Pakistan Reinsurance Company Limited

Annual Report 2011

Reinsuring your Future

Contents

Vision

To be a leading provider of reinsurance and risk management services in the region

Mission

To provide secure reinsurance capacity and outstanding risk management advice in a profitable manner and to conduct our business in a dependable and professional manner with the highest standards of customer service.

In fulfilling this mission, PRCL is committed to:-

- Providing its clients, and particularly insurance companies in Pakistan, with comprehensive insurance, reinsurance, financial and business services of the highest quality and value.
- Maintaining financial strength and stability through prudent business decisions and sound operations based on state of the art information technology.
- Taking a long-term view of business relationships.
- Practicing the highest standards of integrity and professionalism.
- Investing continuously in knowledge required to support business decisions and long-tem business strategy formulation.
- Achieving consistent, long-term financial growth and profitability for its shareholders.
- Attracting retaining and developing capable and dedicated employees who in turn contribute to the growth of the company and share its success.

Strategy

To remain best provider of reinsurance and risk management services to the insurance industry, to have good business relationship with the insurance industry and to remain professionals who can be of assistance to the industry at all levels.

Objectives

- To provide best services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.
- To develop good business relations with other reinsurers.
- To train its people according to fast changing business market requirements as well as to provide them with the ideal working environment.
- To share risks and preserve resources by providing reinsurance facilities to the insurance companies.
- To assist in the development of the national insurance industry.
- To enhance domestic retention capacity in the country in order to save valuable foreign exchange.

Company Profile

Formerly called the Pakistan Insurance Corporation, Pakistan Reinsurance Company Limited, PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. It is the sole reinsurance organization operating in Pakistan.

PRCL is a public sector company under the administrative control of the Ministry of Commerce. The Company headed by a Chairperson, supported by a strong team of professionals who manage the business affairs of the Company effectively. The Company is supervised by the Board of Directors. Amongst which seven are nominated by the Federal Government, where as, the other directors are elected by the shareholders who enjoy excellent repute within the business community.

PRCL's prime objective is the development of insurance and reinsurance business in Pakistan. The company provides insurance solutions to departments including Aviation, Marine Cargo, Marine Hull, Engineering, Fire and Accident. The company is a national reinsurer playing its role in the economic development of Pakistan. It provides reinsurance protection to the local insurance industry in view of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

The company head office is at Karachi, Pakistan and its zonal office is at Lahore. Its insurance market holds 18% of the share whereas 45% of the share is covered by the reinsurance protection in Pakistan.

PRCL's Role in Economic Development

The role of PRCL in economic development of Pakistan is significant. PRCL awareness of increasing requirements of insurance and reinsurance of a progressive economy is making great efforts in coming up to national expectations. This progress signifies the consolidation of the position, both at home and abroad, encouraging further expansion.

The voluntary cession to PRCL provides attractive and competitive terms to the local insurance Companies.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. Since then it has managed National Insurance

Fund (NIF), National Coinsurance Scheme (NCS), War Risks Insurance (WRI) and Export Credit Guarantee Scheme (ECGS) providing help in different forms to the insurance as well as business community.

In the year 2000. Pakistan Insurance Corporation was converted and incorporated as a public limited company into Pakistan Reinsurance Company Limited.

The company was formed with a view to take over all assets and liabilities of Pakistan Insurance Corporation. Accordingly, it took over assets and liabilities of PIC on 15th February 2001 in pursuance of Ministry of Commerce SRO No.98(1)/2000 which was issued under the President ordinance No. XXXVI of 2000 14th February, 2001.

PRCL Business

PRCL operates in the following departments to conduct its business:

- **Fire**
- **Marine**
- **Engineering**
- **Accident**
- **Aviation**
- **Treaty & Business Development department**

Services:

It is mandatory for PRCL to accept suitable percentage of reinsurance business from the general insurance companies operating in Pakistan for whom it is obligatory to offer atleast 35% of their surplus to PRCL.

PRCL being a progressive entity, always keeps itself engaged by being actively part of major international forums and platforms.

It actively participates in international forums such as Economic Cooperation Organization (ECO) and Federation of Afro-Asian Insurer and Reinsurer (FAIR).

The objective of this collaboration is to reduce the outflow of foreign exchange and improve the statements of insurance and reinsurance services in the Region .

PRCL is also one of the pioneering and founding members of (FAIR).

Fire

This department came into effect in 1953 when the company's foundation was laid. This department constitutes the major portion of its business and is the focal point of the country's insurance industry.

It jointly collaborates in foreign risk sharing pacts. The following functions come under its domain:

- To underwrite all facultative acceptance from the cedants i.e. insurance companies of Pakistan.
- To manage and supervise, treaty portfolios of the insurance industries
- To assess and process claims and if necessary their recovery from the excess of loss reinsures participants
- To guide and assist its clients in complex reinsurance matter.

The Fire Department has specialized expertise in the following areas:

- Building
- Building and contents
- Stocks
- Machinery
- And other Insurable interest

The department is managed by vigilant staff members which are headed by an expert manager.

The fire department has a share of 27% of PRCL total revenue. The clients of this department include local insurance companies in Pakistan and also foreign reinsurance i.e M/s Aon insurance Broker, M.S Marsh, Munich Re, Swiss Re and Wills Faber Al Futtaim Dubai. Their Contribution to Pakistan Reinsurance Industry is significant as they are specialized in the provision of reinsurance coverage of high value risks which is not retained in Pakistan.

Marine Department

The Marine Department was established during the initial period of the establishment of the company divided into following categories:

- **Marine Cargo**
- **Marine Hull**

Marine Cargo is concerned with only cargo within the particular vessels whereas Marine Hull deals with reinsurance of machinery/ body of the boat. Both Marine Cargo & Marine Hull departments make primary decision with respect to acceptance of the risks by means of Facultative and Treaty.

The Marine Department specializes in providing reinsurance support in the following areas:

- All types of Cargo (whether by Road, Rail, Air, and by Sea)
- Hull & Machineries
- Freight and Ship Breaking Risks
- Pleasure Boats
- Third Party Liability

This department consists of professionally competent employees headed by a proficient Officer having ACII qualification.

Engineering

The Engineering Department is working since the PRCL's establishment. The Engineering Department specializes in reinsurance coverage of the following risks to the local insurance market including M/s. National Insurance Company (NIC) through treaty agreements and facultative placements.

- Property Damage
- Business interruption
- Machinery breakdown/Boiler
- Contractor All Risks (CAR)
- Erection All Risks (EAR)
- Third Party Liability (TPL)

It provides the engineering risks coverage to the following major clients and helps in reconstructing the infrastructure across the country and promoting industrialization.

a) Pakistan Arab Refinery Limited (PARCO)
b) Pak Arab Pipeline Company Limited (PAPCO)
c) Kot Addu Power Company Limited (KAPCO)
d) Oil & Gas Development Company Limited (OGDC)

i. Control of wells
ii. Qadirpur Gas Plant
iii. UCH Gas
iv. Sarhad Hydel Power Project
v. Chashma Nuclear Power Project

Accident Department

The Accident Department originated with the formation of the company. The department specializes in provision of reinsurance coverage to local Insurance companies as well as foreign based companies accommodating the acceptance/retro business.

Accident department of PRCL deals with Motor/Liabilities business and accept all Motor/Non-motor risks ceded by local insurance companies. The motor risks constitute all private and commercial modes of transportation. The Non-motor includes the following areas:

- Workman Compensation
- Burglary
- Fidelity Guarantee
- Cash in safe, cash in transit and cash on counter
- Employers Liability
- Public/product liability
- Professional Indemnity
- Personal Accident
- Health Insurance
- Crop insurance
- Live Stock

There is no retrocession of this acceptance nor does the company have any cover under Non-marine.

Most of the key employees in the staff member of this department possess professional qualification related to insurance and have considerable work experience of underwriting, which plays an important role in effective and efficient decision making process. The department is very active in conducting training sessions etc to update the employees about current market trends and changing market scenario.

Aviation

The aviation department is a part of PRCL since It's origin. It specializes in the aviation reinsurance arrangement to private insurance companies as well as to NICL. It offers expertise for the coverages in the following risk areas;

- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductible
- Cargo
- Hi-jacking and terrorism
- Hull and Spares War
- Loss of License /Additional Loss of License
- Personal Accident to Crew
- Personal Accident to Passenger

For all the above mentioned risks, due covers for the risks are arranged in the International Aviation Market most beneficiary. Among all the accounts maintained in the Aviation Department, PIA Fleet account is the biggest. It comprises of 40 aircrafts at present. Among them are 21 Boeings, 12 Airbuses and 7 ATR 42-500 aircrafts. Following risks are covered by five main reinsurance policies for PIA Fleet:-

a) Hull All Risks/Spares/Liabilities
b) Primary Cargo
c) Hull War
d) Hull Deductible
e) AVN 52 E (Extended Coverage endorsement against Hijacking and Terrorism)

These risks are fully placed in the international market in London through Aviation Brokers for the total agreed value of PIA Fleet exceeding US Dollar 1.309 Billion against premium exceeding US Dollar 14.500 Million during the policy period 2011-2012.

The Aviation Department comprises of experienced and qualified staff serving with dedication and integrity. This department makes a contribution of more than 20% of the entire underwriting profit. The Aviation Department has a wide range of clientele constituting of CAA, PIA, Air Blue, Princely jets and Shaheen Air International etc.

Treaty & Business Development Department

The main functions of this department is to provide maximum reinsurance protection to the local insurance companies as highlighted below:-

On receipt of terms, proposals and other required information/data the department analyzes this information for PRC participation in the treaties of the companies. The matter of payment of outstanding dues at the time of treaty renewal is taken up and substantial amount is recovered from the companies before finalizing treaty arrangements. The department recommends acceptance of share in those companies which have generallyl good payment record.

- After finalization of treaty arrangements, this department perused the treaty agreements in depth and picks up the terms, conditions and important information. On the basis of this information, business- wise statements are prepared and transmitted to all underwriting departments. The underwriting departments book the quarterly business on the basis of the information given in “Master Statement”. The preparation of Master Statement is very important job of Treaty & Business Development Department which contains all the terms / conditions of the treaties of the companies on the basis of which returns are booked / tallied. The department is therefore called the ‘back bone” of the underwriting departments.

- In order to enhance PRC’s business and to resolve business related issues, the officers/staff of the department, headed by Executive Director (BD-Re) make frequent visits to insurance companies and hold meetings with their senior officers to sort out problems. As a result of these meetings, PRC’s business results 2011 are much better than previous years.

- Another main function of this department is preparation of quarterly business closing schedule according to prescribed dates incorporated in Gazette Notification. All quarterly returns from insurance companies are received in this department and timely delivered to respective underwriting departments for booking on the basis of which accounts are prepared.

- Correspondence with Ministry of Commerce, SECP, IAP, Pakistan Insurance Institute regarding their references/queries relating to insurance/reinsurance is made by this department.

- In addition to this, the department arranges reinsurance training programs on insurance/reinsurance and other general related matters both for PRC's employees and local insurance industry. The department also shares the latest development of the developed world for betterment of insurance protection to the insured.

- The department imparted/completed 6 months training program in insurance and reinsurance of two batches each batch contains 20 trainees under Benazir Bhutto Shaheed Youth Development Program (BBSYDP) in collaboration of Sports & Youth affairs, Government of Sindh.

Human Resource Department

The forward thinking human resource department at PRCL views employees, as an asset to the enterprise whose value will be enhanced by development. It is devoted to providing effective policies, procedures, and people-friendly guidelines and support within PRCL. Additionally, the human resource function serves to make sure that PRCL's mission, vision, values, and the factors that keep PRCL guided toward success are optimized.

Staffing

The Human Resource Department at PRCL works in collaboration with units seeking to hire staff, with a view to ensuring that new recruits correspond as closely as possible to the profiles required and are available as needed.

Performance appraisals

At PRCL we foster an environment that motivates and rewards exemplary performance. This is done through a formal review on a periodic basis known as a performance appraisal or performance evaluation.

The performance appraisals help in rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; and identifying training and development needs in order to improve the individuals performance on the job.

Compensation and benefits

At PRCL we try to ensure that the designed compensation and benefits structure conforms not only to industry norms but also rewards initiative and productivity from our employees.

Training and development

The Human Resource Department's primary focus is on growth and employee development, It emphasizes developing individual potential and skills Thus, the selection, training and development process of the selected individuals is of immense importance to PRCL. Leveraging best practices for the development and training of its employees is PRCL's key to successfully increasing business value.

Finance and Accounts Department

The accounting system used by Pakistan Reinsurance Company Limited is designed to enhance financial strength of the company and ensure the compliance of state insurance rule and regulations. The finance department of PRCL is headed by Chief Financial Officer.

This department comprises of three main sections:

Technical Wing

Assist the Manager, Technical Accounts in discharging and fulfilling reinsurance technical accounting functions.

Responsibilities

Facultative technical accounting

- Checking of Premium Closings for Assumed Business;
- Ensure accuracy of the Technical Bookings in the Reinsurance System;
- Ensure timely Monthly and Financial Year end Technical Closing.

Treaty technical accounting

- Checking of Statement of Accounts, Premium and Profit Commission Statements, Sliding Scale Commission Statements.

- Monitor outstanding closings, statements of accounts, premium adjustments, profit commissions. Sliding Scale Commission Statements.
- Ensure accuracy of the Technical Bookings in the Reinsurance System.
- Ensure timely Monthly and Financial Year end Technical Closing.
- Checking of outstanding loss figures provided in treaty statement of accounts.

Financial Wing

- Assist the Manager, Finance to process Finance matters and liaise with Lahore Office counterparts on all Finance issues.
- Responsibilities
- Assist to handle the day-to-day accounting function, including but not limited to preparing payment voucher and processing check payment.
- Improve internal control system.
- Prepare full set of accounts, reconcile bank account and inter-company billing/balances.
- Verify and ensure accurate loading of interface files linked between underwriting system to accounting system.
- Prepare quarterly and annual statutory returns to Insurance Authority.
- Assist in maintaining accounting records and control system.
- Assist in preparing accounting policies and procedures.
- Liaise with IT department for accounting data loading.

Investment department

- Assist the CFO. to implement the guidance of Investment Committee about the asset allocation, to ensure Financial liquidity, security and diversification.

Responsibilities

- Assist to utilize funds without draining capital and surplus amount.
- Assist to achieve a consistent high real rate of return, comprising both income and capital growth whilst operating within acceptable risk parameters set by the Board
- Deliver a regular income stream for shareholders in the form of franked dividends
- Preserve and protect the capital of the Company.
- Place special emphasis in generating a significant portion of its Investment Income from sustainable sources such as interest income and dividends.
- Appropriate risk management practices are adopted with an objective to manage risk arising out of duration, market credit, legal and operations.
- Analyze performance of all assets classes and total portfolio relative to appropriate benchmark.

Internal Audit Department

The Internal Audit Department provides to the management and the Audit Committee of the Board of Trustees with assurance that the management control systems throughout PRCL are adequate and operating effectively. It also provides an Independent and objective appraisal of activity for management and furnishes them with analyses, recommendations, counsel, and Information concerning the activities reviewed. This includes promoting effective controls at a reasonable cost.

The Internal Audit Department provides valuable support in maintaining the publics confidence by performing independent, objective reviews and reporting to the Audit Committee and responsible administrative officers on their findings so that Corrective actions can be taken.

The Internal Audit Department assists the management in achieving PRCL's financial and operating goals by evaluating controls to ensure systems function adequately, by identifying weaknesses, and by providing recommendations. Through complete and unrestricted access to records, property, and personnel. Internal Audit provides PRCL with an additional resource in meeting these goals. With the support of PRCL management and the Audit Committee, the Internal Audit Department provides the highest quality of auditing services, thus enhancing fiscal control at PRCL.

New documents such as Report on Internal Control System & Management System and Internal Audit Plan were developed and Audit Manual was updated by consultant; M/s. Anjurn Asim Shahid & Rehman Company, Chartered Accountants. The Consultant reviewed the work and functions of all departments and assessed the work of Internal Audit Department with the following remarks:

Sub-function	Compliance with Existing Guideline	Effectiveness of Control
Asset Protection	Good	Good
Quality Control	Good	Good
Monitoring & Assessing procedures	Good	Good
Pre audits	Good	Good
Post Audit reports	Good	Good

Data Processing Department

The Data Processing Department has been instilled with the functions of processing data in the most efficient and effective way.

It is crafted around various modules and systems which PRCL uses to perform its operations of all kind. Some of the various projects that the Data Processing Department is working on are listed as under:

Implemented Modules/ Systems
Implementation, modification and maintenance of the following core business and supporting applications:

- Reinsurance Management System (RMS-Fac. Acceptance, Foreign Treaty & Claims)
- PAKRE Investment Management System (PIMS)
- Retrocession system
- Payroll system
- Loan & Advances System
- PRCL Employees Fund System
- MIS for Top Management
- Customize Reports for user departments

PRCL Website
- Content management (Uploading of quarterly /annual accounts, tenders, news, notices etc)
- Coordination with different departments of PRCL for collection of data for uploading on website.

Hardware & Networking
- Preparation of technical and financial analysis for acquisition of hardware/software
- Maintaining inventory of Computers (PCs), Printers and computer related accessories
- Management of LAN and intranet infrastructure of PRCL
- Management of PC servers (Domain Controller, ISA and Antivirus, Firewall etc.)
- Providing Help Desk support for hardware & software problems

Achievements of the Year 2011
- Implementation of Lotus Live Notes to provide internet/intranet email facilities to end users

- First successful Live run of RMS (Facultative Acceptance & Claim) after closing the old system
- One year successful run of PIMS
- Established VPN connection between Karachi & Lahore Office
- Migration of website to new upgraded webhosting server
- Acquisition of Hardware Firewall
- Acquisition of new version of Antivirus and Software Development Tools
- Acquisition of branded PCs/Scanners
- Up gradation of LAN within PRCL

Future Plans

- Speedup in software development for new modules and systems
- To initiate Data Entry & networking over VPN from Lahore office
- To extend internet/intranet email facilities to users of PRCL
- To extend IT disaster recovery plans and procedures to new levels
- To revamp and upgrade existing network environment of PRCL

Corporate Information

BOARD OF DIRECTORS OF PRCL

MRS. RUKHSANA SALEEM
Chairperson

MR. NAJEEB KHAWER AWAN
Director

DR. MASUMA HASAN
Director

MRS. YASMIN SAUD
Director

MR. MUMTAZ ALI RAJPER
Director

KHAWAJA MAHMOOD-UR-REHMAN
Director

MR. TAUFIQUE HABIB
Director

MR. SIKANDAR MAHMOOD
Director

MR. SHAHZAD F. LODHI
Company Secretary

SENIOR MANAGEMENT

MR. FIDA HUSSAIN SAMOO
Executive Director (RE)

MR. AYAZ HUSSAIN M. GAD
Executive Director (BD/RE)

MRS. FARZANA MUNAF
Executive Director/CFO

MRS. GHAZALA IMRAN
Regional Director (NZO)

MR. SHAHZAD F. LODHI
Company Secretary/General Manager

AUDIT COMMITTEE

MRS. YASMIN SAUD
Chairperson of the Committee

MR. NAJEEB KHAWER AWAN
Member

MR. MUMTAZ ALI RAJPER
Member

MR. TAUFIQUE HABIB
Member

MR. SHAHZAD F. LODHI
Secretary of the Committee

LEGAL ADVISOR

Mr. Ali Mumtaz Shaikh
M/s. Mumtaz & Associates

AUDITORS

Mr. Mohammad Shaukat Naseeb,
Senior Partner,
Anjum Asim Shahid Rahman
Chartered Accountant
1st and 3rd Floor, Modern Motors House,
Beaumont Road, Karachi – 75530

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited

SHARE REGISTRAR

Central Depository Company of Pakistan Limited (CDC),
CDC House, 99=B, Block-B, SMCHS,
Main Shahre-e-Faisal, Karachi-74400, Pakistan
Ph: (92-21) 111-111-500

REGISTERED OFFICES

Pakistan Reinsurance Company Limited Towers,
32-A, Lalazar Drive, M.T. Khan Road, P.O. Box: 4777,
Karachi, Pakistan
Tel: (92-21) 99202908-15, Telex: (92-21) 20428
Telefax: (92-21)99202920-22
E-mail: prcl@pakre.org.pk,
Website:www.pakre.org.pk

ZONAL OFFICE

State Life Building, 1st Floor, 15-A, Davis Road,
Lahore.

COMMITTEES OF THE BOARD OF PRCL

AUDIT COMMITTEE

1.	Mrs. Yasmin Saud	Chairperson of the Committee
2.	Mr. Najeeb Khawer Awan	Member
3.	Mr. Mumtaz Ali Rajper	Member
4.	Mr. Taufique Habib	Member
5.	Mr. Shahzad F. Lodhi, *Company Secretary*	Secretary of the Committee

UNDERWRITING COMMITTEE

1.	Mrs. Rukhsana Saleem	Chairperson of the Committee
2.	Mr. Ayaz Hussain M. Gad, E.D.(BD), PRCL	Member
3.	Mrs. Farzana Munaf, CFO/E.D., PRCL	Member
4.	Mr. Fida Hussain Samoo, E.D.(Re), PRCL	Member/ Secretary of the Committee

REINSURANCE COMMITTEE

1.	Mrs. Rukhsana Saleem	Chairperson of the Committee
2.	Mr. Najeeb Khawer Awan	Member
3.	Khawaja Mahmood-Ur-Rehman	Member
4.	Mr. Taufique Habib	Member
5	Mr. Ayaz Hussain M. Gad, E.D.(B.D) ,PRCL	Member
6	Mr. Fida Hussain Samoo, E.D. (Re) ,PRCL	Member/ Secretary of the Committee

CLAIM SETTLEMENT COMMITTEE

1	Mr. Sikander Mahmood	Chairman of the Committee
2.	Mrs. Rukhsana Saleem, Chairperson	Member
3.	Mr. Ayaz Hussain M. Gad, E.D.(BD) ,PRCL	Member
4.	Mrs. Farzana Munaf, CFO/E.D. ,PRCL	Member
5.	Mr. Fida Hussain Samoo, E.D. (Re)	Member/Secretary of the Committee

INVESTMENT COMMITTEE

1.	Mrs. Yasmin Saud	Chairperson of the Committee
2.	Mrs. Rukhsana Saleem, Chairperson	Member
3.	Mr. Mumtaz Ali Rajper	Member
4.	Khawaja Mahmood-Ur-Rehman	Member
5.	Mr. Taufique Habib	Member
6.	Mr. Sikander Mahmood	Member
7.	Mrs. Farzana Munaf, CFO/E.D. ,PRCL	Member/Secretary of the Committee

HUMAN RESOURCE COMMITTEE

1.	Mr. Najeeb Khawer Awan	Chairman of the Committee
2.	Mrs. Rukhsana Saleem, Chairperson	Member
3.	Dr. Masuma Hasan	Member
4.	Mr. Mumtaz Ali Rajper	Member
5.	Mr. Shahzad F. Lodhi, Company Secretary	Member/Secretary of the Committee

Notice of the 12th Annaul General Meeting

Notice is hereby given that 12th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Monday the 30th April 2012 at 9:30 a.m. at Marriot Hotel, 9, Abdullah Haroon Road, Karachi to transact the following business:-

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting of the company held on 31st December 2011.

2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2011 and the reports of Directors and Auditors thereon.

3. To consider and approve the payment of final dividend at the rate of 30%. That is Rs. 3.00 per ordinary share of rupees ten (10) for the year ended 31 December, 2011.

4. To appoint M/s. Anjum Asim Shahid Rehman, (Chartered Accountants) as auditors of the Company (PRC) for the year ending December 31st, 2012 and fix their remuneration.

5. To consider any other business with the permission of the Chair.

By Order of the Board

(Shahzad F. Lodhi)
Company Secretary

Place: Karachi.
Dated: 09/04/2012

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2012 to 30th April 2012 (both days inclusive), no transfer will be accepted for registration during the period.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default; form of proxy will not be treated as valid.

3. CDC Accounts holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

ii. In the case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (Unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of the CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

v. In the case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company.

4. Shareholders are requested to communicate to the CDC (Share Registrar) any change in their address and provide the Zakat Declaration/Tax exception certificate (if any) immediately along with contact details.

Directors' Report
For the year ended December 31, 2011

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Dear Shareholders,

Your directors are pleased to present the 12th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2011.

Economic Overview

In FY'11 improvement has been seen in Insurance Industry as economic activity slightly improved and steady law and order situation in the country and stability support the sector performance. However, flood that severely hit the country last year hamper the momentum of the Industry. Although the quantum of flood this year is not that big as only southern parts of the country have been affected compared to last year, the insurance sector still remains vulnerable.

Company's Performance

PRCL was converted into a company in the year 2001 and is now operating under Insurance Ordinance, 2000, and Companies Ordinance, 1984. The Company is the sole re-insurer in the country. A number of steps to run it on commercial lines have already been taken. Authorized Capital has been enhanced from Rs. four billion to Rs. twenty five billion and Paid-up Capital has been enhanced from Rs.0.540 billion to Rs. three billion, in order to strengthen the equity base as the company is planning to expand locally as well as abroad. Corporate Culture is being introduced. Compulsory cession was withdrawn w.e.f. Jan 01, 2005 and as such, this was the seven year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of the compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2011, PRCL was selective in accepting business under Treaty and Facultative. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced has contributed positively towards the augmented growth in the reinsurance business.

PRCL has continuously been trying through strategic and concentrated efforts to avoid outflow of foreign exchange from the country and improve the performance of insurance sector in Pakistan. The Company's business strategy would continue to focus on providing prompt service to insurance companies with reference to facultative offers.

The salient features of the business operations during the year, 2011 are as under:-

	2011	2010
	Rupees in million	
Gross Premium	**6,893**	6,552
Retrocession	**(2,844)**	(3,371)
Net Retention	**4,049**	3,181
Premium Reserve	**(514)**	(241)
Net Premium	**3,535**	2,940
Net Commission	**(785)**	(659)
Net Claims	**(2,018)**	(1,688)
Management expenses	**(353)**	(302)
Underwriting Profit	**379**	291
Investment Income	**891**	653
Exchange gain, rental & other income	**89**	84
Gen. & Admn. Expense	**(38)**	(35)
Profit before tax and Value of available-for-investment-write off	**1,321**	993
Value of available-for-investment-write off	**(64)**	(343)
Profit before tax	**1,257**	650
Taxation	**(413)**	(124)
Profit after Tax	**844**	526

During the period under review, Company has underwritten Rs.6,893 million and registered growth of 5% over the corresponding year. The break-up is as follows:-

Facultative Premium	2011	2010
	Rupees in million	
Fire	**1,191**	794
Marine Cargo	**34**	27
Marine Hull	**72**	46
Accident and others	**66**	94
Aviation	**1,230**	1,659
Engineering	**1,065**	1,003
	3,658	3,623
Treaty Premium Bal .	**3,235**	2,929
	6,893	6,552

There was an increase in facultative business in all departments except decrease of Rs.28 million in Accident Department due to lower acceptance of Crops and Health Insurance related business and decrease of Rs.430 million in Aviation Department due to decrease in premium as a result of decrease in value of PIA fleet.

The overall result of treaty business increased by 10% over the corresponding period.

During the period under review, the net premium of the Company is Rs.3,535 million showing growth of 20% over the corresponding year.

This improvement in overall underwriting result was mainly due to increase in premium and improved net retention as explained below:-

Particulars	**2011**	2010
	Rupees in million	
Premium Written	**6,893**	6,552
Reinsurance Ceded	**(2,844)**	(3,371)
Net Retention	**4,049**	3,181
Premium Reserve	**(514)**	(241)
Net Premium	**3,535**	2,940

The commission expenses of the company during the year ended December 31, 2011 were Rs.785 million as compared to Rs.659 million during the year December 31, 2010. The reason for increase was mainly due to increase in business.

Net claims of the company for the year 2011 were Rs.2,018 million as compared to Rs.1,688 million in the year ended December 31, 2010 showing an increase of Rs.330 million. The main increase was on account of flood losses and health insurance claims in Treaty business.

Investment Activities

The investment income in the year 2011 increased to Rs.891 million as compared to Rs.653 million in the year 2010. Investment income mainly comprises of realized capital gain on Available for sale and Held for trading investments, profit on government securities, fixed income securities and dividend income.

Profit after tax

The profit after tax is Rs.844 million as compared to Rs.526 million of last year showing 61% increase.

Appropriations:

	Rs. in million
Profit before taxation	**1,258**
Less: Taxation	**(413)**
Profit after taxation and before impairment	**908**
Impairment	**(64)**
Profit after taxation and impairment	**845**
Add: Unappropriated profit brought forward	**1,353**
Less: Final cash dividend 2010 @ 30%	**(900)**
Unappropriated profit carried forward	**1,298**

Credit Rating

The JCR-VIS Credit Rating Company Limited has assigned rating of Pakistan Reinsurance Company Limited AA for FY11 outlook on the rating is 'Stable'. The AA rating denotes a very strong capacity to meet contract obligations.

Information Technology

Information Technology (IT) benefits the business world by allowing organization to work more efficiently and to maximize productivity. Faster communication, electronic storage and the protection of records are advantages that IT can have on an enterprises. Information technology has to do with computer applications, on which nearly every work environment is dependent. Since computerized system are so widely used, it is advantageous to incorporate information technology in organization is inevitable.

The company is fully aware of the importance of information technology in business and its supportive components like, computer applications, storing, protecting, information, automated processes, work remotely and communication. Therefore based on the same lines, company is continuously growing and promoting I.T culture in the organization.

During the year 2011, a milestones has been achieved by PRCL IT team, i.e. Acceptance system, annual closing in run on new Reinsurance Management System after closing the old batch system in 2nd quarter 2011. The second achievement is that PRCL IT team in coordination with IBM business partner has successfully deployed Lotus Live Hybrid solution, providing email facility to PRCL employees, specially designed as per company requirements. The third big feat is establishment of a VPN link through a firewall between PRCL Karachi (Head office) and PRCL Lahore office. Due to this connectivity, and users of Lahore office are now directly feeding data into the system which is lying at Head Office (Karachi).

Corporate Social Responsibility

PRCL plays its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of our people, and make our country a better place to live in.

During FY11, PRCL contributor to social uplliftment of the society. In the period under review, the main focus of PRCL CSR efforts remained on two major sector namely health and community development and contributed Rs.1.30 million with this objective in the mind of the company has intensified its driven towards social betterment by pledging donation.

Pension, Gratuity and Provident Funds

The value of investment in pension, gratuity and provident fund is as follows:-

	(Rs. in million)
Gratuity Fund	
Pension and Gratuity Fund	**420.276**
General Provident Fund/Provident Fund	**171.337**

Future Prospectus

In order to achieve the company's short and long term objectives, its business strategy will continue to focus on providing prompt service to insurance companies particularly with reference to facultative offers. PRCL with strengthened balance sheet and enhanced equity structure will continue to concentrate on quality treaty and facultative business and profitable treaty cession by gradually increasing its retention capacity and adoption of risk management's measures.

The company will also continue to improve its IT infra-structure by extending IT disaster recovery plan and procedures and up-gradation of net work infra-structure along with planned in-house development of online web based Reinsurance Management System and planned in-house training of end users.

Statement on Corporate and Financial Reporting Frame Work

The directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Governance for the following:-

a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.

b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.

c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.

d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.

e) The system of internal control is in place and internal audit department is in the process of strengthening.

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

g). The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings and Attendance

In the year 2011 during the year, five meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:-

Sr. No.	Name of Directors	Number of meetings attended
1	Mrs. Rukhsana Saleem	**5**
2	Syed Arshad Ali	**5**
3	Mr. Jamil Ahmed	**4**
4	Dr. Masuma Hasan	**2**
5	Mr. Mumtaz Ali Rajper	**5**
6	Mr. Sikander Mahmood	**3**
7	Mr. Taufique Habib	**5**
8	Mr. Khawaja Mahmood-ur-Rehman	**1**

The Board places on record its sincerest appreciation to the outgoing Directors Mr. Saifuddin N. Zoomkawala, Mr.Javed Syed and Syed Arshad Ali to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

The Board also welcome the new Director Mr. Khawaja Mahmood-ur-Rehman and Mrs. Yasmin Saud on PRCL Board.

Compliance with the Code of Corporate Governance

The Board is pleased to announce that your company has adopted and complied with the Code of Corporate Governance as per the provisions set out by the SECP and the consequent listing regulations of the Karachi and Lahore Stock Exchanges, on which your company is listed.

Audit Committee

The Board, in compliance with the Code of Corporate Governance, has established an Audit Committee and its terms of reference has been approved. The names of the Committee are given in page no 16.

Performance of the company during the last six years

	(Rupees in million)					
	2011	**2010**	**2009**	**2008**	**2007**	**2006**
			(Restated)			
Gross Premium	**6,893**	6,552	5,839	4,555	4,750	4,499
Net Premium	**3,535**	2,940	2,171	1,896	1,693	1,415
Net Commission	**(785)**	(659)	(553)	(478)	(400)	(367)
Net Claims	**(2,018)**	(1,688)	(905)	(962)	(931)	(777)
Management Expenses	**(353)**	(302)	(231)	(250)	(154)	(146)
Underwriting Profit/(Loss)	**379**	291	482	206	208	125
Investment Income	**891**	653	1,099	846	3,689	772
Profit before Tax	**1,257**	650	318	1,139	3,858	783
Profit after Tax	**844**	526	270	886	3,725	672

Auditor's Report:

The auditors have qualified their report for the year ended December 31, 2011 in respect of amount due from and due to other insurers/reinsurer and premium and claim reserves retained by cedants and retained from retrocessionaires. The accounts of PRCL are qualified on this issue since the year 2000. The accounts of the some other international insurance companies in the region are also qualified on the same issue.

During the year, the management has carried out a detailed exercise to undertake reconciliation of balance due to and due from various ceding companies. On the basis of such efforts, issues involved in achieving 100% results have been identified and are being dealt by with the respective companies.

However, despite best efforts, the full resolution of issues was not possible due to the Company's limitation in getting timely information from various ceding companies and lack of details available for old balances and transaction particularly with reference to underwriting business in the era of Compulsory cession.

Dividend

Your directors are pleased to declare a cash dividend of 30% for the year 2011.

Earning per share

The earning per share of the Company was Rs.2.82 for the year 2011 as compared to 1.75 in the year 2010.

Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children:

S. No.	Name	No. of Shares (CDC)
1.	Mr. Taufique Habib, Director	**1,555**
2.	Mr. Sikander Mehmood, Director	**69,055**
3.	Ms. Farzana Munaf, C.F.O.	**900**

Appointment of Auditors

The present auditors M/s. Anjum Asim Shahid Rahman Chartered Accountants being eligible have offered themselves for reappointment. The Audit Committee has recommended appointment of M/s. Anjum Asim Shahid Rehman Chartered Accountants to conduct the audit of the company for the year 2012.

Pattern of shareholding

The statement of pattern of shareholding is separately shown in report.

Acknowledgement

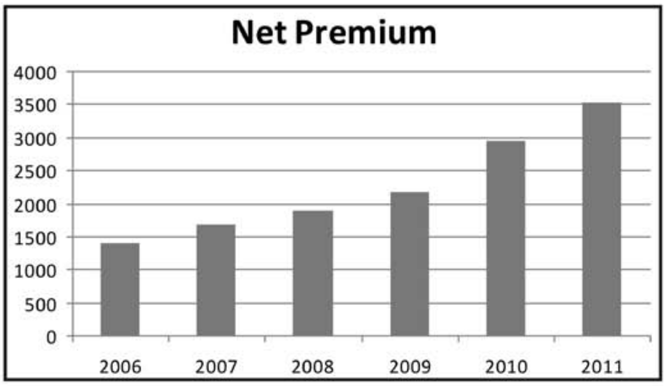
In the end, your directors would like to thank all insurance companies and regulators. We also acknowledge the hard work and dedication of our officers and staff for the co-operation extended by them in running the affairs of the Company.

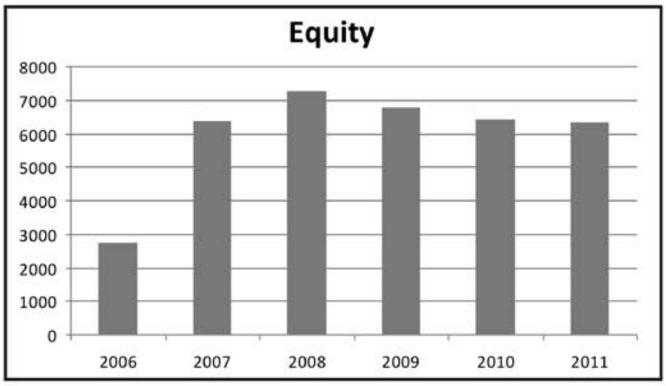
For and on behalf
of the Board of Directors.

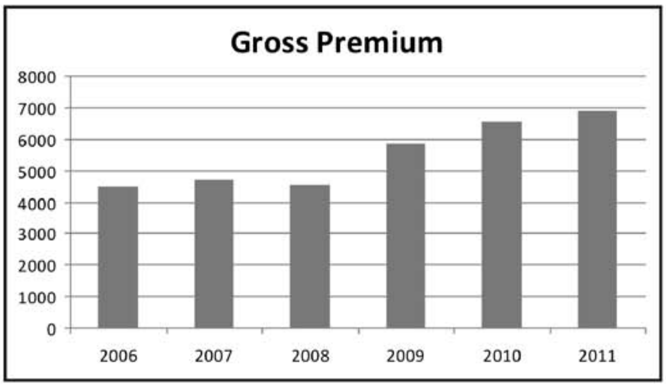
(Rukhsana Saleem)
Chairperson

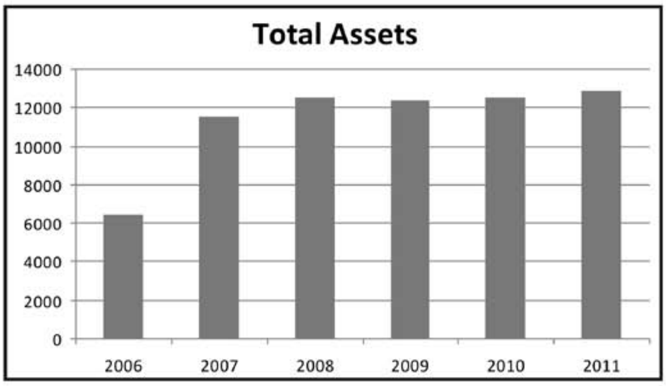
Six Year Performance at a Glance

PARTICULARS	2011	2010	2009	2008	2007	2006
FINANCIAL DATA	(Rupees in Million)					
Paid up capital	3,000	3,000	3,000	3,000	540	450
General & Capital Reserves	3,357	3,412	3,786	4,265	5,839	2,280
Equity	6,357	6,412	6,786	7,265	6,379	2,730
Investment	5,793	4,674	5,482	5,458	6,412	3,588
Fixed Assets	49	47	48	40	30	28
Cash & Bank Deposits	1,597	2,417	1,834	2,836	1,021	209
Total Assets	12,878	12,535	12,373	12,528	11,497	6,464
Total liabilities	6,521	6,123	5,586	5,262	5,117	3,733
OPERATING DATA						
Gross Premium	6,893	6,552	5,839	4,555	4,730	4,499
Net Premium	3,535	2,940	2,171	1,895	1,693	1,415
Net Claims	2,018	1,688	905	961	931	777
Net Comission	785	659	553	478	400	347
Underwriting Results	379	291	481	206	207	125
Total Management Expenses	353	302	231	250	154	146
Investment Income	891	653	1,099	846	3,689	772
Profit Before Tax	1,257	650	318	1,138	3,859	783
Profit After Tax	844	526	270	886	3,727	672
SHARE INFORMATION & PAYOUTS						
No of shares (In million)	300.00	300	300	300	54	45
Cash dividend %	30.00	30.00	30.00	25.00	-	20.00
Bonus Shares %	-	-	-	-	455.55	20.00
Total Dividend %	30.00	30.00	30.00	25.00	455.55	40.00
FINANCIAL RATIO ANALYSIS						
Claims ratio	57.09	57.00	41.69	50.71	54.99	54.91
Total Assets Turnover (Times)	0.53	0.52	0.47	0.36	0.41	0.70
Total Liabilities / equity (%)	102.60	95.49	82.32	72.43	80.22	136.74
Paid up Capital / Total Assets (%)	23.30	23.93	24.25	23.95	4.70	6.96
Equity / Total Assets (%)	49.36	51.15	54.85	57.99	55.48	42.23


Net Premium
4000
3500
3000
2500
2000
1500
1000
500
0
2006
2007
2008
2009
2010
2011


Equity
8000
7000
6000
5000
4000
3000
2000
1000
0
2006
2007
2008
2009
2010
2011


Gross Premium
8000
7000
6000
5000
4000
3000
2000
1000
0
2006
2007
2008
2009
2010
2011


Total Assets
14000
12000
10000
8000
6000
4000
2000
0
2006
2007
2008
2009
2010
2011

Statement of Compliance with the Code of Corporate Governance

Pakistan Reinsurance Company Limited
Year ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No.35 and No. XIII of listing regulations of the Karachi Stock Exchange (Guarantee) Ltd., and the Lahore Stock Exchange (Guarantee) Ltd., respectively for the purpose of establishing a framework of good governance by a listed company and additional frame work by a listed insurance company, whereby a listed company/listed insurance company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive Directors on its Board. At present, the Board includes eight independent non-executive Directors. Out of eight non-executive directors, six are nominated by the major shareholders (i.e. GOP) and two are elected for three years terms.

2. The Directors have confirmed that none of them is serving as a director in ten or more listed companies, including this company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange. No director or his/her spouse is engaged in the business of stock brokerage.

4. The Company has prepared a 'Statement of Ethics and Business Practices'. (Code of Conduct), which has been signed by the directors and employees of the Company.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except terms and conditions of deputations of Government servants.

7. The meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated atleast 07 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. There was no appointment of CFO, Company Secretary or Head of Internal Audit during the year.

9. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

10. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

12. The company has complied with all the corporate and financial reporting requirement of the Code.

13. The Board has formed and Audit Committee. Board has formed an audit committee. It comprises of Board members, all of whom are non-executive directors including Chairman, Audit Committee.

14. The Board has formed Underwriting, Claim Settlement and Reinsurance Committees. The meetings of Underwriting, Claims Settlement and Reinsurance Committees were held atleast once every quarter.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Company has an internal audit department headed by Chief Internal Auditor. The Internal Audit department is in the process of strengthening. All the Internal Audit reports are accessible to the Board Audit Committee and important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board attention are brought into their notice.

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

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

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

Rukhsana Saleem	**Sikander Mahmood**	**Taufique Habib**
Chief Executive	Director	Director

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the board of directors of Pakistan Reinsurance Company Limited (the Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2011.

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi
Date: March 28, 2012

Independent Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Pakistan Reinsurance Company Limited** (the Company) as at December 31, 2011 together with the notes forming part thereof, for the year then ended.

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

Except for the matters stated in paragraph (i) and (ii) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

i. As on December 31, 2011 'Amount due from other insurers / reinsurers' includes gross amount of Rs. 1,749.943 million (2010: Rs. 1,380.422 million) which after provision of Rs. 386 million (2010: Rs. 386 million) amounting to Rs. 1,363.943 million (2010: Rs. 994.422 million) and 'Due to other insurers / reinsurers' includes Rs. 235.687 million (2010: Rs. 370.684 million). Further, the Company has reversed certain claims that have been lodged by other insurance companies amounting to Rs. 22.63 million (2010: Rs. 29.950 million) due to the reason that appropriate documents for substantiating these claims were not provided. The Company is in process of reconciling these balances. Due to pending confirmations/reconciliation relating to above balances, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained (refer note 13, 17.1, 17.2 and 23); and

ii. The financial statements reflect the balances in respect of 'Premium and claim reserves retained by cedants' amounting to Rs. 25.469 million (2010: Rs. 97.723 million) and balances in respect of 'Premium and claim reserves retained from retrocessionaires' amounting to Rs. 26.587 million (2010: Rs. 20.252 million). These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances (refer note 24 and 14).

Except for the financial effect of the matters referred to in the preceding paragraphs, in our opinion:

a) Proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) The financial statements together with the notes thereon have been drawn upon in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Company`s affairs as at December 31, 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) Zakat deductable at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi
Date: March 28, 2012

Annual Report **2011**

Financial Statement

Balance Sheet
As at December 31, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
2,500,000,000 (2010: 2,500,000,000)			
Ordinary shares of Rs.10 each		**25,000,000,000**	25,000,000,000
Share capital	6	**3,000,000,000**	3,000,000,000
Retained earnings		**1,298,302,385**	1,353,489,422
Reserve for exceptional losses	7	**281,000,000**	281,000,000
General reserve		**1,777,419,085**	1,777,419,085
		3,356,721,470	3,411,908,507
Shareholders' equity		**6,356,721,470**	6,411,908,507
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)	8	**753,313,736**	611,245,320
Provision for unearned premium	9	**3,887,859,030**	3,453,901,862
Commission income unearned	10	**34,803,842**	36,665,221
Total underwriting provisions		**4,675,976,608**	4,101,812,403
Deferred liability - employee benefits	11	**166,827,000**	140,226,394
Long term deposits	12	**14,222,217**	15,588,071
Creditors and accruals			
Amount due to other insurers / reinsurers	13	**1,285,062,959**	1,756,156,933
Premium and claim reserves retained from retrocessionaires	14	**26,587,143**	20,251,518
Other creditors and accruals	15	**24,006,780**	38,649,937
Accrued expenses		**6,675,968**	4,714,131
Taxation - net		**266,688,886**	7,485,128
Retention money payable		**6,480,973**	6,527,238
		1,615,502,709	1,833,784,885
Other liabilities			
Dividend payable		**47,473,992**	30,360,697
Surplus profit payable	16	**1,212,602**	1,212,602
		48,686,594	31,573,299
Total liabilities		**6,521,215,128**	6,122,985,052
TOTAL EQUITY AND LIABILITIES		**12,877,936,598**	12,534,893,559
CONTINGENCIES AND COMMITMENTS	17		

	Note	2011 Rupees	2010 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalents		**67,433**	67,168
Current and other accounts		**747,195,690**	788,559,085
Deposits maturing within 12 months		**850,000,000**	1,628,005,200
	18	**1,597,263,123**	2,416,631,453
Loan to employees	19	**56,634,060**	55,092,174
Investments	20	**5,792,680,783**	4,674,145,547
Investment properties	21	**39,995,716**	42,371,525
Deferred taxation	22	**-**	59,122,113
Current assets - others			
Amount due from other insurers / reinsurers	23	**2,541,621,198**	2,395,705,312
Premium and claim reserves retained by cedants	24	**25,469,400**	97,722,812
Accrued investment income	25	**203,234,134**	98,228,077
Sundry receivables	26	**280,026,129**	343,416,019
Prepayments	27	**1,861,689,863**	1,938,825,109
Deferred commission expense		**429,568,319**	365,715,655
Stock of stationery		**714,126**	501,725
		5,342,323,169	5,240,114,709
Fixed assets			
Tangible	28		
Land and building		**20,039,175**	21,045,055
Furniture, fixture, books and office equipment		**14,956,522**	13,209,323
Electrical installations, air-conditioning plant and lifts		**6,582,395**	3,834,591
Motor vehicles		**7,461,655**	9,327,069
		49,039,747	47,416,038
Assets relating to Bangladesh	29	**-**	-
TOTAL ASSETS		**12,877,936,598**	12,534,893,559

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Profit and Loss Account

For the year ended December 31,2011

	Note	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	2011 Aggregate	2010 Aggregate
Revenue account		-----Rupees-----								
Net premium		467,732,551	34,347,591	61,769,880	71,853,692	170,783,755	266,830,379	2,461,632,231	**3,534,950,079**	2,940,507,757
Less:										
Net claims		240,875,034	(79,859)	3,342,529	92,270,528	11,156,687	78,969,568	1,591,010,132	**2,017,544,619**	1,688,408,467
Expenses	30	9,436,351	6,928,189	2,306,665	6,207,736	8,102,523	5,241,563	314,697,509	**352,920,536**	301,805,388
Net commission		101,062,560	6,803,972	10,414,871	9,460,720	756,422	(1,617,972)	658,178,563	**785,059,136**	659,151,044
Underwriting results		**116,358,606**	**20,695,289**	**45,705,815**	**(36,085,292)**	**150,768,123**	**184,237,220**	**(102,253,973)**	**379,425,788**	291,142,858
Investment income-net									**890,803,683**	653,470,381
Rental income-net	31								**54,038,710**	59,217,774
Exchange gain									**32,512,566**	19,567,600
Other income	32								**2,414,022**	4,803,213
General and administration expenses	33								**(37,757,382)**	(34,666,457)
Value of available-for-investments- write-off									**(63,909,856)**	(343,031,445)
									878,101,743	359,361,066
Profit before tax									**1,257,527,531**	650,503,924
Income tax expense	34									
- Current									**(353,592,455)**	(32,483,136)
- Deferred									**(59,122,113)**	(91,767,541)
									(412,714,568)	(124,250,677)
Profit after tax									**844,812,963**	526,253,247
Profit and loss appropriation account										
Balance at the commencement of year									**1,353,489,422**	1,727,236,175
Profit after tax for the year									**844,812,963**	526,253,247
Final cash dividend for the year 2010 Rs. 3.00 per share (2009: Rs.3.00 per share) @ 30% (2009: 30%)									**(900,000,000)**	(900,000,000)
Balance of unappropriated profit at end of the year									**1,298,302,385**	1,353,489,422
Earnings per share - basic and diluted	35								**2.82**	1.75

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Comprehensive Income
For the year ended December 31, 2011

	2011 **Rupees**	2010 Rupees
Profit for the year	**844,812,963**	526,253,247
Other comprehensive income	**-**	-
Total comprehensive income for the year	**844,812,963**	526,253,247

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Changes in Equity
For the year ended December 31, 2011

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Reserve for exceptional losses(refer note 7)	Revenue reserves		Total reserves	
			Retained earnings	General reserve		
	---Rupees---					
Balance as at December 31, 2009	3,000,000,000	281,000,000	1,727,236,175	1,777,419,085	3,504,655,260	6,785,655,260
Total comprehensive income for the year	-	-	526,253,247	-	526,253,247	526,253,247
Transactions with owners						
Final cash dividend paid for the year 2009 Rs. 3.00 per share	-	-	(900,000,000)	-	(900,000,000)	(900,000,000)
Balance as at December 31, 2010	3,000,000,000	281,000,000	1,353,489,422	1,777,419,085	3,130,908,507	6,411,908,507
Total comprehensive income for the year	**-**	**-**	**844,812,963**	**-**	**844,812,963**	**844,812,963**
Transactions with owners						
Final cash dividend paid for the year 2010 Rs. 3.00 per share	**-**	**-**	**(900,000,000)**	**-**	**(900,000,000)**	**(900,000,000)**
Balance as at December 31, 2011	**3,000,000,000**	**281,000,000**	**1,298,302,385**	**1,777,419,085**	**3,075,721,470**	**6,356,721,470**

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Cash Flows
For the year ended December 31, 2011

Operating cash flows	Note	2011 Rupees	2010 Rupees
Underwriting activities			
Premium received		**6,746,669,112**	4,999,370,420
Reinsurance premium paid		**(3,282,441,468)**	(1,975,515,960)
Claims paid		**(2,195,928,002)**	(2,002,847,826)
Reinsurance and other recoveries received		**320,451,799**	339,131,022
Commission paid		**(940,413,572)**	(813,893,854)
Commission received		**89,640,393**	92,693,498
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies		**78,589,037**	(77,137,717)
Expenses paid		**(352,920,536)**	(301,805,388)
Net cash inflows from underwriting activities		**463,646,763**	259,994,195
Other operating activities			
Income tax paid		**(94,388,700)**	(115,392,988)
General administration expenses paid		**(29,828,813)**	(27,140,878)
Loans disbursed-net		**(1,541,886)**	(1,424,512)
Other receipts /(payments) - sundry debtors		**74,368,065**	(1,611,308)
Net cash (outflow) from other operating activities		**(51,391,334)**	(145,569,686)
Total cash inflow from all operating activities		**412,255,429**	114,424,509
Investment activities			
Fixed capital expenditure	28	**(8,592,327)**	(5,708,743)
Sale proceeds of fixed assets	28.1	**50,000**	-
Acquisition of investments		**(3,233,663,600)**	(5,061,958,506)
Rental income received - net of expenses		**52,196,686**	51,720,187
Dividend income received		**458,401,028**	242,097,207
Interest income on bank deposits		**112,086,482**	82,583,486
Investment income received - net of expenses		**214,846,217**	308,656,050
Sale proceeds of investments		**2,055,938,460**	5,732,516,496
Total cash (outflow) / inflow from investment activities		**(348,737,054)**	1,349,906,177
Financing activities			
Dividend paid		**(882,886,705)**	(881,346,059)
Total cash (outflow) from financing activities		**(882,886,705)**	(881,346,059)
Net cash (outflow) / inflow from all activities		**(819,368,330)**	582,984,627
Cash and cash equivalents at beginning of the year		**2,416,631,453**	1,833,646,826
Cash and cash equivalents at end of the year	18	**1,597,263,123**	2,416,631,453

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Cash Flows
For the year ended December 31, 2011

Reconciliation to profit and loss account	Note	2011 Rupees	2010 Rupees
Operating cash flows		412,255,429	114,424,509
Depreciation expense			
-Investment property	33	(2,375,809)	(2,576,076)
-Fixed assets	33	(6,918,618)	(6,939,136)
Exchange gain		32,512,566	19,567,600
Rental income - net	31	54,038,710	59,217,774
Pension officers expenses	30	(85,578,947)	(37,890,000)
Pension employees expenses	30	56,578,597	4,829,000
Medical expenses	30	(34,524,656)	(25,376,000)
Gratuity expenses	30	(994,000)	(1,999,000)
Compensated absences	30	(7,420,631)	(7,732,000)
Provision for outstanding claims		(142,068,416)	(24,691,663)
Provision for unearned premium		(433,957,168)	(106,638,844)
Prepaid reinsurance premium ceded		(79,817,691)	(133,837,985)
Provision for employee benefits		(26,600,606)	(19,358,394)
Dividend income		458,177,486	241,610,706
Investment income		316,934,498	284,661,807
Interest income		112,086,482	82,583,486
Amortization of discount		4,719,945	2,439,750
Gain on sale of investment		28,154,140	42,845,132
Increase in operating assets other than cash		24,001,962	527,940,519
Decrease/(Increase) in operating liabilities		483,935,558	(477,970,249)
		1,163,138,831	535,110,936
Other adjustments			
(Increase) in provision for diminution in value of investments		-	-
Income tax paid		94,388,700	115,392,988
		94,388,700	115,392,988
Profit before taxation		1,257,527,531	650,503,924
Provision for taxation		(412,714,568)	(124,250,677)
Profit after taxation		844,812,963	526,253,247

Definition of cash

Cash comprises of cash in hand, policy stamps, postage stamps, revenue stamp, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

Cash for the purpose of the statement of cash flow consist of :	2011 Rupees	2010 Rupees
Cash and cash equivalents		
Cash and other equivalents	67,433	67,168
Current and other accounts	747,195,690	788,559,085
Deposit maturing within 12 months	850,000,000	1,628,005,200
	1,597,263,123	2,416,631,453

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	Rukhsana Saleem	Sikander Mahmood	Taufique Habib
Chief Financial Officer	Chief Executive	Director	Director

Statement of Premiums

For the year ended December 31,2011

Class	Premiums written (A)	Unearned premium reserve		Premiums earned (D=A+B-C)	Reinsurance ceded (E)	Prepaid reinsurance premium ceded		Reinsurance expense (H=E+F-G)	Net premium revenue	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		2011 (I=D-H)	2010
Business underwritten inside Pakistan	-----------------	-----------------	-----------------	-----------------	--------Rupees--------	-----------------	-----------------	-----------------	-----------------	-----------------
Facultative										
Fire	1,190,574,097	375,572,585	678,671,607	887,475,075	523,773,870	191,853,379	295,884,725	419,742,524	**467,732,551**	376,539,367
Marine cargo	33,985,958	4,665,692	4,304,059	34,347,591	-	-	-	-	**34,347,591**	25,596,551
Marine hull	72,267,731	27,895,387	38,393,238	61,769,880	-	-	-	-	**61,769,880**	35,301,090
Accident and others	65,536,096	31,640,631	25,323,035	71,853,692	-	-	-	-	**71,853,692**	125,992,846
Aviation	1,229,579,791	1,366,338,363	1,075,066,951	1,520,851,203	1,059,099,814	1,230,172,768	939,205,134	1,350,067,448	**170,783,755**	173,858,901
Engineering	1,065,224,770	474,369,902	631,818,390	907,776,282	704,956,137	335,192,948	399,203,182	640,945,903	**266,830,379**	220,503,267
Total	3,657,168,443	2,280,482,560	2,453,577,280	3,484,073,723	2,287,829,821	1,757,219,095	1,634,293,041	2,410,755,875	**1,073,317,848**	957,792,022
Treaty	3,235,416,555	1,173,419,302	1,434,281,750	2,974,554,107	556,030,239	176,742,554	219,850,917	512,921,876	**2,461,632,231**	1,982,715,735
Grand total	6,892,584,998	3,453,901,862	3,887,859,030	6,458,627,830	2,843,860,060	1,933,961,649	1,854,143,958	2,923,677,751	**3,534,950,079**	2,940,507,757

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Claims

For the year ended December 31,2011

Class	Claims paid (A)	Provision for outstanding claims		Claims expenses (D=A+C-B)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H=E+G-F)	Net claims expense	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		2011 (I=D-H)	2010
Business underwritten inside Pakistan	Rupees									
Facultative										
Fire	224,098,474	385,001,070	362,809,531	201,906,935	-	203,968,099	165,000,000	(38,968,099)	**240,875,034**	165,593,276
Marine cargo	6,368,944	25,744,732	19,295,929	(79,859)	-	-	-	-	**(79,859)**	26,026,741
Marine hull	337,844	13,507,801	16,512,486	3,342,529	-	-	-	-	**3,342,529**	2,167,499
Accident and others	81,312,796	16,280,358	27,238,090	92,270,528	-	-	-	-	**92,270,528**	24,565,335
Aviation	147,588,318	62,909,789	94,778,261	179,456,790	139,206,433	60,626,073	89,719,743	168,300,103	**11,156,687**	173,198,717
Engineering	41,591,885	599,714,986	790,514,199	232,391,098	175,721	582,434,258	735,680,067	153,421,530	**78,969,568**	19,916,259
Total	501,298,261	1,103,158,736	1,311,148,496	709,288,021	139,382,154	847,028,430	990,399,810	282,753,534	**426,534,487**	411,467,827
Treaty	1,694,629,741	1,049,989,131	1,216,913,980	1,861,554,590	181,069,645	689,922,117	779,396,930	270,544,458	**1,591,010,132**	1,276,940,640
Grand total	2,195,928,002	2,153,147,867	2,528,062,476	2,570,842,611	320,451,799	1,536,950,547	1,769,796,740	553,297,992	**2,017,544,619**	1,688,408,467

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Expenses

For the year ended December 31,2011

Class	Commission paid or payable (A)	Deferred Commission Opening (B)	Deferred Commission Closing (C)	Net commission expenses (D=A+B-C)	Other management expenses (E)	Underwriting expenses (F=D+E)	Commission from reinsurers (G)	Commission income unearned Opening (H)	Commission income unearned Closing (I)	Net commission retrocession (J=G+H-I)	Net underwriting expense 2011 (K=F-J)	Net underwriting expense 2010
Business underwritten inside Pakistan	-----	-----	-----	-----	-----	-----	Rupees	-----	-----	-----	-----	-----
Facultative												
Fire	185,927,191	57,642,937	90,949,256	152,620,872	9,436,351	162,057,223	43,679,037	18,092,704	10,213,429	51,558,312	**110,498,911**	73,972,059
Marine cargo	6,800,441	929,239	925,708	6,803,972	6,928,189	13,732,161	-	-	-	-	**13,732,161**	10,871,348
Marine hull	12,227,847	4,628,615	6,441,591	10,414,871	2,306,665	12,721,536	-	-	-	-	**12,721,536**	7,647,739
Accident and others	7,816,280	4,621,869	2,977,429	9,460,720	6,207,736	15,668,456	-	-	-	-	**15,668,456**	25,398,131
Aviation	3,420,271	1,985,333	1,784,519	3,621,085	8,102,523	11,723,608	2,843,760	1,362,662	1,341,759	2,864,663	**8,858,945**	6,306,939
Engineering	37,075,411	17,521,801	20,881,129	33,716,083	5,241,563	38,957,646	40,021,465	16,729,701	21,417,111	35,334,055	**3,623,591**	(2,098,278)
Total	253,267,441	87,329,794	123,959,632	216,637,603	38,223,027	254,860,630	86,544,262	36,185,067	32,972,299	89,757,030	**165,103,600**	122,097,938
Treaty	687,146,131	278,385,861	305,608,687	659,923,305	314,697,509	974,620,814	3,096,131	480,154	1,831,543	1,744,742	**972,876,072**	838,858,494
Grand total	940,413,572	365,715,655	429,568,319	876,560,908	352,920,536	1,229,481,444	89,640,393	36,665,221	34,803,842	91,501,772	**1,137,979,672**	960,956,432

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Statement of Investment Income
For the year ended December 31, 2011

	Note	2011 Rupees	2010 Rupees
Income from trading investments			
Held-for-trading		**10,373,422**	36,171,701
Dividend income		**458,177,486**	241,610,706
		468,550,908	277,782,407
Income from non-trading investments			
Held-to-maturity			
Return on Government Securities		**206,043,270**	161,192,988
Return on other fixed income securities and deposits		**112,086,482**	82,583,486
Income on treasury bills		**110,891,228**	123,468,819
Amortization of discount on Pakistan Investment Bond		**4,719,945**	2,439,750
		433,740,925	369,685,043
Available-for-sale		**17,780,718**	6,673,431
(Loss) / gain on revaluation of investments			
Held-for-trading	20.6	**(24,316,793)**	3,185,064
Provision for impairment in value of investments			
Available-for-sale		**-**	-
Held-for-trading		**-**	-
		895,755,758	657,325,945
Less: Investment related expenses		**(4,952,075)**	(3,855,564)
Net investment income		**890,803,683**	653,470,381

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

1 STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the company) was incorporated in Pakistan on March 30, 2000 as public limited company under the Companies Ordinance, 1984. The company's registered office is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges. The company is engaged in providing reinsurance products and services to insurance companies and investment activities.

With effect from February 15, 2001, the company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation into Pakistan Reinsurance Company Limited which was established in 1952 as Pakistan Insurance Corporation (PIC) under PIC Act 1952. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the company.

2 BASIS OF PREPARATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, 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 the insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) "Financial Instruments: Recognition and Measurement", in respect of investments available-for-sale. Accordingly, the requirements of IAS 39, to the extend allowed by the SECP have not been considered in preparation of these financial statements.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

3 APPLICATION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

3.1 New / revised standards and interpretations to existing standards effective from the current year

The following standards (revised or amended) and interpretations became effective for the current financial period or earlier adopted:

- IFRS 2 - (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"

Amendments to IFRS 2 Share-based Payment - Group Cash- settled Shared- based Payment Transactions became effective from July 1, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (" the Scheme") for employees of certain state Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amount from Trust Funds in exchange of the surrendered units as would be determined based on market price for listed entities or breakup values for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of the dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the central revolving fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme, vide SRO 587 (1)/ 2011 dated June 07, 2011.

Had the exemption not been granted the staff costs of the company for the year would have been higher Rs. 97.130 million, profit after taxation would have been lower by Rs.97.130 million, retained earnings would have been lower by Rs.97.130 million, earning per share would have been lower by Rs.0.32 per shares and reserve would have been higher by Rs.97.130 million.

IAS 1 (Amendment), 'Presentation of Financial Statements' is effective for the accounting periods beginning on or after 1 January 2011. This amendement requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, it will have no impact on the Company's financial statements.

IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after 1 January 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised standard is not expected to have a material impact on the Company's financial statements.

IFRS 7 (Amendment), 'Financial Instruements: Disclosure' , is effective for the accounting periods beginning on or after 1 January 2011. This Amendment emphasises the interaction between quantitive and qualitative disclosures about the nature and extent of risk associated with financial instrument. The new amendment is not expected to materially affect the disclosure in the financial statements of the Company.

IFRIC 14 (Amendment), 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after 1 January 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendement is not expected to have a material impact on the Company's financial statements.

The other new standards, amendments and interpretation that are mandatory for accounting periods beginning on or after 01 January 2011 are considered not to be relevant for the company's financial statements and hence have not been detailed here.

3.2 Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the Bank has not recognised any actuarial loss in the profit and loss account and its net unrecognised actuarial loss at December 31, 2011 amounted to Rs. 369.454 million. Following the change actuarial losses will be recorded immediately in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimate about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

Judgments

In process of applying company's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, held-for-trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular the company has the intention and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held-for-trading.

As the company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

Impairment of investments

"The company determines that available for sale equity investments are impaired when there has been significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" required considerable judgments. In making these judgments, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows."

Change in accounting estimate

During the year, the company has reviewed and changed the estimation basis of significant or prolonged decline in the fair value of available for sale equity instruments. Had the company not changed the accounting estimate, net profit for the year would have been lowered by Rs. 62.853 million.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and possible significant degrees of judgment and uncertainly and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions, for reported claims and claims incurred but not reported, on a quarterly basis.

Reinsurance

The company is exposed to disputes with, and possibility of defaults by, its reinsurers. The company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Unearned premium reserve

The company's estimate of the unearned premium reserve is based on current insurance industry practices in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan.

Premium deficiency reserve

The company is required to estimate a provision for premium deficiency reserve for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance recoveries, and other supplementary expenses expected to be incurred after the balance sheet date in respect of unexpired policies in that class at the balance sheet date.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful life of property and equipment

The company's estimate of useful economic lives of its property and equipment takes into account the renovation frequency of the asset and the future plans of the company.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in preparation of the published financial statements for the year ended December 31, 2010 except stated otherwise.

5.1 Investments

Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investments through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Investment at fair value through profit or loss - Held-for-trading

- Held-to-maturity

- Available-for-sale - marketable securities

Measurement

(a) Investment at fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on investments on remeasurement of these investments are recognized in profit and loss account.

(b) Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequent to initial recognition, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest method.

(c) Available-for-sale - marketable securities

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted

Subsequent to initial recognition, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. The company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

Unquoted investments are recorded at cost less impairment (if any).

Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the company commits to purchase or sell the investment.

5.2 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

Freehold land and building are considered as investment property only when they are being held to earn rentals or capital appreciation or both.

- Leasehold land is stated at cost.

- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.

- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

Depreciation policy, subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income in the period of derecognition.

5.3 Insurance contracts

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

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

5.4 Premium due but unpaid

These are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired. The company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

5.5 Liability adequacy test

At each end of the reporting period the company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the profit and loss account.

5.6 Reinsurance

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 accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balance due from reinsurance companies. Amount 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 insurance contract.

Reinsurance assets are not offset against related insurance liabilities. Incomes or expenses from reinsurance contract are not offset against expenses or incomes from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The company assesses its reinsurance assets for impairment on balance sheet 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 that impairment loss in the profit and loss account.

5.7 Claims expense

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

5.8 Premium deficiency reserve

Where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses expected to be incurred after the balance sheet date in respect of policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

5.9 Prepaid reinsurance ceded

Reinsurance premium is recognized as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

5.10 Staff retirement benefits

Defined benefit plans

The company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. Contributions to the funds are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out effective for the year ended December 31, 2011 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation at the end of the previous reporting period) are recognized over the average remaining service life of the employees.

The company also operates post retirement medical benefit plan and recognizes liability for post retirement medical facilities in respect of its eligible employees in accordance with requirements of IAS - 19 (Revised).

Defined contribution plan

The company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the company and the employees to the fund at the rate of 10 percent of basic salary.

Compensated absences

The company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation.

5.11 Taxation

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for the taxation purposes. A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.12 Fixed assets - tangibles

Owned

Fixed assets except leasehold lands (other than land of PRC House and PRC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment losses thereon. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 28 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to use whereas no depreciation is charged from the month in which the asset is disposed off. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

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

5.13 Revenue recognition

Premium earned

Premium received / receivable under a policy are recognized evenly over the period of underlying policies or in accordance with the pattern of reinsurance service provided. Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an income in accordance with the pattern of incidence of risk.

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and (ii) adjusted for provision for unearned premium.

Premium recognition in case of coinsurance or pool arrangements is restricted to the company's share only.

Investments

Gain / loss on sale of investments is taken to the profit and loss account in the year of sale.

Profit / interest income on investments securities are recognized on effective interest method.

Profit on bank accounts are accounted for on accrual basis.

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

Rental income

Rentals from investment properties are recognized as income on time proportion basis.

5.14 Commission expense, other acquisition costs and commission income

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

5.15 Provision for outstanding claims

A liability is recognized for outstanding claims incurred up to the balance sheet date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the company up to the balance sheet date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs.

5.16 Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

5.17 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

5.18 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.19 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. Non-monetary assets and liabilities are translated into Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently.

5.20 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

5.21 Cash and cash equivalents

Cash and cash equivalents comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months as per the format prescribed by the SEC (Insurance) Rules, 2002 vide S.R.O dated December 12, 2002.

5.22 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 if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.23 Segment reporting

For management purposes, the company is organized into seven business segments fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the company report its primary segment information. Other operations of the company comprises investment in securities and in properties, the company operates in Pakistan only which is insignficant. There are no transactions between segments.

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

5.24 Provisions

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

5.25 Provision for doubtful debts

Provision, as considered adequate by the management, is made to cover doubtful debts.

5.26 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, amounts due from / to other insurers / reinsurers, premium and claim reserves retained from / by retrocessionaires/cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument and derecognized 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. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

6 SHARE CAPITAL

2011	2010		2011	2010
Number of shares			Rupees	Rupees
8	8	Ordinary shares of Rs. 10 each fully paid in cash	**80**	80
5,000,000	5,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	**50,000,000**	50,000,000
294,999,992	294,999,992	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**2,949,999,920**	2,949,999,920
300,000,000	300,000,000		**3,000,000,000**	3,000,000,000

7 RESERVE FOR EXCEPTIONAL LOSSES

	2011 Rupees	2010 Rupees
RESERVE FOR EXCEPTIONAL LOSSES	**281,000,000**	281,000,000

The reserve for exceptional losses represents amount set aside in prior years admissible previously under the Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction. Accordingly, the company has ceased to set aside such reserve.

8 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)

	Note	2011 Rupees	2010 Rupees
Facultative business			
Fire		**197,809,531**	181,032,971
Marine cargo		**19,295,929**	25,744,732
Marine hull		**16,512,486**	13,507,801
Accident and others		**27,238,090**	16,280,358
Aviation		**5,058,518**	2,283,716
Engineering		**54,834,132**	17,280,728
		320,748,686	256,130,306
Treaty		**437,517,050**	360,067,014
		758,265,736	616,197,320
Claims related to Bangladesh	8.2	**(4,952,000)**	(4,952,000)
		753,313,736	611,245,320

8.1 This represents estimated liabilities in respect of outstanding claims incurred up to the balance sheet date as intimated by the ceding companies to the company. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the company (net account).

The company, generally computes such liabilities, in respect of treaty business on the basis of various forms received from the ceding companies including forms "S1","S5","S6". In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

		Note	**2011 Rupees**	2010 Rupees
8.2	**Facultative**			
	Fire		**2,382,000**	2,382,000
	Marine		**1,470,000**	1,470,000
	Miscellaneous		**1,100,000**	1,100,000
			4,952,000	4,952,000
9	**PROVISION FOR UNEARNED PREMIUM**			
	Facultative business			
	Fire		**678,671,607**	375,572,585
	Marine cargo		**4,304,059**	4,665,692
	Marine hull		**38,393,238**	27,895,387
	Accident and others		**25,323,035**	31,640,631
	Aviation		**1,075,066,951**	1,366,338,363
	Engineering		**631,818,390**	474,369,902
			2,453,577,280	2,280,482,560
	Treaty		**1,434,281,750**	1,173,419,302
			3,887,859,030	3,453,901,862
10	**COMMISSION INCOME UNEARNED**			
	Facultative business			
	Fire		**10,213,429**	18,092,704
	Aviation		**1,341,759**	1,362,662
	Engineering		**21,417,111**	16,729,701
			32,972,299	36,185,067
	Treaty		**1,831,543**	480,154
			34,803,842	36,665,221
11	**DEFERRED LIABILITY - EMPLOYEE BENEFITS**			
	Defined benefit obligations			
	Post retirement medical benefits	38.1.1	**125,242,000**	97,815,495
	Compensated absences	38.1.1	**41,585,000**	42,410,899
			166,827,000	140,226,394

12 **LONG TERM DEPOSITS**

This represents deposits received from tenants in connection with letting of PRC Towers.

	Note	2011 Rupees	2010 Rupees
13 AMOUNT DUE TO OTHER INSURERS / REINSURERS			
Amount due to other insurers / reinsurers	23.2	**1,285,062,959**	1,756,156,933
14 PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES			
Premium reserve withheld		**236,780**	230,320
Losses reserve withheld		**17,304,395**	17,322,869
Cash losses received from retrocessionaires		**9,045,968**	2,698,329
	14.1	**26,587,143**	20,251,518

14.1 This represents company's retention of deposits withheld against the total amount retroceded to other companies.

15 **OTHER CREDITORS AND ACCRUALS**

	Note	2011 Rupees	2010 Rupees
Provision for litigation		**16,075,253**	16,075,253
Employees' welfare fund payable		**-**	113,532
Advance rent		**177,021**	9,785,973
Gratuity fund payable	38.1.1	**2,697,000**	1,701,500
Others		**5,057,506**	10,973,679
		24,006,780	38,649,937

16 **SURPLUS PROFIT PAYABLE**

This represents the amount set aside for the share holders in addition to dividend payment in accordance with the requirements of PIC Act, 1952.

17 **CONTINGENCIES AND COMMITMENTS**

17.1 The company is in the process of getting confirmations and reconciling balance with insurance/reinsurance companies in respect of following balance:

Out of the total receivable balance of due from other insurer/reinsurers amounting to Rs. 2,927.621 million (2010: Rs. 2,781.705), balances amounting to Rs. 1,740.032 million (2010: Rs. 1,566.082) were confirmed by the respective insurance companies leaving a total unconfirmed balance of Rs. 1,187.589 million (2010: Rs. 1,215.623). Difference amounting to Rs. 762.506 million (2010 : Rs. 49.146 million) in under reconciliation from the balance confirmed by respective insurer/reinsurer. The difference mainly arises due to pendency and sufficiency of supporting documents like surveyor's report, original premium policy etc. During the year, management has carried out an exercise of reconciliations for parties representing due from other insurer/reinsurers balance of Rs. 1,363.943 million.

Out of the total payable balance of due from other insurer/reinsurers amounting to Rs. 1,285.062 million (2010: Rs. 1,756.157), balances amounting to Rs. 19.199 million (2010: Rs. 1,684.846) were confirmed by the respective insurance companies leaving a total unconfirmed balance of Rs. 1,265.863 million (2010: Rs. 71.289). Difference amounting to Rs. 1.907 million (2010 : Rs. 415.566 million) in under reconciliation from the balance confirmed by respective insurer/reinsurer. The difference mainly arises due to pendency and sufficiency of supporting documents like surveyor's report, original premium policy etc. During the year, management has carried out an exercise of reconciliations for parties representing due from other insurer/reinsurers balance of Rs. 219.808 million.

Consequently, the impact of possible adjustments of these balances on the balance sheet and profit and loss account could not presently quantified.

17.2 The company has reversed certain claims lodged by insurance companies estimated at Rs. 22.63 million (2010: Rs. 29.95 million) due to the reason that appropriate documentation for substantiating these claims was not provided by the ceding companies.

There is a possibility that the company may become liable to pay this amount in case if ceding companies ultimately manage to provide the relevant supporting documents. However, these include a claim of Rs. 7.31 million against which the company had also made a counter claim of Rs.11.73 million.

17.3 The company has certain disputes with National Construction Company Limited (NCC) and other consultant / contractors, over the certification of final bills and breach of contract in relation to the construction of PRC Towers.

NCC has filed a counter claim of Rs. 133.6 million against the company for financial loss and loss of goodwill against the original claim filed by the company against NCC amounting to Rs. 105.9 million for breach of contract for the construction of PRC Towers. In relation to the dispute with the consultants / contractors the total work as certified by company's consultants amounted to Rs. 200.76 million against the total contract price of Rs. 208.94 million and the asset capitalized amounted to Rs. 191.92 million only.

The company has not made any provision against these claims, as it does not anticipate any liability in respect of these claims.

17.4 **Case related to Export Credits Guarantee Scheme**

Decrees have been awarded against the company in a case amounting to Rs. 31.68 (2010: Rs. 31.68) million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also, the accounts relevant to the Scheme have been transferred by the company. Moreover the decree holder has not filed execution application with in prescribed limitation period, therefore management considers it as time barred.

17.5 The company has disputed the unilateral increase in rentals of one of its lease hold land being exorbitant and unreasonable, a view supported by the company's legal advisor. The amount not acknowledged as debt in this regard as at December 31, 2011 amounted to Rs. 3.351 million (2010: Rs. 3.351 million).

Currently, stay is operating in favor of PRCL and matter is pending before the court of III Senior Judge Karachi, West, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity.

17.6 There is no commitment as on the balance sheet date (2010: Nil).

	Note	**2011** **Rupees**	2010 Rupees
18 CASH AND BANK DEPOSITS			
Cash and other equivalents		**67,433**	67,168
Current and other accounts	18.1	**747,195,690**	788,559,085
Deposits maturing within 12 months	18.2	**850,000,000**	1,628,005,200
		1,597,263,123	2,416,631,453

18.1 These represent interest bearing accounts carrying interest rates 5% to 10% (2010: 5% to 11%) per annum.

18.2 This represents Term Deposit Receipts (TDRs) in local currency carrying effective interest rates of 12% per annum (2010: 14.50% per annum). These deposits are due to mature within next 12 months.

		Note	2011 Rupees	2010 Rupees
19	**LOANS TO EMPLOYEES (considered good)**			
	- Secured		**44,226,628**	44,446,048
	- Unsecured		**12,407,432**	10,646,126
		19.1	**56,634,060**	55,092,174
19.1	**Maturity of loans**			
	Receivable within one year		**23,898,324**	8,123,612
	Receivable after one year		**32,735,737**	46,968,562
			56,634,061	55,092,174

19.2 Loans to employees represent mark-up free loans except motor car loans (mark-up rate 10%) and are secured against retirement benefits of respective employees including, where applicable, the assets for which the loan has been given. These loans are recoverable within 180 equal monthly installments.

		Note	2011 Rupees	2010 Rupees
20	**INVESTMENTS**			
	Available-for-sale			
	Ordinary shares - listed	20.1	**429,066,673**	493,901,773
	Mutual funds	20.2	**2,134,569,150**	2,134,569,150
	Ordinary shares - unlisted	20.3	**617,613**	617,613
			2,564,253,436	2,629,088,536
	Held-to-maturity			
	Pakistan Investment Bonds	20.4	**2,248,853,014**	1,431,904,618
	Treasury Bills	20.5	**930,047,336**	572,315,840
			3,178,900,350	2,004,220,458
	Held-for-trading			
	Ordinary shares - listed	20.6	**49,526,997**	40,836,553
			5,792,680,783	4,674,145,547

As mentioned in note 5.1 to these financial statements, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other then temporary) as per Rule 16(a) of Securities & Exchange Commission (Insurance) Rules, 2002. However, International Accounting Standard-39 dealing with the recognition and measurements 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 on December 31, 2011 would have been higher by Rs. 194 million (2010: higher by Rs. 834 million), and the net equity would have been higher by Rs. 194 million (2010: higher by Rs. 834 million).

			2011	2010
20.1	**Investment in listed companies - available-for-sale**		**Rupees**	Rupees
	Cost of investment in listed companies	20.1.1	**442,129,236**	506,964,336
	Less: Provision for diminution in value			
	Balance brought forward from last year		**13,062,563**	13,062,563
	Provision (reversed) / made during the year		**-**	-
			13,062,563	13,062,563
			429,066,673	493,901,773

20.1.1 Book values and market values of investment in listed companies classified as available-for-sale are:

Name of company	**2011** Number of shares / certificates	**2011** Book value	**2011** Market value	2010 Number of shares	2010 Book value	2010 Market value
		--------------Rupees------------			----------------Rupees--------------	
Financial Services						
Escort Investment Bank	**16,846**	**25,269**	**25,269**	16,846	66,542	47,000
Banks						
Askari Bank Limited	**37,887**	**609,297**	**380,007**	34,443	609,297	609,297
Bank Al-Falah Limited	**5,994**	**82,538**	**67,433**	5,994	82,538	67,193
Faysal Bank Limited	**48,127**	**391,273**	**391,273**	41,596	607,660	648,482
MCB Bank Limited	**278,312**	**55,357,113**	**37,460,795**	253,011	55,357,113	57,823,134
National Bank of Pakistan	**5,026,973**	**6,824,793**	**206,357,242**	4,274,379	7,254,553	328,357,795
N.I.B Bank Limited	**28,420,050**	**56,828,787**	**49,166,687**	28,420,050	56,828,787	83,839,147
Royal Bank of Scotland Limited	**-**	**-**	**-**	7,106	127,908	-
Silk Bank Limited	**24,656**	**62,380**	**43,641**	24,656	103,865	64,599
The Bank of Punjab Limited	**30,080**	**175,667**	**162,733**	30,080	586,561	295,085
United Bank Limited	**1,024**	**4,350**	**53,647**	1,024	4,350	69,867
	33,873,103	**120,336,198**	**294,083,458**	33,092,339	121,562,632	471,774,599
Insurance						
Adamjee Insurance Company Limited	**494,301**	**32,124,622**	**22,989,940**	494,301	55,427,467	43,251,337
Asia Insurance Company Limited	**24,980**	**249,800**	**501,598**	24,980	249,800	424,660
Crescent Star Insurance Company	**604,491**	**1,208,982**	**1,208,982**	604,491	5,862,508	2,829,018
Habib Insurance Company Limited	**9,237**	**1,724**	**90,984**	8,211	1,724	115,364
Pakistan Guarantee Insurance Company Limited	**22,029**	**-**	**-**	22,029	132,340	-
PICIC Insurance Company Limited	**855,790**	**4,450,108**	**4,278,950**	855,790	4,450,108	6,854,879
Sterling Insurance Company Limited	**23,250**	**-**	**-**	23,250	188,906	-
Union Insurance Company of Pakistan Limited	**56,227**	**-**	**-**	56,227	500,000	-
United Insurance Company of Pakistan Limited	**214,495**	**166,165**	**1,018,851**	172,980	166,165	1,176,264
	2,304,800	**38,201,401**	**30,089,305**	2,262,259	66,979,018	54,651,522
Personal Goods						
Brothers Textile Mills Limited	**353**	**229**	**152**	353	229	243
Khurshid Spinning Mills Limited	**7,600**	**5,700**	**7,600**	7,600	5,700	12,160
Regent Textile Mills Limited	**-**	**-**	**-**	5,000	-	-
Sahrish Textile Mills Limited	**13,510**	**-**	**-**	13,510	-	-
Yousaf Weaving Mills Limited	**227**	**272**	**227**	227	930	340
Pakistan Synthetics Limited	**2,846**	**21,252**	**51,143**	2,846	21,252	25,899
Crescent Jute Products Limited	**157,314**	**64,499**	**64,499**	157,314	157,314	122,705
Usman Textile Mills	**300**	**-**	**-**	300	-	-
Colony Mills Limited	**149,762**	**149,762**	**149,762**	149,762	1,139,691	381,893
Kohinoor Industries Limited	**11,681**	**10,513**	**10,513**	11,681	23,362	18,573
Muhammad Farooq Textile Mills	**4,100**	**2,255**	**2,255**	4,100	7,093	5,658
Taj Textile Mills	**5,600**	**2,072**	**1,400**	5,600	2,072	2,072
	353,293	**256,554**	**287,551**	358,293	1,357,643	569,543
General Industries						
Packages Limited	**821,714**	**90,388,540**	**67,972,182**	821,714	118,326,816	105,680,637
Hashmi Can Company Limited	**5,250**	**31,500**	**43,050**	5,250	31,500	34,650
	826,964	**90,420,040**	**68,015,232**	826,964	118,358,316	105,715,287
Household Goods						
Hussain Industries Limited	**15,820**	**47,460**	**47,460**	15,820	141,589	117,068
Towellers Limited	**315,759**	**2,551,333**	**2,551,333**	315,759	5,999,421	1,976,651
	331,579	**2,598,793**	**2,598,793**	331,579	6,141,010	2,093,719
Food Producers						
Colony Sugar Mills Limited	**39,924**	**71,863**	**59,886**	39,924	399,240	128,954
Crescent Sugar Mills Limited	**162,386**	**954,574**	**2,111,018**	256,084	1,505,518	1,728,567
Kohinoor Sugar Mills Limited	**26,451**	**92,579**	**94,959**	26,451	235,671	134,371
Pangrio Sugar Mills Limited	**100,000**	**277,000**	**277,000**	100,000	475,000	610,000
Sakrand Sugar Mills Limited	**11,900**	**10,948**	**10,948**	11,900	26,291	35,700
Shahtaj Sugar Mills Limited	**397**	**2,974**	**35,404**	397	2,973	31,820
Sind Abadgar Sugar Mills Limited	**98,500**	**492,500**	**492,500**	98,500	980,921	960,375
Universal Oil	**30,000**	**-**	**-**	30,000	262,500	-
	469,558	**1,902,438**	**3,081,715**	563,256	3,888,114	3,629,787

Name of company	2011 Number of shares / certificates	2011 Book value	2011 Market value	2010 Number of shares	2010 Book value	2010 Market value
		--------------Rupees-----------			---------------Rupees-------------	
Construction and Materials						
Dada Bhoy Cement Industries Limited	17,300	27,853	24,393	17,300	27,853	29,583
Fauji Cement Company Limited	5,238	17,286	17,285	5,238	32,266	26,295
Javedan Cement Limited	118	1,126	7,493	118	1,126	7,076
D.G Khan Cement Limited	12,000	228,360	228,360	12,000	383,999	362,040
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	73,786	274,625	277,531	73,786	445,244	424,994
Tobacco						
Philip Morris (Pakistan) Limited (Formerly Lakson Tobacco Company	21,206	36,893	2,947,634	21,206	36,893	6,148,043
Pakistan Tobacco Company Limited	70,140	234,209	3,892,770	70,140	234,209	7,779,929
	91,346	271,102	6,840,404	91,346	271,102	13,927,972
Oil and Gas						
National Refinery Limited	502,363	28,312,467	121,918,476	502,363	28,312,467	137,541,967
Pakistan State Oil Company Limited	5,132	371,225	1,166,042	5,132	371,225	1,514,863
Pakistan Petroleum Limited	264,000	27,388,953	44,436,480	240,000	27,388,953	52,116,000
	771,495	56,072,645	167,520,998	747,495	56,072,645	191,172,830
Electricity						
The Hubpower Company Limited	582,085	10,773,636	19,907,307	582,085	10,773,636	21,775,800
Karachi Electric Supply Company	385,548	863,418	616,877	385,548	863,418	1,083,390
Kot Addu Power Company Limited	30,000	1,481,678	1,239,600	30,000	1,481,678	1,220,400
Southern Electric Power Company Limited	13,963	9,774	9,774	13,963	58,697	31,137
	1,011,596	13,128,506	21,773,558	1,011,596	13,177,429	24,110,727
Gas Water and Multiutilities						
Sui Southern Gas Company	12,694,227	36,461,488	244,871,639	12,089,740	36,461,488	258,962,231
Sui Northern Gas Pipelines Limited *	7,907,458	17,110,611	124,226,165	7,530,913	17,110,611	201,376,614
	20,601,685	53,572,099	369,097,804	19,620,653	53,572,099	460,338,845
Industrial Engineering						
Ghandhara Industries Limited	2,543	18,284	18,513	2,543	18,284	29,753
Pakistan Engineering Company Limited	43,776	364,738	1,575,498	43,776	364,738	10,943,562
	46,319	383,022	1,594,011	46,319	383,022	10,973,315
Automoblie and Parts						
Dewan Automotive Engineering Limited	52,333	39,249	39,250	52,333	39,249	69,556
Travel and Leisure						
Pakistan International Airlines Corporation "A" Class Shares	2,497,778	6,519,200	4,920,623	2,497,778	6,519,200	5,644,978
Fiex Line Telecommunication						
Worldcall Telecom Limited	3,672	3,672	3,672	3,672	13,586	10,648
Forestry and Paper						
Security Papers Limited	644,924	195,915	22,830,310	644,924	195,915	28,931,291
Chemicals						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	850,085	20,035	452,878	715,850
ICI Pakistan Limited	461,800	53,494,880	55,540,686	461,800	53,494,880	66,610,032
Lotte Pakistan PTA Limited	1,206,602	3,874,321	11,185,201	1,224,802	3,818,862	16,779,787
Linde Pakistan Limited (Formerly BOC Pakistan Limited	1,100	105,479	111,100	1,100	154,000	100,210
Sardar Chemical Industries	500	950	600	500	950	450
	1,690,037	57,928,508	67,687,672	1,708,237	57,921,570	84,206,329
	65,661,114	442,129,236	1,060,767,156	63,949,675	506,964,336	1,458,292,942

*** Frozen shares**

This represents 7,530,913 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

20.2 Book values and market values of investment in certificates and units of mutual funds classified as available-for-sale are:

Name of company	2011 Number of units/certificates	2011 Book value	2011 Market value	2010 Number of units/certificates	2010 Book value	2010 Market value
		--------------Rupees------------			----------------Rupees--------------	
Open-End Mutual Funds						
Pakistan Capital Market Fund	**13,045**	**79,326**	**91,443**	12,079	79,326	94,455
National Investment Trust	**51,328,425**	**1,612,739,114**	**1,329,406,208**	51,328,425	1,612,739,114	1,612,739,114
	51,341,470	**1,612,818,440**	**1,329,497,651**	51,340,504	1,612,818,440	1,612,833,569
Close-End Mutual Funds						
JS Value Fund Limited	**346,204**	**2,267,483**	**1,488,677**	346,204	2,267,483	1,651,393
Pakistan Premier Fund Limited	**18,712**	**111,336**	**161,110**	18,712	111,336	-
PICIC Growth Fund	**30,406,721**	**519,131,480**	**378,867,744**	30,406,721	519,131,480	402,889,053
PICIC Investment Fund	**17,246**	**100,372**	**93,991**	17,246	100,372	110,547
JS Growth Fund	**28,348**	**140,039**	**133,236**	28,348	140,039	157,331
	30,817,231	**521,750,710**	**380,744,758**	30,817,231	521,750,710	404,808,324
	82,158,701	**2,134,569,150**	**1,710,242,409**	82,157,735	2,134,569,150	2,017,641,893

20.2.1 The company holds 51,328,425 NIT units (2010: 51,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at December 31, 2011 was Rs. 25.90 per unit.

20.2.2 Market value of quoted available-for-sale investments (listed shares and NIT units) is Rs. 2,821 (2010: Rs. 3,517) million.

		2011 Rupees	2010 Rupees
20.3 Investment in unlisted companies			
Cost of investment in unlisted companies	20.3.1	**2,608,105**	2,608,105
Less: Provision for diminution in value			
Balance brought forward from last year		**1,990,492**	1,990,492
Provision (reversed)/made during the year		**-**	-
		1,990,492	1,990,492
		617,613	617,613

20.3.1 Cost of investment in unlisted companies

	2011 Number of shares / certificates	2011 Book Value (Rupees)	2010 Number of shares / certificates	2010 Book Value (Rupees)
Banks				
Industrial Development Bank of Pakistan (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2011) Chairman/Managing Director: Jamal Nasim	**6,213**	**618,227**	6,213	618,227
State Bank of Pakistan (Break-up value is Rs. 472,070 per share based on financial statements for the year ended June 30, 2011) Governor: Hafiz Kardar	**4,900**	**517,614**	4,900	517,614
	11,113	**1,135,841**	11,113	1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs.14,734 per share based on financial statements for the year ended June 30, 2011) Managing Director & Chairman: Mr. Wazir Ali Khoja	**79,200**	**100,000**	79,200	100,000
Insurance				
Indus Assurance Limited	**25,000**	**250,000**	25,000	250,000
Cotton and Textile				
Afsar Textile Mill	**1,000**	**9,950**	1,000	9,950
Kohinoor Cotton Mill Limited	**22,397**	**219,801**	22,397	219,801
Chemical				
Synthetic Chemical Limited	**20,000**	**200,000**	20,000	200,000
Vanaspati and Allied Industries				
Burma Oil Limited	**861**	**6,470**	861	6,470
Burma Soap Limited	**64**	**640**	64	640
Miscellaneous				
Arag Industries Limited	**133,333**	**685,403**	133,333	685,403
	202,655	**1,372,264**	202,655	1,372,264
	292,968	**2,608,105**	292,968	2,608,105

20.3.2 Since the financial statements of the above entities are not available, therefore, the break-up value and the name of the chief executive cannot be ascertained.

20.4 Pakistan Investment Bonds

	Tenure	Face value	Maturity date	Profit repayment frequency	Coupon rate	2011 Rupees	2010 Rupees
Pakistan Investment Bonds	3 to 10 Years	2,305,990,000	September 3, 2012 to August 18, 2021	Semi-annually	8% to 12%	**2,248,853,014**	1,431,904,618

20.4.1 Pakistan Investment bonds having face value of Rs. 300 millions have been deposited with State Bank of Pakistan as part of minimum statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

20.4.2 Market value of Pakistan Investment Bonds is Rs. 2,260.900 (2010: 1,353.206) million.

20.5 Treasury bills

	Tenure	Face value	Maturity date	Profit repayment frequency	Effective interest rate	2011 Rupees	2010 Rupees
Treasury bills	3 months to 1 Year	1,028,690,000	March 22 , 2012 to November 29, 2012	On maturity	11.82% to 13.78%	**930,047,336**	572,315,840

20.6 Investment in listed companies - held-for-trading

	Note	2011	2010
Cost of investment in listed companies	20.6.1	**73,843,790**	37,651,489
Gain / (loss) on revaluation of investments		**(24,316,793)**	3,185,064
		49,526,997	40,836,553

20.6.1 Book values and market values of investment in listed companies classified as held-for-trading are:

Name of company	2011 Number of shares	2011 Book value	2011 Market value	2010 Number of shares	2010 Book value	2010 Market value
		-------------Rupees------------			-------------Rupees------------	
Cement						
Attock Cement Limited	**193,200**	**12,192,185**	**9,853,200**	193,200	12,430,488	12,192,852
Banks						
National Bank of Pakistan	**315,625**	**18,036,075**	**12,956,406**	-	-	-
Electricity						
The Hubpower Company Limited	**100,004**	**3,725,149**	**3,420,137**	100,000	3,329,000	3,741,000
Technology and Communication						
Pakistan Telecommunication Company Limited	**319,500**	**6,204,690**	**3,319,605**	319,500	6,006,600	6,204,690
Chemicals						
Fauji Fertilizer Company Limited	**40,000**	**5,681,454**	**5,981,779**	117,802	12,350,362	14,826,560
Engro Corporation	**131,374**	**24,436,737**	**12,178,370**	-	-	-
Engro Polymer and Chemicals Limited	**250,000**	**3,567,500**	**1,817,500**	271,300	3,535,039	3,871,451
	421,374	**33,685,691**	**19,977,649**	389,102	15,885,401	18,698,011
	1,349,703	**73,843,790**	**49,526,997**	1,001,802	37,651,489	40,836,553

21 INVESTMENT PROPERTIES

	2011									
	COST				Depreciation					
	As at January 01, 2011	Addition / (Disposal)	Transfer in / Transfer out)	As at December 31, 2011	As at January 01, 2011	Transfer in / (Transfer out)	For the year / (disposal)	December 31, 2011	Book value	Rate (%)
	----------Rupees----------									
PRC Building -Karach	150,302	-	-	150,302	55,572	-	4,737	60,309	89,993	5
Lease hold land	572,406	-	-	572,406	-	-		-	572,406	-
Building	89,151,323	-	-	89,151,323	49,352,619	-	1,989,935	51,342,554	37,808,769	5
Electrical installation	18,995,068	-	-	18,995,068	18,455,662	-	107,881	18,563,543	431,525	20
Air conditioning plant	26,556,830	-	-	26,556,830	25,788,926	-	153,581	25,942,507	614,323	20
Lift	21,085,825	-	-	21,085,825	20,487,450	-	119,675	20,607,125	478,700	20
	156,511,754	-	-	156,511,754	114,140,229	-	2,375,809	116,516,038	39,995,716	

2010

	COST				Depreciation					
	As at January 01, 2010	Addition / (Disposal)	Transfer in / Transfer out)	As at December 31, 2010	As at January 01, 2010	Transfer in / (Transfer out)	For the year / (disposal)	December 31, 2010	Book value	Rate (%)
	---Rupees---									
PRC Building -Karach	150,302	-	-	150,302	50,586	-	4,986	55,572	94,730	5
Lease hold land	572,406	-	-	572,406	-	-		-	572,406	-
Building	89,151,323	-	-	89,151,323	47,257,950	-	2,094,669	49,352,619	39,798,704	5
Electrical installation	18,995,068	-	-	18,995,068	18,320,811	-	134,851	18,455,662	539,406	20
Air conditioning plant	26,556,830	-	-	26,556,830	25,596,950	-	191,976	25,788,926	767,904	20
Lift	21,085,825	-	-	21,085,825	20,337,856	-	149,594	20,487,450	598,375	20
	156,511,754	-	-	156,511,754	111,564,153	-	2,576,076	114,140,229	42,371,525	

Buildings including related lease hold lands are held by the company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use on the basis of floor space occupied for respective purposes.

The market value of the investment properties is Rs. 1,014.780 million, as per valuation carried out by an independent valuer in 2011.

22 DEFERRED TAXATION

	Note	2011 Rupees	2010 Rupees
Deductible temporary differences			
Un-adjusted carry forward losses		-	168,920,324
		-	168,920,324
Tax rate		35%	35%
	22.1	-	59,122,113

22.1 Deferred tax asset is recognized for tax losses available for carry-forward to the extent that realization of the related tax benefits through future taxable profits is probable.

23 AMOUNT DUE FROM OTHER INSURERS / REINSURERS

	Note	2011 Rupees	2010 Rupees
Amount due from other insurers / reinsurers	23.1	**2,927,621,198**	2,781,705,312
Provision for doubtful balances		**(386,000,000)**	(386,000,000)
		2,541,621,198	2,395,705,312

23.1 This includes Rs. 1,246.58 million (2010: Rs. 1,422 million) due from related parties.

		Note	2011 Rupees	2010 Rupees
24	**PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS**			
	Premium reserve withheld by ceding companies		**8,866,771**	14,843,476
	Losses reserve withheld by ceding companies		**34,950,120**	37,382,810
	Cash losses paid to ceding companies		**(1,347,491)**	62,496,526
	Provision for doubtful deposits		**(17,000,000)**	(17,000,000)
		24.1	**25,469,400**	97,722,812

24.1 This represents the retention of deposits by the ceding companies from the total amount ceded by them to the company.

		2011 Rupees	2010 Rupees
25	**ACCRUED INVESTMENT INCOME**		
	Dividend receivable	**1,997,534**	2,221,076
	Interest accrued	**165,552,295**	62,164,720
	Accrued rental income	**37,681,839**	35,839,815
		205,231,668	100,225,611
	Provision for dividend receivable	**(1,997,534)**	(1,997,534)
		203,234,134	98,228,077

		Note	2011	2010
26	**SUNDRY RECEIVABLES**			
	Employees Pension Fund	38.1.1	**159,554,991**	168,636,782
	Employees Provident Fund		**-**	5,333,870
	Government Provident Fund		**32,051**	32,051
	Officers Pension Fund	38.1.4	**14,582,000**	21,789,817
	Export Credit Guarantee Schemes	26.1	**56,142,435**	56,142,435
	Receivable against National Co-insurance Scheme		**4,939,471**	4,939,471
	Receivable from War Risk Insurance - Karachi	26.2	**7,724,303**	7,724,303
	Receivable from War Risk Insurance - Lahore	26.2	**10,541,524**	10,541,524
	Receivable from Economic Cooperation Organization (ECO) Reinsurance Pool	26.3	**36,215,493**	32,820,530
	Receivable from Investment Corporation of Pakistan	26.4	**4,565,000**	4,565,000
	Receivable against sale of shares		**-**	44,880,322
	Advances		**4,233,363**	6,755,099
	Security deposits		**3,079,514**	3,079,514
	Others		**3,037,860**	797,177
			304,648,005	368,037,895
	Provision for doubtful debts		**(24,621,876)**	(24,621,876)
			280,026,129	343,416,019

26.1 This represents the total amount of income tax deposit by the company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS) managed by the company on behalf of the Government. The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the company's income. The company's appeal in this respect which was pending before High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan. The company had filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the company against the judgment of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

The ADRC therefore concluded that they would refer the matter to the FBR for providing a legal expert to the ADRC or to re-constitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the Article 165A of the Constitution of Pakistan in this case.

No provision has been made in this respect as management is confident that this amount will be recovered in due course.

26.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance department working under the supervision of old Pakistan Insurance Company (PIC). Department was set up for insurance of losses which could have occurred due to War.

26.3 The amount represents the management fee receivable from Economic Cooperation Organization (ECO) in respect of arrangements of meetings in Pakistan in relation to ECO Reinsurance pool.

26.4 Investment Corporation of Pakistan (ICP) was amalgamated with and into Industrial Development Bank of Pakistan in terms of Scheme of Amalgamation-2006. All the shareholders of ICP (Defunct) were converted into creditors. The said amount represents receivable from ICP in this regard.

	Note	**2011 Rupees**	2010 Rupees
27 PREPAYMENTS			
Prepaid reinsurance ceded	27.1	**1,854,143,958**	1,933,961,649
Others		**7,545,905**	4,863,460
		1,861,689,863	1,938,825,109
27.1 Prepaid reinsurance ceded			
Facultative business			
Fire		**295,884,725**	191,853,379
Aviation		**939,205,134**	1,230,172,768
Engineering		**399,203,182**	335,192,948
		1,634,293,041	1,757,219,095
Treaty		**219,850,917**	176,742,554
		1,854,143,958	1,933,961,649

28 **FIXED ASSETS**

2011

Particulars	COST				Depreciation				Book value December 31, 2011	Rate (%)
	As at January 01, 2011	Additions	Disposal / Transfer	As at December 31, 2011	As at January 01, 2011	For the year	Disposal / Transfer	December 31, 2011		
	Rupees									
Land and Building										
Tangible										
PRC House - Karachi	2,693,186	-	-	2,693,186	995,808	84,869	-	1,080,677	1,612,509	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	38,627,250	36,397	-	38,663,647	19,503,341	957,408	-	20,460,749	18,202,898	5
Sub total	41,544,204	36,397	-	41,580,601	20,499,149	1,042,277	-	21,541,426	20,039,175	
Furniture, fixture, books and office equipment										
Furniture and fixture	10,655,130	60,635	-	10,715,765	9,167,751	154,089	-	9,321,840	1,393,925	10
Office equipment	3,926,202	123,585	-	4,049,787	1,686,869	380,248	-	2,067,117	1,982,670	15
Books	338,006	34,975	-	372,981	94,313	50,014	-	144,327	228,654	10
Computers	15,681,993	4,382,082	-	20,064,075	6,443,075	2,269,727	-	8,712,802	11,351,273	20
Sub total	30,601,331	4,601,277	-	35,202,608	17,392,008	2,854,078	-	20,246,086	14,956,522	
Electrical Installation, air-conditioning plant and lifts										
Electrical installation	8,644,093	396,200	-	9,040,293	7,464,065	255,817	-	7,719,882	1,320,411	20
Air conditioning plant	13,247,672	2,495,485	50,000	15,693,157	10,983,627	698,915	-	11,682,542	4,010,615	20
Lift	8,402,624	1,062,968	-	9,465,592	8,012,106	202,117	-	8,214,223	1,251,369	20
Sub total	30,294,389	3,954,653	50,000	34,199,042	26,459,798	1,156,849	-	27,616,647	6,582,395	
Motor vehicles	17,138,080	-	-	17,138,080	7,811,011	1,865,414	-	9,676,425	7,461,655	20
Sub total	17,138,080	-	-	17,138,080	7,811,011	1,865,414	-	9,676,425	7,461,655	
	119,578,004	8,592,327	50,000	128,120,331	72,161,966	6,918,618	-	79,080,584	49,039,747	

2010

Particulars	COST				Depreciation				Book value December 31, 2010	Rate (%)
	As at January 01, 2010	Addition	Disposal / Transfer	As at December 31, 2010	As at January 01, 2010	For the year	Disposal / Transfer	December 31, 2010		
	Rupees									
Land and Building										
Tangible										
PRC House - Karachi	2,693,186	-	-	2,693,186	906,472	89,336	-	995,808	1,697,378	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	36,403,250	2,224,000	-	38,627,250	18,570,381	932,960	-	19,503,341	19,123,909	5
Subtotal	39,320,204	2,224,000	-	41,544,204	19,476,853	1,022,296	-	20,499,149	21,045,055	
Furniture, fixture, books and office equipment										
Furniture and fixture	10,600,650	73,200	18,720	10,655,130	9,006,262	161,489	-	9,167,751	1,487,379	10
Office equipment	3,815,052	111,150	-	3,926,202	1,304,016	382,853	-	1,686,869	2,239,333	15
Books	321,454	16,552	-	338,006	67,983	26,330	-	94,313	243,693	10
Computers	14,380,992	1,301,001	-	15,681,993	4,252,887	2,190,188	-	6,443,075	9,238,918	20
Subtotal	29,118,148	1,501,903	18,720	30,601,331	14,631,148	2,760,860	-	17,392,008	13,209,323	
Electrical Installation, air-conditioning plant and lifts										
Electrical installation	7,826,173	817,920	-	8,644,093	7,230,891	233,174	-	7,464,065	1,180,028	20
Air conditioning plant	12,247,752	999,920	-	13,247,672	10,459,280	524,347	-	10,983,627	2,264,045	20
Lift	8,237,624	165,000	-	8,402,624	7,945,414	66,692	-	8,012,106	390,518	20
Subtotal	28,311,549	1,982,840	-	30,294,389	25,635,585	824,213	-	26,459,798	3,834,591	
Motor vehicles	17,138,080	-	-	17,138,080	5,479,244	2,331,767	-	7,811,011	9,327,069	20
Subtotal	17,138,080	-	-	17,138,080	5,479,244	2,331,767	-	7,811,011	9,327,069	
	113,887,981	5,708,743	18,720	119,578,004	65,222,830	6,939,136	-	72,161,966	47,416,038	

28.1 **Disposal/transfer of fixed assets**

	Cost	Accumulated Depreciation	Book value	Sale proceeds
	Rupees			
2011	**50,000**	**50,000**	**-**	**50,000**
2010	-	-	-	-

		Note	2011 Rupees	2010 Rupees
29	**ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)**			
	Assets relating to Bangladesh comprise of fixed assets and investments are as follows:			
	Fixed assets - Land and building		**8,608,000**	8,608,000
	- Furniture and fixtures		**4,000**	4,000
			8,612,000	8,612,000
	Investments - Stock and shares		**7,112,000**	7,112,000
	- Debentures		**250,000**	250,000
			7,362,000	7,362,000
			15,974,000	15,974,000
	Less: Liabilities for outstanding claims	8.2	**4,952,000**	4,952,000
	Other liabilities		**809,000**	809,000
			5,761,000	5,761,000
			10,213,000	10,213,000
	Less: Provision for loss on net assets in Bangladesh		**10,213,000**	10,213,000
			-	-

29.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in note 8.

		Note	2011 Rupees	2010 Rupees
30	**EXPENSES**			
	Salaries, wages and benefits		**228,110,625**	188,501,155
	Retirement benefits	38		
	- Officer's pension	38.1.2	**85,578,947**	37,890,000
	- Employee's pension	38.1.2	**(56,578,597)**	(4,829,000)
	- Medical	38.1.2	**34,524,656**	25,376,000
	- Gratuity	38.1.2	**994,000**	1,999,000
	- Compensated absences	38.1.2	**7,420,631**	7,732,000
	Travelling and conveyance		**9,176,748**	5,796,243
	Entertainment		**4,770,968**	2,887,044
	Subscription and membership		**658,851**	1,662,297
	Legal fee		**468,680**	285,576
	Communication expense		**451,174**	569,901
	Insurance		**2,072,218**	3,570,450
	Utilities		**21,408,009**	23,941,079
	Balance carried forward		**339,056,910**	295,381,745

		Note	2011 Rupees	2010 Rupees
	Balance brought forward		**339,056,910**	295,381,745
	Printing and stationery		**1,507,370**	1,586,823
	Repairs and renewal		**1,882,950**	3,824,094
	Medical expenses		**11,665,794**	11,632,359
	Rent, rates, and taxes		**3,833,032**	2,599,778
	Computer supplies		**1,119,382**	1,039,746
	Consultancy/ Professional service charges		**996,208**	2,012,266
	Newspapers and periodicals		**3,334,134**	2,367,054
	Others		**1,176,826**	1,783,531
			364,572,606	322,227,397
	Transfer of assets to pension fund	38.1.4	**-**	(11,785,000)
	Expense allocated to rental income	31	**(6,699,995)**	(4,781,445)
	Expense allocated to investment income		**(4,952,075)**	(3,855,564)
			352,920,536	301,805,388
31	**RENTAL INCOME - net**			
	Rental income	31.1	**60,738,705**	63,999,219
	Transfer from expense	30	**(6,699,995)**	(4,781,445)
			54,038,710	59,217,774

31.1 The rental income represents income from letting out of PRC Towers.

		Note	2011 Rupees	2010 Rupees
32	**OTHER INCOME**			
	Interest on deposits held by ceding companies		**840,831**	953,688
	Interest on loans		**36,239**	37,319
	Management fee - ECO Reinsurance Pool		**-**	3,745,011
	Miscellaneous income		**1,536,952**	67,195
			2,414,022	4,803,213
33	**GENERAL AND ADMINISTRATION EXPENSES**			
	Depreciation on:			
	Investment property	21	**2,375,809**	2,576,076
	Fixed assets	28	**6,918,618**	6,939,136
	Directors' meeting expenses		**4,170,694**	3,485,486
	Auditors' remuneration	33.1	**726,000**	726,000
	Advertisement and business promotion		**3,202,614**	3,329,410
	Training and research		**2,491,930**	1,141,177
	Balance carried forward		**19,885,665**	18,197,285

	Note	2011 Rupees	2010 Rupees
Balance brought forward		**19,885,665**	18,197,285
Mark-up / Interest		**19,057**	27,001
Donation	33.2.1	**1,302,000**	2,575,000
Repairs and maintenance		**12,115,014**	9,494,237
Shares transaction costs		**83,740**	391,393
Others		**4,351,906**	3,981,541
		37,757,382	34,666,457

33.1 Auditors' remuneration

	Note	2011 Rupees	2010 Rupees
Audit fee	33.1.1	**528,000**	528,000
Half yearly review		**132,000**	132,000
Out of pocket expenses		**66,000**	66,000
		726,000	726,000

33.1.1 This includes fee for audit of regulatory returns, review of Statement of Compliance with Best Practices of Code of Corporate Governance and other certifications.

33.2.1 Donation was not paid to any individual / organization in which a director or his / her spouse had any interest at any time during the year.

34 INCOME TAX EXPENSE

34.1 Provision for taxation

	Note	2011 Rupees	2010 Rupees
Current		**353,592,455**	32,483,136
Deferred	22.1	**59,122,113**	91,767,541
		412,714,568	124,250,677

34.2 Relationship between tax expenses and accounting profit

	2011 Rupees	2010 Rupees
Profit before tax	**1,257,527,531**	650,503,924
Tax at the applicable rate of 35%	**440,134,636**	227,676,373
Permanent differences - capital gain	**(6,344,405)**	(14,729,406)
Tax effect of temporary differences on which deferred tax asset has been recognized	**-**	(59,122,113)
Tax effect of expenses that are not deductible in determining the taxable profit	**-**	9,596,181
Balance carried forward	**433,790,231**	163,421,035

	Note	2011 Rupees	2010 Rupees
Balance brought forward		**433,790,231**	163,421,035
Tax effect of capital gain taxed at lower rate		**(7,475,369)**	(1,066,588)
Tax effect of dividend income taxed at lower rate		**(114,544,371)**	(60,402,677)
Tax effect of property income being taxed separately		**(13,969,900)**	(14,475,996)
Tax effect of (income) / loss that are deductible in determining the taxable profit		**55,791,864**	(114,114,751)
Deferred tax reversed		**59,122,113**	150,889,654
Charge for the year		**412,714,568**	124,250,677

34.3 The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the company's income. The company has filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the company against the judgment of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC) as explained in note 26.1.

The company has filed writ petition in the case of tax on commission paid to foreign non-resident insurance companies for the assessment years 1998-1999, 2000-2001 and 2001-2002 before the Honorable High Court of Sindh. Fresh date of hearing in respect of the above case is yet to be fixed by the court. In addition to above, notices have been issued under section 122 (5A) for the tax year 2005, 2006 and 2007, however, assessment proceedings are pending.

35	**EARNINGS PER SHARE - basic and diluted**		**2011**	2010
	Profit after tax for the year	Rupees	**844,812,963**	526,253,247
			------------Numbers---------	
	Weighted average number of ordinary shares		**300,000,000**	300,000,000
	Earnings per share	Rupees	**2.82**	1.75

35.1 There were no convertible dilutive potential shares outstanding on December 31, 2011.

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial risk management objectives and policies

The company's activities expose to financial risks, credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to 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 (the board) has overall responsibility to the establishment and oversight of company's risk management framework. The board is also responsible for developing the company's risk management policies.

36.2 Credit risk and concentration of credit risk

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

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

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

	Note	**2011**	2010
		(Rupees in '000)	
Bank deposits	18	**1,597,263**	2,416,564
Loans to employees	19	**56,634**	55,092
Investments	20	**5,792,681**	4,674,146
Amount due from other insurers / reinsurers	23	**2,541,621**	2,395,705
Premium and claim reserves retained by cedants	24	**25,469**	97,723
Accrued investment income	25	**203,234**	98,228
Reinsurance recoveries against outstanding claims		**1,769,797**	1,536,951
Sundry receivables	26	**280,026**	343,416
		12,266,725	11,617,825

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

The age analysis of receivables is as follows:

	2011	2010
	(Rupees in '000)	
Upto 1 year	**2,160,753**	2,062,600
1 - 2 years	**306,641**	315,257
2 - 3 years	**150,374**	138,959
Over 3 years	**309,853**	264,889
	2,927,621	2,781,705

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

	Rating		Rating	2011	2010
	Short term	Long term	agency	(Rupees in '000)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	**10,824**	43,432
Bank Al-Habib Limited	A1+	AA+	PACRA	**463,947**	2,366,913
United National Bank Limited - London	A1+	AA+	JCR-VIS	**266,048**	179
Atlas Bank Limited	A2	A-	PACRA	**6,444**	6,040
Bank Al-Falah Limited	A1+	AA	PACRA	**850,000**	-
				1,597,263	2,416,564

36.3 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity.

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

	2011			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**More than one year**
	Rupees in '000			
Financial liabilities				
Provision for outstanding claims	753,314	-	753,314	-
Long term deposits	14,222	-	-	14,222
Amount due to other insurers / reinsurers	1,285,063	-	1,285,063	-
Premium and claim reserves retained from retrocessionaires	26,587	-	6,336	20,251
Other creditors and accruals	24,007	-	24,007	-
Accrued expenses	6,676	-	6,676	-
Retention money payable	6,481	-	6,481	-
Dividend payable	47,474	-	47,474	-
Surplus profit payable	1,213	-	1,213	-
	2,165,037	-	2,130,564	34,473

	2010			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	Rupees in '000			
Financial liabilities				
Provision for outstanding claims	611,245	-	611,245	-
Long term deposits	15,588	-	-	15,588
Amount due to other insurers / reinsurers	1,756,157	-	1,756,157	-
Premium and claim reserves retained from retrocessionaires	20,252	-	2,698	17,554
Other creditors and accruals	38,650	-	38,650	-
Accrued expenses	4,714	-	4,714	-
Retention money payable	6,527	-	6,527	-
Dividend payable	30,361	-	30,361	-
Surplus profit payable	1,213	-	1,213	-
	2,484,707	-	2,451,565	33,142

36.4 Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investments. The company has invested its funds in government securities, ordinary shares, National Investment Trust Units and close ended mutual funds resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The company minimize such risk by having a diversified investments portfolio. In addition, the company actively monitors the key factors that affect investment market.

Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2011 and 2010 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Hypothetical price change	Fair value	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
		Rupees in '000			
December 31, 2011	**10% increase**	**1,110,294**	**1,221,323**	**-**	**111,029**
	10% decrease	**-**	**999,265**	**-**	**(111,029)**
December 31, 2010	10% increase	1,499,129	1,649,042	-	149,913
	10% decrease	-	1,349,216	-	(149,913)

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

36.6 Interest/ Mark - up rate risk

The company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:

	2011						
	Effective rate % per annum	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
	-----Rupees in '000-----						
Financial assets							
Cash and bank deposits	5% to 12%	1,597,196	-	-	1,597,196	67	1,597,263
Loans to employees	10%	23,898	32,736	-	56,634	-	56,634
Investment	8% to 13.78%	955,426	1,190,704	1,032,770	3,178,900	2,613,780	5,792,680
Amount due from other insurers / reinsurers	-	-	-	-	-	2,541,621	2,541,621
Premium and claim reserves retained by cedants	3%	25,469	-	-	25,469	-	25,469
Accrued investment income	-	-	-	-	-	203,234	203,234
Sundry receivables	-	-	-	-	-	280,026	280,026
Total		2,601,989	1,223,440	1,032,770	4,858,199	5,638,728	10,496,927
Financial liabilities							
Provision for outstanding claims - net	-	-	-	-	-	753,314	753,314
Long term deposits	-	-	-	-	-	14,222	14,222
Amount due to other insurers / reinsurers	-	-	-	-	-	1,285,063	1,285,063
Premium and claim reserves retained from retrocessionaires	3.5%	26,587	-	-	26,587	-	26,587
Other creditors and accruals	-	-	-	-	-	24,007	24,007
Accrued expenses	-	-	-	-	-	6,676	6,676
Retention money payable	-	-	-	-	-	6,481	6,481
Dividend payable	-	-	-	-	-	47,474	47,474
Surplus profit payable	-	-	-	-	-	1,213	1,213
Total		26,587	-	-	26,587	2,138,450	2,165,037
Interest risk sensitivity gap		2,575,402	1,223,440	1,032,770	4,831,612		
Cumulative interest risk sensitivity gap		2,575,402	3,798,842	4,831,612			

	2010						
	Effective rate % per annum	Interest / mark-up bearing financial instruments				None interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
	--Rupees in '000---						
Financial assets							
Cash and bank deposits	5% - 11%	1,628,794	-	-	1,628,794	67	1,628,861
Loans to employees	10%	8,123	46,969	-	55,092	-	55,092
Investment	8% - 15.51%	572,317	569,152	903,588	2,045,057	2,629,089	4,674,146
Amount due from other insurers / reinsurers	-	-	-	-	-	2,395,705	2,395,705
Premium and claim reserves retained by cedants	3%	97,723	-	-	97,723	-	97,723
Accrued investment income	-	-	-	-	-	98,228	98,228
Sundry receivables	-	-	-	-	-	343,416	343,416
Total		2,306,957	616,121	903,588	3,826,666	5,466,505	9,293,171
Financial liabilities							
Provision for outstanding claims - net	-	-	-	-	-	611,245	611,245
Long term deposits	-	-	-	-	-	15,588	15,588
Amount due from other insurers / reinsurers	-	-	-	-	-	1,756,157	1,756,157
Premium and claim reserves retained from retrocessionaires	3.5%	20,252	-	-	20,252	-	20,252
Other creditors and accruals	-	-	-	-	-	38,650	38,650
Accrued expenses	-	-	-	-	-	4,714	4,714
Retention money payable	-	-	-	-	-	6,527	6,527
Dividend payable	-	-	-	-	-	30,361	30,361
Surplus profit payable	-	-	-	-	-	1,213	1,213
Total		20,252	-	-	20,252	2,464,455	2,484,707
Interest risk sensitivity gap		2,286,705	616,121	903,588	3,806,414		
Cumulative interest risk sensitivity gap		2,286,705	2,902,826	3,806,414			

Sensitivity analysis

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

	Profit and loss 100 bps	
	Increase	**Decrease**
	(Rupees in '000)	
As at December 31, 2011		
Cash flow sensitivity - Variable Rate Financial Liabilities	**-**	**-**
Cash flow sensitivity - Variable Rate Financial Assets	**602**	**(602)**
As at December 31, 2010		
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-
Cash flow sensitivity - Variable Rate Financial Assets	54	(54)

36.7 Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The company principal transactions are carried out in PKR. and its exposure to foreign exchange risk arises primarily with respect to US $ and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 266.73 million (2010: Rs. 450.981 million) and Rs. .231 million (2010: Rs. 116,906 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2011	2010
Rs. per US $		
Average rate	**89.095**	85.79
Reporting date rate	**89.6**	85.6
Rs. per UK Pound		
Average rate	**138.057**	136.86
Reporting date rate	**138.09**	133.65

36.8 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

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

	Rupees in million
Fire	**544,163**
Marine cargo	**27,348**
Marine hull	**28,660**
Accident and others	**7,148**
Aviation	**14,672,919**
Engineering	**434,491**
	15,714,729

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on company's net retentions.

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business is as follows:

	Assumed net loss ratio	Assumed net loss ratio
Class	**2011**	2010
	%	%
Fire	**88%**	92%
Marine cargo	**108%**	85%
Marine hull	**30%**	31%
Accident and others	**108%**	110%
Aviation	**18%**	111%
Engineering	**78%**	69%

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 will differ from the expected outcome.

As the company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax profit		**Shareholders' equity**	
	2011	2010	**2011**	2010
	Rupees in '000		Rupees in '000	
10% increase in loss	**(201,754)**	(168,841)	**(131,140)**	(109,747)
10% decrease in loss	**201,754**	168,841	**131,140**	109,747

36.9 Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

36.10 Reinsurance arrangements

The company in the normal course of business, undertakes reinsurance business and controls its exposure to potential losses from large risk, by retrocession to various companies. Its significant portion of reinsurance and retrocession is effected under treaty pact and excess of loss contracts.

The company further evaluates the financial condition of ceding companies as well as it reinsures to minimize its exposures to significant losses from reinsurance insolvencies.

The company continues to be remain under obligation of the ceding companies during the validity of the contract and as a result it remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under their agreements.

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

	Amount due from other insurers / reinsurers	**Reinsurance recoveries against outstanding claims**	**Other reinsurance asset**	**2011**	2010
	Rupees in '000				
A or above	2,089,333	1,769,797	1,854,144	5,713,274	5,882,154
BBB	26,611	-	-	26,611	16,691
Others	811,677	-	-	811,677	353,773
Total	2,927,621	1,769,797	1,854,144	6,551,562	6,252,618

37 Capital management

Capital requirements are set and regulated by Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. Further, objective set by the company to maintain a strong credit rating and healthy capital ratios in order to support business objectives and maximize shareholders value.

Notes to the Financial Statements
For the year ended December 31, 2011

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.

The company complies the externally imposed capital requirements during the reported financial year and no change were made to it's objectives, policies and procedures from the previous year.

38 EMPLOYEE BENEFITS

38.1 Defined benefit plans

Pension and gratuity fund scheme

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at December 31, 2011.

Post retirement medical benefits

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of post retirement medical benefits scheme carried out by an actuary as at December 31, 2011.

Employees compensated absences

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

			Pension		Gratuity	Medical	Compensated absences	2011 Total	2010
38.1.1	**Reconciliation of payable to / (receivable) from defined benefit plan**	Note	**Officer**	**Employees**					
			----Rupees in millions----						
	Present value of defined benefit obligation	38.1.3	423.603	243.125	3.576	193.998	41.585	905.887	675.411
	Fair value of plan assets	38.1.5	(304.850)	(230.474)	(0.309)	-	-	(535.633)	(480.456)
			118.753	12.651	3.267	193.998	41.585	370.254	194.955
	Net actuarial losses not recognized		(130.663)	(168.463)	(0.572)	(68.756)	-	(368.454)	(233.830)
	Past service cost - Non-vested		(2.672)	(3.743)	-	-	-	(6.415)	(9.623)
		38.1.4	(14.582)	(159.555)	2.695	125.242	41.585	(4.615)	(48.498)

38.1.2 Charge / (prepaid) for defined benefit plan

	Note	Pension Officer	Pension Employees	Gratuity	Medical	Compensated absences	2011 Total	2010
		----------	----------	----------	Rupees in millions	----------	----------	
Current service cost		5.257	6.799	0.762	1.500	4.984	19.302	16.125
Interest cost		37.910	26.85	0.315	21.740	5.360	92.175	87.361
Expected return on plan assets		(32.912)	(33.86)	(0.083)	-	-	(66.855)	(60.449)
Actuarial (gains) / losses recognized		6.923	7.824	-	11.285	(2.923)	23.109	19.964
Past service cost - Vested		1.336	1.872	-	-	-	3.208	5.167
Employees transferred to Officers		67.064	(67.064)	-	-	-	-	-
Loss due to asset celling		-	1.000	-	-	-	1.000	-
Total charge		85.578	(56.579)	0.994	34.525	7.421	71.939	68.168

38.1.3 Reconciliation of the present value of the defined benefit obligations

	Pension Officer	Pension Employees	Gratuity	Medical	Compensated absences	2011 Total	2010
Present value of obligation at the beginning of the period	245.216	226.646	2.301	158.837	42.411	675.411	538.557
Current service cost	5.257	6.799	0.762	1.500	4.984	19.302	15.614
Interest cost	37.910	26.853	0.315	21.740	5.360	92.178	87.823
Benefits paid	(15.922)	(2.620)	(0.104)	(7.098)	(8.247)	(33.991)	(40.404)
Employee liability transferred from Employees Pension fund	67.064	(67.064)	-	-	-	-	-
Actuarial (gain) or loss on obligation (Balancing Figure)	84.078	52.511	0.302	19.019	(2.923)	152.987	73.821
	423.603	243.125	3.576	193.998	41.585	905.887	675.411

38.1.4 Movement in net liability / (assets) recognized

	Note	Pension Officer	Pension Employees	Gratuity	Medical	Compensated absences	2011 Total	2010
Opening net liability/(assets)		(21.789)	(168.637)	1.702	97.815	42.411	(48.498)	(32.128)
Expenses recognized	38.1.2	85.578	(56.579)	0.994	34.525	7.421	71.939	68.168
Contributions to the Fund / benefits paid during the year		-	-	-	(7.098)	(8.247)	(15.345)	(0.182)
Payment made on behalf of fund		(11.307)	(1.404)	-	-	-	(12.711)	(22.639)
Assets transferred from Employees' Pension Fund		(67.064)	67.064	-	-	-	-	-
Assets receivable from Provident Fund		-	-	-	-	-	-	(11.785)
Contributions / (Withdrawal)		-	-	-	-	-	-	(49.933)
Closing net liability	38.1.1	(14.582)	(159.555)	2.696	125.242	41.585	(4.615)	(48.499)

Notes to the Financial Statements

For the year ended December 31, 2011

38.1.5 Movement in fair value of plan assets

	Note	Pension Officer	Pension Employees	Gratuity	Medical	Compensated absences	2011 Total	2010
		---Rupees in millions---						
Fair value at the beginning of the year		203.859	276.005	0.592	-	-	480.456	383.280
Expected return on plan assets		32.912	33.861	0.083	-	-	66.856	60.449
Contributions to the Fund		-	-	-	-	-	-	49.933
Payment made on behalf of fund		11.307	1.404	-	-	-	12.711	8.889
Benefits paid		(15.922)	(2.620)	-	-	-	(18.542)	(30.904)
Assets transferred to/(from) Officer's Pension Fund/Employees Pension Fund		67.064	(67.064)	-	-	-	-	-
Actuarial gain / (loss) on plan assets		5.630	(11.112)	(0.366)	-	-	(5.848)	(2.976)
Fair value at the end of the year	38.1.1	304.850	230.474	0.309	-	-	535.633	468.671

38.1.6 Actual return on plan assets

	Pension Officer	Pension Employees	Gratuity	Medical	Compensated absences	2011 Total	2010
Expected return on plan assets	(32.912)	(33.860)	(0.083)	-	-	(66.855)	60.449
Actuarial gain / (loss) on plan assets recognized	5.630	(11.112)	(0.366)	-	-	(5.848)	(2.976)
	(27.282)	(44.972)	(0.449)	-	-	(72.703)	57.473

38.1.7 Five year data on surplus / deficit of the plans and experience adjustments

	Officers' Pension Fund 2011	2010	2009	2008	2007
	---Rupees in millions---				
Present value of defined benefit obligation	423.603	245.216	214.500	156.018	124.163
Fair value of plan assets	(304.850)	(203.859)	(131.745)	(97.264)	(56.951)
(Surplus) / deficit	118.753	41.357	82.755	58.754	67.212
Experience adjustments on plan liabilities [actuarial gain/(loss)]	84.078	(3.656)	(16.025)	(19.984)	(30.404)
Experience adjustments on plan assets [actuarial gain/(loss)]	5.630	9.254	8.420	(36.588)	9.698

	Employees' Pension Fund				
	2011	2010	2009	2008	2007
	---Rupees in millions---				
Present value of defined benefit obligation	243.125	226.646	206.653	177.914	91.933
Fair value of plan assets	(230.474)	(276.005)	(251.131)	(166.794)	(117.694)
(Surplus) / deficit	12.651	(49.359)	(44.478)	11.120	(25.761)
Experience adjustments on plan liabilities [actuarial gain/(loss)]	52.512	(3.014)	(43.220)	(16.731)	(41.278)
Experience adjustments on plan assets [actuarial gain/(loss)]	(11.112)	(12.428)	13.906	(43.869)	15.394

	Gratuity Fund				
	2011	2010	2009	2008	2007
	---Rupees in millions---				
Present value of defined benefit obligation	3.576	2.301	0.358	0.337	35.385
Fair value of plan assets	(0.309)	(0.592)	(0.404)	(0.337)	(196.169)
(Surplus) / deficit	3.267	1.709	(0.046)	-	(160.784)
Experience adjustments on plan liabilities [actuarial gain/(loss)]	0.302	(0.088)	0.020	4.726	(10.880)
Experience adjustments on plan assets [actuarial gain/(loss)]	0.366	0.198	0.020	(63.043)	(6.888)

38.1.8 Components of plan assets as a percentage of total plan assets

	2011				
	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Government securities	12.00%	68.00%	93.00%	-	-
Equity securities	12.45%	19.00%	-	-	-
Others (including cash and bank balances)	75.55%	13.00%	7.00%	-	-
	100%	100%	100%	-	-

38.1.9 Expected contributions to the Funds in the next financial year

Expected charge for the year ending December 31, 2012	49.753	28.890	1.323	42.644	10.805

Notes to the Financial Statements
For the year ended December 31, 2011

38.1.10 The effect of one percentage movement in assumed medical cost trend rates would have following effects:

	2011			2010		
	Original	**1% Increase**	**1% Decrease**	Original	1% Increase	1% Decrease
	--------Rupees in millions--------			--------Rupees in millions--------		
Present value of obligation	**193.998**	**211.460**	**207.580**	158.836	177.717	142.834
Financial impact on:						
Present value of obligation	**-**	**17.462**	**(13.582)**	-	18.881	(16.002)
Current service cost and Interest Cost	**-**	**2.092**	**(1.627)**	-	2.882	(2.432)
Medical inflation rate	**8%**	**9%**	**7%**	8%	9%	7%

38.1.11 Actuarial valuation assumptions

	2011				
	Pension		**Gratuity**	**Medical**	**Compensated absences**
	Officer	**Employees**			
Valuation discount rate	12.50%	12.50%	12.50%	12.50%	12.50%
Expected return in plan assets	11.50%	11.50%	11.50%	0%	0%
Salary increase rate	10.50%	10.50%	10.50%	0%	10.50%
Indexation in pension	8%	8%	0%	0%	0%
Medical inflation rate	0%	0%	0%	8%	0%
Exposure inflation rate	0%	0%	0%	3%	0%

38.2 Defined contribution plan - Provident Fund

Equal monthly contributions are made both by the company and the employees to the contributory provident fund at the rate of 10% of the basic salary.

In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.

39 SEGMENT REPORTING

Following are the segment assets, liabilities, revenue and expenses of the company:

(a) Segment by class of business	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	Total
	2011							
	Rupees in '000							
Net premium	467,733	34,348	61,770	71,854	170,784	266,830	2,461,632	3,534,951
Net claims	240,875	(80)	3,343	92,271	11,157	78,970	1,591,010	2,017,546
Management expenses	9,436	6,928	2,307	6,208	8,103	5,242	314,698	352,922
Net commission	101,063	6,804	10,415	9,461	756	(1,618)	658,178	785,059
Underwriting result	116,359	20,696	45,705	(36,086)	150,768	184,236	(102,254)	379,424
Segment assets								
Prepaid reinsurance ceded	295,885	-	-	-	1,230,173	335,193	176,743	2,037,994
Deferred commission expense	90,949	926	6,442	2,977	1,785	33,716	305,609	442,404
	386,834	926	6,442	2,977	1,231,958	368,909	482,352	2,480,398
Unallocated corporate assets								10,397,539
Total assets								12,877,937
Segment liabilities								
Provision for unearned premium	678,672	4,304	38,393	25,323	1,075,067	631,818	1,434,282	3,887,859
Commission income unearned	10,213	-	-	-	1,342	21,417	1,832	34,804
Provision for outstanding claims	197,810	19,296	16,512	27,238	5,059	54,834	437,517	758,266
	886,695	23,600	54,905	52,561	1,081,468	708,069	1,873,631	4,680,929
Un-allocated corporate liabilities								1,840,286
Total liabilities								6,521,215

(a) Segment by class of business	Fire	Marine Cargo	Marine Hull	Accident and others	Aviation	Engineering	Treaty Compulsory	Total
	2010							
	Rupees in '000							
Net premium	376,539	25,597	35,301	125,993	173,859	220,503	1,982,716	2,940,508
Net claims	165,593	26,027	2,167	24,565	173,199	19,916	1,276,941	1,688,408
Management expenses	7,864	5,257	1,643	4,834	6,062	4,587	271,559	301,806
Net commission	66,108	5,614	6,005	20,564	245	(6,685)	567,300	659,151
Underwriting result	136,974	(11,301)	25,486	76,030	(5,647)	202,685	(133,084)	291,143
Segment assets								
Prepaid reinsurance ceded	191,853	-	-	-	1,230,173	335,193	176,743	1,933,962
Deferred commission expense	57,643	929	4,629	4,622	1,985	17,522	278,386	365,716
	249,496	929	4,629	4,622	1,232,158	352,715	455,129	2,299,678
Unallocated corporate assets								10,232,840
Total assets								12,532,518
Segment liabilities								
Provision for unearned premium	375,573	4,666	27,895	31,641	1,366,338	474,370	1,173,419	3,453,902
Commission income unearned	18,093	-	-	-	1,363	16,730	480	36,666
Provision for outstanding claims	178,651	24,275	13,508	16,280	2,284	17,281	358,967	611,246
	572,317	28,941	41,403	47,921	1,369,985	508,381	1,532,866	4,101,814
Un-allocated corporate liabilities								2,021,171
Total liabilities								6,122,985

(b) Geographical segment

Although the operations of the company are based primarily on business segments, the company also operates in geographical area. The following table shows the distribution of the company's revenue, total assets and total liabilities by geographical segments:

	2011		2010	
Locations	**Lahore**	**Karachi**	Lahore	Karachi
	Rupees in '000			
Revenue - net premium	**659,585**	**2,875,365**	608,884	2,331,624
Total assets	**402,710**	**12,534,349**	602	12,534,292
Total liabilities	**539,536**	**5,920,173**	293,417	5,829,568

40 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other then remuneration and benefits to key management personnel under the terms of their employment disclosed in note 41 of these financial statements, are as follows:

Relation with related party	Nature of Transaction	**2011 Rupees**	2010 Rupees
Associated undertakings	**Balance**		
(Common directorship)	Premium due but unpaid	**4,847,953**	128,066,353
	Insurance premium written during the period	**12,562,591**	952,950,340
	Premium received	**(10,568,455)**	(1,060,514,017)
	Balance at the end	**6,842,089**	20,502,676
	Transaction		
	Insurance commission paid	3,534,075	203,454,209
	Insurance claims paid	7,061,307	769,546,424
	Premium paid - net		(12,413)
	Insurance commission received	(23)	(3,811)
	Insurance claims received	(37)	(43,072)
Associated undertakings	**Transaction**		
(Investment in units)	Dividend income	27,511,490	27,720,000
Provision for retirement benefit plans		-	68,168,000

The transactions with related parties are in the normal course of business at contracted rates and terms determined on commercial terms.

Profit oriented state-controlled entities - various	**2011 Rupees**	2010 Rupees
Balance at the beginning	**1,401,283,778**	1,037,492,391
Insurance premium written during the year	**2,854,921,330**	3,088,361,503
Premium received	**(3,006,464,282)**	(2,738,600,640)
Balance at the end	**1,249,740,826**	1,387,253,254
Insurance claims paid	**147,612,291**	111,493,522
Insurance commission paid	**46,506,807**	39,970,001

41 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		**Executives**		**Total**	
	2011 Rupees	2010 Rupees	**2011 Rupees**	2010 Rupees	**2011 Rupees**	2010 Rupees
Managerial remuneration including bonus	**1,755,756**	1,908,134	**11,464,646**	7,393,328	**13,220,402**	9,301,462
Retirement benefits	**151,116**	181,833	**135,660**	-	**286,776**	181,833
House rent and other benefits	**1,680,610**	1,356,205	**7,036,360**	1,965,912	**8,716,970**	3,322,117
Utilities	**144,908**	117,632	**353,326**	183,346	**498,234**	300,978
	1,825,518	1,473,837	**7,389,686**	2,149,258	**9,215,204**	3,623,095
Number of persons	1	1	11	7	12	8

The company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to Chief Executive and certian Executives of the company and in additionally they are also entitled to free medical facilities including hospitalization and club subscription as per company policy.

42 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on March 28, 2012 have recommended a final cash dividend of Rs. 3.00 per share (2010: Rs. 3 per share) and a bonus issue of Rs. Nil per share (2010: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on April 30, 2012.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 28, 2012 by the Board of Directors of the company.

44 GENERAL

All figures have been rounded off to the nearest rupee unless otherwise stated.

Farzana Munaf	**Rukhsana Saleem**	**Sikander Mahmood**	**Taufique Habib**
Chief Financial Officer	Chief Executive	Director	Director

Pattern of Shareholding

As of December 31, 2011

No Of Shareholders	Shareholdings'Slab			Total Shares Held
729	1	to	100	42,476
1316	101	to	500	490,746
1241	501	to	1000	1,104,744
1873	1001	to	5000	4,867,844
543	5001	to	10000	4,164,267
176	10001	to	15000	2,232,661
103	15001	to	20000	1,856,774
68	20001	to	25000	1,580,515
36	25001	to	30000	1,022,250
33	30001	to	35000	1,085,188
17	35001	to	40000	651,819
20	40001	to	45000	867,778
22	45001	to	50000	1,075,678
15	50001	to	55000	794,451
12	55001	to	60000	700,763
6	60001	to	65000	381,111
8	65001	to	70000	548,332
8	70001	to	75000	587,523
5	75001	to	80000	389,393
3	80001	to	85000	245,060
4	85001	to	90000	347,804
5	90001	to	95000	463,901
11	95001	to	100000	1,096,349
4	100001	to	105000	410,317
3	105001	to	110000	317,899
7	110001	to	115000	786,323
1	115001	to	120000	119,999
1	120001	to	125000	125,000
3	125001	to	130000	384,250
2	130001	to	135000	265,198
2	135001	to	140000	274,495
1	140001	to	145000	145,000
11	145001	to	150000	1,635,696
1	150001	to	155000	152,400
3	155001	to	160000	471,399
2	160001	to	165000	325,171
1	165001	to	170000	167,807
2	170001	to	175000	344,577
3	175001	to	180000	533,607

Continue…

3	180001	to	185000	548,220
4	195001	to	200000	800,000
1	200001	to	205000	205,000
2	205001	to	210000	419,999
1	210001	to	215000	212,000
1	220001	to	225000	222,599
3	245001	to	250000	748,572
1	250001	to	255000	253,854
1	260001	to	265000	262,799
1	270001	to	275000	274,799
1	285001	to	290000	286,843
1	295001	to	300000	299,999
1	315001	to	320000	319,199
1	380001	to	385000	383,999
3	395001	to	400000	1,195,999
1	460001	to	465000	461,999
1	490001	to	495000	490,137
1	495001	to	500000	500,000
1	540001	to	545000	540,001
1	545001	to	550000	550,000
1	600001	to	605000	605,000
1	615001	to	620000	616,553
1	635001	to	640000	640,000
1	775001	to	780000	779,998
1	1285001	to	1290000	1,288,126
1	1710001	to	1715000	1,713,801
1	2345001	to	2350000	2,350,000
1	2725001	to	2730000	2,728,995
1	3035001	to	3040000	3,038,723
1	3745001	to	3750000	3,747,882
1	6565001	to	6570000	6,567,200
1	7655001	to	7660000	7,659,182
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
6346				**300,000,000**

Pattern of Shareholding

As of December 31, 2011

Categories of Shareholders
(as per Code of Corporate Governance)

S. #	Particulars	Number of Share Holders	Shares Held	%
1	**Directors, Chief Executive Officer and their spouse and minor children**			
	MUMTAZ ALI RAJPER	1	55	0.00
	YASMIN SAUD	1	55	0.00
	JAMIL AHMED	1	55	0.00
	DR. MASUMA HASAN	1	55	0.00
	RUKHSANA SALEEM	1	55	0.00
	TAUFIQUE HABIB	2	1,555	0.00
	SIKANDER MAHMOOD	3	69,055	0.02
2	**Associated Companies, undertakings and related parties**	-	-	-
3	**NIT & ICP**	-	-	-
4	**Public Sector Companies and Corporations**	4	82,194,888	27.40
5	**Banks, Development Financial Institutions, Non Banking Financial Institutions**	6	5,656,525	1.89
6	**Insurance Companies**	13	11,150,633	3.72
7	**Modarabas & Mutual Funds**	5	612,659	0.20
8	**General Public**			
	a. Local	6,200	42,690,900	14.23
	b. Foreign	5	245,176	0.08
9	**Others**			
	a) Ministry of Commerce	1	134,639,785	44.88
	b) PRCL Employees Empowerment Trust	1	18,359,971	6.12
	c) Joint Stock Companies	94	3,910,658	1.30
	d) Miscellaneous	7	467,920	0.16
	Totals	**6,346**	**300,000,000**	**100.00**

Share holders holding 10% or more

THE SECRETARY MINISTRY OF COMMERCE	152,999,756	51.00*
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41

* Including 12% shares transfer to PRCL Employees Empowerment Trust under BESOS Scheme.

Proxy Form

I/We ______________________________________ of ______________________________________ being a member of **Pakistan Reinsurance Company Limited** hereby appoint Mr. ____ of ____ Or failing him ____ of ____ as my / our proxy in my absence to attend and vote for me/ us and on my four behalf at the 11th Annual General Meeting of the Company to be held on Monday the 30th April, 2012 at 9.30 A.M and at any adjournment thereof.

Signed this ____________________________ day of April 2012.

Affix Rupees Five Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. ___________________________
and/ or CDC
Participant I D. No. ___________________________
and Sub Account No. ___________________________

WITNESSES:

1. Signature ___________________________________
   Name ______________________________________
   Address ____________________________________
   CNIC or Passport No. _________________________

2. Signature ___________________________________
   Name ______________________________________
   Address ____________________________________
   CNIC or Passport No. _________________________

IMPORTANT:

1. No person shall be appointed a proxy who is riot a shareholder of the company and qualified to vole, save that a company being member of the company may appoint as its proxy any officer of such company whether a member of the company or not.

2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the company not less than 48 hours before the date of meeting.

3. In case of joint holders any one of the joint hot clears may sign the instrument of proxy.

4. The signature on the instrument of proxy must confirm to the specimen signature filed with the Company.

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

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

The Company Secretary
PAKISTAN REINSURANCE COMPANY LIMITED
PRC Towers. 32-A, Lalazar Drive,
M.T. Khan Road,
Karachi, RO Box 4777, Sindh

PakRe

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