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Company Information

Board of Directors	Mr. Mohammed Basheer Janmohammed (Chairman) Mr. Muhammad Rafiq Tumbi Mr. Yameen Kerai Syed Naseer ul Hassan Mr. Rizwan Abbas Mr. Muhammad Riaz Mr. Ahmed Salahuddin (MD & Chief Executive Officer)
Board Audit Committee	Mr. Yameen Kerai Mr. Rizwan Abbas Mr. Muhammad Rafiq Tumbi Syed Naseer ul Hassan
CFO & Company Secretary	Mr. Muhammad Haneed
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Legal Advisor	Syed Ali Hyder
Bankers	NIB Bank Limited Habib Metropolitan Bank Limited
Shares Registrar	FAMCO Associates (Pvt.) Ltd. State Life Building # 1-A, 1st Floor I.I Chundrigar Road Karachi, Pakistan
Credit Rating	Single A Minus "A-" by JCR-VIS
Registered & Head Office	8th Floor, Shaheen Complex M.R Kiyani Road Karachi Tel # (92-213) 221 9555-60 Fax # (92-213) 221 9561

Vision Statement

PICIC Insurance shall emerge as the leading insurance and risk management services organization in Pakistan. We are in the business of providing solutions to mitigate insurable risk exposure of our clients.We shall do this on the basis of thorough risk evalution and product knowledge.

Mission Statement

PICIC Insurance shall fully satisfy the needs and expectations of all its stakeholders:

- We shall put the interest of our clients first and ensure that they make informed decisions with respect to the products and services that we offer them.
- We shall give our employees a congenial work environment and shall give them opportunities for personal growth and development strictly on the basis of merit.
- We shall strive to continually provide above average returns to ourshareholders.
- We shall support the development of the communities in which we live and work.

Directors' Report

The Directors of your Company would like to present the annual report together with the audited financial statements of the Company for the year ended 31 December 2009.

Message from the Chairman

I am pleased to report that 2009 was a good year for the Company highlighted by the Company's financial strength and credit rating upgrade to A-, by JCR-VIS. This outcome is due to the wise guidance of the relevant Board of Directors and to the dynamic performance of the management and staff of the Company, to whom I would like to extend my thanks. Our shareholders' equity exceeded to Rs.225.8 million compared to last year's Rs.208 million, while our net profit was Rs.16.9 million in 2009 against a loss of Rs.53.3 million in 2008.

Economy and Regulatory Changes

2009 has been another challenging year for businesses throughout the world. Pakistan's economy has been facing both economic and political crises which predate the global financial crises. High inflation and an unnecessary trade deficit coupled with political instability have all contributed to Pakistan's poor economic performance. In the first four years of this decade, Pakistan's Karachi Stock Exchange (KSE) 100 index was the best performing stock market index in the world, however, the economic downturn in 2008 contributed to a steep decline in the index. In 2009, the equity market recovered substantially and is currently at a stable level.

Financial Highlights

The comparative financial highlights of your Company for the year ended 31 December 2009 are as follows:

	2009	2008	Variance %
	(Rupees in thousand)		
Gross Premium Written	493,968	443,110	11.5
Net Premium Revenue	199,656	227,853	(12.4)
Net Claims including IBNR	106,295	154,262	(31.1)
Management Expenses charged to Revenue Accounts	85,118	92,769	(8.2)
Net Commission earned	2,699	440	513.4
Profit / (loss) from underwriting business	10,942	(18,738)	158.4
Investment Income	27,336	7,947	243.9
Gain / (loss) on disposal of fixed assets	8,447	(42)	20,211.9
Other expenses	29,871	39,584	(24.5)
Profit / (loss) before Taxation	16,854	(50,417)	133.4
Profit / (loss) after Taxation	16,854	(53,252)	131.6
Earnings / (loss) per share (Rupees)	0.48	(1.79)	

Performance Review

The Company's gross premium in 2009 reached Rs.493.9 million compared to Rs.443.1 million in 2008, increasing by 11.5% over last year. Gross premium grew significantly by 139% in Accident and Health. Retained premium reached at Rs.199.7 million as against Rs.227.9 million in 2008. This was due to higher cession in Health business from 1.5% in 2008 to 92.5% in 2009. Despite lower net premium in 2009, the underwriting result has shown considerable improvement due to an improved claims ratio and increase in net commission earned. The net claims fell substantially from Rs.154.2 million in 2008 to Rs.106.3 million in 2009. Consequently underwriting results under all segments have been profitable except Accident & Health and Miscellaneous and a significant increase of 158.4% has been recorded in the underwriting profit. The Company adopts a conservative investment strategy with the primary objective of preserving capital, maintaining liquidity and generating a stable income over the longer term. This conservative strategy achieved a total investment income of Rs.27.3 million in 2009 as against Rs.7.9 million in 2008. The other expenses of the Company during the year under review were Rs.29.9 million down from Rs.39.6 million in the previous year. In view of stressed business circumstances, the Company rationalized its expenses across the board both by using resources more productively as well as by holding back salary increases and bonuses. As a consequence of all these factors, the Company has posted for 2009 a profit of Rs.16.9 million compared to loss of Rs.53.3 million in 2008. The Company's earning per share (EPS) is at Rs.0.48 per share.

Comparative Insurance portfolio mix, in terms of gross premium written in the year 2009 was as follows:

	2009		2008	
Line of Business	**Amount (Rupees in million)**	**Portfolio Mix Percentage**	**Amount (Rupees in million)**	**Portfolio Mix Percentage**
Fire	123.8	25.1	126.6	29
Marine	107.6	21.8	109.1	25
Motor	116.0	23.5	103.7	23
Accident & health	78.8	15.9	32.9	7
Miscellaneous	67.7	13.7	70.8	16
Total	**493.9**	**100**	**443.1**	**100**

The Company's diversified portfolio helps to manage the risks associated with the varying cycles across different lines of business. Fire was the dominant line contributing 25.1% of the total gross premium followed by Motor (23.5%) and Marine (21.8%). However, the Motor class was the dominant line in the underwriting result generating underwriting profit of Rs.11.8 million followed by Fire (Rs.5.3 million) and Marine (Rs.3.8 million). In the year ahead, the Company will continue to build on the current portfolio by working closely with both existing and target clients.

Ratings

It's a matter of great satisfaction that the JCR VIS has improved the Insurer Financial Strength of the Company during the year under review to (Single A minus) 'A-' with stable outlook, which signifies good credit quality.

Auditors

The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

Internal Audit

The Company's Board follows closely the activities of the Internal Audit Department as a service to all levels of Management. The main objective of the independent Internal Audit Department is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate and operating satisfactorily. Internal Audit Department adds value to the Company's operations by acting as internal consultant in making suggestions and recommendations for improved operational performance.

Statement of Compliance with the Corporate Governance

The corporate laws rules and regulation framed hereunder spell out the overall function of the Board of Directors of the company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

3. The Company has followed consistently appropriate accounting policies in the preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment

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

5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control include, inter-alia, the following:

   - An audit committee has been formed. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the committee discusses the actions to be taken in areas of concern with the relevant executives.

   - An organization structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.

   - There is an annual budgeting and strategic planning process. Financial forecast are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.

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

7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.

8. The Company has followed the best practices of Corporate Governance as laid down in the listing regulations of the stock exchanges and there is no material departure there from.

9. Key operating and financial data for last five years is shown at page # 08.

10. The value of investments including accrued income of provident fund and gratuity fund on the basis of unaudited financial statements as at 31 December 2009 is Rs. 14.8 million and Rs. 5.7 million respectively.

11. The related parties transactions are approve or ratified by the audit committee and the Board of Directors.

12. All the major decisions relating to the investments / disinvestments of funds, change in the policy of underwriting if any taken by the CEO and/or the Board of directors.

13. Appointment of CEO, CFO and Company Secretary if any, and fixing or changing of remuneration is taken and approved by the Board.

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

Board of Directors

The shareholders elected seven directors in the Annual General Meeting of the Company held on 26 March 2008 for a period of 3 years.

The board of directors comprises of one Executive and six Non-Executive Directors. During the year under review four meetings were held and attended as follows:

Name	No. of meetings eligible to attend held during the tenure	No. of meetings attended
Mr. Mohammed Basheer Janmohammed (The Chairman)	4	3
Mr. Yameen Kerai	4	4
Mr. Akbar Ali Chughtai*	1	0
Syed Naseer ul Hassan	4	1
Mr. Muhammad Rafiq Tumbi	4	4
Mr. Rizwan Abbas	4	3
Mr. Muhammad Riaz	4	4
Mr. Ahmed Salahuddin (MD & CEO)**	3	3

* Resigned on 30 March 2009
** Appointed on 13 April 2009;

Leave of absence was granted in case the directors were not able to attend the Board Meeting.

Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

Trading of Company's Share

No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Executives or their spouses or minor children, if any.

Certificate of the Directors and Principal Officer under Section 46(6) of the Insurance Ordinance, 2000

We certify that:

(a) in our opinion the annual statutory accounts of the Company set out in the forms attached to the statements have been drawn up in accordance with the Ordinance and rules made there under;

(b) the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and

(c) as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up-capital, solvency and reinsurance arrangements.

Acknowledgement

The Board of Directors expresses its sincere appreciation to all our valued clients, reinsurers, brokers, business partners and collaborators, the Securities and Exchange Commission of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange, and Central Depository Company for their professional approach and guidance. The Board looks forward to the continued encouragement of all these parties in the future. Ultimately, the success of the Company is the composite and combined efforts and professional skills and ideas of all the employees of the Company, its advisers and operational management. On behalf of the Board of Directors and the Executive Management, we want to thank them, and particularly all our staff, for their commitment and valuable contribution

For and on behalf of the Board

Mohammed Basheer Janmohammed
Chairman

Ahmed Salahuddin
MD & Chief Executive Officer

Karachi: 9 March 2010

Key Financial Higlights

	2009	2008	2007	2006	2005	2004
	(Rupees in thousand)					
Paidup Capital	350,000	350,000	200,000	200,000	200,000	200,000
Retained Earnings	(124,190)	(141,044)	(87,792)	26,101	(2,042)	(3,610)
Investment Income	7,901	(3,296)	19,235	10,076	460	-
Return on Deposit	19,435	11,243	14,191	13,930	10,808	3,644
Total Assets	731,089	704,236	643,841	606,359	446,719	261,744
Premiums Written	493,968	443,110	473,858	448,955	259,698	25,914
Net Premium Revenue	199,656	227,853	303,401	236,993	92,828	2,760
Profit/(loss) from underwriting business	10,942	(18,738)	(97,520)	29,103	4,377	(1,279)
Net Claims	106,295	154,262	268,258	134,592	49,831	1,654
Profit/(loss) before Taxation	16,854	(50,417)	(94,195)	36,917	3,311	(3,610)
Provision for Taxation	-	(2,835)	302	8,774	1,743	-
Profit/(loss) after Taxation	16,854	(53,252)	(93,893)	28,143	1,568	(3,610)
Earning/(loss) per share (in Rupees)	0.48	(1.79)	(4.69)	1.41	0.08	(0.31)
Dividend (in Percentage)	-	-	-	10.00	-	-

Pattern of Share Holding

Pattern of holding of the shares held by the Shareholders of PICIC Insurance Limited as at 31 December 2009

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
2,559	1	100	73,943
907	101	500	228,584
320	501	1000	252,750
391	1001	5000	866,784
82	5001	10000	627,552
32	10001	15000	399,883
20	15001	20000	361,097
10	20001	25000	225,319
10	25001	30000	286,390
8	30001	35000	265,338
4	35001	40000	150,233
1	45001	50000	50,000
5	50001	55000	268,889
1	55001	60000	57,000
2	60001	65000	125,313
1	65001	70000	70,000
2	85001	90000	175,523
1	105001	110000	106,379
1	120001	125000	122,303
2	145001	150000	300,000
1	165001	170000	165,565
1	180001	185000	183,389
1	205001	210000	209,711
1	225001	230000	226,500
1	235001	240000	235,803
1	245001	250000	250,000
2	275001	280000	553,801
1	425001	430000	428,305
1	525001	530000	527,741
1	710001	715000	711,646
1	855001	860000	855,790
1	1305001	1310000	1,309,420
1	2480001	2485000	2,481,012
1	2520001	2525000	2,520,246
1	3895001	3900000	3,895,970
1	4930001	4935000	4,931,828
1	10495001	10500000	10,499,993
4,377			**35,000,000**

Information as required under Code of Corporate Governance

As at 31 December 2009

Shareholders' category	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
PICIC Benovelent Fund - 2	1	44
NIB Bank Limited	1	10,499,993
Directors, CEO, Executives & their spouses & minor children		
Mohammed Riaz Moosani	1	1,018
Rizwan Abbas	1	875
Chief Executive Officer	1	70,000
Executives	5	80,000
Public Sector Companies and Corporations	1	3,895,970
Banks, Development Finance Institutions, Non-Banking Finance Institutions	18	22,532
Modarabas and Mutual Funds	13	607
Insurance Companies	11	916,675
Shareholders holding 10% or more voting interest		
NIB Bank Limited	1	10,499,993
DJM Securities (Private) Limited	1	4,931,828
State Life Insurance Corporation of Pakistan	1	3,895,970

Category of Shareholding

As at 31 December 2009

S.No	Shareholders category	No.of shareholders	No.of shares	%
1	Associated Companies, Undertakings and Related Parties	2	10,500,037	30.00
2	Directors, CEO, Executives and their spouses and minor children	8	151,893	0.43
3	Public Sector Companies and Corporations	1	3,895,970	11.13
4	Banks, Development Finance Institutions, Non-Banking Finance Institutions	18	22,532	0.06
5	Others	158	11,401,022	32.58
6	Modarabas and Mutual Funds	13	607	0.00
7	Insurance Companies	11	916,675	2.62
8	Individuals	4,166	8,111,264	23.18
	TOTALS	**4,377**	**35,000,000**	**100.00**

Review Report to the Members on Statement of Compliance with the best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2009, prepared by the Board of Directors of PICIC Insurance Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: 9 March 2010

Statement of Compliance with the best Practices of the Code of Corporate Governance

For the year ended 31 December 2009

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Code.

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

1. The Company encourages representation of non-executive directors on its Board of Directors (the Board). At present, all the directors on the Board are non- executive other than the Chief Executive Officer of the Company.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the resident directors have given declaration that they are registered as taxpayers and none of them has defaulted in payment of any loan to Banking Company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on 24 March 2009 which was duly filled in within the prescribed period.
5. The Company expects to prepare a 'Statement of Ethics and Business Practices' in the ensuing year, which will be signed by all the directors and employees of the Company.
6. The Board has developed and adopted a vision / mission statement, overall corporate strategy, whereas, complete documentation for the significant policies of the Company will be finalized and approved in due course of time.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met four times during the year. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board comprises of senior corporate executives and professionals who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.
10. During the year, the Chief Financial Officer/ Company Secretary was appointed which has been approved by the Board along with the terms and conditions of the appointment.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financia Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors including the Chairman of the Audit Committee.
16. The meetings of the Audit Committee were held four times during the year prior to the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has outsourced the internal audit function to M/s Muniff Ziauddin Junaidy & Co., Chartered Accountants,who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines as applicable in pakistan in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

(AHMED SALAHUDDIN)
MD & Chief Executive Officer

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

of **PICIC Insurance Limited** as at **31 December 2009** together with 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.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statement 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, except for the changes as stated in note 5 to the financial statements with which we concur;

(c) the financial statements together with the notes thereon present fairly in all material respects, the state of the Company's affairs as at 31 December 2009, and of its financial performance, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Karachi: 9 March 2010

Balance Sheet
As at 31 December 2009

	Note	2009	2008
		(Rupees in thousand)	
Share capital and reserves			
Authorised share capital			
[50,000,000 (2008: 50,000,000)		500,000	500,000
Ordinary shares of Rs. 10/- each]			
Paid-up share capital	8	350,000	350,000
[35,000,000 (2008: 35,000,000)			
Ordinary shares of Rs. 10/- each]			
Accumulated loss		(124,190)	(141,044)
		225,810	208,956
Underwriting provisions			
Provision for outstanding claims (including IBNR)		121,053	155,531
Provision for unearned premium		176,216	162,378
Commission income unearned		15,773	14,669
		313,042	332,578
Creditors and accruals			
Amounts due to other insurers / reinsurers		122,024	107,854
Sundry creditors and accruals	9	70,018	50,228
		192,042	158,082
Borrowing			
Liabilities subject to finance lease		-	4,425
Other liability			
Unclaimed dividend		195	195
TOTAL EQUITY AND LIABILITIES		731,089	704,236
Contingencies	10		

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

Mohammed Basheer Janmohammed
Chairman

Yameen Kerai
Director

	Note	2009	2008
		(Rupees in thousand)	
Cash and bank deposits	11		
Cash and other equivalent		**190**	399
Current and other accounts		**45,820**	52,011
Deposits maturing within 12 months		**115,000**	135,000
		161,010	187,410
Investments	12	**45,118**	37,107
Other assets			
Premiums due but unpaid	13	**198,407**	167,964
Amounts due from other insurers / reinsurers		**91,844**	78,086
Accrued interest		**4,695**	2,781
Reinsurance recoveries against outstanding claims		**47,456**	61,962
Taxation - payments less provision		**12,135**	9,974
Deferred commission expense		**14,410**	16,005
Deferred acquisition costs	15	**28,033**	35,660
Prepayments - prepaid reinsurance premium ceded		**117,015**	82,020
- others		**7,883**	11,551
		521,878	466,003
Fixed assets	14		
Tangible			
Furniture and fixture		**1,148**	2,367
Office equipment		**896**	1,886
Computer equipment		**290**	1,145
Motor vehicles		**416**	8,318
Intangible			
Computer software		**333**	-
		3,083	13,716
TOTAL ASSETS		**731,089**	704,236

Muhammad Rafiq Tumbi
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Profit and Loss Account
For the year ended 31 December 2009

	Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Aggregate 2009	Aggregate 2008
		(Rupees in thousand)						
Revenue account								
Net premium revenue		27,312	27,316	105,756	23,037	16,235	**199,656**	227,853
Net claims		(3,182)	(8,676)	(64,043)	(21,686)	(8,708)	**(106,295)**	(154,262)
		24,130	18,640	41,713	1,351	7,527	**93,361**	73,591
Management expenses	15	(24,027)	(16,707)	(20,094)	(10,098)	(14,192)	**(85,118)**	(92,769)
Net commission		5,152	1,856	(9,854)	1,987	3,558	**2,699**	440
		(18,875)	(14,851)	(29,948)	(8,111)	(10,634)	**(82,419)**	(92,329)
Underwriting results		5,255	3,789	11,765	(6,760)	(3,107)	**10,942**	(18,738)
Net investment income/(loss)							**7,901**	(3,296)
Return on bank balances							**19,435**	11,243
Gain/(loss) on disposal of fixed assets							**8,447**	(42)
							46,725	(10,833)
General and administrative expenses	16						**(28,120)**	(37,811)
Financial charges							**(64)**	(365)
Other charges	17						**(1,687)**	(1,408)
Profit/(loss) before taxation							**16,854**	(50,417)
Provision for taxation	18							
- Current							**-**	-
- Deferred							**-**	(2,835)
							-	(2,835)
Profit/(loss) after taxation							**16,854**	(53,252)
Earnings/(loss) per share - basic and diluted (Rupees)	19						**0.48**	(1.79)

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Changes in Equity
For the year ended 31 December 2009

	Paid-up share capital	Accumulated loss	Total
	(Rupees in thousand)		
Balance as at 01 January 2008	200,000	(87,792)	112,208
Issue of shares	150,000	-	150,000
Net loss for the year	-	(53,252)	(53,252)
Balance as at 31 December 2008	350,000	(141,044)	208,956
Net profit for the year	-	16,854	16,854
Balance as at 31 December 2009	350,000	(124,190)	225,810

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	(Rupees in thousand)	
OPERATING ACTIVITIES		
(a) **Underwriting activities**		
Premiums received	467,062	447,984
Reinsurance premiums paid	(303,058)	(202,917)
Claims paid	(230,883)	(342,936)
Reinsurance and other recoveries received	104,616	135,754
Commission paid	(45,482)	(42,171)
Commission received	39,303	4,284
Net cash inflow from / (used in) underwriting activities	31,558	(2)
(b) **Other operating activities**		
Income tax paid	(2,161)	(6,983)
General management expenses paid	(89,454)	(111,961)
Operating receipts - net	3,168	126
Net cash used in other operating activities	(88,447)	(118,818)
Total cash used in all operating activities	(56,889)	(118,820)
INVESTMENT ACTIVITIES		
Profit / return received	17,521	10,573
Dividend received	665	193
Payments for investments	(63,287)	(35,063)
Proceeds from redemption/disposal of investments	62,512	125,810
Proceeds from disposal of fixed assets	16,799	39
Fixed capital expenditure	(870)	(2,466)
Total cash inflow from investing activities	33,340	99,086
FINANCING ACTIVITIES		
Proceed from issue of shares	-	150,000
Payments on finance leases	(2,851)	(3,603)
Total cash (used in) / inflow from financing activities	(2,851)	146,397
Net cash (used in) / inflow from all activities	(26,400)	126,663
Cash at the beginning of the year	187,410	60,747
Cash at the end of the year	161,010	187,410
Reconciliation to profit and loss account		
Operating cash flows	(56,889)	(118,820)
Workers' welfare fund	(344)	-
Depreciation / amortization	(3,151)	(9,827)
Gain/(loss) on sale of fixed assets	8,447	(42)
Financial charges	(64)	(365)
Investment income/(loss)	7,901	(3,296)
Return on bank balances	19,435	11,243
(Increase) / decrease in assets other than cash	(12,322)	23,351
Decrease in liabilities	40,003	14,616
Increase in unearned premium	13,838	32,722
Tax effect of deferred taxation	-	(2,834)
Profit/(loss) after taxation	16,854	(53,252)
Definition of cash		
Cash comprises of cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purpose of statement of cash flows consists of:		
Cash and other equivalent		
- cash in hand	20	48
- stamps in hand	170	351
	190	399
Current and other accounts		
- current accounts	8,969	9,356
- saving accounts	36,851	42,655
	45,820	52,011
Deposits maturing within 12 months	115,000	135,000
	161,010	187,410

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Premiums

For the year ended 31 December 2009

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2009	2008
	(Rupees in thousand)									
Direct and facultative										
1. Fire and property	123,759	47,691	37,184	134,266	101,236	36,446	30,728	106,954	**27,312**	29,448
2. Marine, aviation and transport	107,696	21,603	31,329	97,970	79,913	19,268	28,527	70,654	**27,316**	22,781
3. Motor	116,011	45,140	48,375	112,776	5,804	3,715	2,499	7,020	**105,756**	125,883
4. Accident and health	78,781	18,630	40,930	56,481	72,839	137	39,532	33,444	**23,037**	35,178
5. Miscellaneous	67,721	29,314	18,398	78,637	55,677	22,454	15,729	62,402	**16,235**	14,563
Total	**493,968**	**162,378**	**176,216**	**480,130**	**315,469**	**82,020**	**117,015**	**280,474**	**199,656**	227,853

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Claims
For the year ended 31 December 2009

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims	
		Opening	Closing			Opening	Closing		2009	2008
	(Rupees in thousand)									
Direct and facultative										
1. Fire and property	86,138	55,737	30,262	60,663	69,279	36,272	24,474	57,481	**3,182**	26,617
2. Marine, aviation and transport	25,025	13,505	11,654	23,174	15,625	8,022	6,895	14,498	**8,676**	12,108
3. Motor	59,611	52,535	57,677	64,753	513	510	707	710	**64,043**	80,770
4. Accident and health	33,007	13,150	1,829	21,686	-	-	-	-	**21,686**	30,335
5. Miscellaneous	27,102	20,604	19,631	26,129	19,199	17,158	15,380	17,421	**8,708**	4,432
Total	**230,883**	**155,531**	**121,053**	**196,405**	**104,616**	**61,962**	**47,456**	**90,110**	**106,295**	154,262

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Expenses

For the year ended 31 December 2009

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense 2009	Net underwriting expense 2008
	(Rupees in thousand)								
Direct and facultative									
1. Fire and property	18,743	7,862	5,766	20,839	24,027	44,866	25,991	**18,875**	19,767
2. Marine, aviation and transport	10,291	1,695	2,166	9,820	16,707	26,527	11,676	**14,851**	16,696
3. Motor	10,553	4,319	4,543	10,329	20,094	30,423	475	**29,948**	35,171
4. Accident and health	1,048	291	489	850	10,098	10,948	2,837	**8,111**	8,612
5. Miscellaneous	5,680	1,838	1,446	6,072	14,192	20,264	9,630	**10,634**	12,083
Total	**46,315**	**16,005**	**14,410**	**47,910**	**85,118**	**133,028**	**50,609**	**82,419**	92,329

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

Mohammed Basheer Janmohammed	**Yameen Kerai**	**Muhammad Rafiq Tumbi**	**Ahmed Salahuddin**
Chairman	Director	Director	MD & Chief Executive Officer

Statement of Investment Income

For the year ended 31 December 2009

	2009	2008
	(Rupees in thousand)	
Income/(loss) from investments classified as investments at fair value through profit and loss account		
Net gain/(loss) on sale / redemption of investments	1,008	(2,556)
Net unrealised gain/(loss) on revaluation of investments	1,419	(2,098)
Dividend income	665	194
Return on government securities	4,906	1,174
	7,998	(3,286)
Investment related expenses	(97)	(10)
Net investment income/(loss)	7,901	(3,296)

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

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

Notes to the Financial Statements

For the year ended 31 December 2009

1. STATUS AND NATURE OF BUSINESS

PICIC Insurance Limited (the Company) was incorporated on 23 April 2004 under the Companies Ordinance, 1984 as a public limited company and registered as non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. It is engaged in providing all classes of non-life insurance business. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Shaheen Complex, M.R. Kiyani Road, Karachi. The Company operates with 8 (2008: 8) branches in Pakistan.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format issued by the SECP through SEC (Insurance) Rules, 2002 vide SRO 938 dated 12 December 2002.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Where ever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or said directives shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS) -39 "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. However, the Company has no investments in available-for-sale category as of the balance sheet date.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2008, except for the changes resulting from the adoption of the following standards:

IFRS 4 - Insurance Contracts

The standard became effective during the year in accordance with the SECP's notification SRO 149 (1)/2009 dated 11 February 2009 and applies to insurance contracts that the company issues and to re-insurance contract it holds.

The standard requires a test for the adequacy of recognised insurance liabilities and impairment test for reinsurance arrangements. The standard also requires elaborated disclosures regarding the amounts that arise from insurance contracts and the nature of and extent of risks arising from insurance contracts.

In view of the current accounting regulations for insurance companies and the format of presentation of the financial statements as prescribed by the SECP, the adoption of the above standard did not affect the recognition and measurement of assets, liabilities, income and expense relating to insurance / reinsurance contracts entered into by the Company, however, the standard did give rise to additional disclosures regarding such contracts which are included in note 23 to the financial statements.

IFRS 7 - Financial Instruments: Disclosures

The standard became effective for accounting period beginning on or after 1 July 2008.The standard requires disclosures related to financial instruments that enables user of financial statements to evaluate their significance for the Company and the nature and extent of risks arising from such financial instruments. The new disclosures are included in note 23 to the financial statements.

IFRS 8 - Operating Segments

IFRS 8 replaced IAS 14 "Segment Reporting" upon its effective date. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 21 to the financial statements.

5.1 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

Provision for outstanding claims

The liability in respect of outstanding claims is based on the estimates of the claims intimated or assessed before the end of the accounting year. In addition, confirming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated as follows:

- For marine cargo business as a ratio of unexpired period to the total period of policy applied on the gross premium of the individual policies; and

- For other classes / line of business, by applying 1/24th method as allowed by the SEC (Insurance) Rules, 2002.

Premium deficiency reserve

According to the requirements of the SEC (Insurance) Rules, 2002, a premium deficiency reserve needs to be created 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 that are inforce as of the balance sheet date. Any increase / decrease in the reserve is to be charged to the profit and loss account.

The management, based on the historical claim experience, considers that provision for unearned premium for all classes of the business as at the year end is adequate to meet the expected future liability, after reinsurance, for claims and other expenses expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date. Hence, no deficiency reserve has been created in these financial statements.

5.2 Creditors, accruals and provisions

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

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

5.3 Investments

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the settlement date.

The investments (other than loans and receivables) of the Company, upon initial recognition, are classified as investment at fair value through profit and loss account, held-to-maturity or available-for-sale investments.

All investments are initially measured at fair value plus, in the case of investments not at fair value through profit and loss account, transaction costs that are directly attributable to acquisition.

Investments at fair value through profit and loss account

These include held-for-trading investments and those designated under this category upon initial recognition. Subsequent to initial recognition, these are carried at fair value.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity. Subsequent to initial recognition, these investments are measured at amortised cost less any accumulated impairment losses.

Available-for-sale

These are investments that do not fall under the other categories. Subsequent to initial recognition, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

5.4 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which gives rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

5.5 Deferred commission expense and deferred acquisition costs

Commission and other acquisition costs incurred in obtaining and recording policies of insurance and re-insurance are deferred and recognized as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on pattern of recognition of related premium revenue.

5.6 Prepaid reinsurance

Reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance contribution not recognised as an expense is shown as a prepayment.

5.7 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals and replacements are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation on additions is charged for the full year in which an asset is available for use and no depreciation is charged on the assets disposed off or retired during the year.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal, if any, of assets are included in income currently.

Assets subject to finance lease

The assets under finance lease are recorded at an amount equal to fair value of the leased assets at inception of the lease or, if lower, at the present value of minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease or incremental borrowing rate of the Company, where appropriate.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability.

Depreciation is charged to income applying the straight-line method on a basis similar to owned assets.

Intangible assets

Costs incurred on the acquisition of intangible assets are capitalized and are amortized over the useful life of the related assets on straight line basis.

Impairment

The carrying values of the Company's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

5.8 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contact is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.9 Off-setting of financial assets and financial liabilities

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

5.10 Revenue recognition

Premium income under a policy is recognized over the period of insurance from the date of inception of the policy to which it relates till its expiry.

Commission income is being taken to the profit and loss account, on a time proportion basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.

Administrative surcharge recovered by the Company from policy holders, is included in income currently.

Return on bank balances and government securities is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

Gain / loss on sale / redemption of investments is included in profit and loss account in the period of sale / redemption.

5.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any.

Deferred

Deferred tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilized.

5.12 Staff benefits

Defined contribution plan

The Company operates an approved provident fund scheme for its permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions to the fund are made both by the Company and employees at the rate of 10% of basic salary.

Defined benefit plan

The Company operates an approved funded gratuity scheme for all permanent employees who have completed minimum prescribed period of service under the scheme. Contributions are made to the scheme on the basis of independent actuarial recommendations using Projected Unit Credit method.

Actuarial gain or loss is recognized as income or expense when the cumulative unrecognized actuarial gain or loss at the end of previous reporting period exceeds 10% of the higher of defined benefit obligation or the fair value of plan assets at that date. The gain or loss is recognized over the expected average remaining working lives of the employees participating in the plan.

Compensated absences

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

5.13 Premiums due but unpaid

These are stated net of provision for impairment, if any.

5.14 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

5.15 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

5.16 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees (functional currency) at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are included in income currently.

6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

	Note
Underwriting provisions	5.1 & 23
Classification of investments	5.3 & 12
Reinsurance recoveries against outstanding claims	5.4
Deferred acquisition costs	5.5 & 15
Useful lives of assets and methods of depreciation	5.7 & 14
Deferred taxation	5.11 & 18.2
Defined benefit plan	5.12 & 9.1

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

Standard or interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 24 Related Part Disclosures (Revised)	01 January 2011
IAS 27 - Consolidated and Separate Financial Statements (Amendment)	01 July 2009
IAS 32 - Financial Instruments: Presentation-Classification of Right Issues (Amendment)	01 February 2010
IAS 39 - Financial Instruments: Recognition and measurement: Eligible hedged items (Amendment)	01 July 2009
IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 July 2010
IFRS 3 – Business Combinations (Revised)	01 July 2009
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirement and their Interaction (Amendments)	01 January 2011
IFRIC 17 – Distributions of Non-cash Assets to owners	01 July 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Company expects that the adoption of the above interpretations, amendments and revisions of the standards will not effect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

8. PAID-UP SHARE CAPITAL

As of the balance sheet date, 10,499,993 (2008: 10,499,993) Ordinary shares were held by a related party.

9. SUNDRY CREDITORS AND ACCRUALS

	Note	2009	2008
		(Rupees in thousand)	
Commission payable		**38,493**	27,830
Federal excise duty payable		**8,005**	1,578
Federal insurance fee payable		**506**	179
Security deposits		**3,408**	5,098
Payable to gratuity fund	9.1	**11,690**	8,165
Provision for compensated absences		**1,885**	1,656
Accrued expenses		**2,388**	2,913
Others		**3,643**	2,809
		70,018	50,228

	2009	2008
	(Rupees in thousand)	

9.1 Payable to gratuity fund

	2009	2008
Opening balance	8,165	5,010
Charge for the year	3,525	3,155
Closing balance	11,690	8,165

The benefits under the gratuity scheme are payable on retirement at the age of sixty years or earlier cessation of service. The benefit is equal to one month's last basic salary drawn from each year of eligible service. The minimum qualifying period for eligibility under the plan is five years of continuous service.

Latest actuarial valuation of the gratuity fund was carried out at 31 December 2009. Following significant financial assumptions have been used:

	2009	2008
	(%)	
Valuation discount rate	14	15
Salary increase rate	12	14
Expected return on plan assets	13	15

	2009	2008
Reconciliation of payable to gratuity fund	(Rupees in thousand)	
Present value of defined benefit obligations	11,598	9,315
Fair value of plan assets	(6,365)	(5,748)
Unrecognised actuarial loss	6,457	4,598
	11,690	8,165
Movement in present value of defined benefit obligations		
Opening balance	9,315	8,325
Current service cost	3,323	1,524
Interest cost	1,397	833
Actuarial gain	(2,437)	(1,367)
Closing balance	11,598	9,315
Movement in fair value of plan assets		
Opening balance	5,748	5,261
Expected return on plan assets	862	526
Actuarial loss	(245)	(39)
Closing balance	6,365	5,748
Annual gain/(loss)		
Experience gain on obligations	2,437	1,367
Experience loss on plan assets	(245)	(39)
	2,192	1,328
Charge for the year		
Current service cost	3,323	1,524
Past service cost	-	1,697
Interest cost	1,397	833
Expected return on plan assets	(862)	(526)
Actuarial gain recognised	(333)	(373)
	3,525	3,155
Actual return on plan assets	1,107	565

Plan assets comprise the following:	2009		2008	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Term deposit receipts	6,365	100	5,654	98
Bank deposits	-	-	94	2
	6,365	100	5,748	100

	2009	2008
	(Rupees in thousand)	
Historical information		
Present value of defined benefit obligations	11,598	9,315
Fair value of plan assets	6,365	5,748
Deficit	(5,233)	(3,567)

10. CONTINGENCIES

10.1 During the year, the Taxation Officer has passed an order alongwith notice of demand under Section 161/205 of the Income Tax Ordinance, 2001, on alleged default of non deduction of withholding tax on payments of insurance premium to non-resident reinsurer for tax year 2009. The Company has filed a writ petition alongwith other insurance companies in the High Court of Sindh against the order on which the stay has been granted by the Court. The Company has also filed an appeal with the Commissioner Income Tax (Appeals) which is pending adjudication. The tax impact of the above amounts to Rs.5.48 million against which no provision is considered necessary in these financial statements, as the Company is confident of favourable outcome.

10.2 The tax assessment of the Company has been finalised upto and including the tax year 2009. The tax returns filed are to be taken as deemed assessment in terms of Section 120 of the Income Tax Ordinance, 2001. However, while finalising the tax audit for the tax year 2007, the Taxation Officer has disallowed certain expenses claimed by the Company and raised a demand of Rs. 3.17 million. The Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the impugned order which is pending adjudication. The management, based on the advice of its tax advisor, is confident of a favourable outcome and accordingly, no provision in this respect has been made in these financial statements.

	Note	2009	2008
		(Rupees in thousand)	
11. CASH AND BANK DEPOSITS			
Cash and other equivalent			
- cash in hand		20	48
- stamps in hand		170	351
		190	399
Current and other accounts			
- current accounts	11.1	8,969	9,356
- saving accounts	11.2	36,851	42,655
		45,820	52,011
Deposits maturing within 12 months	11.3	115,000	135,000
		161,010	187,410

11.1 Include balance of 8.3 million (2008: Rs. 9.37 million) with a related party.

11.2 These carry interest rates ranging from 9% to 11% (2008: 9% to 12 %) per annum and include balance of 36.83 million (2008: Rs. 42.65 million) with a related party.

11.3 Represent term deposits with commercial banks carrying interest rates ranging from 11.25% to 15% (2008: 14.5% to 16%) per annum and will mature by October 2010.

12. INVESTMENTS - designated at fair value through profit and loss account

	Note	2009	2008
Mutual funds	12.1	197	129
Listed shares	12.2	10,251	1,704
Government Securities	12.3	34,670	35,274
		45,118	37,107

12.1 Mutual funds

	2009	2008
Golden Arrow Fund - closed end	197	129

12.2 Listed shares

	2009	2008
Arif Habib Bank Limited	6	4
Arif Habib Securities Limited	462	415
GlaxoSmithKline Limited	1,639	699
Habib Bank Limited	1,234	-
National Bank of Pakistan	372	-
Nishat Mills Limited	699	-
Oil and Gas Development Company Limited	1,106	526
Pakistan Petroleum Limited	4,171	-
Shell Pakistan Limited	501	-
The Bank of Khyber Limited	61	60
	10,251	1,704

12.3 Government Securities - Market treasury bills

These securities are deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000. These carry rate of return of 14% per annum and will mature in January 2010.

13. PREMIUMS DUE BUT UNPAID - unsecured

	2009	2008
	(Rupees in thousand)	
Considered good	**198,407**	167,964
Considered doubtful	**25,910**	25,910
Less: Provision for doubtful recovery	**(25,910)**	(25,910)
	-	-
	198,407	167,964

13.1 Includes a sum of Rs.6.61 million (2008: Rs.9.23 million) due from related parties.

14. FIXED ASSETS

Description	Cost				Accumulated depreciation / amortization				Written down value	
	At the beginning of the year	Additions/ transfers*	Disposals	At the end of the year	At the beginning of the year	Charge for the year/ transfers*	Disposals	At the end of the year	At the end of the year	Rate (%)
	(Rupees in thousand)									
Tangible-Owned										
Furniture and fixture	**8,858**	**316**	**(1,465)**	**7,709**	**6,491**	**938**	**(868)**	**6,561**	**1,148**	**20**
Office equipment	**4,782**	**8**	**(546)**	**4,244**	**2,896**	**732**	**(280)**	**3,348**	**896**	**20**
Computer equipment	**7,689**	**46**	**(996)**	**6,739**	**6,544**	**811**	**(906)**	**6,449**	**290**	**33.33**
Motor vehicles	**11,524**	**16,882 ***	**(23,624)**	**4,782**	**6,168**	**14,423 ***	**(16,225)**	**4,366**	**416**	**20**
	32,853	**17,252**	**(26,631)**	**23,474**	**22,099**	**16,904**	**(18,279)**	**20,724**	**2,750**	
Tangible-Leased										
Motor vehicles	**16,882**	**(16,882) ***	**-**	**-**	**13,920**	**(13,920) ***	**-**	**-**	**-**	**20**
	49,735	**370**	**(26,631)**	**23,474**	**36,019**	**2,984**	**(18,279)**	**20,724**	**2,750**	
Intangible										
Software	**-**	**500**	**-**	**500**	**-**	**167**	**-**	**167**	**333**	**33.33**
2009	**49,735**	**870**	**(26,631)**	**23,974**	**36,019**	**3,151**	**(18,279)**	**20,891**	**3,083**	
Owned										
Furniture and fixture	8,872	92	(106)	8,858	4,761	1,771	(41)	6,491	2,367	20
Office equipment	4,645	157	(20)	4,782	1,942	958	(4)	2,896	1,886	20
Computer equipment	6,900	789	-	7,689	5,127	1,417	-	6,544	1,145	33.33
Motor vehicles	10,549	975	-	11,524	3,863	2,305	-	6,168	5,356	20
	30,966	2,013	(126)	32,853	15,693	6,451	(45)	22,099	10,754	
Leased										
Motor vehicles	16,882	-	-	16,882	10,544	3,376	-	13,920	2,962	20
2008	47,848	2,013	(126)	49,735	26,237	9,827	(45)	36,019	13,716	

14.1 The depreciation / amortization charge for the year has been allocated as follows:

	Note	2009	2008
		(Rupees in thousand)	
Management expenses	15	**2,163**	3,617
General and administrative expenses	16	**988**	6,210
		3,151	9,827

14.2 Disposals of fixed assets with book value in excess of Rs. 50,000/-:

	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers	
	(Rupees in thousand)							
Motor vehicles								
	1,067	854	213	779	566	Company Policy	Mr.Abdul Aziz Siwani	Ex-employee
	560	448	112	450	338	Company Policy	Sumbul Faraz	Employee
	861	689	172	503	331	Company Policy	Muhammad Haneed	Employee
	380	304	76	275	199	Company Policy	Mustafa Abbas	Employee
	559	112	447	618	171	Company Policy	Junaid Moti	Employee
	459	367	92	374	282	Company Policy	Vanessa D' souza	Employee
	890	534	356	750	394	Company Policy	Shaikh Irshad Ahmed	Employee
	1,067	854	213	794	581	Company Policy	Shahab Khan	Employee
	941	377	564	849	285	Company Policy	Abdul Rehman	Employee
	590	472	118	450	332	Company Policy	Kashif Arshad Khan	Employee
	380	304	76	250	174	Company Policy	Mr.Mohd Jamshad	Employee
	425	250	175	249	74	Company Policy	S.M. Zahid	Ex-employee
	356	71	285	397	112	Company Policy	Mr. Waheed Zafar	Employee
	864	691	173	743	570	Company Policy	Mr.Nadeem Qureshi	Employee
	380	304	76	248	172	Company Policy	Mirza Masroor Baig	Employee
	701	421	280	523	243	Company Policy	Syed Taufeeq Mannan	Employee
	835	668	167	524	357	Company Policy	Aseem Ahmed	Employee
	835	668	167	503	336	Company Policy	Mr. Asghar Huda	Ex-employee
	1,067	854	213	807	594	Negotiation	Muhammad Kamran	Karachi
	802	480	322	677	355	Negotiation	Muhammad Kamran	Karachi
	864	691	173	749	576	Negotiation	Muhammad Kamran	Karachi
	496	397	99	330	231	Negotiation	Muhammad Noman	Karachi
	459	367	92	300	208	Negotiation	Muhammad Noman	Karachi
	496	397	99	350	251	Negotiation	Muhammad Noman	Karachi
	779	623	156	450	294	Negotiation	Muhammad Noman	Karachi
	380	304	76	274	198	Negotiation	Muhammad Noman	Karachi
	436	254	182	350	168	Negotiation	Muhammad Noman	Karachi
	927	371	556	575	19	Negotiation	Muhammad Noman	Karachi
	200	120	80	145	65	Negotiation	Muhammad Noman	Karachi
	864	690	174	705	531	Negotiation	Muhammad Noman	Karachi
	459	367	92	385	293	Negotiation	Muhammad Noman	Karachi
	754	295	459	400	(59)	Negotiation	Mrs. Seema Hirji	Karachi
	386	232	154	205	51	Negotiation	Mr. Jamil	Karachi
	301	115	186	120	(66)	Negotiation	Mr. Habib ur Rehman	Karachi
	768	461	307	252	(55)	Negotiation	Mr. Muhammad Jamil	Karachi
	380	304	76	230	154	Negotiation	Muhammad Noman	Karachi
Furniture and fixture								
	707	424	283	175	(108)	Negotiation	Mrs. Farzana Mufti	Karachi
Other assets with book value less than Rs.50,000/-.	2,956	2,145	811	41	(770)	Negotiation		Various
	26,631	**18,279**	**8,352**	**16,799**	**8,447**			

		Note	2009	2008
			(Rupees in thousand)	
15.	**MANAGEMENT EXPENSES**			
	Salaries, wages and other benefits	15.1	55,139	62,165
	Rent, rates and taxes		4,805	5,663
	Depreciation/amortization	14.1	2,163	3,617
	Reversal of provision against premiums due but unpaid		-	(5,276)
	Utilities		2,327	2,394
	Office renovation		-	1,000
	Repairs and maintenance		933	1,539
	Travelling and conveyance		2,500	3,330
	Printing and stationery		752	1,521
	Entertainment		563	638
	Vehicle running expenses		2,021	5,928
	Advertisement		2,063	1,285
	Computer charges		1,095	893
	Communication		2,924	4,086
	Others		206	1,307
			77,491	90,090
	Add: Opening deferred acquisition costs		35,660	38,339
			113,151	128,429
	Less: Closing deferred acquisition costs		28,033	35,660
			85,118	92,769

15.1 Include staff retirements benefits amounting to Rs. 5.6 million (2008: Rs. 6.46 million).

		Note	2009	2008
16.	**GENERAL AND ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	16.1	14,645	15,169
	Rent, rates and taxes		3,427	2,605
	Utilities		1,666	1,104
	Membership fee		75	62
	Club expenses		-	835
	Repairs and maintenance		324	345
	General office expenses		838	1,253
	Vehicle running expenses		446	806
	Advertisement		77	569
	Computer charges		725	415
	Communication		68	223
	Books and periodicals		678	775
	Depreciation / amortization	14.1	988	6,210
	Directors' fee		-	110
	Auditors' remuneration	16.2	691	468
	Legal and professional charges		3,389	6,089
	Others		83	773
			28,120	37,811

16.1 Include staff retirements benefits amounting to Rs.0.6 million (2008: Rs. 0.72 million).

		2009	2008
16.2	**Auditors' remuneration**		
	Audit fee	300	300
	Review and certifications	297	100
	Out of pocket expenses	94	68
		691	468
17.	**OTHER CHARGES**		
	Workers' welfare fund	344	-
	Exchange loss	1,054	69
	Bank charges	289	1,339
		1,687	1,408

18. TAXATION

18.1 In view of the tax loss for the year, no provision for current taxation has been made in the financial statements.

18.2 Deferred tax asset amounting to Rs. 54.90 million (2008: Rs. 59.71 million) has not been recognised in these financial statements in accordance with accounting policy as disclosed in note 5.11.

19. EARNINGS / (LOSS) PER SHARE - basic and diluted

	2009	2008
Profit /(loss)after taxation (Rupees in thousand)	16,854	(53,252)
Weighted average number of ordinary shares outstanding during the year	35,000	29,800
Earnings/(loss) per share - basic and diluted (Rupees)	0.48	(1.79)

20. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

20.1 Aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief Executive, Directors, and Executives of the Company are as follows:

	2009 Chief Executive	2009 Directors	2009 Executives	2008 Chief Executive	2008 Directors	2008 Executives
	(Rupees in thousand)					
Fees	-	-	-	-	110	-
Managerial remuneration	8,233	-	21,754	8,618	-	27,342
Housing and utilities	110	-	-	90	-	-
Medical expenses	57	-	369	134	-	451
Others	296	-	134	181	-	198
	8,696	-	22,257	9,023	110	27,991
Number of persons	1	7	13	1	10	20

20.2 The Chief Executive and some Executives are also provided with company maintained cars.

21. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associates (including entities having directors in common with the Company), major shareholders, directors and key management personnel. The transactions with related parties, other than remuneration of key management personnel (disclosed in note 20.1) are as follows:

Relationship	Transactions	2009	2008
		(Rupees in thousand)	
Associates			
	Premium income	15,526	7,111
	Claims expense	-	1,985
	Return on bank balances	8,053	5,127
	Rent expenses	80	120
	Bank charges	285	1,339
	Lease payments	2,851	3,603
	Provision for doubtful recovery against premiums due but unpaid	-	2,912
Other related parties			
	Contribution to provident fund	2,715	4,025

Balances with related parties have been disclosed in respective notes to the financial statements.

22. SEGMENT REPORTING

22.1 The Company's business is organized and managed separately according to the nature of services provided with the following segments:

- Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverages.
- Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.
- Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage.

22.2 Segment results

	Fire and property		Marine, aviation and transport		Motor		Accident and health		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)											
Net premium revenue	27,312	29,448	27,316	22,781	105,756	125,883	23,037	35,178	16,235	14,563	199,656	227,853
Net claims	(3,182)	(26,617)	(8,676)	(12,108)	(64,043)	(80,770)	(21,686)	(30,335)	(8,708)	(4,432)	(106,295)	(154,262)
	24,130	2,831	18,640	10,673	41,713	45,113	1,351	4,843	7,527	10,131	93,361	73,591
Management expenses	(24,027)	(22,337)	(16,707)	(21,180)	(20,094)	(25,679)	(10,098)	(7,513)	(14,192)	(16,060)	(85,118)	(92,769)
Net commission	5,152	2,570	1,856	4,484	(9,854)	(9,492)	1,987	(1,099)	3,558	3,977	2,699	440
	(18,875)	(19,767)	(14,851)	(16,696)	(29,948)	(35,171)	(8,111)	(8,612)	(10,634)	(12,083)	(82,419)	(92,329)
Segment results	5,255	(16,936)	3,789	(6,023)	11,765	9,942	(6,760)	(3,769)	(3,107)	(1,952)	10,942	(18,738)
Net investment income/(loss)											7,901	(3,296)
Return on bank balances											19,435	11,243
Gain/(loss) on disposal of fixed assets											8,447	(42)
											46,725	(10,833)
General and administrative expenses											(28,120)	(37,811)
Financial charges											(64)	(365)
Other charges											(1,687)	(1,406)
Profit/(loss) before taxation											16,854	(50,417)

22.3 Other information

	Fire and property		Marine, aviation and transport		Motor		Accident and health		Miscellaneous		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)													
Segment assets	195,930	194,214	70,557	63,382	81,290	74,868	62,741	13,541	86,646	95,695	-	-	497,164	441,700
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	233,925	262,536	233,925	262,536
Consolidated total assets													731,089	704,236
Segment liabilities	123,821	151,661	87,896	79,256	140,581	106,391	44,899	31,821	76,362	99,133	-	-	473,559	468,262
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	31,720	27,018	31,720	27,018
Consolidated total liabilities													505,279	495,280

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. The fair values of all the financial instruments are estimated to be not significantly different from their carrying values.

24. RISK MANAGEMENT

24.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Board of Directors of the Company supervises the overall risk management approach within the Company. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to Executive Management Committees and senior managers.

24.2 Insurance and financial risks

24.2.1 Insurance risk

The Company mainly issues the following types of insurance contracts:

- Fire and property
- Marine, aviation and transport
- Motor
- Accident and health
- Miscellaneous (Engineering, burglary etc.)

These contracts are normally one year insurance contracts except marine contracts which are generally for a period of 3 to 6 months.

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Such risk exposure is mitigated by diversification across a large portfolio of insurance contracts and careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Strict claim review policies to assess all new and ongoing claims and regular detailed review of claims handling procedures are also put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future development.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in thousand)		
Fire and property	3,454,000	3,424,000	30,000
Marine, aviation and transport	2,952,000	2,915,000	37,000
Motor	13,850	12,150	1,700
Miscellaneous	1,968,000	1,966,000	2,000
	8,387,850	8,317,150	70,700

The table below sets out the concentration of insurance contract liabilities by type of contract:

	Gross liabilities	Reinsurance of liabilities	Net liabilities
	(Rupees in thousand)		
Fire and property	123,821	190,014	(66,193)
Marine, aviation and transport	87,896	65,573	22,323
Motor	140,581	73,595	66,986
Accident and health	44,899	56,230	(11,331)
Miscellaneous	76,362	83,719	(7,357)
	473,559	469,131	4,428

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past 3 years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognized amounts.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

Sensitivities

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:

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Revenue account	Equity	Revenue account	Equity
	(Rupees in thousand)			
Fire and property	(318)	(318)	318	318
Marine, aviation and transport	(868)	(868)	868	868
Motor	(6,404)	(6,404)	6,404	6,404
Accident and health	(2,169)	(2,169)	2,169	2,169
Miscellaneous	(871)	(871)	871	871
	(10,630)	(10,630)	10,630	10,630

24.2.2 Financial risk

(i) Market risk

Market risk is the risk that the fair value or future cashflows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

(a) Interest rate risk

Interest rate risk is the risk of changes in interest rates reducing the overall return on interest bearing assets. The Company is exposed to interest risk in respect of bank deposits and Government Securities. Management of the Company estimates that 1% increase in market interest rate, with all other factors remaining constant, would increase the Company's profit by Rs.1.83 million/- and a 1% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(b) Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of the balance sheet date, the Company do not have material assets or liabilities which are exposed to foreign currency risk.

(c) **Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio comprising of shares and mutual funds.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and cash equivalent and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the Company are short term in nature.

(iii) **Credit risk**

Credit risk is the risk which 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. Credit risk also arises in respect of reinsurance contracts as reinsurance ceded do not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims ceded to the extent that reinsurance operator fails to meet the obligation under the reinsurance arrangements. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counterparties. The table below analyses the Company's maximum exposure to credit risk:

	2009	2008
	(Rupees in thousand)	
Bank deposits	**160,820**	187,011
Premiums due but unpaid	**198,407**	167,964
Amounts due from other insurers / reinsurers*	**91,844**	78,086
Accrued interest	**4,695**	2,781
Reinsurance recoveries against outstanding claims*	**47,456**	61,962
	503,222	497,804

* An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims
	(Rupees in thousand)	
A or above	**9,728**	**39,180**
BBB	**8,622**	**8,276**
	18,350	**47,456**

The age analysis of premiums due but unpaid is as follows:

	2009	2008
	(Rupees in thousand)	
Upto 1 year	**152,172**	140,920
1 - 2 years	**41,393**	28,506
Over 2 years	**30,752**	24,448
	224,317	193,874

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The table below analyses the concentration of credit risk by industrial distribution :

	2009	2008
	(%)	
Textile	**31.78**	57.10
Transport	**13.41**	10.26
Financial institutions	**9.90**	7.25
Hotel	**8.50**	2.31
Power	**1.10**	0.69
Oil and gas	**1.06**	1.57
Others	**34.25**	20.82
	100	100

24.3 Capital management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently, the Company has paid-up capital of Rs. 350 million against the minimum required paid-up capital of Rs.200 million set by the SECP for the insurance companies for the year ended 31 December 2009.

25. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Prior year's figures have been reclassified, wherever necessary, for the purposes of comparison. However such reclassifications were not material.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 9 March 2010.

Mohammed Basheer Janmohammed	Yameen Kerai	Muhammad Rafiq Tumbi	Ahmed Salahuddin
Chairman	Director	Director	MD & Chief Executive Officer

PICIC Insurance Limited

Notice of Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi on Thursday 15 April 2010 at 11:30 AM to transact the following business:

Ordinary Business

1. To confirm the Minutes of the fifth Annual General Meeting held on 28 April 2009.
2. To receive and adopt the audited Financial Statements for the year ended 31 December 2009, together with Directors' Report and Auditors' Report thereon.
3. To appoint auditors for the year 2010 and to fix remuneration. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for reappointment.
4. Any other matter with the permission of Chairman.

By Order of the Board

Muhammad Haneed
Company Secretary

Karachi: 22 March 2010

Notes:

1. The Share Transfer Register of the Company will remain closed from 9 April to 15 April 2010 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend, speak and vote instead of him/her behalf at the meeting. Proxies, in order to be valid, must be received at the Registered Office of the company situated at 8th floor, Shaheen Complex, M.R. Kiyani Road, Karachi not later than 48 hours before the meeting. A member shall not be entitled to attend to appoint more than one proxy.
3. CDC shareholders are requested to bring their Computerized National Identity Cards, Accounts / Sub-Accounts Number and Participant's ID Number in the Central Depository Company (CDC) for identification purpose when attending the meeting. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Shareholders are requested to notify the Company of any change of address immediately.

Branch Network	Branch Head / Incharge	Details
Karachi Corporate Branch	Mr. Aseem Ahmed	Suit No.E-1,Executive Floor, Glass Tower, Main Clifton Road, Karachi. TEL : 021-3565 3394-5,3565 5612-3 & 3563 9713 FAX : 021-565 4764
Lahore Branch	Mr. Nadeem Quraishi	3rd Floor, PICIC House, 14-A, Shahrah-e-Aiwan-e-Tijarat, Lahore. TEL :042-920 3890 & 920 3670-1 FAX : 042-920 3714
Islamabad Branch	Mr. Muhammed Iftikhar Awan	4th Floor Malik Complex, 80-West Jinnah Avenue, Blue Area, Islamabad TEL : 051-287 0613 -14, 227 1974, 287 6452 & 287 7020 FAX : 051-287 0621
Multan Branch	Mr. Muhammed Waheed Zafar	Ground floor, Commercial Plaza No. 1 Opp.Civil Hospital, Multan TEL : 061-458 9398 - 99 & 458 6665 FAX : 061-458 5896
Faisalabad Branch	Mr. Sajjad Ali	State Life Building, 12th Floor, 2 Liquat Raod, Faisalabad. TEL :041-254 0418-21 FAX : 041-254 0423
Sukkur Branch	Mr. Muhammed Jamshed	Mezanine Floor , Madina Complex, Opp.Makki Masjid, Minara Road, Sukkur. TEL : 071-562 7263 FAX :071-562 7283
Rahim Yar Khan Branch	Mr. Nadeem Quraishi	1st Floor , Near Saudi Pak Commercial Bank Ltd 26-Shahi Road, Rahim Yar Khan. Tel :06858-83055 & 73083 Cell # 0300-8631030
Bahawalpur Branch	Mr. Nadeem Quraishi	1st Floor , Aga Khan Lab, Circular Road, Bahawalpur. Cell # 0300-8631030

PICIC Insurance Limited

Proxy Form

Annual General Meeting

I/We ____

of ____

a member/mebers of PICIC Insurance Limited and holder of ______________________

share(s) as per Registered Folio No. ______________________ do hereby appoint

______________________ of ______________________ who is a member/non meber of

the Company vide Registered Folio No. ______________________ (or failing him/her

______________________ of ______________________ who is a member/non meber of

the Company vide Registered Folio No. ______________________)

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday the 15 April 2010 at 11:30 A.M. and that at any adjournment thereof.

As withess my/our hand this ______________________ day of ______________________

2010 in the presence of (Name. Address and NIC Number).

Signature of witness.

Please affix here rupee five revenue stamp

Signed by the said member

Note: A member entitled to attend and vote at this meeting may appoint another member/non member as his/her proxy to attend, speak and vote on his/her behalf at the meeting. Proxies, in order to be valid, must be complete in all respect and be received by Shares Registarar of the Company, FAMCO Associates (Pvt.) Ltd., State Life Building 1-A, 1st Floor I.I. Chundrigar Road, Karachi, not later than 48 hours before the meeting.