

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	31 December 2011	31 December 2010
		----- (Rupees in thousand) -----	
<b>Share capital and reserves</b>			
Authorised share capital	3.1	1,500,000	1,500,000
Paid-up share capital	3.2	1,237,045	1,237,045
Retained earnings - restated		8,422,236	8,599,321
Reserves	4	1,241,625	1,163,638
		9,663,861	9,762,959
<b>TOTAL EQUITY</b>		10,900,906	11,000,004
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR) - restated	5	5,548,018	8,015,404
Provision for unearned premium		4,328,346	5,017,435
Commission income unearned		371,687	305,434
		10,248,051	13,338,273
<b>Deferred liabilities</b>			
Deferred taxation		-	68,353
Staff retirement benefits	6	22,011	17,326
<b>Creditors and Accruals</b>			
Premiums received in advance		80,142	75,329
Amounts due to other insurers / reinsurers		1,151,088	1,581,965
Accrued expenses		158,185	147,995
Other creditors and accruals	7	1,429,947	1,520,732
		2,819,362	3,326,021
<b>Borrowings</b>			
Liabilities against assets subject to finance lease	8	58,567	107,637
<b>Other liabilities</b>			
Unclaimed dividends		33,495	29,121
<b>TOTAL LIABILITIES</b>		13,181,486	16,886,731
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		24,082,392	27,886,735

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

	Note	31 December 2011	31 December 2010
		----- (Rupees in thousand) -----	
<b>Cash and bank deposits</b>	10		
Cash and other equivalents		21,566	59,393
Current and other accounts		1,415,207	1,060,597
Deposits maturing within 12 months		942,194	1,584,827
		2,378,967	2,704,817
<b>Loans</b>			
To employees	11	17,175	22,086
<b>Investments</b>	12	9,451,731	9,406,998
<b>Deferred taxation</b>		195,068	-
<b>Current assets - others</b>			
Premiums due but unpaid	13	3,568,167	4,546,222
Amounts due from other insurers/ reinsurers	14	679,631	993,584
Salvage recoveries accrued		165,718	99,636
Premium and claim reserves retained by cedants		23,252	23,252
Accrued investment income	15	21,626	33,445
Reinsurance recoveries against outstanding claims	16	3,799,366	6,253,202
Taxation - payments less provision		7,501	43,697
Deferred commission expense		472,399	512,222
Prepayments	17	2,033,763	1,829,112
Sundry receivables	18	205,158	317,071
		10,976,581	14,651,443
<b>Fixed Assets - Tangible &amp; Intangible</b>	19		
<b>Owned</b>			
Land and buildings		271,731	281,472
Furniture and fixtures		59,855	62,289
Motor vehicles		211,173	197,252
Machinery and equipment		211,450	316,190
Computers and related accessories		50,475	52,270
Intangible asset - computer software		37,068	48,475
Capital work in progress - Tangible		133,378	-
		975,130	957,948
<b>Leased</b>			
Motor vehicles	19.1	87,740	143,443
<b>TOTAL ASSETS</b>		24,082,392	27,886,735

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2011	31 December 2010
------(Rupees in thousand)-----							
<b>Note</b>							
<b>Revenue account</b>							
Net premium revenue	1,203,286	912,455	2,974,057	1,893,546	-	6,983,344	6,883,397
Net claims-restated	(655,775)	(494,320)	(2,000,623)	(1,598,395)	-	(4,749,113)	(4,868,301)
Expenses	20 (217,992)	(164,275)	(503,698)	(343,372)	-	(1,229,337)	(1,254,811)
Net commission	(92,018)	(149,164)	(248,126)	13,046	-	(476,262)	(514,564)
<b>Underwriting result</b>	<b>237,501</b>	<b>104,696</b>	<b>221,610</b>	<b>(35,175)</b>	<b>-</b>	<b>528,632</b>	<b>245,721</b>
Investment income						852,315	779,089
Rental income						657	1,048
Other income	21					156,618	171,239
						<u>1,538,222</u>	<u>1,197,097</u>
General and administration expenses	22					(1,565,401)	(634,922)
Exchange gain / (loss)						390	(1,396)
Finance charges on lease liabilities						(15,179)	(18,966)
<b>(Loss) / profit before tax</b>						<u>(41,968)</u>	<u>541,813</u>
Provision for taxation	23					174,145	(57,682)
<b>Profit after tax</b>						<u>132,177</u>	<u>484,131</u>
<b>Balance at the commencement of the year</b>						8,599,321	8,520,042
Profit after tax for the year						132,177	484,131
Final dividend for the year ended 31 December 2010 @ 15% (Rupees 1.5/- per share) [2009: Rupees 1.5/- per share]						(185,557)	(168,688)
Issue of bonus shares for the year ended 31 December 2010 Nil (2009:10%)						-	(112,459)
Interim dividend @ 10% (Rupee 1/- per share) [2010: Rupee 1/- per share]						(123,705)	(123,705)
<b>Balance unappropriated profit at the end of the year</b>						<u>8,422,236</u>	<u>8,599,321</u>
						<b>Rupees</b>	<b>Rupees</b>
<b>Earnings per share - basic and diluted (Note 24)</b>						<u>1.07</u>	<u>Restated 3.91</u>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**BUSINESS UNDERWRITTEN INSIDE PAKISTAN**

	<b>Fire and Property Damage</b>	<b>Marine, Aviation and Transport</b>	<b>Motor</b>	<b>Miscellaneous</b>	<b>Treaty</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
------(Rupees in thousand)-----							
<b>Revenue account</b>							
Net premium revenue	1,184,133	869,401	1,953,476	1,872,534	-	5,879,544	5,578,112
Net claims	(653,141)	(488,982)	(1,359,152)	(1,596,167)	-	(4,097,442)	(4,122,946)
Expenses	(215,202)	(158,003)	(355,021)	(340,311)	-	(1,068,537)	(1,106,146)
Net commission	(93,462)	(143,661)	(155,918)	13,939	-	(379,102)	(416,226)
<b>Underwriting result</b>	<b>222,328</b>	<b>78,755</b>	<b>83,385</b>	<b>(50,005)</b>	<b>-</b>	<b>334,463</b>	<b>(67,206)</b>
Investment income						852,315	779,089
Rental income						657	1,048
Other income						120,809	139,239
						<b>1,308,244</b>	<b>852,170</b>
General and administration expenses						(1,457,125)	(543,440)
Exchange gain / (loss)						387	(804)
Finance charges on lease liabilities						(15,179)	(18,966)
<b>(Loss) / profit before tax</b>						<b>(163,673)</b>	<b>288,960</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

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**Chairman**

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**Director**

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**Director**

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**Managing Director &  
Chief Executive Officer**

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN**

	<b>Fire and Property Damage</b>	<b>Marine, Aviation and Transport</b>	<b>Motor</b>	<b>Miscellaneous</b>	<b>Treaty</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
------(Rupees in thousand)-----							
<b>Revenue account</b>							
Net premium revenue	19,153	43,054	1,020,581	21,012	-	1,103,800	1,305,285
Net claims-restated	(2,634)	(5,338)	(641,471)	(2,228)	-	(651,671)	(745,355)
Expenses	(2,790)	(6,272)	(148,677)	(3,061)	-	(160,800)	(148,665)
Net commission	1,444	(5,503)	(92,208)	(893)	-	(97,160)	(98,338)
<b>Underwriting result</b>	<b>15,173</b>	<b>25,941</b>	<b>138,225</b>	<b>14,830</b>	<b>-</b>	<b>194,169</b>	<b>312,927</b>
Other income						35,809	32,000
						<b>229,978</b>	<b>344,927</b>
General and administration expenses						(108,276)	(91,482)
Exchange gain / (loss)						3	(592)
<b>Profit before tax</b>						<b>121,705</b>	<b>252,853</b>

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**Chairman**

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**Director**

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**Director**

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**Managing Director &  
Chief Executive Officer**

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<u>31 December 2011</u>	<u>31 December 2010</u>
	------(Rupees in thousand)-----	
<b>Profit after tax for the year</b>	132,177	484,131
<b>Other comprehensive income:</b>		
Effect of translation of net investment in foreign branches-restated	77,987	27,091
<b>Total comprehensive income for the year</b>	<u>210,164</u>	<u>511,222</u>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

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**Chairman**

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**Director**

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**Director**

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**Managing Director &  
Chief Executive Officer**

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share Capital	Capital Reserves				Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	
	----- (Rupees in thousand) -----							
<b>Balance as at 31 December 2009</b>	1,124,586	-	22,859	3,764	173,424	936,500	8,520,042	10,781,175
Total comprehensive income for the year ended 31 December 2010 -restated	-	-	-	-	27,091	-	484,131	511,222
Final dividend for the year ended 31 December 2009 @ 15 % (Rupees 1.5/- per share)	-	-	-	-	-	-	(168,688)	(168,688)
Transferred to reserve for issue of bonus shares	-	112,459	-	-	-	-	(112,459)	-
Issue of bonus shares for the year ended 31 December 2009 @ 10 %	112,459	(112,459)	-	-	-	-	-	-
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)
<b>Balance as at 31 December 2010 - restated</b>	<b>1,237,045</b>	<b>-</b>	<b>22,859</b>	<b>3,764</b>	<b>200,515</b>	<b>936,500</b>	<b>8,599,321</b>	<b>11,000,004</b>
Total comprehensive income for the year 31 December 2011	-	-	-	-	77,987	-	132,177	210,164
Final dividend for the year ended 31 December 2010 @ 15 % (Rupees 1.5/- per share)	-	-	-	-	-	-	(185,557)	(185,557)
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)
<b>Balance as at 31 December 2011</b>	<b>1,237,045</b>	<b>-</b>	<b>22,859</b>	<b>3,764</b>	<b>278,502</b>	<b>936,500</b>	<b>8,422,236</b>	<b>10,900,906</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<u>31 December 2011</u>	<u>31 December 2010</u>
	------(Rupees in thousand)-----	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	11,537,144	10,905,763
Reinsurance premiums paid	(5,385,962)	(3,806,233)
Claims paid	(9,533,707)	(6,193,362)
Surrenders paid	(87,492)	(85,589)
Reinsurance and other recoveries received	5,018,915	1,174,620
Commissions paid	(1,286,828)	(1,071,186)
Commissions received	858,763	693,974
Other underwriting payments	(1,208,246)	(1,069,698)
<b>Net cash (used in) / flow from underwriting activities</b>	<b>(87,413)</b>	<b>548,289</b>
<b>b) Other operating activities</b>		
Income tax paid	(53,080)	(119,376)
General and other expenses paid	(601,280)	(502,148)
Loans disbursed	(26,652)	(31,991)
Loan repayments received	38,442	38,006
Other receipts	11,603	18,944
<b>Net cash used in other operating activities</b>	<b>(630,967)</b>	<b>(596,565)</b>
<b>Total cash used in all operating activities</b>	<b>(718,380)</b>	<b>(48,276)</b>
<b>Investment activities</b>		
Profit / return received	132,782	141,763
Dividends received	814,369	517,788
Payments for investments	(4,745,209)	(4,586,048)
Proceeds from disposal of investments	4,707,437	5,068,448
Fixed capital expenditure - Tangible assets	(258,534)	(292,062)
Fixed capital expenditure - Intangible assets	(5,673)	(23,152)
Proceeds from disposal of fixed assets	78,344	74,191
Rentals received	657	3,335
Income received on PIBs	9,136	15,264
Income received on TFCs	24,106	25,565
<b>Total cash flow from investing activities</b>	<b>757,415</b>	<b>945,092</b>
<b>Financing activities</b>		
Lease rentals paid	(64,249)	(60,239)
Dividend paid	(304,888)	(289,237)
<b>Total cash used in financing activities</b>	<b>(369,137)</b>	<b>(349,476)</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(330,102)</b>	<b>547,340</b>
Cash at the beginning of the year	2,699,993	2,152,653
<b>Cash at the end of the year</b>	<b>2,369,891</b>	<b>2,699,993</b>

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(718,380)	(48,276)
Depreciation expense	(182,942)	(184,743)
Provision for gratuity	(4,685)	(3,745)
Other income - bank deposits	121,534	143,156
(Loss) / profit on disposal of fixed assets	(23,871)	7,744
Finance charges	(15,179)	(18,966)
Rental income	657	1,048
(Decrease) / increase in assets other than cash	(3,694,148)	5,795,325
Decrease / (increase) in liabilities other than running finance	2,909,432	(5,417,616)
	(1,607,582)	273,927
<b>Others</b>		
Profit on sale of investments	367,235	96,319
Amortization expense	(17,080)	(12,946)
Decrease / (Increase) in unearned premium	689,089	(611,618)
Amortization of income on Government Securities - net	-	2,160
Decrease in loans	(11,790)	(6,015)
Income tax paid	53,080	119,376
Profit on PIBs	7,846	15,634
(Provision) / reversal of impairment in value of investments	(361,960)	128,882
Dividend, investment and other income	806,031	511,396
Income on treasury bills	10,217	-
Income on TFCs	22,946	24,698
	1,565,614	267,886
<b>(Loss) / profit before taxation</b>	<b>(41,968)</b>	<b>541,813</b>

**Definition of cash:**

Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2010: Rupees 4.824 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	21,566	59,393
Current and other accounts	1,415,207	1,060,597
Deposits maturing within 12 months	933,118	1,580,003
<b>Total cash and cash equivalents</b>	<b>2,369,891</b>	<b>2,699,993</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Managing Director &  
Chief Executive Officer



**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**BUSINESS UNDERWRITTEN INSIDE PAKISTAN**

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	10,124,160	9,219,937
Reinsurance premiums paid	(4,868,293)	(3,367,207)
Claims paid	(8,367,130)	(5,189,845)
Surrenders paid	(87,492)	(83,569)
Reinsurance and other recoveries received	4,521,213	890,176
Commissions paid	(1,146,416)	(902,537)
Commissions received	786,144	614,736
Other underwriting payments	(1,173,206)	(944,007)
<b>Net cash (used in) / flow from underwriting activities</b>	<b>(211,020)</b>	<b>237,684</b>
<b>b) Other operating activities</b>		
Income tax paid	(53,080)	(119,376)
General and other expenses paid	(504,297)	(416,304)
Loans disbursed	(24,750)	(26,749)
Loan repayments received	34,689	32,803
Other receipts	3,749	16,108
<b>Net cash used in other operating activities</b>	<b>(543,689)</b>	<b>(513,518)</b>
<b>Total cash used in all operating activities</b>	<b>(754,709)</b>	<b>(275,834)</b>
<b>Investment activities</b>		
Profit / return received	105,649	114,855
Dividends received	814,369	517,788
Payments for investments	(4,745,209)	(4,586,048)
Proceeds from disposal of investments	4,707,437	5,068,448
Fixed capital expenditure - Tangible assets	(121,669)	(288,166)
Fixed capital expenditure - Intangible assets	(5,673)	(23,152)
Proceeds from disposal of fixed assets	78,344	73,287
Rentals received	657	3,335
Income received on PIBs	9,136	15,264
Income received on TFCs	24,106	25,565
<b>Total cash flow from investing activities</b>	<b>867,147</b>	<b>921,176</b>
<b>Financing activities</b>		
Lease rentals paid	(64,249)	(60,239)
Dividend paid	(304,888)	(289,237)
<b>Total cash used in financing activities</b>	<b>(369,137)</b>	<b>(349,476)</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(256,699)</b>	<b>295,866</b>
Cash at the beginning of the year	1,536,471	1,240,605
<b>Cash at the end of the year</b>	<b>1,279,772</b>	<b>1,536,471</b>

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	(754,709)	(275,834)
Depreciation expense	(179,855)	(181,445)
Other income - bank deposits	93,627	114,457
(Loss) / profit on disposal of fixed assets	(23,871)	7,871
Finance charges	(15,179)	(18,966)
Rental income	657	1,048
(Decrease) / increase in assets other than cash	(4,047,180)	5,418,022
Decrease / (increase) in liabilities other than running finance	3,195,239	(4,994,723)
	(1,731,271)	70,430
<b>Others</b>		
Profit on sale of investments	367,235	96,319
Amortization expense	(17,080)	(12,946)
Decrease / (increase) in unearned premium	689,222	(660,935)
Amortization of income on Government Securities - net	-	2,160
Decrease in loans	(9,939)	(6,054)
Income tax paid	53,080	119,376
Profit on PIBs	7,846	15,634
(Provision) / reversal of impairment in value of investments	(361,960)	128,882
Dividend, investment and other income	806,031	511,396
Income on treasury bills	10,217	-
Income on TFCs	22,946	24,698
	1,567,598	218,530
<b>(Loss) / profit before taxation</b>	<b>(163,673)</b>	<b>288,960</b>

**Definition of cash:**

Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2010: Rupees 4.824 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	21,322	59,160
Current and other accounts	1,254,451	972,792
Deposits maturing within 12 months	3,999	504,519
<b>Total cash and cash equivalents</b>	<b>1,279,772</b>	<b>1,536,471</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

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Chairman

\_\_\_\_\_  
Director

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Director

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Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN**

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	1,412,984	1,685,826
Reinsurance premiums paid	(517,669)	(439,026)
Claims paid	(1,166,577)	(1,003,517)
Surrenders paid	-	(2,020)
Reinsurance and other recoveries received	497,702	284,444
Commissions paid	(140,412)	(168,649)
Commissions received	72,619	79,238
Other underwriting payments	(35,040)	(125,691)
<b>Net cash flow from underwriting activities</b>	<b>123,607</b>	<b>310,605</b>
<b>b) Other operating activities</b>		
General and other expenses paid	(96,983)	(85,844)
Loans disbursed	(1,902)	(5,242)
Loan repayments received	3,753	5,203
Other receipts	7,854	2,836
<b>Net cash used in other operating activities</b>	<b>(87,278)</b>	<b>(83,047)</b>
<b>Total cash flow from all operating activities</b>	<b>36,329</b>	<b>227,558</b>
<b>Investment activities</b>		
Profit / return received	27,133	26,908
Dividends received	-	-
Payments for investments	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - Tangible assets	(136,865)	(3,896)
Fixed capital expenditure - Intangible assets	-	-
Proceeds from disposal of fixed assets	-	904
Rentals received	-	-
Income received on PIBs	-	-
Income received on TFCs	-	-
<b>Total cash (used in) / flow from investing activities</b>	<b>(109,732)</b>	<b>23,916</b>
<b>Financing activities</b>		
Dividend paid	-	-
Lease rentals paid	-	-
<b>Total cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash (outflow) / inflow from all activities</b>	<b>(73,403)</b>	<b>251,474</b>
Cash at the beginning of the year	1,163,522	912,048
<b>Cash at the end of the year</b>	<b>1,090,119</b>	<b>1,163,522</b>

	31 December 2011	31 December 2010
	----- (Rupees in thousand) -----	
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	36,329	227,558
Depreciation expense	(3,087)	(3,298)
Provision for gratuity	(4,685)	(3,745)
Other income - bank deposits	27,907	28,699
Profit / (Loss) on disposal of fixed assets	-	(127)
Finance charges	-	-
Rental income	-	-
Increase in assets other than cash	353,032	377,303
Increase in liabilities other than running finance	(285,807)	(422,893)
	123,689	203,497
<b>Others</b>		
Profit on sale of investments	-	-
Amortization expense	-	-
(Increase) / decrease in unearned premium	(133)	49,317
Amortization of income on Government Securities - net	-	-
(Decrease)/Increase in loans	(1,851)	39
Income tax paid	-	-
Profit on PIBs	-	-
Reversal for diminution in value of investments	-	-
Dividend, investment and other income	-	-
Income on TFCs	-	-
	(1,984)	49,356
<b>Profit before taxation</b>	<b>121,705</b>	<b>252,853</b>

**Definition of cash:**

Cash comprises cash in hand, bank balances excluding Rupees Nil (2010: Rupees Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2011	31 December 2010
	----- (Rupees in thousand) -----	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>		
Cash and other equivalents	244	233
Current and other accounts	160,756	87,805
Deposits maturing within 12 months	929,119	1,075,484
<b>Total cash and cash equivalents</b>	<b>1,090,119</b>	<b>1,163,522</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF PREMIUMS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										
Fire and property damage	4,702,415	1,977,580	2,163,408	4,516,587	3,553,956	1,371,210	1,611,865	3,313,301	1,203,286	1,103,966
Marine, aviation and transport	1,227,550	57,988	68,692	1,216,846	336,886	12,199	44,694	304,391	912,455	942,943
Motor	3,185,260	1,760,996	1,589,761	3,356,495	353,638	175,330	146,530	382,438	2,974,057	3,351,982
Miscellaneous	1,949,087	1,220,871	506,485	2,663,473	710,605	215,786	156,464	769,927	1,893,546	1,477,612
<b>Total</b>	<b>11,064,312</b>	<b>5,017,435</b>	<b>4,328,346</b>	<b>11,753,401</b>	<b>4,955,085</b>	<b>1,774,525</b>	<b>1,959,553</b>	<b>4,770,057</b>	<b>6,983,344</b>	<b>6,876,503</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	6,894
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,894</b>
<b>Grand Total</b>	<b>11,064,312</b>	<b>5,017,435</b>	<b>4,328,346</b>	<b>11,753,401</b>	<b>4,955,085</b>	<b>1,774,525</b>	<b>1,959,553</b>	<b>4,770,057</b>	<b>6,983,344</b>	<b>6,883,397</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF PREMIUMS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**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		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										
Fire and property damage	4,624,978	1,928,688	2,123,552	4,430,114	3,495,425	1,330,808	1,580,252	3,245,981	1,184,133	1,080,887
Marine, aviation and transport	1,183,501	43,918	59,728	1,167,691	330,061	8,975	40,746	298,290	869,401	897,785
Motor	1,802,045	955,232	774,385	1,982,892	27,567	2,297	448	29,416	1,953,476	2,129,449
Miscellaneous	1,905,878	1,204,439	485,390	2,624,927	689,678	209,257	146,542	752,393	1,872,534	1,463,097
<b>Total</b>	<b>9,516,402</b>	<b>4,132,277</b>	<b>3,443,055</b>	<b>10,205,624</b>	<b>4,542,731</b>	<b>1,551,337</b>	<b>1,767,988</b>	<b>4,326,080</b>	<b>5,879,544</b>	<b>5,571,218</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	6,894
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,894</b>
<b>Grand Total</b>	<b>9,516,402</b>	<b>4,132,277</b>	<b>3,443,055</b>	<b>10,205,624</b>	<b>4,542,731</b>	<b>1,551,337</b>	<b>1,767,988</b>	<b>4,326,080</b>	<b>5,879,544</b>	<b>5,578,112</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF PREMIUMS  
FOR THE YEAR ENDED 31 DECEMBER 2011

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										
Fire and property damage	77,437	48,892	39,856	86,473	58,531	40,402	31,613	67,320	19,153	23,079
Marine, aviation and transport	44,049	14,070	8,964	49,155	6,825	3,224	3,948	6,101	43,054	45,158
Motor	1,383,215	805,764	815,376	1,373,603	326,071	173,033	146,082	353,022	1,020,581	1,222,533
Miscellaneous	43,209	16,432	21,095	38,546	20,927	6,529	9,922	17,534	21,012	14,515
<b>Total</b>	<b>1,547,910</b>	<b>885,158</b>	<b>885,291</b>	<b>1,547,777</b>	<b>412,354</b>	<b>223,188</b>	<b>191,565</b>	<b>443,977</b>	<b>1,103,800</b>	<b>1,305,285</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,547,910</b>	<b>885,158</b>	<b>885,291</b>	<b>1,547,777</b>	<b>412,354</b>	<b>223,188</b>	<b>191,565</b>	<b>443,977</b>	<b>1,103,800</b>	<b>1,305,285</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF CLAIMS  
FOR THE YEAR ENDED 31 DECEMBER 2011

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										Restated
Fire and property damage	4,181,352	4,893,957	2,436,459	1,723,854	3,496,433	4,334,740	1,906,386	1,068,079	655,775	1,030,802
Marine, aviation and transport	652,580	426,065	307,593	534,108	50,637	166,072	155,223	39,788	494,320	545,964
Motor	2,568,256	1,575,733	1,725,349	2,717,872	507,542	995,153	1,204,860	717,249	2,000,623	2,301,644
Miscellaneous	2,131,519	1,099,317	1,058,285	2,090,487	650,350	856,873	698,615	492,092	1,598,395	980,674
<b>Total</b>	<b>9,533,707</b>	<b>7,995,072</b>	<b>5,527,686</b>	<b>7,066,321</b>	<b>4,704,962</b>	<b>6,352,838</b>	<b>3,965,084</b>	<b>2,317,208</b>	<b>4,749,113</b>	<b>4,859,084</b>
<b>Treaty</b>										
Proportional	-	20,332	20,332	-	-	-	-	-	-	9,217
<b>Total</b>	<b>-</b>	<b>20,332</b>	<b>20,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,217</b>
<b>Grand Total</b>	<b>9,533,707</b>	<b>8,015,404</b>	<b>5,548,018</b>	<b>7,066,321</b>	<b>4,704,962</b>	<b>6,352,838</b>	<b>3,965,084</b>	<b>2,317,208</b>	<b>4,749,113</b>	<b>4,868,301</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer



ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF CLAIMS  
FOR THE YEAR ENDED 31 DECEMBER 2011  
BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										
Fire and property damage	4,172,288	4,888,290	2,388,840	1,672,838	3,489,154	4,329,886	1,860,429	1,019,697	653,141	1,028,408
Marine, aviation and transport	647,594	414,872	296,050	528,772	50,637	166,070	155,223	39,790	488,982	539,812
Motor	1,426,197	468,010	392,635	1,350,822	30,441	81,471	42,700	(8,330)	1,359,152	1,565,308
Miscellaneous	2,121,051	1,098,068	1,056,985	2,079,968	642,072	856,497	698,226	483,801	1,596,167	980,201
<b>Total</b>	<b>8,367,130</b>	<b>6,869,240</b>	<b>4,134,510</b>	<b>5,632,400</b>	<b>4,212,304</b>	<b>5,433,924</b>	<b>2,756,578</b>	<b>1,534,958</b>	<b>4,097,442</b>	<b>4,113,729</b>
<b>Treaty</b>										
Proportional	-	20,332	20,332	-	-	-	-	-	-	9,217
<b>Total</b>	<b>-</b>	<b>20,332</b>	<b>20,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,217</b>
<b>Grand Total</b>	<b>8,367,130</b>	<b>6,889,572</b>	<b>4,154,842</b>	<b>5,632,400</b>	<b>4,212,304</b>	<b>5,433,924</b>	<b>2,756,578</b>	<b>1,534,958</b>	<b>4,097,442</b>	<b>4,122,946</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF CLAIMS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN**

Class	Total claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		31 December 2011	31 December 2010
------(Rupees in thousand)-----										
<b>Direct and facultative</b>										Restated
Fire and property damage	9,064	5,667	47,619	51,016	7,279	4,854	45,957	48,382	2,634	2,394
Marine, aviation and transport	4,986	11,193	11,543	5,336	-	2	-	(2)	5,338	6,152
Motor	1,142,059	1,107,723	1,332,714	1,367,050	477,101	913,682	1,162,160	725,579	641,471	736,336
Miscellaneous	10,468	1,249	1,300	10,519	8,278	376	389	8,291	2,228	473
<b>Total</b>	<b>1,166,577</b>	<b>1,125,832</b>	<b>1,393,176</b>	<b>1,433,921</b>	<b>492,658</b>	<b>918,914</b>	<b>1,208,506</b>	<b>782,250</b>	<b>651,671</b>	<b>745,355</b>
<b>Treaty</b>										
Proportional	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,166,577</b>	<b>1,125,832</b>	<b>1,393,176</b>	<b>1,433,921</b>	<b>492,658</b>	<b>918,914</b>	<b>1,208,506</b>	<b>782,250</b>	<b>651,671</b>	<b>745,355</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Managing Director &  
Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2011

Class	Commissions paid or payable	Deferred commission		Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2011	31 December 2010
------(Rupees in thousand)-----									
<b>Direct and facultative</b>									
Fire and property damage	650,760	259,844	270,645	639,959	217,992	857,951	547,941	310,010	337,625
Marine, aviation and transport	166,185	11,662	14,189	163,658	164,275	327,933	14,494	313,439	364,055
Motor	280,780	162,226	134,109	308,897	503,698	812,595	60,771	751,824	804,615
Miscellaneous	131,214	78,490	53,456	156,248	343,372	499,620	169,294	330,326	258,470
<b>Total</b>	<b>1,228,939</b>	<b>512,222</b>	<b>472,399</b>	<b>1,268,762</b>	<b>1,229,337</b>	<b>2,498,099</b>	<b>792,500</b>	<b>1,705,599</b>	<b>1,764,765</b>
<b>Treaty</b>									
Proportional	-	-	-	-	-	-	-	-	4,610
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,610</b>
<b>Grand Total</b>	<b>1,228,939</b>	<b>512,222</b>	<b>472,399</b>	<b>1,268,762</b>	<b>1,229,337</b>	<b>2,498,099</b>	<b>792,500</b>	<b>1,705,599</b>	<b>1,769,375</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2011  
BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2011	31 December 2010
------(Rupees in thousand)-----									
<b>Direct and facultative</b>									
Fire and property damage	639,275	250,919	265,139	625,055	215,202	840,257	531,593	308,664	339,709
Marine, aviation and transport	162,656	9,004	14,003	157,657	158,003	315,660	13,996	301,664	344,021
Motor	151,998	69,412	64,097	157,313	355,021	512,334	1,395	510,939	575,506
Miscellaneous	128,045	76,871	51,942	152,974	340,311	493,285	166,913	326,372	258,526
<b>Total</b>	<b>1,081,974</b>	<b>406,206</b>	<b>395,181</b>	<b>1,092,999</b>	<b>1,068,537</b>	<b>2,161,536</b>	<b>713,897</b>	<b>1,447,639</b>	<b>1,517,762</b>
<b>Treaty</b>									
Proportional	-	-	-	-	-	-	-	-	4,610
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,610</b>
<b>Grand Total</b>	<b>1,081,974</b>	<b>406,206</b>	<b>395,181</b>	<b>1,092,999</b>	<b>1,068,537</b>	<b>2,161,536</b>	<b>713,897</b>	<b>1,447,639</b>	<b>1,522,372</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Managing Director &  
Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2011  
BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2011	31 December 2010
----- (Rupees in thousand) -----									
<b>Direct and facultative</b>									
Fire and property damage	11,485	8,925	5,506	14,904	2,790	17,694	16,348	1,346	(2,084)
Marine, aviation and transport	3,529	2,658	186	6,001	6,272	12,273	498	11,775	20,034
Motor	128,782	92,814	70,012	151,584	148,677	300,261	59,376	240,885	229,109
Miscellaneous	3,169	1,619	1,514	3,274	3,061	6,335	2,381	3,954	(56)
<b>Total</b>	<b>146,965</b>	<b>106,016</b>	<b>77,218</b>	<b>175,763</b>	<b>160,800</b>	<b>336,563</b>	<b>78,603</b>	<b>257,960</b>	<b>247,003</b>
<b>Treaty</b>									
Proportional	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>146,965</b>	<b>106,016</b>	<b>77,218</b>	<b>175,763</b>	<b>160,800</b>	<b>336,563</b>	<b>78,603</b>	<b>257,960</b>	<b>247,003</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Chairman

Director

Director

Managing Director &  
Chief Executive Officer

**ADAMJEE INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF INVESTMENT INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----			
<b>Income from non-trading investments</b>			
<b>Available-for-sale</b>			
Return on fixed income securities		-	2,160
Return on Term Finance Certificates		22,946	24,698
Return on Treasury Bills		10,217	-
Return on Pakistan Investments Bonds		7,846	15,634
Dividend income			
- associated undertakings		577,720	318,526
- others		228,311	192,870
		806,031	511,396
		847,040	553,888
Gain on sale of 'available-for-sale' investments			
- associated undertakings		17,563	75,626
- others		349,672	20,693
		367,235	96,319
		1,214,275	650,207
Provision for impairment / Reversal of impairment in value of 'available-for-sale' investment	12.2	(361,960)	128,882
Investment related expenses		-	-
<b>Net investment income</b>		<b>852,315</b>	<b>779,089</b>

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Managing Director &  
Chief Executive Officer**

**ADAMJEE INSURANCE COMPANY LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. THE COMPANY AND ITS OPERATIONS**

Adamjee Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company is listed on all the stock exchanges in Pakistan and is engaged in the non-life insurance business.

The registered office of the Company is situated at Islamabad Stock Exchange Building, Islamabad.

- 1.1 The Company also operates branches in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in "run-off" status with effect from 01 October 2003. During the year, the Company has opened its new branch office in Abu-Dhabi to extend its operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these unconsolidated financial statements are set out below:

**2.1 BASIS OF PREPARATION**

**a) Statement of compliance**

These unconsolidated financial statements are 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.

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale investments" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these unconsolidated financial statements. The effect of such departure from the requirements of IAS - 39 is disclosed in Note 12.1.

**b) Basis of presentation**

These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The consolidated financial statements of the group are issued separately.

**c) Accounting convention**

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow information.

**d) Critical accounting estimates and judgments**

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements or judgment was exercised in application of accounting policies, are as follows:

i) **Provision for outstanding claims including claims incurred but not reported (IBNR)**

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

ii) **Provision for taxation including the amount relating to tax contingency**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iii) **Provision for doubtful receivables**

The receivable balances are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

iv) **Useful lives, patterns of economic benefits and impairments - Fixed assets**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of fixed assets with a corresponding effect on the depreciation charge and impairment.

v) **Defined benefit plans**

The actuarial calculations are involved in the working of provision for defined benefit plans that are based on certain actuarial assumptions.

vi) **Classification of investments**

The Company classifies its investments into "available-for-sale" category. The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

e) **Functional and presentation currency**

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

f) **Standards, interpretations and amendments to published approved standards that are effective in current year and are relevant to the Company**

Standards and amendments to published approved accounting standards that are effective in the current year and are relevant to the Company have no significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

g) **Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2011 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.



**h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standard and amendments to existing standards have been published and will be effective to the Company's accounting periods beginning on or after 01 January 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 19, (Amendment) 'Employee benefits' (effect for annual periods 01 January 2013). This amendment eliminates the corridor approach and recognizes all actuarial gains and losses in other comprehensive income as they occur, to immediately recognize all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (assets). The management of the Company is in process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

The management of the Company is in the process of evaluating the impacts of the aforesaid standards on the Company's financial statements.

**i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company**

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

**2.2 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 life time, 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 (DPF).

## 2.2.1 Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry as follows:

- (a) For direct business, evenly over the period of the policy;
- (b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
- (c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

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.

Administrative surcharge is recognized as premium at the time the policies are written.

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 by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002. This liability is calculated as follows:

- for marine cargo business and for motor business in the UAE branches, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and
- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts. If any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

## 2.2.2 Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance assets or liabilities are derecognized when the contractual rights or obligations are extinguished or expired.

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

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

## 2.2.3 Claims expense

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.

The Company recognizes liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

#### **2.2.4 Reinsurance recoveries against outstanding claims**

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

#### **2.2.5 Commission expense and other acquisition costs**

Commission expense and other acquisition costs are charged to profit and loss account at the time the policies are accepted.

#### **2.2.6 Premium deficiency reserve**

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the reporting date.

The movement in the premium deficiency reserve is recorded as an expense / income in profit or loss account for the year.

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

	<b>2011</b>	<b>2010</b>
Fire and property damage	67.59%	70.38%
Marine, aviation and transport	51.57%	50.74%
Motor	68.71%	70.73%
Miscellaneous	76.89%	74.55%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been created in these unconsolidated financial statements.

### **2.3 Staff retirement benefits**

#### **2.3.1 Defined contribution plan**

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary.

#### **2.3.2 Defined benefit plans**

The Company operates the following defined benefit plans:

- (a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are amortized over the expected future service of the current members. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

- (b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements based on management's best estimate of the liability in respect of such scheme.

## **2.4 Employees' compensated absences**

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 13 percent and assumes a salary increase average of 10.75% in the long term.

## **2.5 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 future for the goods and / or services received, whether or not billed to the Company.

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

## **2.6 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and excludes bank balances held under lien.

## **2.7 Investments**

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

The above investments are classified as 'available-for-sale'.

### **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, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

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 reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in delisted / unlisted companies. Such valuation is obtained from independent valuers. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

## **2.8 Taxation**

### **2.8.1 Current**

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

## **2.8.2 Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

## **2.9 Fixed assets**

### **2.9.1 Tangible**

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Freehold land and capital work-in-progress are carried at cost less impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

### **2.9.2 Intangible**

These are stated at cost less accumulated amortization and any provision for impairment.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

## **2.10 Expenses of management**

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of net premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

## **2.11 Investment income**

### **From available-for-sale investments**

- **Return on fixed income securities**

Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

- **Dividend**

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

- **Gain / loss on sale of available-for-sale investments**

Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

- **Return on Term Finance Certificates**

The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized and taken to the profit and loss account over the term of the investment.

## **2.12 Foreign currencies**

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company's net investment in foreign branches, which are taken to the capital reserves (exchange translation reserve).

## **2.13 Financial instruments**

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

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## **2.14 Dividend and other appropriations**

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 by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## **2.15 Off setting of financial assets and financial liabilities**

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

## **2.16 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

## **2.17 Impairment**

### **Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

### **Non financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

## **2.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

## **2.19 Borrowing cost**

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

## **2.20 Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

### 3. SHARE CAPITAL

#### 3.1 Authorized share capital

31 December 2011	31 December 2010		31 December 2011	31 December 2010
------(Number of shares)-----			------(Rupees in thousand)-----	
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	1,500,000	1,500,000

#### 3.2 Paid-up share capital

##### Issued, subscribed and fully paid:

		Opening balance		
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	2,500	2,500
123,454,544	112,208,676	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	1,234,545	1,122,086
		Issued during the year		
-	11,245,868	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	-	112,459
123,704,544	123,704,544	<b>Closing Balance</b>	1,237,045	1,237,045

3.3 As at 31 December 2011, MCB Bank Limited, Nishat Mills Limited, Security General Insurance Company Limited, D.G. Khan Cement Company Limited and Pakistan Molasses Company (Pvt.) Limited., associated undertakings, held 36,338,092 (2010: 36,338,092), 36,337 (2010: 36,337), NIL (2010: 4,138,572), 3,541,391 (2010: 3,541,391), and 60,000 (2010: 55,000) ordinary shares of Rupees 10 each, respectively.

### 4. RESERVES

		31 December 2011	31 December 2010
		------(Rupees in thousand)-----	
<b>Capital reserves</b>			
Reserve for exceptional losses	Note 4.1	22,859	22,859
Investment fluctuation reserve	4.2	3,764	3,764
Exchange translation reserve	4.3	278,502	200,515
		305,125	227,138
<b>Revenue reserve</b>			
General reserve		936,500	936,500
		1,241,625	1,163,638

4.1 The reserve for exceptional losses represents the amount set aside in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act, of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses.

4.2 This amount has been set aside in prior years for utilization against possible diminution in the value of investments.

4.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since these carry on their business in AED and US Dollars respectively.



	<u>31 December 2011</u>	<u>31 December 2010</u>
	------(Rupees in thousand)-----	
<b>5. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)</b>		Restated
Related parties	187,035	1,697,849
Others	5,360,983	6,317,555
	<u>5,548,018</u>	<u>8,015,404</u>
<b>5.1</b>	In UAE branch, an additional provision for IBNR claims amounting to Rupees 34.785 million has been accounted for retrospectively in the year 2010. These IBNR claims were inadvertently not booked last year. Had this error not been corrected retrospectively, the profit before tax for the year 2010 would have been higher by Rupees 34.785 million.	
<b>6. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity</b>		
Opening balance	17,326	13,581
Charge for the year	4,688	3,382
	<u>22,014</u>	<u>16,963</u>
Gratuity paid	(930)	-
Exchange loss	927	363
	<u>22,011</u>	<u>17,326</u>
<b>6.1</b>	The above provision relates to the Company's operations in UAE branches. Actuarial valuation has not been obtained as the liability is not material.	
<b>7. OTHER CREDITORS AND ACCRUALS</b>		
Cash margin against performance bonds	612,067	556,683
Sundry creditors	137,679	134,662
Commission payable	531,396	589,285
Workers' welfare fund	11,762	88,009
Federal insurance fee	35,471	18,889
Federal excise duty	101,572	133,204
	<u>1,429,947</u>	<u>1,520,732</u>
<b>7.1</b>	During the year, an amount of Rupees 21.666 million (2010: Rupees 22.495 million) has been charged to the profit and loss account in respect of the Company's contributions to the Employees' Provident Fund.	
<b>8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	58,567	107,637
<b>8.1 Minimum lease payments</b>		
Not later than 1 year	27,809	39,313
Later than 1 year and not later than 5 years	42,056	98,296
	<u>69,865</u>	<u>137,609</u>
Future finance charges on finance lease	(11,298)	(29,972)
Present value of finance lease liability	<u>58,567</u>	<u>107,637</u>
<b>8.2 Present value of finance lease liabilities</b>		
Not later than 1 year	20,904	25,502
Later than 1 year and not later than 5 years	37,663	82,135
	<u>58,567</u>	<u>107,637</u>
<b>8.3</b>	The above represents finance lease entered into with leasing companies for motor vehicles. The liability is payable by October 2014 in quarterly installments and is secured against respective vehicles and security deposits.	
<b>8.4</b>	Lease payments bear variable mark-up rates include finance charges at 3 months KIBOR + 2% to 2.5% per annum. KIBOR is determined on quarterly basis.	

## **9. CONTINGENCIES AND COMMITMENTS**

### **9.1 Contingencies**

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

- i) The Deputy Commissioner Inland Revenue (DCIR) has finalized assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIR amounted to Rupees 48.205 million against which the Company has made a total provision of Rupees 44.141 million resulting in a shortfall of Rupees 4.064 million. The Company filed appeals with the Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR) which were decided against the Company. Consequently, the Company has filed an appeal before the Honorable High Court of Sindh and the petition is fixed for regular hearing.
- ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the Company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner Inland Revenue (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Company but the Tax Department had filed an appeal before the ATIR against the order of the Additional Commissioner, which has been decided in favour of the Company. However, the Company received another notice from Additional Commissioner for reassessment of the case in response to which the Company has filed a constitutional petition in Sindh High Court against such notice.
- iii) While finalizing the assessment for the assessment year 2002-2003, DCIR has reduced the business loss for the year by Rupees 88.180 million by adjusting the dividend income against this loss. The Company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the Company in this respect have been rejected by the Commissioner Inland Revenue (Appeals), the ATIR and the Sindh High Court. The Company has filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favor of the Company and has consequently not made any provision against the additional tax liability of Rupees 26.455 million which may arise in this respect.
- iv) The Tax Authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company has filed constitution petition in the High Court of Sindh against the amendment in the assessment order. The Company may be liable to pay Rupees 5.881 million in the event of decision against the Company, out of which Rupees 2.727 million have been provided resulting in a shortfall of Rupees 3.154 million.
- v) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rupees 38.358 million. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before the ATIR which is yet to be heard.
- vi) The Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter in constitutional petition before Sindh High Court. The court has ordered for stay of proceedings.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rupees 86.938 million (2010: 88.201 million) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

### **9.2 Commitments**

There were no capital or other commitments as at 31 December 2011 (2010: Nil).

	Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----			
<b>10. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash in hand		1,817	3,002
Cheques in transit		19,749	56,391
		21,566	59,393
<b>Current and other accounts</b>			
Current accounts		239,015	170,703
Savings accounts		1,176,192	889,894
		1,415,207	1,060,597
<b>Deposits maturing within 12 months</b>			
Fixed and term deposits	10.1	942,194	1,584,827
		2,378,967	2,704,817

**10.1** These include fixed deposits amounting to Rupees 166.947 million (AED 6.844 million) [2010: 158.536 million (AED 6.795 million)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rupees 9.076 million (2010: Rupees 4.824 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company.

**10.2** Cash and bank deposits include an amount of Rupees 745.929 million (2010: Rupees 803.040 million) held with related parties.

## **11. LOANS - considered good**

### **Secured**

Executives	11.2	3,273	4,108
Employees	11.2	24,691	35,646
		27,964	39,754

Less: Recoverable within one year shown under sundry receivables

Executives	18	1,311	3,684
Employees	18	9,478	13,984
		10,789	17,668
		17,175	22,086

**11.1** Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase/ construction of houses which carry interest at the rate of 5% (2010: 5%) per annum.

## 11.2 Reconciliation of carrying amount of loans

	2011			2010		
	Executives	Others	Total	Executives	Others	Total
------(Rupees in thousand)-----						
Opening balance	4,108	35,646	39,754	1,990	43,779	45,769
Disbursements	4,270	22,382	26,652	7,552	24,439	31,991
Repayments	(5,105)	(33,337)	(38,442)	(5,434)	(32,572)	(38,006)
Closing balance	3,273	24,691	27,964	4,108	35,646	39,754

Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----		

## 12. INVESTMENTS

### In related parties

#### Available-for-sale

Marketable securities	12.3	6,119,613	5,724,324
Less: Provision for impairment in value of investments		(12,085)	-
		6,107,528	5,724,324
Investment in Subsidiary - Adamjee Life Assurance Company Limited		294,065	294,065
Less: Provision for impairment in value of investment		(91,850)	-
		202,215	294,065
Investment in Associates			
- Lalpir Power Limited		412,796	412,796
- Pakgen Power Limited - Quoted		355,448	412,796
Less: Provision for impairment in value of investments		(66,841)	-
		701,403	825,592
		7,011,146	6,843,981

### Others

#### Available-for-sale

Marketable securities	12.3	3,041,835	2,973,083
Less: Provision for impairment in value of investments		(601,250)	(410,066)
		2,440,585	2,563,017
		9,451,731	9,406,998

12.1 On 31 December 2011, the fair value of available-for-sale securities was Rupees 9,556.734 million (2010: Rupees 10,003.082 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
<b>12.2 Reconciliation of provision for impairment in value of investments</b>		
Opening provision	410,066	541,300
Charge / (Reversal) for the year	361,960	(128,882)
Written off	-	(2,352)
Closing provision	<u>772,026</u>	<u>410,066</u>

Note	31 December 2011		31 December 2010	
	Cost	Provision there against	Carrying Value	Carrying Value
	------(Rupees in thousand)-----			
<b>12.3 Available for sale</b>				
In related parties:				
- Listed shares	4,767,708	(12,085)	4,755,623	4,690,300
- Mutual Fund Certificates	1,351,905	-	1,351,905	1,034,024
- Investment in Subsidiary - Adamjee Life Assurance Company Limited	294,065	(91,850)	202,215	294,065
- Investment in Associates Lalpir Power Limited	412,796	-	412,796	412,796
Pakgen Power Limited	355,448	(66,841)	288,607	412,796
12.3.1	7,181,922	(170,776)	7,011,146	6,843,981
Others:				
- Listed shares	2,749,968	(600,952)	2,149,016	2,223,347
- Term Finance Certificates	130,445	(298)	130,147	160,947
- Mutual Fund Certificates	36,041	-	36,041	56,101
- NIT Units	161	-	161	161
- Government treasury bills	105,456	-	105,456	-
- Pakistan Investments Bonds	19,764	-	19,764	122,461
	<u>3,041,835</u>	<u>(601,250)</u>	<u>2,440,585</u>	<u>2,563,017</u>
	<u>10,223,757</u>	<u>(772,026)</u>	<u>9,451,731</u>	<u>9,406,998</u>

No. of Shares / Certificates	Face value	Company's name	31 December 2011		31 December 2010	
			------(Rupees in thousand)-----		------(Rupees in thousand)-----	
31 December 2011	31 December 2010		Cost	Cost		
<b>12.3.1 Related parties</b>						
<b>Listed Shares:</b>						
1,258,650	1,258,650	10 Nishat Mills Limited [Equity held 0.36% (2010: 0.36%)]	34,211	34,211		
115,500	115,500	10 Hub Power Company Limited [Equity held 0.01% (2010: 0.01%)]	3,224	3,224		
1,407,944	1,407,944	10 D.G. Khan Cement Company Limited [Equity held .39% (2010: .39% )]	38,878	38,878		
26,037,715	23,263,378	10 MCB Bank Limited [Equity held 3.42% (2010: 3.06%)]	4,691,395	4,613,987		
			<u>4,767,708</u>	<u>4,690,300</u>		
<b>Investment in Associates-listed</b>						
25,631,181	29,766,527	10 Pakgen Power Limited [Equity held 6.89% (2010: 8%)]	355,448	412,796		
			<u>5,123,156</u>	<u>5,103,096</u>		
<b>Investment in Associates-unlisted</b>						
29,406,493	29,406,493	10 Adamjee Life Assurance Limited [Equity held 55% (2010: 55%)]	294,065	294,065		
27,624,635	27,624,635	10 Lalpir Power Limited [Equity held 8.00% (2010: 8.00% )]	412,796	412,796		
			<u>706,861</u>	<u>706,861</u>		

No. of Shares/ Certificates		Face value	Company's name	31 December 2011	31 December 2010
31 December 2011	31 December 2010	Rupees		------(Rupees in thousand)-----	
Mutual Fund Certificates				Cost	Cost
8,323,906	6,393,810	100	MCB Dynamic Cash Fund [Units held 15.69% (2010: 13%)]	809,040	618,402
5,478,668	3,931,583	100	MCB Cash Management Optimizer Fund [Units held 7.27% (2010: 5.22%)]	542,865	400,622
-	152,790	100	MCB Sarmaya Mehfooz Fund 1 [Units held Nil (2010: 2.43%)]	-	15,000
				<u>1,351,905</u>	<u>1,034,024</u>

### 12.3.2 Other - listed shares

			Investment Bank/ Investment Companies / Security Companies		
2,310,840	-	10	Arif Habib Investments Limited	47,086	-
<b>Commercial Banks</b>					
1,573,951	1,309,570	10	Allied Bank Limited	75,492	67,218
1,684,247	1,531,134	10	Askari Bank Limited	71,871	71,871
6,202,355	6,582,322	10	Bank Al-Habib Limited	130,982	166,807
-	837,178	10	Bank Alfalah Limited	-	25,346
293,299	266,636	10	Habib Bank Limited	38,447	38,447
3,901,899	3,724,444	10	Habib Metropolitan Bank Limited	87,327	100,026
5,509,052	1,427,242	10	National Bank of Pakistan	319,034	164,683
-	284,644	10	Soneri Bank Limited	-	8,102
3,830,544	3,830,544	10	United Bank Limited	296,886	296,886
<b>Insurance</b>					
15,375	15,375	10	EFU General Insurance Company Limited	1,081	1,081
305,188	196,579	10	International General Insurance Company of Pakistan	22,888	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326
<b>Textile Spinning</b>					
400,000	400,000	10	Hira Textile Mills Limited	5,000	5,000
<b>Power Generation &amp; Distribution</b>					
85,000	85,000	10	Kot Addu Power Company Limited	3,913	3,913
<b>Oil And Gas Marketing Companies</b>					
110,000	110,000	10	Pakistan State Oil Company Limited	48,178	48,178
-	157,100	10	Shell Gas LPG Pakistan Limited	-	1,749
-	174,916	10	Shell Pakistan Limited	-	36,607
2,011,905	1,916,100	10	Sui Northern Gas Pipelines Limited	127,666	127,666
<b>Oil And Gas Exploration Companies</b>					
100,000	790,687	10	Oil and Gas Development Company Limited	10,671	84,376
483,585	427,171	10	Pakistan Oilfields Limited	140,624	101,084
1,208,766	1,483,355	10	Pakistan Petroleum Limited	178,308	229,779
<b>Engineering</b>					
1,398,823	1,398,823	10	International Industries Limited	77,490	77,490
<b>Automobile Assembler</b>					
301,378	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
394,544	394,544	10	Millat Tractors Limited	35,335	35,335
<b>Cables And Electrical Goods</b>					
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
171,930	171,930	10	Siemens (Pakistan) Engineering Company Limited	135,531	135,531
<b>Fertilizer</b>					
-	135,868	10	Engro Corporation	-	24,223
1,936,906	704,078	10	Fauji Fertilizer Bin Qasim	85,611	23,760
2,763,199	2,083,516	10	Fauji Fertilizer Company Limited	243,440	151,388
-	168,494	10	Fatima Fertilizer Company Limited	-	1,312
<b>Pharmaceutical</b>					
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	151,883	151,883
814,172	707,976	10	GlaxoSmithKline Pakistan Limited	84,811	84,811

No. of Shares/ Certificates	Face value	Company's name	31 December 2011	31 December 2010
<b>31 December 2011 31 December 2010 Rupees</b>			<b>------(Rupees in thousand)-----</b>	
		<b>Chemical</b>	<b>Cost</b>	<b>Cost</b>
110,401	88,321	10 Clariant Pakistan Limited	11,762	11,762
41,400	41,400	10 ICI Pakistan Limited	8,561	8,561
880,000	800,000	10 Arif Habib Corporation Limited	98,981	98,981
		<b>Food And Personal Care Products</b>		
706,850	642,592	10 Murree Brewery Company Limited	34,565	34,565
32,783	32,783	10 Nestle Pakistan Limited	18,980	18,980
54,870	54,870	10 Rafhan Maize Products Limited	44,644	44,644
26,336	26,336	50 Unilever Pakistan Limited	35,847	35,847
			<u>2,749,968</u>	<u>2,617,853</u>

#### 12.3.3 Others-Term Finance Certificates

3,992	3993	5,000	Allied Bank Limited (05/11/2006)	19,960	19,968
9,977	9981	5,000	Bank Alfalah Limited (25/11/ 2005)	49,885	49,904
2,998	2999	5,000	Bank Alfalah Limited (02/12/ 2009)	14,988	14,994
-	750	5,000	IGI Investment Bank Limited (10/07/2006)	-	3,749
998	1997	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	4,991	9,984
167	500	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	833	2,498
2,995	4992	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	14,976	24,960
1,970	2955	5,000	Royal Bank of Scotland Limited (10/02/ 2005)	9,848	14,774
-	375	5,000	Searle Pakistan Limited (9/03/2006)	-	1,874
2,993	3991	5,000	Soneri Bank Limited (5/05/2005)	14,964	19,956
				<u>130,445</u>	<u>162,661</u>

#### 12.3.4 Others-Mutual Fund Certificates

##### (Open End) Mutual Funds

1,403,277	1,246,785	100	ABL Income Fund	10,000	10,000
6,835	6,341	500	Atlas Income Fund	2,725	2,725
-	65,561	100	AMZ Plus Income Fund	-	4,843
244,386	227,020	100	Meezan Islamic Income Fund	10,000	10,000
1,172,613	1,065,013	100	NIT Government Bond Fund	10,000	10,000
31,737	50,708	100	Crosby Phoenix Fund	3,316	5,157

##### (Close End) Mutual Funds

-	2,677,937	10	JS Growth Fund	-	22,605
-	400,000	10	Pakistan Strategic Allocation Fund	-	4,000
				<u>36,041</u>	<u>69,330</u>

	Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----			
<b>13. PREMIUMS DUE BUT UNPAID - Unsecured</b>			
Considered good		3,568,167	4,546,222
Considered doubtful		309,821	199,015
		<u>3,877,988</u>	<u>4,745,237</u>
Less: Provision for doubtful balances	13.1	(309,821)	(199,015)
		<u><u>3,568,167</u></u>	<u><u>4,546,222</u></u>
<b>13.1 Reconciliation of provision for doubtful balances</b>			
Opening provision		199,015	119,530
Exchange loss		3,735	274
Charge for the year		661,627	86,867
Written off during the year		(554,556)	(7,656)
Closing provision		<u>309,821</u>	<u>199,015</u>
<b>13.2</b>			
Premiums due but unpaid include an amount of Rupees 534 million (2010: Rupees 412 million) held with related parties.			
<b>14. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured</b>			
Considered good		679,631	993,584
Considered doubtful		276,327	30,000
		<u>955,958</u>	<u>1,023,584</u>
Less: Provision for doubtful balances	14.1	(276,327)	(30,000)
		<u><u>679,631</u></u>	<u><u>993,584</u></u>
<b>14.1 Reconciliation of provision for doubtful balances</b>			
Opening provision		30,000	30,000
Charge for the year		270,000	-
Written off during the year		(23,673)	-
Closing provision		<u>276,327</u>	<u>30,000</u>
<b>15. ACCRUED INVESTMENT INCOME</b>			
Return accrued on Term Finance Certificates		2,242	3,402
Return accrued on Treasury Bills		10,217	-
Return accrued on Pakistan Investment Bonds		757	2,047
Dividend income			
- associated undertakings		-	-
- others		3,164	11,502
		<u>3,164</u>	<u>11,502</u>
Return on deposit accounts			
- associated undertakings		-	11,847
- others		5,246	4,647
		<u>5,246</u>	<u>16,494</u>
		<u><u>21,626</u></u>	<u><u>33,445</u></u>
<b>16. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>			
These are unsecured and considered to be good.			
<b>17. PREPAYMENTS</b>			
Prepaid reinsurance premium ceded		1,959,553	1,774,525
Others		74,210	54,587
		<u>2,033,763</u>	<u>1,829,112</u>



18. SUNDRY RECEIVABLES	Note	31 December 2011	31 December 2010
		------(Rupees in thousand)-----	
<b>Considered good</b>			
Current portion of long-term loans			
Executives	11	1,311	3,684
Employees	11	9,478	13,984
Other advances		120,992	104,848
Staff Gratuity Fund	18.1.1	14,730	53,818
Security deposits		17,749	17,729
Stationery in hand		4,716	4,716
Receivable from Employees' Provident Fund		1,720	1,737
Sundry debtors		6,140	92,568
		176,836	293,084
Miscellaneous		28,322	23,987
		205,158	317,071

### 18.1 Staff Gratuity Fund

The Company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2011.

The following significant assumptions have been used for valuation of this scheme:

	Rate per annum	
	2011	2010
- Valuation discount rate	13.00%	14.25%
- Expected rate of increase in salary level	10.75%	12.00%
- Rate of return on plan assets	13.00%	14.25%

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

	31 December 2011	31 December 2010
	------(Rupees in thousand)-----	
Present value of defined benefit obligation at the end of the year	(196,137)	(215,970)
Fair value of plan assets at the end of the year	145,205	186,219
	(50,932)	(29,751)
Net unrecognized actuarial losses	65,662	83,569
Net assets	14,730	53,818

#### 18.1.1 Amounts recognized in the balance sheet

Liabilities	-	-
Assets	14,730	53,818
Net assets	14,730	53,818

#### 18.1.2 The amounts charged in profit and loss are as follows:

Current service cost	16,291	16,301
Interest on obligation	26,386	21,783
Expected return on plan assets	(20,300)	(29,432)
Curtailment cost	4,039	-
Actuarial losses recognized during the year	12,672	2,812
Total gratuity expense for the year for funded obligation	39,088	11,464

	<u>31 December 2011</u>	<u>31 December 2010</u>
	----- (Rupees in thousand) -----	
<b>18.1.3 Actual return on plan assets</b>	<u>22,723</u>	<u>25,687</u>
<b>18.1.4 Changes in present value of the defined benefit obligation</b>		
Present value of defined benefit obligation at the beginning of the year	215,970	201,262
Current service cost	16,291	16,301
Interest cost	26,386	21,783
Curtailement cost	4,039	-
Actuarial (gain) / losses	(2,812)	39,329
Benefits paid	<u>(63,737)</u>	<u>(62,705)</u>
Present value of defined benefit obligation at the end of the year	<u>196,137</u>	<u>215,970</u>

**18.1.5 Changes in the fair value of plan assets**

Fair value of plan assets at the beginning of the year	186,219	223,237
Expected return	20,300	29,432
Actuarial gain / (loss)	2,423	(3,745)
Benefits paid	<u>(63,737)</u>	<u>(62,705)</u>
Fair value of plan assets at the end of the year	<u>145,205</u>	<u>186,219</u>

The Company is not expected to contribute to the gratuity fund in 2012 due to unrecognized actuarial losses.

	<u>31 December 2011</u>		<u>31 December 2010</u>	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>18.1.6 Fund Investment</b>				
Government Bonds	9,872	6.8	-	-
Shares and deposits	92,172	63.48	93,350	50.13
Unit Trusts	52,555	36.19	94,692	50.85
Creditors	<u>(9,394)</u>	<u>(6.47)</u>	<u>(1,823)</u>	<u>(0.98)</u>
	<u>145,205</u>	<u>100</u>	<u>186,219</u>	<u>100</u>

**18.1.7 Amounts / percentages for the current and previous four periods**

The company amortizes gains and losses over the expected remaining service of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion resulting from experience gain during the year.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	----- (Rupees in thousand) -----				
Defined benefit obligation	196,137	(215,970)	(201,262)	(161,130)	(173,663)
Plan assets	<u>(145,205)</u>	<u>186,219</u>	<u>223,237</u>	<u>250,143</u>	<u>282,517</u>
Surplus / (Deficit)	<u>50,932</u>	<u>(29,751)</u>	<u>21,975</u>	<u>89,013</u>	<u>108,854</u>
Experience adjustments on plan liabilities	-1%	18%	25%	-10%	-2%
Experience adjustments on plan assets	2%	-2%	-8%	-15%	10%

		<u>31 December 2011</u>	<u>31 December 2010</u>
		----- (Rupees in thousand) -----	
<b>19. FIXED ASSETS</b>			
Owned assets - tangible	19.1	804,684	909,473
- intangible	19.1	<u>37,068</u>	<u>48,475</u>
		841,752	957,948
Leased assets	19.1	87,740	143,443
Capital work in progress	19.2	<u>133,378</u>	-
		<u>1,062,870</u>	<u>1,101,391</u>

19.1 The following is a statement of operating fixed assets :

	2011										Total fixed assets
	Owned assets							Leased assets			
	Tangible					Intangible	Tangible				
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software	Total owned	Motor vehicles	Total leased	
(Rupees in thousand)											
<b>At 01 January 2011</b>											
Cost	318,742	105,752	341,634	633,492	198,418	1,598,038	85,893	1,683,931	177,115	177,115	1,861,046
Accumulated depreciation / amortisation	37,270	43,463	144,382	317,302	146,148	688,565	37,418	725,983	33,672	33,672	759,655
Net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
<b>Year ended 31 December 2011</b>											
Opening net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
Additions	7,752	16,281	59,012	20,536	21,575	125,156	5,673	130,829	-	-	130,829
Disposals / Write off											
Cost	6,568	18,750	22,798	129,420	57,907	235,443	-	235,443	50,009	50,009	285,452
Depreciation / amortisation	3,935	10,660	10,680	92,459	52,701	170,435	-	170,435	12,311	12,311	182,746
	2,633	8,090	12,118	36,961	5,206	65,008	-	65,008	37,698	37,698	102,706
Depreciation / amortisation charge for the year	14,860	10,625	32,973	88,315	18,164	164,937	17,080	182,017	18,005	18,005	200,022
Closing net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
<b>At 31 December 2011</b>											
Cost	319,926	103,283	377,848	524,608	162,086	1,487,751	91,566	1,579,317	127,106	127,106	1,706,423
Accumulated depreciation / amortisation	48,195	43,428	166,675	313,158	111,611	683,067	54,498	737,565	39,366	39,366	776,931
Net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		
(Rupees in thousand)											
2010											
	Owned assets							Leased assets			
	Tangible					Intangible	Tangible				
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software	Total owned	Motor vehicles	Total leased	Total fixed assets
(Rupees in thousand)											
<b>At 01 January 2010</b>											
Cost	204,180	67,547	319,259	601,804	177,364	1,370,154	62,741	1,432,895	204,281	204,281	1,637,176
Accumulated depreciation / amortisation	29,520	37,967	128,578	228,581	128,040	552,686	24,472	577,158	9,705	9,705	586,863
Net book value	174,660	29,580	190,681	373,223	49,324	817,468	38,269	855,737	194,576	194,576	1,050,313
<b>Year ended 31 December 2010</b>											
Opening net book value	174,660	29,580	190,681	373,223	49,324	817,468	38,269	855,737	194,576	194,576	1,050,313
Additions	116,039	39,914	80,004	34,750	21,355	292,062	23,152	315,214	-	-	315,214
Disposals											
Cost	1,477	1,709	57,629	3,062	301	64,178	-	64,178	27,166	27,166	91,344
Depreciation / amortisation	859	1,093	17,093	1,507	178	20,730	-	20,730	4,167	4,167	24,897
	618	616	40,536	1,555	123	43,448	-	43,448	22,999	22,999	66,447
Depreciation / amortisation charge for the year	8,609	6,589	32,897	90,228	18,286	156,609	12,946	169,555	28,134	28,134	197,689
Closing net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
<b>At 31 December 2010</b>											
Cost	318,742	105,752	341,634	633,492	198,418	1,598,038	85,893	1,683,931	177,115	177,115	1,861,046
Accumulated depreciation / amortisation	37,270	43,463	144,382	317,302	146,148	688,565	37,418	725,983	33,672	33,672	759,655
Net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

19.1.1 Detail of tangible assets disposed / written off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in thousand) -----						
<b>Land &amp; Buildings</b>						
Hafeez Centre Premises Lahore	1,283	768	515	7,500	Auction	Sheikh Sajid - Lahore
Glamour Centre Premises Lahore	1,065	638	427	2,200	Auction	Humera Muneer - Lahore
Latif Centre Premises Lahore	1,100	660	440	2,950	Auction	Syed Aadil Gillani - Lahore
Eden Garden Premises No. 302 and 326 Lahore	3,120	1,869	1,251	6,500	Auction	Hashim Aslam Butt - Lahore
	<b>6,568</b>	<b>3,935</b>	<b>2,633</b>	<b>19,150</b>		
<b>Furniture &amp; Fixtures</b>						
Items having book value below Rupees 50,000	2,569	2,165	404	335		
Items written off	16,181	8,495	7,686	-		
	<b>18,750</b>	<b>10,660</b>	<b>8,090</b>	<b>335</b>		
<b>Motor Vehicles</b>						
<b>Owned</b>						
Toyota Corolla AJJ-271	1,309	732	577	700	Negotiation	Mazhar Saleem - Company employee
Suzuki Cultus AMU-987	600	320	280	490	Negotiation	Jameel Khan - Company employee
Suzuki Cultus 2007 ARM-589	780	275	505	550	Negotiation	Edris Goawala - Company employee
Toyota Saloon SE AFT-571	1,169	816	353	353	Negotiation	Muhammad Ali Zeb - Karachi-Ex-employee
Toyota Corolla XLI 2003 AFK-543	675	383	292	333	Negotiation	Gul Munawar Khan - Company employee
Honda Civic VTI 2005 AHE-033	1,000	541	459	530	Negotiation	Nadeem Rehman - Company employee
Suzuki Cultus 2008 ARH-625	754	308	446	300	Negotiation	Asif Jabbar - Company employee
Honda Civic Prosmatic Oriel AST-327	1,920	566	1,354	1,238	Negotiation	Mudassar Zubair Mirza - Karachi Ex-employee
Suzuki Mehran 2010 ASX-506	525	96	429	480	Claim Settled	M. Farooq Shakoor - Karachi
Suzuki Mehran 2010 ASX-508	525	112	413	415	Negotiation	Syed Adnan Iqbal - Karachi
Suzuki Mehran 2010 ASZ-214	509	136	373	341	Negotiation	Syed Mobin Ahmed - Company employee
Suzuki Cultus AQA- 294	632	262	370	370	Negotiation	Sarwat Butt - Company employee
Honda City LZV-9997	1,288	759	529	1,076	Auction	Adnan Wahed - Lahore
Toyota Corolla XLI LWA-5225	1,354	376	978	1,075	Auction	Adnan Wahed - Lahore
Honda City MNA-3088	975	271	704	871	Auction	Muhammad Ashraf - Lahore
Suzuki Cultus LZN-9871	350	97	253	606	Auction	Nadeem Aziz Naz - Lahore
Honda City 1197	841	464	377	869	Auction	Muhammad Ashraf - Lahore
Honda City 2005 LEB-5358	831	514	317	810	Auction	Nadeem Aziz Naz - Lahore
Suzuki Cultus LED-7721	610	268	342	668	Auction	Malik Muhammad Ashraf - Lahore
Honda City LZV-8185	885	522	363	718	Auction	Miqdad Azam - Lahore
Honda City LZV-8229	885	522	363	758	Auction	Shakeel - Lahore
Suzuki Cultus LEC-4613	600	264	336	662	Auction	Muhammad Irfan - Lahore
Honda City LEC-2885	863	380	483	972	Auction	Asim Hanif - Lahore
Toyota Corolla LZV-5225	885	540	345	686	Auction	Fawad Malik - Lahore
Honda City LWA-9307	1,038	577	461	1,056	Auction	Dilawar Hussain - Lahore
Suzuki Cultus JH-967	492	318	174	522	Auction	Haji Meraj Din - Islamabad
Items having book value below Rupees 50,000	503	261	242	297	Auction	
	<b>22,798</b>	<b>10,680</b>	<b>12,118</b>	<b>17,746</b>		
<b>Leased</b>						
Suzuki Cultus LEC-09-1962	851	172	679	710	Negotiation	Hakim Akbar - Company employee
Suzuki Mehran LEC-09-7712	543	110	433	421	Negotiation	Ahmar Butt - Company employee
Suzuki Mehran ASA-387	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-169	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ARX-619	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASC-479	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASD-609	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-391	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASD-602	535	102	433	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-638	535	120	415	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASC-974	535	103	432	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-748	535	120	415	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASC-539	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-536	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-513	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-591	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-504	534	120	414	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASD-435	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASD-463	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASE-314	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASD-438	534	103	431	430	Auction	Yasin Anwar - Karachi
Suzuki Mehran ASA-506	534	125	409	451	Negotiation	Ahmar Butt - Company employee
Toyota Corolla GLI ASM-647	1,389	267	1,122	1,163	Negotiation	Salman Hassan Ali - Karachi Ex-employee
Suzuki Mehran ASC-485	534	114	420	438	Negotiation	Mansoor Ahmed - Company employee

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in thousand) -----						
Suzuki Cultus ASC-839	844	180	664	695	Negotiation	Mazahir Akbar - Company employee
Suzuki Mehran ASA-379	534	135	399	425	Negotiation	Shahzad Sasumbi - Company employee
Suzuki Mehran ASA-168	534	119	415	436	Claim Settled	Mohammad Yousuf Jamal - Karachi
Suzuki Mehran ASB-491	529	118	411	446	Claim Settled	Abdul Rahim Khan - Karachi
Suzuki Cultus ASE-509	805	181	624	693	Claim Settled	Syed Jafar Ali - Karachi
Suzuki Cultus LEC-09-3749	813	174	639	645	Negotiation	Jasim Ahmed Waheed - Company employee
Suzuki Mehran ASA-578	534	135	399	525	Claim Settled	Muhammad Saleem Haroon - Karachi
Suzuki Mehran ASC-493	534	124	410	441	Negotiation	Manzoor Hussain - Karachi
Suzuki Mehran LEB-09-8973	540	142	398	435	Negotiation	Abdur Rehman - Company employee
Suzuki Mehran ASD-603	529	123	406	431	Negotiation	Anwar Ismail (late) - Company employee
Suzuki Mehran ASA-519	534	146	388	412	Negotiation	Ali Ghufraan Siddiqui - Company employee
Suzuki Mehran LEB-09-8968	541	148	393	419	Negotiation	Maqsood ur Rehman - Company employee
Suzuki Cultus ASA-148	839	203	636	657	Negotiation	Jahanzeb Khan - Company employee
Suzuki Cultus ASD-598	805	197	608	657	Negotiation	Salaman Kaiser - Karachi
Suzuki Cultus ASE-510	805	197	608	657	Negotiation	Owais - Karachi
Suzuki Mehran ASA-165	534	135	399	414	Negotiation	Mudassar Raza Lakhani - Company employee
Suzuki Mehran ASA-382	534	151	383	412	Negotiation	Muhammad Ashraf Khan - Karachi
Toyota Corolla ALTIS ASL-201	1,791	418	1,373	1,446	Negotiation	Syed Murtaza Sah - Karachi
Suzuki Mehran ASE-316	534	141	393	408	Negotiation	Shahab Hussain - Karachi
Suzuki Mehran LEC-09-1965	535	141	394	423	Negotiation	Asher Mazhar - Karachi
Toyota Corolla GLI ASM-649	1,389	324	1,065	1,111	Negotiation	Ghulam Qadir - Karachi
Suzuki Mehran ASC-537	534	141	393	414	Negotiation	Rehan Khan - Karachi
Suzuki Mehran ASA-534	534	156	378	400	Negotiation	Behrooz M. Khodadadl - Karachi
Honda Civic VTI PTRS JK-099	1,878	458	1,420	1,478	Negotiation	Irfan ul Haq - Company employee
Suzuki Cultus ASC-749	844	231	613	629	Negotiation	Haroon - Karachi
Suzuki Mehran ASA-619	534	146	388	402	Negotiation	Jabbar Kadir - Karachi
Honda Civic VTI PT SR ASP-285	1,882	478	1,404	1,435	Negotiation	Nadeem Ahmad - Company employee
Suzuki Mehran ASC-481	534	146	388	402	Negotiation	Danish Hussain - Karachi
Suzuki Mehran ASB-018	534	146	388	402	Negotiation	Nilofer A. Malik - Karachi
Suzuki Cultus LEC-09-3752	813	232	581	641	Negotiation	Pervez Rasool Malik - Company employee
Honda Civic VTI PT SR LED-09-8101	1,868	475	1,393	1,427	Negotiation	Adnan Chaudhari - Karachi
Suzuki Mehran ASA-359	534	120	414	414	Negotiation	Shams-ur-Rehman - Karachi
Suzuki Mehran ASA-184	534	166	368	389	Negotiation	Shahla Yasmeen - Company employee
Suzuki Mehran ASL-307	520	138	382	391	Negotiation	Sarwat Jahan - Company employee
Suzuki Mehran LEB-09-8945	541	168	373	395	Negotiation	Syed Walayat Ali - Company employee
Suzuki Mehran ASD-610	534	151	383	431	Negotiation	Ahsan Ali - Company employee
Toyota Corolla GLI ASP-790	1,389	382	1,007	1,025	Negotiation	Yawer Abbas - Karachi Ex-employee Ex-employ
Suzuki Mehran ASA-376	534	172	362	378	Negotiation	Syed Haider Hussain - Company employee
Suzuki Cultus ASD-471	805	245	560	587	Negotiation	Faisal Mustafa Siddiqui - Company employee
Suzuki Mehran ASD-459	534	162	372	392	Negotiation	Masood Akhtar Khan - Company employee
Suzuki Cultus ASA-703	804	229	575	608	Negotiation	Zahiya Taufiq - Company employee
Suzuki Mehran ASC-561	529	150	379	385	Negotiation	Mohammad Yousuf - Company employee
Honda Civic VTI PT SR ASQ-228	1,882	556	1,326	1,576	Negotiation	Mansoor Ali Khan - Karachi Ex-employee
Honda Civic VTI PT SR LED-09-4345	1,876	534	1,342	1,370	Negotiation	Mudassar Zubair Mirza - Karachi Ex-employee
	<b>50,009</b>	<b>12,311</b>	<b>37,698</b>	<b>39,512</b>		
<b>Machinery &amp; Equipment</b>						
3 AC, 1 Fridge and 1 Television	161	95	66	66	Negotiation	Syed Murtaza Shah - Karachi
Diesel Generator	275	103	172	92	Auction	Rana Mukhtar Ahmed - Lahore
Generator	345	246	99	155	Negotiation	Rana Mukhtar Ahmed - Lahore
Items having book value below Rupees 50,000	2,918	2,094	824	917		
Items written off	125,721	89,921	35,800	-		
	<b>129,420</b>	<b>92,459</b>	<b>36,961</b>	<b>1,230</b>		
<b>Computer</b>						
Items having book value below Rupees 50,000	22,249	21,790	459	371		
Items written off	35,658	30,911	4,747	-		
	<b>57,907</b>	<b>52,701</b>	<b>5,206</b>	<b>371</b>		
	<b>285,452</b>	<b>182,746</b>	<b>102,706</b>	<b>78,344</b>		

19.2 Capital work in progress represents capital expenditure in respect of Dubai Branch office premises.

20. EXPENSES	Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----			
Salaries and wages		785,321	803,256
Rent, rates and taxes		58,126	65,252
Utilities		31,632	40,909
Communication		30,474	32,479
Printing and stationery		32,402	29,127
Traveling and entertainment		52,561	51,049
Repairs and maintenance		142,698	167,308
Advertisement and sales promotion		52,328	48,285
Depreciation	19.1	23,535	-
Amortization of intangible asset	19.1	17,080	12,946
Others		3,180	4,200
		<u>1,229,337</u>	<u>1,254,811</u>
<b>21. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Return on bank deposits		121,534	143,156
Interest on loans to employees		463	852
<b>Income from non financial assets</b>			
Gain on sale of fixed assets		23,871	7,744
Miscellaneous		10,750	19,487
		<u>156,618</u>	<u>171,239</u>
<b>22. GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries and wages	22.1	109,977	143,435
Depreciation	19.1	159,407	184,743
Repairs and maintenance		43,926	-
Directors' fee		420	320
Legal and professional expenses		80,075	60,659
Auditors' remuneration	22.2	5,094	4,539
Donations	22.3	3,510	2,163
Provision for doubtful balances		951,627	86,866
Sundry receivables written off		8,101	-
Fixed assets written off		48,233	-
Workers' welfare fund		-	11,762
Others		155,031	140,435
		<u>1,565,401</u>	<u>634,922</u>
<b>22.1</b>	These include Rupees 65.443 million (2010: Rupees 38.122 million) in respect of staff retirement benefits.		
<b>22.2 Auditors' remuneration</b>			
Inside Pakistan:			
Audit fee		1,997	1,815
Half yearly review		385	350
Other certifications		300	273
Out of pocket expenses		396	360
		3,078	2,798
Outside Pakistan:			
Audit fee		1,434	1,159
Out of pocket expenses		582	582
		2,016	1,741
		<u>5,094</u>	<u>4,539</u>
<b>22.3</b>	None of the directors or their spouses had any interest in the donee.		

	Note	31 December 2011	31 December 2010
------(Rupees in thousand)-----			
<b>23. PROVISION FOR TAXATION</b>			
Current	23.1	89,276	77,163
Deferred	23.2	(263,421)	(19,481)
		<u>(174,145)</u>	<u>57,682</u>

### 23.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit cannot be given because the provision represents the final tax on dividend income and capital gain.

### 23.2 Deferred tax effect due to temporary differences of:

Tax depreciation allowance	66,814	86,833
Provision for gratuity	(7,704)	(6,064)
Assets subject to finance lease	10,211	12,532
Effect of minimum tax	-	(24,948)
Carried forward tax losses	<u>(264,389)</u>	<u>-</u>
	<u>(195,068)</u>	<u>68,353</u>
Less: Opening balance	68,353	87,834
	<u>(263,421)</u>	<u>(19,481)</u>

### 24. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic earnings per share which is based on:

		Restated
Net profit after tax for the year	132,177	484,131
	<b>(Number of shares)</b>	
Weighted average number of shares	<u>123,704,544</u>	<u>123,704,544</u>
	-----Rupees-----	
Basic earnings per share	<u>1.07</u>	<u>3.91</u>

### 25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2011				2010			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
------(Rupees in thousand)-----								
Fee	-	420	-	420	-	320	-	320
Managerial remuneration	7,720	-	151,629	159,349	7,720	-	152,307	160,027
Allowances and perquisites	3,885	-	112,800	116,685	3,885	-	113,998	117,883
	<u>11,605</u>	<u>420</u>	<u>264,429</u>	<u>276,454</u>	<u>11,605</u>	<u>320</u>	<u>266,305</u>	<u>278,230</u>
Number	<u>2</u>	<u>10</u>	<u>130</u>	<u>142</u>	<u>1</u>	<u>10</u>	<u>112</u>	<u>123</u>

25.1 In addition, the Chief Executive Officer and executives are also provided with free use of the Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

## 26. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its associated companies, subsidiary company, employee benefit plans, key management personnel and other parties. Transactions entered into with such related parties include the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them, etc.

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in notes 11, 18 and 25 to these unconsolidated financial statements. Particulars of transactions with the Company's staff retirement benefit schemes are disclosed in note 7.1 and 18. Investments in and balances outstanding with related parties have been disclosed in the relevant notes to the unconsolidated balance sheet. Other transactions with related parties are summarized as follows:

	<b>31 December 2011</b>	<b>31 December 2010</b>
	----- <b>(Rupees in thousand)</b> -----	
Premium underwritten	1,428,639	1,057,855
Premium received	1,295,077	1,118,833
Premium ceded	3,403	1,555
Claims paid	3,134,676	547,722
Rent paid	6,042	13,876
Dividend received	577,720	318,526
Dividend paid	110,271	104,227
Income on deposit accounts	43,103	82,880
	<b>Number of shares</b>	
Bonus shares received	2,326,337	2,114,852
Bonus shares issued	-	4,008,442



## 27. SEGMENT REPORTING

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	2011														Aggregate	
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total			
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		
	------(Rupees in thousand)-----															
<b>OTHER INFORMATION</b>																
Segment assets	5,292,469	134,386	615,984	33,321	725,455	2,275,474	1,550,541	40,455	-	-	-	-	8,184,449	2,483,636	10,668,085	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,137,412	1,276,895	12,137,412	1,276,895	13,414,307	
Total assets	5,292,469	134,386	615,984	33,321	725,455	2,275,474	1,550,541	40,455	-	-	12,137,412	1,276,895	20,321,861	3,760,531	24,082,392	
Segment liabilities	5,520,514	111,525	535,782	30,250	1,439,966	2,464,515	2,467,555	32,306	20,332	-	-	-	9,984,149	2,638,596	12,622,745	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	500,406	58,335	500,406	58,335	558,741	
Total liabilities	5,520,514	111,525	535,782	30,250	1,439,966	2,464,515	2,467,555	32,306	20,332	-	500,406	58,335	10,484,555	2,696,931	13,181,486	
Capital expenditure													127,342	136,865	264,207	
	-----															
	2010															
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate	
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		
		------(Rupees in thousand)-----														
<b>OTHER INFORMATION</b>																
Segment assets	7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	-	-	11,579,447	2,623,196	14,202,643	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,377,969	1,306,123	12,377,969	1,306,123	13,684,092	
Total assets	7,696,091	120,913	638,440	59,835	1,044,736	2,408,230	2,197,241	34,218	2,939	-	12,377,969	1,306,123	23,957,416	3,929,319	27,886,735	
Segment liabilities	7,390,948	101,729	553,040	57,001	1,606,681	2,660,133	2,571,549	33,551	20,936	-	-	-	12,143,154	2,852,414	14,995,568	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,697,063	194,100	1,697,063	194,100	1,891,163	
Total liabilities	7,390,948	101,729	553,040	57,001	1,606,681	2,660,133	2,571,549	33,551	20,936	-	1,697,063	194,100	13,840,217	3,046,514	16,886,731	
Capital expenditure													311,318	3,896	315,214	

## 28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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.

The individual risk wise analysis is given below:

### 28.1 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 sectors 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 affect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in these unconsolidated financial statements. The management monitors and limits the Company's exposure and makes 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:

	<u>31 December 2011</u>	<u>31 December 2010</u>
	-----Rupees in thousand-----	
Bank deposits	2,357,401	2,645,424
Investments	9,451,731	9,406,998
Premium due but unpaid	3,568,167	4,546,222
Amount due from other insurers / reinsurers	679,631	993,584
Salvage recoveries accrued	165,718	99,636
Loans	27,964	39,754
Accrued investment income	21,626	33,445
Reinsurance recoveries against outstanding claims	3,799,366	6,253,202
Sundry receivables	173,203	239,132
	<u>20,244,807</u>	<u>24,257,397</u>

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year, receivables of Rupees 931.627 million (2010: Rupees 86.867) million were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 13.1 and 14.1.

	<u>2011</u>	<u>2010</u>
	----- (Rupees in thousand) -----	
The age analysis of receivables is as follows:		
Upto 1 year	3,158,516	4,011,348
1-2 year & prior	719,472	733,889
	<u>3,877,988</u>	<u>4,745,237</u>

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

	Rating		Rating Agency	2011	2010
	Short term	Long term		(Rupees in thousand)	
Askari Bank Limited	A-1+	AA	PACRA	45	45
Bank Alfalah Limited	A-1+	AA	PACRA	315,456	42,917
Bank Al Habib Limited	A-1+	AA+	PACRA	-	7,572
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody's	100	100
Citibank N.A.	P-1	A1	Moody's	-	90,284
Habib Bank Limited	A-1+	AA+	JCR-VIS	109,992	92,803
HSBC Bank Middle East Limited	P-1	A1	Moody's	11,937	22,480
Industrial Development Bank of Pakistan	-	-	-	646	776
KASHF Micro Finance Bank Limited	A-3	BBB	JCR-VIS	858	809
MCB Bank Limited	A-1+	AA+	PACRA	745,929	825,796
National Bank of Pakistan	A-1+	AAA	JCR-VIS	296	7,732
Oman International Bank S.A.O.G.	A-3	BBB	JCR-VIS	2,256	2,130
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	1,000	1,000
The Bank of Punjab	A-1+	AA	PACRA	3,779	-
Soneri Bank Limited	A-1+	AA-	PACRA	227	334
Standard Chartered Bank (Pakistan) Limit	A-1+	AAA	PACRA	8,909	6,982
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	1,000	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	932,364	1,024,881
Zarai Taraqiat Bank Limited	A-1+	AAA	JCR-VIS	222,607	517,783
				<b>2,357,401</b>	<b>2,645,424</b>

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Reinsurance and other recoveries against outstanding claims		2011	2010
	Amount due from other insurers / reinsurers		(Rupees in thousand)	
A or above (including PRCL)	922,949	3,828,170	4,751,119	5,874,984
BBB	24,215	100,438	124,653	1,333,053
Others	8,794	36,476	45,270	68,749
Total	955,958	3,965,084	4,921,042	7,276,786

## 28.2 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 and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

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

	2011			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	5,548,018	5,548,018	5,548,018	-
Amount due to insurers / reinsurers	1,151,088	1,151,088	1,151,088	-
Accrued expenses	158,185	158,185	158,185	-
Unclaimed dividend	33,495	33,495	33,495	-
Other creditors and accruals	1,281,142	1,281,142	1,281,142	-
Liabilities against assets subject to finance lease	58,567	69,865	27,809	42,056
	<b>8,230,495</b>	<b>8,241,793</b>	<b>8,199,737</b>	<b>42,056</b>

	2010			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
------(Rupees in thousand)-----				
<b>Financial liabilities</b>				
Provision for outstanding claims-restated	8,015,404	8,015,404	8,015,404	-
Amount due to insurers / reinsurers	1,581,965	1,581,965	1,581,965	-
Accrued expenses	147,995	147,995	147,995	-
Unclaimed dividend	29,121	29,121	29,121	-
Other creditors and accruals	1,280,630	1,280,630	1,280,630	-
Liabilities against assets subject to finance lease	107,637	137,609	39,312	98,297
	<b>11,162,752</b>	<b>11,192,724</b>	<b>11,094,427</b>	<b>98,297</b>

### 28.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

#### a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatching through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

	2011	2010	2011	2010
	Effective interest rate (in%)		Carrying amounts	
(Rupees in thousand)				
<b>Fixed rate financial instruments</b>				
<b>Financial assets</b>				
Investments-PIBs and Treasury Bills	12% to 14%	14% to 16%	125,220	123,078
Loans	5%	5%	27,964	39,754
<b>Floating rate financial instruments</b>				
<b>Financial assets</b>				
Bank deposits	5%-12.75%	2.5%-15%	2,118,386	2,474,721
Investments -TFCs	13.5%-16.5%	9.3%-15.5%	130,147	162,661
<b>Financial liabilities</b>				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2% to 2.5 %		58,567	107,637

#### Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

<b>Profit and loss</b>	
<b>Increase</b>	<b>Decrease</b>
<b>(Rupees in thousand)</b>	

**As at 31 December 2011 - Fluctuation of 100 bps**

Cash flow sensitivity-variable rate financial liabilities	(586)	586
Cash flow sensitivity-variable rate financial assets	22,485	(22,485)

**As at 31 December 2010 - Fluctuation of 100 bps**

Cash flow sensitivity-variable rate financial liabilities	(1,076)	1,076
Cash flow sensitivity-variable rate financial assets	26,374	(26,374)

**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 factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities for which prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

The Company's strategy is to hold its strategic equity investments on long term basis. Thus, Company's is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Company has investments in quoted equity securities amounting to Rupees 7,873.124 million (2010: Rupees 7,308.153 million) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

**Sensitivity analysis**

As the entire investment portfolio has been classified in the available-for-sale category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	<b>Impact on profit before tax</b>	<b>Impact on equity</b>
	------(Rupees in thousand)-----	
<b>2011</b>		
Effect of increase in share price	124,256	111,830
Effect of decrease in share price	(767,152)	(690,437)
<b>2010</b>		
Effect of increase in share price	79,988	79,988
Effect of decrease in share price	(90,729)	(90,729)

**c) Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 3,344.063 million (2010: Rupees 3,929.319 million) and Rupees 1,751.054 million (2010: Rupees 3,046.514 million), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	<b>2011</b>	<b>2010</b>
<b>Rupees per US Dollar</b>		
Average rate	86.39	85.16
Reporting date rate	89.60	85.70
<b>Rupees per AED</b>		
Average rate	23.52	23.19
Reporting date rate	24.39	23.33

## 28.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the 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. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are 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 developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is similar insurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

### a) 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 primarily with the commercial / industrial occupation of the insured. 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 are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Company determines the appropriate amount of Reinsurance coverage to protect the business portfolio

**b) 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 regulatory requirements, the reinsurance agreements are duly submitted to the Securities and Exchange Commission of Pakistan on an annual basis.

The concentration of risk by type of contracts is summarized below by reference to liabilities:

	Gross sum insured		Reinsurance		Net	
	2011	2010	2011	2010	2011	2010
	------(Rupees in thousand)-----					
Fire	3,006,526,257	2,420,943,660	2,358,653,326	1,692,898,065	647,872,931	728,045,595
Marine	1,393,259,912	1,342,046,500	377,285,090	176,107,263	1,015,974,822	1,165,939,237
Motor	70,019,175	70,302,006	1,071,111	1,074,007	68,948,064	69,227,999
Miscellaneous	183,462,584	334,429,165	103,780,593	123,545,771	79,681,991	210,883,394
	<b>4,653,267,928</b>	<b>4,167,721,331</b>	<b>2,840,790,120</b>	<b>1,993,625,106</b>	<b>1,812,477,808</b>	<b>2,174,096,225</b>

**c) Neutral assumptions for claim estimation**

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of setting claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries.

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

**d) Sensitivity analysis**

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may 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 loss before tax net of reinsurance.

	Pre tax profit / (loss)		Shareholders' equity	
	2011	2010	2011	2010
	------(Rupees in thousand)-----			
<b>10% increase in loss</b>				
<b>Net:</b>				
Fire	(65,578)	(103,080)	(42,626)	(67,002)
Marine	(49,432)	(54,596)	(32,131)	(35,487)
Motor	(200,062)	(230,164)	(130,040)	(149,607)
Miscellaneous	(159,840)	(98,067)	(103,896)	(63,744)
	<b>(474,912)</b>	<b>(485,907)</b>	<b>(308,693)</b>	<b>(315,840)</b>
<b>10% decrease in loss</b>				
<b>Net:</b>				
Fire	65,578	103,080	42,626	67,002
Marine	49,432	54,596	32,131	35,487
Motor	200,062	230,164	130,040	149,607
Miscellaneous	159,840	98,067	103,896	63,744
	<b>474,912</b>	<b>485,907</b>	<b>308,693</b>	<b>315,840</b>

e) **Claims development table**

The following table shows the development of 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.

Accident year	2009	2010	2011	Total
	------(Rupees in thousand)-----			
Estimate of ultimate claims cost:				
At end of accident year	6,327,871	10,683,087	6,593,318	23,604,276
One year later	6,194,680	6,964,385	-	13,159,065
Two years later	879,951	-	-	879,951
Estimate of cumulative claims	879,951	6,964,385	6,593,318	14,437,654
Less: Cumulative payments to date	280,862	5,251,179	3,732,953	9,264,994
<b>Liability recognized</b>	<b>599,089</b>	<b>1,713,206</b>	<b>2,860,365</b>	<b>5,172,660</b>

**29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 12 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced:

Level 1: Quoted Market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

**30. FINANCIAL INSTRUMENT BY CATEGORIES**

**As at 31 December 2011**

	Loans and receivables	Available for sale	Total
	------(Rupees in Thousand)-----		
<b>Financial assets</b>			
Cash and other equivalents	21,566	-	21,566
Current and other accounts	1,415,207	-	1,415,207
Deposits maturing within 12 months	942,194	-	942,194
Loans to employees	27,964	-	27,964
Investments	-	9,451,731	9,451,731
Premiums due but unpaid	3,568,167	-	3,568,167
Amounts due from other insurers / reinsures	679,631	-	679,631
Salvage recoveries accrued	165,718	-	165,718
Accrued investment income	21,626	-	21,626
Reinsurance recoveries against outstanding claims	3,799,366	-	3,799,366
Sundry receivables	173,203	-	173,203
	<b>10,814,642</b>	<b>9,451,731</b>	<b>20,266,373</b>

**As at 31 December 2011**

	Financial liabilities at amortized cost
	------(Rupees in Thousand)-----
<b>Financial liabilities</b>	
Provision for outstanding claims (including IBNR)	5,548,018
Amount due to other insurers / reinsures	1,151,088
Accrued expenses	158,185
Other creditors and accruals	1,281,142
Unclaimed dividend	33,495
Liabilities against assets subject to finance lease	58,567
	<b>8,230,495</b>



As at 31 December 2010

	Loans and receivables	Available for sale	Total
------(Rupees in Thousand)-----			
<b>Financial assets</b>			
Cash and other equivalents	59,393	-	59,393
Current and other accounts	1,060,597	-	1,060,597
Deposits maturing within 12 months	1,584,827	-	1,584,827
Loans to employees	39,754	-	39,754
Investments	-	9,406,998	9,406,998
Premiums due but unpaid	4,546,222	-	4,546,222
Amounts due from other insurers/ reinsurers	993,584	-	993,584
Salvage recoveries accrued	99,636	-	99,636
Accrued investment income	33,445	-	33,445
Reinsurance recoveries against outstanding claims	6,253,202	-	6,253,202
Sundry receivables	239,132	-	239,132
	<u>14,909,792</u>	<u>9,406,998</u>	<u>24,316,790</u>

As at 31 December 2010

	Financial liabilities at amortized cost
------(Rupees in Thousand)-----	
<b>Financial liabilities</b>	
Provision for outstanding claims (including IBNR)-restated	8,015,404
Amount due to other insurers / reinsurers	1,581,965
Accrued expenses	147,995
Other creditors and accruals	1,280,630
Unclaimed dividend	29,121
Liabilities against assets subject to finance lease	107,637
	<u>11,162,752</u>

### 31. CAPITAL RISK MANAGEMENT

The Company's goals and objectives when managing capital are:

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 300 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings and to protect the Company against unexpected events/ losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

2011	2010
Number	
828	978

**32. NUMBER OF EMPLOYEES AT 31 DECEMBER**

**33. DATE OF AUTHORIZATION FOR ISSUE**

These unconsolidated financial statements have been approved and authorized for issue by the Board of Directors of the Company in their meeting dated 22 March 2012.

**34. GENERAL**

No significant reclassification or rearrangement of corresponding figures has been made during the year.

Figures in these unconsolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Managing Director &  
Chief Executive Officer