189,786
Total cash flow from investing activities	(4,558,498)	4,021,229

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

Financing activities	2009 Rupees	2008
Issue of right shares	40,000,000	40,000,000
Dividend Paid	-	(7,994,278)
Financial charges paid	-	(174,103)
Payments on finance leases	-	(626,853)
Total cash flow from financing activities	40,000,000	31,204,766
Net cash inflow/(outflow) from all activities	20,581,314	32,095,607
Cash and cash equivalent at the beginning of the year	128,416,948	96,321,341
Cash and cash equivalent at the end the year	148,998,262	128,416,948

RECONCILIATION TO PROFIT AND LOSS ACCOUNT

	2009 Rupees	2008 Rupees
Operating cash flows	(14,860,188)	(3,130,388)
Financial charges expense	(53,914)	(174,103)
Bad debts expense	(5,914,712)	-
Depreciation expense	(1,650,098)	(1,908,967)
Profit/(loss) on disposal of fixed assets	97,474	185,333
Increase / (Decrease) in assets other than cash	11,494,490	7,814,680
(Increase) / Decrease in liabilities	(5,390,723)	(8,451,383)
	(16,277,671)	(5,664,828)
Other Adjustments		
Dividend	22,550	598,750
Interest, rental and other income	19,526,020	10,503,258
Deferred taxation	1,615,512	80,552
	21,164,082	11,182,560
Profit after tax	**4,886,411**	**5,517,732**

Cash and cash equivalents for the purpose of the Statement of Cash Flows consists of:

	2009 Rupees	2008 Rupees
Current accounts	4,998,262	4,686,222
Deposit accounts maturing within 12 months	144,000,000	123,730,726
	148,998,262	128,416,948

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

Chairman **Director** **Director** **Principal Officer**

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2009

Class of Business	31-Dec-09									31-Dec-08
	Premiums Written	Unearned Premium Reserve		Premiums Earned	Reinsurance Ceded	Prepaid Reins. Premium Ceded		Reins. Expenses	Net Premium Revenue	Net Premium Revenue
		Opening	Closing			Opening	Closing			
	---------------- R u p e e s ----------------									
Direct & Facultative										
Fire & Property damage	18,023,670	13,771,823	8,363,763	23,431,730	7,839,091	5,754,691	3,707,271	9,886,511	13,545,219	14,100,371
Marine, Aviation & Transport	3,054,601	2,304,698	1,431,137	3,928,162	881,432	860,132	468,090	1,273,474	2,654,688	4,081,663
Motor	12,601,057	8,221,686	6,496,886	14,325,857	2,284,203	450,739	1,037,905	1,697,037	12,628,820	12,840,178
Miscellaneous	3,020,100	3,693,367	1,861,927	4,851,540	2,397,980	3,011,652	1,497,522	3,912,110	939,430	1,180,780
Grand Total	36,699,428	27,991,574	18,153,713	46,537,289	13,402,706	10,077,214	6,710,788	16,769,132	29,768,157	32,202,992

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

Chairman **Director** **Director** **Principal Officer**

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2009

					31-Dec-09					31-Dec-08
Class of Business	Claims Paid	Claims Outstanding		Claims Expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims Expense	Net Claims Expense
		Opening	Closing			Opening	Closing			
				-----R u p e e s-----						
Direct & Facultative										
Fire & Property damage	16,271,366	5,567,494	13,311,153	24,015,025	12,646,216	3,115,427	8,459,508	17,990,297	6,024,728	2,370,822
Marine, Aviation & Transport	2,326,454	5,288,556	3,709,435	747,333	1,666,184	3,128,290	1,991,088	528,982	218,351	1,228,955
Motor	6,516,186	10,045,205	7,718,678	4,189,659	553,780	2,466,772	2,298,868	385,876	3,803,783	10,692,061
Miscellaneous	2,796,159	1,477,161	1,669,548	2,988,546	2,039,545	1,122,260	1,166,576	2,083,861	904,685	445,418
Grand Total	27,910,165	22,378,416	26,408,814	31,940,563	16,905,725	9,832,749	13,916,040	20,989,016	10,951,547	14,737,256

The annexed notes form an integral part of these financial statements

Chairman	Director	Director	Principal Officer

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

Class of Business	31-Dec-09 Commission Paid	Deferred Commission Opening	Deferred Commission Closing	Net Commission Expense	Other Management Expenses	Underwriting Expenses	Commission from Reinsurers	Net Underwriting Expenses	31-Dec-08 Net Underwriting Expenses
	---R u p e e s---								
Direct and Facultative:									
Fire and property damage	2,703,562	2,021,050	1,254,571	3,470,041	7,969,101	11,439,142	2,196,032	9,243,110	7,639,922
Marine, Aviation & Transport	458,213	347,145	214,687	590,671	1,350,581	1,941,252	305,888	1,635,364	1,689,403
Motor	630,800	411,036	325,515	716,321	5,571,512	6,287,833	-	6,287,833	4,347,782
Miscellaneous	151,029	181,229	93,106	239,152	1,335,327	1,574,479	1,385,158	189,321	527,807
Grand Total	3,943,604	2,960,460	1,887,879	5,016,185	16,226,521	21,242,706	3,887,078	17,355,628	14,204,914

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

Chairman **Director** **Director** **Principal Officer**

STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

Income from Non Trading Investment:	31-Dec-09	31-Dec-08
	Rupees	
Held to Maturity		
Return on Government Securities-DSC	193,062	1,183,609
Return on Fixed Income -Deposits	19,009,785	9,319,649
	19,202,847	10,503,258
Available for Sale		
Dividend Income	22,550	598,750
(Provision for impairment in)/Reversal of impairment in Investments 'Available for Sale'	323,173	(1,532,339)
	345,723	(933,589)
Net Investment Income	**19,548,570**	**9,569,669**

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

Chairman **Director** **Director** **Principal Officer**

1 STATUS AND NATURE OF BUSINESS

Asia Insurance Company Limited was incorporated in Pakistan as a Public Limited Company on December 6, 1979 and is engaged in General Insurance business since 1980. Its registered office is situated at 456-K Model Town, Lahore. Shares of the Company are quoted on Karachi and Lahore Stock Exchanges.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of S.R.O. 938, dated 12th December 2002, issued by the Securities and Exchange Commission of Pakistan (SECP) and the Insurance Ordinance, 2000.

3 STATEMENT OF COMPLIANCE

3.1 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.

SECP has allowed insurance companies to defer the application of International Accounting Standard-39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of Investments available-for-sale until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by the SECP, have not been considered in the preparation of these financial statements.

3.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements:

The following standards, amendments and interpretations of approved accounting standards became effective during the year:

* Revised IAS 1 - Presentation of financial statements has introduced the term total comprehensive income. Total comprehensive income may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income.

* Revised IAS 23 - Borrowing costs has removed the option to expense borrowing costs and requires that an entity capitalize borrowing costs as part of the cost of that asset. This standard did not affect the Company's financial statements.

* IAS 27 - Consolidated and separate financial statements. The amendment removed the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not relevant to the Company's financial statements.

* 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.

* 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 application of the standard has resulted in increased disclosures only.

* Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation requires Puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which required retrospective application, had no impact on the Company's financial statements.

* Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non vesting conditions and cancellations. The application of this standard did not have any effect on the Company's financial statements.

* Amendment to IFRS 7 - Improving disclosures about Financial Instruments. These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment did not affect the Company's financial statements.

* Amendments to IAS 39 and IFRIC 9 - Embedded derivatives. Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not relevant to the Company's financial statements.

* IFRIC 16 - Hedge of Net Investment in a Foreign Operation has clarified that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation and an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

* IFRIC 18 - Transfers of Assets from Customers clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation is not relevant to the Company's operations.

* The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments however did not have an impact on the Company's financial statements.

3.3 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:

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for outstanding claims including incurred but not reported (IBNR). (Note 5.6)

b) Classification of investments. (Note 5.10)

c) Useful lives and Residual value of Fixed Assets. (Note 5.13.1)

d) Premium Deficiency Reserves (Note 5.4)

e) Provision for taxation including the amount relating to tax contingency. (Note 5.7.1)

Other areas involving estimates and judgment are disclosed in respective notes to the financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

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

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

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

5.2 Underwriting results

Underwriting result is calculated by deducting from Gross Premium of each class of business, reinsurance cost incurred, claims, commission, allocable expenses of management and reserve for unexpired premium.

5.3 Provision for un-earned premium

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

The liability for unexpired premium has been calculated by applying 1/24th method in accordance with the relevant provisions of S.R.O. 938 of SECP (Insurance) Rules 2002.

5.4 Premium deficiency reserve

Premium deficiency reserve is to be maintained where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business, to comply with the requirements of the S.R.O. 938 issued by the SECP in December 2002. Any movement in the reserve is to be charged to the profit and loss account.

The management considers that unearned premium reserve for all classes of business as at the year end is adequate to meet the net expected future liability after reinsurance, from claims and other expenses, expected to be incurred after 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 Commission

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

The company uses 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938 of SECP (Insurance) Rules 2002.

5.9 Loans & advances/other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.10 Investments

5.10.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognised and classified into the following categories:

- Held to Maturity
- Available for Sale

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

5.10.2 Measurement

5.10.2.1 Held to maturity

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

Subsequent to initial recognition at cost, these investments are measured at amortised cost, less provision for impairment in value, if any. Amortised cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

5.10.2.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates etc. are classified as available for sale and are stated at cost.

Subsequent to initial recognition at cost these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of S.R.O. 938 issued by SECP on aggregate portfolio basis at the balance sheet date. The company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in delisted companies is computed to net assets of the investee on the basis of the latest available audited financial statements.

5.11 Amount due to/from other insurers/reinsurers

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

5.12 Investment properties

The investment properties are accounted for under the cost model where land is not depreciated and building is depreciated @ 5% annually on written down value method.

5.13 Fixed assets

5.13.1 Owned

Fixed assets are stated at cost less accumulated depreciation except land and building given in note 16, which are valued at revalued amount less subsequent accumulated depreciation and impairment, if any, calculated on reducing balance method using the rates given in fixed assets schedule. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact of depreciation is significant.

Depreciation on additions to tangible fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month of disposal.

Gains and losses on disposal of fixed assets are included in income currently. Normal repairs and maintenance is charged to income currently.

5.13.2 Assets subject to finance lease

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged to income applying the rates stated in fixed assets schedule.

5.13.3 Capital work in progress

Capital work in progress is stated at cost accumulated upto the balance sheet date.

5.13.4 Intangible

Software development costs are capitalized only 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.

5.14 Financial Instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognised at the time when entity becomes a party to the contractual provisions of the instrument and de-recognised when the entity 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 de-recognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, investments, accrued investment income, sundry receivables, accrued expenses, sundry creditors and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.15 Foreign currency transactions and translations

The financial statements are presented in Pak Rupees which is the Company's functional and presentation currency. Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on transactions are recognized in the profit and loss account. All non monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

5.16 Revenue recognition

5.16.1 Premium

Premium receivable/received under a policy are recognized at the time of issuance of policy. Similarly reinsurance premium is recorded at the time of reinsurance is ceded.

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company utilizes the provision for doubtful debts to reduce the carrying amount of the receivables accordingly and recognizes that impairment loss in profit & loss account.

5.16.2 Claims

Claims are considered to be incurred at the time when claims are lodged with the company. However, claims incurred but not reported at year end are determined from subsequent to year end.

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

5.16.3 Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividend and bonus share is established.

5.16.4 Acquisition cost

Commission due on Direct, Facultative and Treaty business and on Reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

5.17 Expenses of management

Expenses of management are allocated to Revenue Account on the basis of Gross Direct Premium.

5.18 Staff retirement benefits

The company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% of basic salary and cost of living allowance.

5.19 Segment reporting

Primary segments

The company's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services and serves different markets. The company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

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

Marine insurance segment provides cover cargo risk, war risk and damages occurring in sea water, on Board, at ports and during inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage of motor vehicles.

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

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

5.20 Dividend

Dividend distribution to the company's shareholders is recognised as liability in the period in which the dividends are approved.

5.21 Figures

Comparative figures have been rearranged wherever necessary for the purpose of comparison and better presentation, however, there is no material re-classification except expenses recovered during previous year were netted off from the statement of expenses, now deducted from the management expenses.

6 PAID UP SHARE CAPITAL

Issued, Subscribed and Paid up capital

2009	2008		2009	2008
No. of Shares			Rupees	
		Opening Balance		
16,000,000	12,000,000	Ordinary Share of Rs. 10/- each fully paid in cash	160,000,000	120,000,000
		Additions:		
4,000,000	4,000,000	Right Issue during the year of 1 ordinary share for every 4 ordinary shares held (2008: 3 ordinary shares held)	40,000,000	40,000,000
20,000,000	16,000,000		200,000,000	160,000,000

7 SURPLUS ON REVALUATION OF FIXED ASSETS

	2009 Rupees	2008 Rupees
Opening balance	127,207,970	27,207,970
Additions during the year	-	100,000,000
	127,207,970	127,207,970

Land and building are revalued periodically. The revaluation surplus of an asset is adjusted in the year in which disposal of the respective asset is made. The balance surplus represents the land located at 19-C and D Block-L, Gulberg III, Lahore which was previously revalued in December, 2005 by an independent valuer M/s Surval which resulted in net surplus of Rs 27,207,970. Plot 19-C and D Block-L, Gulberg-III, Lahore was revalued on August 06, 2008 by an independent valuer M/s AIM Associates Limited, Lahore. The valuation resulted in net surplus of Rs 100,000,000. This amount has been credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

8	DEFERRED TAXATION	2009 Rupees	2008 Rupees
	Net deferred tax liability arrived at as under:		
	Taxable temporary difference		
	Accelerated depreciation	-	1,285,016
8.1	Deferred tax expense recognized in profit and loss account has been arrived at as under:		
	Opening deferred tax liability	-	1,365,568
	Add: (Reversal)/charged during the year		(80,552)
	Net deferred tax liability as at December 31	-	1,285,016

9 OTHER CREDITORS AND ACCRUALS

	2009 Rupees	2008 Rupees
Federal Excise duty payable	1,087,082	817,363
Federal insurance fee payable	90,270	94,413
Staff Provident Fund	3,832	-
Tax deducted at source	9,947	42,646
Outstanding agency commissions	432,093	309,623
Zakat payable	-	8,900
Miscellaneous	7,699,400	370,485
	9,322,624	1,643,430

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Suits for recovery of approximate Rs 13.864 million (2008: Rs. 13.864 million) have been lodged but are not accepted by the company and the cases are pending adjudication before different courts. The company is advised by its legal advisor that such claims are untenable and accordingly management has not provided any contingent liability in respect thereof.

10.1.2 The appeals filed by the company before Income Tax Appellate Tribunal (ITAT) for assessment years 2000-01, 2001-02 and 2002-03 have been decided in favour of the company except for certain add back of profit and loss expenses. The issue of disallowance of depreciation amounting to Rs 263,546/- has been set aside for denovo proceedings by the Taxation Officer.

10.1.3 Guarantee issued by bank on behalf of the company Rs. Nil (2008: Rs. Nil).

10.2 Commitments

Commitments in respect of capital expenditure Rs. Nil (2008: Rs Nil).

11 CASH AND BANK DEPOSITS

	2009 Rupees	2008 Rupees
Current and other accounts		
PLS savings accounts	3,916,978	2,381,211
Current accounts	1,081,284	2,305,011
	4,998,262	4,686,222
Deposits maturing within 12 month - Term deposits	144,000,000	123,730,726
	148,998,262	128,416,948

12 INVESTMENTS

Available for sale			
Marketable securities - Book value	12.1	6,303,474	6,303,474
Less: Impairment in value of investments		(1,209,166)	(1,532,339)
		5,094,308	4,771,135
Held to Maturity			
Defence Saving Certificates		1,585,000	1,585,000
Pakistan Investment Bonds (10 years)		15,776,336	-
		17,361,336	1,585,000
		22,455,644	6,356,135

12.1 AVAILABLE FOR SALE

Marketable Securities

No. of shares		Face value of shares	Company's name	Rupees	
2009	2008			2009	2008
			Ordinary Shares of Companies		
QUOTED					
693	693	10	General Tyres and Rubber Co. Ltd.	3,448	3,448
200	200	10	Suhail Jute Mills Ltd.	1,820	1,820
5,625	5,625	10	Brothers Textiles Ltd.	82,200	82,200
5,350	5,350	10	Khalid Siraj Textiles Ltd.	80,300	80,300
5,843	5,843	10	First IBL Modaraba	107,300	107,300
7,250	7,250	10	B.R.R. 2nd Modaraba	101,100	101,100
50,400	50,400	5	First Habib Modaraba	316,250	316,250
15,000	15,000	10	Sulman Noman Enterprises Ltd.	182,750	182,750
1,000	1,000	10	Tawakkal Polyester Ind. Ltd.	27,000	27,000
5,000	5,000	10	Haseeb Waqas Sugar Mills Ltd.	116,250	116,250
210	210	10	Islamic Investment Bank Ltd.	5,000	5,000
5,379	5,379	10	National Bank of Pakistan Ltd.	59,479	59,479
99,307	89,770	10	N.I.T. Units	3,626,558	3,626,558
6,185	6,185	10	World Call Broad Band Ltd.	50,000	50,000
3,000	3,000	10	Sui Southern Gas Pipe Line Ltd.	78,450	78,450
3,375	3,000	10	Bank Al-Falah Ltd.	70,300	70,300
660	550	10	Pakistan Petroleum Ltd.	27,500	27,500
6,500	6,500	10	Pakistan International Airlines	70,000	70,000
500	500	10	Kot Adu Power Co. Ltd.	15,000	15,000
600	600	10	Attock Petroleum Ltd.	28,950	28,950
272	218	10	The Bank of Khayber Ltd.	15,000	15,000
660	550	10	Habib Bank Limited	117,500	117,500
5,000	5,000	10	Bank of Punjab	311,250	311,250
7,500	6,000	10	Askari Bank Limited	401,160	401,160
1,000	1,000	10	Lucky Cement	111,650	111,650
1,100	1,000	10	MCB Bank Limited	297,259	297,259
				6,303,474	6,303,474

The market value of quoted shares as at December 31, 2009 is 5,094,308/- (2008: 4,771,135/-).

12.2 Company has deposited following securities with State Bank of Pakistan against statutory deposits under the Insurance Ordinance, 2000.

	2009 Rupees	2008 Rupees
N.I.T. Units	252,000	252,000
Defence Saving Certificates	1,150,000	1,150,000
P.I.B	15,776,336	-
	17,178,336	1,402,000

13 DEFERRED TAX ASSET

Net deferred tax asset arrived at as under:

(Taxable)/deductible temporary differences:

	2009	2008
Accelerated depreciation	(1,737,280)	-
Provision for doubtful premiums	2,067,776	-
	330,496	-

Deferred tax expense recognized in profit and loss account has been arrived at as under:

	2009 Rupees	2008 Rupees
Opening deferred tax liability	1,285,016	-
Add: (Reversal)/charged during the year	(1,615,512)	-
Net deferred tax asset as at December 31	(330,496)	-

14 PREMIUMS DUE BUT UNPAID-UNSECURED

	2009	2008
Premiums due but unpaid	18,373,444	17,795,878
Provision for doubtful premiums	(5,907,932)	-
	12,465,512	17,795,878

15 SUNDRY RECEIVABLES

	2009 Rupees	2008 Rupees
Security deposits	434,311	445,508
Income tax refunds due	2,147,052	2,147,052
Agents balances	898,696	885,857
Prepaid insurance premium	-	882,000
Advance for branches imprest	6,634,951	7,613,923
Advance office rent	131,100	173,700
Miscellaneous	1,239,696	914,559
	11,485,806	13,062,599

16 FIXED ASSETS

PARTICULARS	2009										
	COST/REVALUATION				DEPRECIATION						W.D.V.
	As at January 01, 2009	Additions / Adjustment	(Deletions)	As at December 31, 2009	Rate %	As at January 01, 2009	Adjustment	(Deletions)	For the year	As at December 31, 2009	As at December 31, 2009
OWNED											
Land - Free hold											
Cost	22,792,030	1,147,800	-	23,939,830	-	-	-	-	-	-	23,939,830
Revaluation	127,207,970	-	-	127,207,970		-	-	-	-	-	127,207,970
	150,000,000	1,147,800	-	151,147,800		-	-	-	-	-	151,147,800
Building - on freehold land	-	564,200	-	564,200	10	-	-	-	45,767	45,767	518,433
Furniture & Fixtures	858,078	247,700	-	1,105,778	10	381,522	-	-	54,946	436,468	669,310
Office Equipment	2,003,404	307,991	-	2,311,395	10	823,700	-	-	136,798	960,498	1,350,897
Vehicle	13,561,267	5,198,210	(1,236,000)	17,523,477	20	6,213,711	-	(833,474)	1,391,339	6,771,576	10,751,901
Computer & Accessories	-	238,134	-	238,134	30	-			21,248	21,248	216,886
	166,422,749	7,704,035	(1,236,000)	172,890,784		7,418,933	-	(833,474)	1,650,098	8,235,557	164,655,227

16.1 Fixed Assets schedule for for comparative figures is given below:

PARTICULARS	2008										
	COST/REVALUATION				DEPRECIATION						W.D.V.
	As at January 01, 2008	Additions / Adjustment	(Deletions)	As at December 31, 2008	Rate %	As at January 01, 2008	Adjustment	(Deletions)	For the year	As at December 31, 2008	As at December 31, 2008
OWNED											
Land - Free hold											
Cost	22,792,030	-	-	22,792,030	-	-	-	-	-	-	22,792,030
Revaluation	27,207,970	100,000,000		127,207,970		-		-	-	-	127,207,970
	50,000,000	100,000,000		150,000,000		-	-	-	-	-	150,000,000
Furniture & Fixtures	833,078	25,000	-	858,078	10	330,886	-	-	50,636	381,522	476,556
Office Equipment	1,925,994	77,410	-	2,003,404	10	696,457	-	-	127,243	823,700	1,179,704
Vehicle	10,663,307	2,826,960	(3,582,000)	13,561,267	20	4,336,396	1,788,082	(1,577,547)	1,666,780	6,213,711	7,347,556
		3,653,000									
	63,422,379	106,582,370	(3,582,000)	166,422,749		5,363,739	1,788,082	(1,577,547)	1,844,659	7,418,933	159,003,816
LEASED											
Vehicles	3,653,000	(3,653,000)	-	-	20	1,723,774	(1,788,082)	-	64,308	-	-
	67,075,379	102,929,370	(3,582,000)	166,422,749		7,087,513	-	(1,577,547)	1,908,967	7,418,933	159,003,816

16.2 **Statement of disposal of fixed assets for 2009 is as under:**

Particulars	Cost/Revalued	Accumulated depreciation	Book Value	Sale Price	Gain	Mode of disposal	Sold to
	----------Rupees----------						
Vehicle 1 Car Toyota Corrola LZK-1300, Model 2007	1,236,000	833,474	402,526	500,000	97,474	Negotiation	Mr. Irfan Qureshi Ex. Director

17 MANAGEMENT EXPENSES

	2009 Rupees	2008 Rupess
Salaries, wages and benefits	9,961,999	7,692,815
Rent, rates and taxes	2,245,564	1,699,028
Communications	542,197	606,960
Printing & stationery	362,565	285,568
Travelling and conveyance	873,991	730,752
Repairs and maintenance	2,815,080	2,021,906
Advertisement	110,695	88,784
Others	633,507	930,200
	17,545,598	14,056,013
Less: Expenses recovered	(1,319,077)	(1,872,580)
	16,226,521	12,183,433

18 OTHER INCOME

Income from financial assets:		
Profit on PLS saving account	141,097	70,750
Income from non financial assets:		
Profit on sale of fixed assets	97,474	185,333
Miscellaneous	19,409	22,934
	257,980	279,017

19	GENERAL AND ADMINISTRATION EXPENSES		2009 Rupees	2008 Rupees
	Directors' remuneration		660,000	250,000
	Fee and subscription		846,433	553,007
	Company's contribution to Provident Fund		341,389	370,894
	Business Promotion Expenses		3,443,473	-
	Auditors' remuneration	19.1	250,000	150,000
	Legal & professional charges		477,398	238,252
	Finance cost on leased assets		-	174,103
	Bad debt expense		5,914,712	-
	Market Development Charges		275,026	-
	Interest on Loan from Provident Fund		53,914	-
	Depreciation		1,650,098	1,908,967
	Zakat		-	16,664
			13,912,443	3,661,887
19.1	**Auditors' remuneration**			
	Audit fee		250,000	150,000
20	**PROVISION FOR TAXATION**			
	Current:			
	For the year		4,620,509	3,509,275
	Prior year		(536,319)	501,166
			4,084,190	4,010,441
	Deferred		(1,615,512)	(80,552)
			2,468,678	3,929,889

22 REMUNERATION OF DIRECTORS & EXECUTIVES

	Executives		Directors	
	2009	2008	2009	2008
	Rupees			
Managerial remuneration	1,500,000	1,000,000	440,000	161,665
House rent and utility allowance	800,000	500,000	220,000	88,335
	2,300,000	1,500,000	660,000	250,000
Number of Persons	1	1	1	1

In addition, executive and director are also provided with free use of company's maintained car for office purpose only.

23 RELATED PARTY TRANSACTIONS

Balances with related pastries have been disclosed in the relevant balance sheet note, if any. Transactions with related parties are as follows:

Relation	**Transactions**		
Key Management Personnel:		**2009 Rupees**	**2008 Rupees**
Directors	Purchase of property by Company	1,600,000	-
	Sale of vehicle by Company	500,000	-

Remuneration to director and executive is disclosed in note 22 to the financial statements.

		2009 Rupees	**2008 Rupees**
Retirement Benefit Plan:			
	Contribution to Provident Fund	341,389	370,894

24. SEGMENT REPORTING

Particulars	Fire Insurance		Marine Aviation and Transport		Motor		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue										
Premium earned	23,451,730	24,667,449	3,928,162	6,086,444	14,325,857	14,779,116	4,851,540	5,727,359	46,537,289	51,260,368
Segment results	(1,722,619)	4,089,627	800,973	1,163,305	2,537,204	(2,199,665)	(154,576)	207,555	1,460,982	3,260,822
Investment income									19,548,570	9,569,669
Other income									257,980	279,017
General and administrative expense									(13,912,443)	(3,661,887)
Profit before tax									7,355,089	9,447,621
Provision for tax									(2,468,678)	(3,929,889)
Net profit									4,886,411	5,517,732
Other information										
Segment assets	28,999,870	28,326,757	6,392,647	6,989,341	17,236,814	16,971,533	5,951,843	6,576,988	58,581,174	58,864,619
Unallocated assets		-		-		-		-	360,937,814	319,048,354
Total assets	28,999,870	28,326,757	6,392,647	6,989,341	17,236,814	16,971,533	5,951,843	6,576,988	419,518,988	377,912,973
Segment liabilities	29,676,246	30,259,781	6,521,564	7,466,296	19,820,916	18,129,674	5,643,616	7,025,803	61,662,342	62,881,554
Unallocated liabilities		-		-		-		-	2,191,933	4,253,117
Total liabilities	29,676,246	30,259,781	6,521,564	7,466,296	19,820,916	18,129,674	5,643,616	7,025,803	63,854,275	67,134,671
Capital Expenditure	4,035,153	1,762,898	676,464	434,977	2,467,040	1,056,213	835,478	409,315	8,014,135	3,663,403
Depreciation/ Amortization	830,834	918,631	139,282	226,663	507,959	550,383	172,023	213,290	1,650,098	1,908,967

25. 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. 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.

25.1 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 company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	Category of Financial assets	2009 Rupees	2008 Rupees
Current and other accounts	Loans & Receivables	4,998,262	4,686,222
Deposits maturing within 12 months	Loans & Receivables	144,000,000	123,730,726
Investments	Available for sale	5,094,308	4,771,135
	Held to Maturity	17,361,336	1,585,000
Premiums due but unpaid	Loans & Receivables	12,465,512	17,795,878
Amount due from other insurers / reinsurers	Loans & Receivables	23,600,955	18,198,319
Reinsurance recoveries against outstanding claims	Loans & Receivables	13,916,040	9,832,749
Accrued investment income	Loans & Receivables	8,904,016	8,410,592
Sundry receivables	Loans & Receivables	11,485,806	13,062,599
		241,826,235	202,073,220

The company does not hold any collateral against the above during the year. General provision is made for receivables according to the company's policy. This impairment provision is utilized to write off a financial asset when it is determined that company cannot recover the balance due. During the year premiums due but unpaid to the extent of Rs. 5,907,932/- (2008: Nil) were impaired and provided for.

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

	Rating Short term	Rating Long term	Rating Agency	2009 Rupees	2008 Rupees
MCB Bank Limited	A1+	AA+	PACRA	63,546	276,036
Royal Bank of Scotland	A1+	AA	PACRA	387,571	1,981,661
Habib Bank Limited	A1+	AA+	JCR-VIS	480,341	518,668
KASB Bank Limited	A1	A	PACRA	23,240	232,917
HSBC	A1+	AA	PACRA	15,566	8,811
United Bank Limited	A1+	AA+	JCR-VIS	34,088	342,002
Bank Alfalah Limited	A1+	AA	PACRA	-	58
Bank of Punjab	A1+	AA-	PACRA	99,920	456,402
Atlas Bank Limited	A2	A-	JCR-VIS	2,498,356	
Saudi Pak Bank Limited	A-3	A-	JCR-VIS	17,201	113,733
NIB Bank Limited	A1+	AA-	PACRA	200,055	226,355
Allied Bank Limited	A1+	AA	PACRA	250,199	425,252
Faysal Bank Limited	A1+	AA	PACRA	833,461	-
My Bank	A2	A-	PACRA	24,370	-
Standard Chartered Bank Limited	A1+	AAA	PACRA	70,348	104,327
				4,998,262	4,686,222

Age Analysis of Premiums due but unpaid, amount due from other insurers/reinsurers, reinsurance recoveries against outstanding claims and sundry receivables is as under:

	2009 Rupees	2008 Rupees
Upto 1 year	48,483,336	45,314,783
1-2 years	2,843,924	4,032,682
Over 2 years	10,141,053	9,542,080
	61,468,313	58,889,545

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2009 Rupees	2008 Rupees
A or above (including PRCL)	22,236,244	13,916,040	36,152,284	-
BBB	-	-	-	-
Others	1,364,711		1,364,711	28,031,067
Total	23,600,955	13,916,040	37,516,995	28,031,067

25.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the balance sheet date, company has cash and bank balance of Rs. 4,998,262/- (2008: Rs. 4,686,222/-).

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

	2009(Rupees)				
	Category of financial liability	Carrying Amount	Contractual Cash Flows	Up to One Year	More Than One Year
Financial liabilities:					
Provision for outstanding claims (including IBNR)	At amortised cost	26,408,814	26,408,814	26,408,814	-
Amount due to other insurers / reinsurers	At amortised cost	4,550,746	4,550,746	4,550,746	-
Accrued expenses	At amortised cost	250,000	250,000	250,000	-
Unclaimed dividend	At amortised cost	59,962	59,962	59,962	-
Other creditors and accruals	At amortised cost	9,322,624	9,322,624	9,322,624	-
		40,592,146	40,592,146	40,592,146	-

	2008(Rupees)				
	Category of financial liability	Carrying Amount	Contractual Cash Flows	Up to One Year	More Than One Year
Financial liabilities:					
Provision for outstanding claims (including IBNR)	At amortised cost	22,378,416	22,378,416	22,378,416	-
Amount due to other insurers / reinsurers	At amortised cost	8,401,276	8,401,276	8,401,276	-
Accrued expenses	At amortised cost	200,000	200,000	200,000	-
Unclaimed dividend	At amortised cost	59,962	59,962	59,962	-
Other creditors and accruals	At amortised cost	1,643,430	1,643,430	1,643,430	-
		32,683,084	32,683,084	32,683,084	-

25.3 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 optimising 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 or a financial instrument will fluctuate due to changes in the market interest/mark up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies.

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

Financial Assets

	Effective interest rate (in %)	2009 Rupees	2008 Rupees
Saving accounts	5 to 6%	3,916,978	2,381,211
Deposit maturing within 12 months - Fixed rate	13% to 20%	144,000,000	123,730,726
Investments			
- Interest bearing - Fixed rate	11 to 12%	17,361,336	1,585,000
		165,278,314	127,696,937

Sensitivity analysis

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) profit for the year by the amounts shown below.

	2009 Rupees	2008 Rupees
Cash flow sensitivity - Variable rate financial assets	39,170	23,812

It is assumed, for the purpose of sensitivity analysis, 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.

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. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs 5,094,308/- (2008: 4,771,135/-) at the balance sheet date.

25.5 Insurance risk

The company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policy holder, 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.

Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/industrial/residential occupation of the insurers. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details form part of the reports which are made available to the underwriters/reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

For Marine risk, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non proportional treaty which is very much in line with the risk management philosophy of the Company.

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

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----------			
Fire	10,619,426,850	14,349,421,124	4,556,683,080	6,102,513,167	6,062,743,770	8,246,907,957
Marine	1,407,919,676	2,277,098,802	443,510,905	740,928,016	964,408,771	1,536,170,786
Motor	450,790,689	535,370,614	-	-	450,790,689	535,370,614
Miscellaneous	918,830,376	1,741,546,606	705,183,846	1,444,828,446	213,646,530	296,718,160
	13,396,967,591	18,903,437,146	5,705,377,831	8,288,269,629	7,691,589,760	10,615,167,517

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. 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 recognized 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.

	Pre tax Profit		Shareholders' equity	
	2009	2008	2009	2008
	Rupees			
10% decrease in Loss				
Fire	602,473	237,082	172,262	408,963
Marine	21,835	122,896	(80,097)	116,331
Motor	380,378	1,069,206	(253,720)	(219,967)
Miscellaneous	90,469	44,542	15,458	20,756
	1,095,155	1,473,725	(146,097)	326,083

10% increase in loss would have the same but opposite impact on above analysis.

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 the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within year. Further, claims with significant uncertainties are not outstanding as at December 31, 2009.

Analysis on gross basis

Accident year	**2007**	**2008**	**2009**	**Total**
	Rupees			
Estimate of ultimate claims cost:				
At end of accident year	716,368	6,188,100	28,278,520	35,182,988
One year later	716,368	6,188,100	-	6,904,468
Two years later	716,368	-	-	716,368
Estimate of cumulative claims	716,368	6,188,100	28,278,520	35,182,988
Cumulative payments to date	(715,971)	(3,755,149)	(18,981,795)	(23,452,915)
Liability recognized in the balance sheet	397	2,432,951	9,296,725	11,730,073

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reported in the financial statements approximate their fair value except for equity and debt instruments held whose fair values have been disclosed in their respective notes to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

27 CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as the going concern in order to provide returns for share holders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with Circular No. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

	2009 Rupees	2010 Rupees	2011 Rupees
Minimum paid up capital	200,000,000	250,000,000	300,000,000

The company currently meets the externally imposed capital limit.

28 EVENTS AFTER BALANCE SHEET DATE

There is no event causing adjustment to or disclosure in financial statements.

29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue by the Board of Directors of the company on March 31, 2010.

Chairman **Director** **Director** **Principal Officer**

CLASSES OF ASSETS		Current Year		Prior Year		Valuation Basis
		Cost of book Value	Market / realizable Value	Cost of book Value	Market / realizable Value	
1	Current and other accounts	4,998,262	4,998,262	4,686,222	4,686,222	Actual
2	Deposit maturing within 12 months	144,000,000	144,000,000	123,730,726	123,730,726	Actual
3	Investments	22,455,644	22,455,644	6,303,474	4,771,135	Market value
4	Premium due but unpaid	12,465,512	12,465,512	17,795,878	17,795,878	Realized value
5	Amounts due from other insurer/ re-insurers	23,600,955	23,600,955	18,198,319	18,198,319	Realized value
6	Accrued investment income	8,904,016	8,904,016	8,410,592	8,410,592	Realized value
7	Sundry receivables	11,485,806	11,485,806	13,062,601	13,062,601	Realized value
8	Land and building	151,147,800	151,147,800	150,000,000	100,000,000	Market value
9	Furniture, fixtures and office equipments	2,755,526	2,755,526	1,656,261	1,656,261	Book value
10	Motor vehicle	10,751,901	10,751,901	7,347,556	7,347,556	Market value
11	Work in progress - Building	4,108,363	4,108,363	3,798,263	3,798,263	Book value
	TOTAL ASSETS **Rupees**	396,673,785	396,673,785	354,989,892	303,457,553	

The annexed notes 1 to 29 form an integral part of these financial statements

Chairman **Director** **Director** **Principal Officer**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT DECEMBER 31, 2009

Pattern of holding of the shares held by the shareholders as at December 31, 2009

No of shareholders	Shareholdings	Total shares held
11	Shareholding from 1 to 100 shares	227
7	shareholding from 101 to 500 shares	2,795
1	shareholding from 501 to 1000 shares	750
5	shareholding from 1,001 to 5,000	9,549
1	shareholding from 5,001 to 100,000	24,980
2	shareholding from 100,001 to 1,000,000	792,000
3	shareholding from 1,000,001 to 100,000,000	19,169,699
30	**Total**	**20,000,000**

Categories of shareholders	share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	19,965,698	99.828
Associated Companies, undertakings and related parties.	Nil	Nil
NIT and ICP	Nil	Nil
Banks Development Financial Institutions, Non Banking Financial Institutions.	Nil	Nil
Insurance Companies (Pakistan Re-insurance Company Limited)	24,980	0.125
Modarabas and Mutual Funds	Nil	Nil
Share holders holding 10%	18,132,033	90.660
General Public		
a. Local	9,322	0.046
b. Foreign	Nil	Nil

Asia Insurance Company Limited

Head Office: 456-K Model Town Lahore
Ph: 042-35916801-03 Fax: 042-35865579
E-mail: info@asiainsurance.com.pk Web: www.asiainsurance.com.pk

PROXY FORM

I/We ____

of ____

being a member of ASIA INSURANCE COMPANY LIMITED and a holder of

____

(Number of shares)

Hereby appoint ______________________ of ______________________

who is also a member of ASIA INSURANCE COMPANY LIMITED, as may proxy to vote for me and on my behalf at the a Annual General Meeting of the Company to be held on the ______ ______________________ and at any adjournment thereof.

Signed this day of 2010

Revenue Stamp

Signature

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

NOTES:

1. The proxy must be deposited in the Head Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act a proxy nuless he is a member of the Company.
3. The shareholders having Shares deposited with the Central Depositary Company (CDC) are requested to bring their original National identity Cards and CDC account number for verification.