ERNST & YOUNG

JUBILEE GENERAL INSURANCE COMPANY LIMITED
[FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED]

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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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
(iii) statement of changes in equity;
(iv) cash flow statement;
(v) statement of premiums;
(vi) statement of claims;
(vii) statement of expenses; and
(viii) statement of investment income

of **Jubilee General Insurance Company Limited** (formerly New Jubilee Insurance Company Limited) (the Company) as at **31 December 2011** together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion -

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

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 5.1 with which we concur;

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(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at **31 December 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 deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Chartered Accountants

Audit Engagement Partner: **Shabbir Yunus**

Date:

Karachi

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
BALANCE SHEET
AS AT DECEMBER 31, 2011

	Note	2011	(Restated) 2010
		------ (Rupees in '000) ------	
Share capital and reserves			
Authorised share capital		**1,000,000**	1,000,000
[100,000,000 Ordinary shares of Rs.10 each (December 31, 2010: 100,000,000 Ordinary shares of Rs.10 each)]			
Paid-up share capital	6	**988,721**	790,977
Retained earnings		**874,764**	533,514
Reserves	7	**1,679,384**	1,579,384
		3,542,869	2,903,875
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**1,832,124**	1,879,570
Provision for unearned premium		**1,832,586**	1,521,536
Commission income unearned		**67,916**	54,646
Total underwriting provisions		**3,732,626**	3,455,752
Deferred liabilities			
Staff retirement benefits		**900**	1,371
Creditors and accruals			
Premiums received in advance		**54,237**	65,859
Amounts due to other insurers / reinsurers		**506,764**	348,506
Accrued expenses		**32,379**	22,865
Taxation-provision less payments	8	**114,769**	113,679
Other creditors and accruals	9	**394,535**	370,649
		1,102,684	921,558
Other liabilities			
Deposits and other payables	10	**570,936**	397,480
Unclaimed dividend		**24,820**	22,022
		595,756	419,502
TOTAL LIABILITIES		**5,431,966**	4,798,183
TOTAL EQUITY AND LIABILITIES		**8,974,835**	7,702,058
CONTINGENCIES	11		

	Note	2011	(Restated) 2010
		------ (Rupees in '000) ------	
Cash and bank deposits	12		
Cash and other equivalents		**4,348**	3,993
Current and other accounts		**849,765**	869,390
Deposits maturing within 12 months		**113,248**	101,400
		967,361	974,783
Loans to employees	13	**849**	791
Investments	14	**4,937,313**	3,709,155
Investment properties	15	**144,765**	146,446
Deferred taxation	16	**36,233**	36,383
Current assets - others			
Premiums due but unpaid	17	**821,123**	814,446
Amounts due from other insurers / reinsurers	18	**76,994**	144,218
Reinsurance recoveries due but unpaid		**50,504**	68,500
Salvage recoveries accrued		**33,835**	26,235
Accrued investment income		**10,460**	10,688
Reinsurance recoveries against outstanding claims	19	**746,168**	841,018
Deferred commission expense		**155,739**	136,160
Prepayments	20	**863,001**	643,036
Sundry receivables	21	**30,566**	52,687
		2,788,390	2,736,988
Fixed assets	22		
Tangible and intangible			
Buildings		**6,390**	6,625
Furniture, fixtures and Office Equipment		**86,541**	83,321
Vehicles		**4,266**	4,912
Computer software		**2,727**	2,654
		99,924	97,512
TOTAL ASSETS		**8,974,835**	7,702,058

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Fire and property	Marine, aviation and transport	Motor	Liability	Accident and health	Others	Treaty	2011 Aggregate	2010 Aggregate
		(Rupees in '000)								
Revenue account										
Net premium revenue		672,873	515,597	695,982	47,345	478,649	353,759	(1)	**2,764,204**	2,451,227
Less:										
Net claims		351,161	261,609	423,637	1,212	375,271	286,203	1	**1,699,094**	1,677,614
Expenses	24	158,830	121,705	164,284	11,176	112,984	83,504	-	**652,483**	632,961
Net commission		120,092	87,502	61,616	(1,098)	14,464	(23,705)	-	**258,871**	204,737
Underwriting result		42,790	44,781	46,445	36,055	(24,070)	7,757	(2)	**153,756**	(64,085)
Investment income									**611,966**	407,598
Rental income	25								**94,275**	84,383
Return on bank deposits									**42,077**	94,734
Other income	26								**2,668**	34,186
General and administration expenses	27								**(30,747)**	(19,137)
Share in profit of an associate	14.1.2								**18,916**	9,003
Profit before tax									**892,911**	546,682
Taxation - net	28								**(95,722)**	(96,531)
Profit after tax									**797,189**	450,151
Profit and loss appropriation account:										
										(Restated)
Balance at commencement of the year									**533,514**	732,936
Profit after tax for the year									**797,189**	450,151
Transfer to general reserve									**(100,000)**	(320,000)
Issuance of bonus shares 2011: Rs.2.5 per share (25%) for the year 2010 [2010: Rs.2 per share (20%) for the year 2009]									**(197,744)**	(131,829)
Final cash dividend 2011: at Rs.2 per share (20%) for the year 2010 [2010: Rs.3 per share (30%) for the year 2009]									**(158,195)**	(197,744)
									341,250	(199,422)
Balance of unappropriated profit at end of the year									**874,764**	533,514
Earnings per share of Rs.10 each - basic and diluted			(note 38)					**Rupees**	**8.06**	4.55

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	------ (Rupees in '000) ------	
Net profit for the year	**797,189**	450,151
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**797,189**	450,151

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Share capital	Reserves						
		Capital reserves	Revenue reserves			Company's share of capital contributed to statutory funds by an associate		
	Issued, subscribed and paid-up	Reserve for exceptional losses	General reserve	Retained earnings	Total		Total reserves	Total
	---------- (Rupees in '000) ----------							
Balance as at January 01, 2010 (as previously reported)	659,148	9,384	1,250,000	706,526	1,956,526	(4,052)	1,961,858	2,621,006
Net effect of change in accounting policy (refer note 5.1) - net of tax	-	-	-	26,410	26,410	4,052	30,462	30,462
Balance as at January 01, 2010 (restated)	659,148	9,384	1,250,000	732,936	1,982,936	-	1,992,320	2,651,468
Changes in equity for the year ended December 31, 2010								
Profit after tax for the year	-	-	-	450,151	450,151	-	450,151	450,151
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	450,151	450,151	-	450,151	450,151
Final cash dividend at Rs.3 per share (30%) for the year 2009	-	-	-	(197,744)	(197,744)	-	(197,744)	(197,744)
Issuance of bonus shares @ 1 share for every 5 shares held	131,829	-	-	(131,829)	(131,829)	-	(131,829)	-
Transfer to general reserve	-	-	320,000	(320,000)	-	-	-	-
Balance as at December 31, 2010	790,977	9,384	1,570,000	533,514	2,103,514	-	2,112,898	2,903,875
Balance as at December 31, 2010 (as previously reported)	790,977	9,384	1,570,000	507,104	2,077,104	(4,052)	2,082,436	2,873,413
Net effect of change in accounting policy (refer note 5.1) - net of tax	-	-	-	26,410	26,410	4,052	30,462	30,462
Balance as at January 01, 2011 (restated)	790,977	9,384	1,570,000	533,514	2,103,514	-	2,112,898	2,903,875
Changes in equity for the year ended December 31, 2011								
Profit after tax for the year	-	-	-	797,189	797,189	-	797,189	797,189
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	797,189	797,189	-	797,189	797,189
Final cash dividend at Rs.2 per share (20%) for the year 2010	-	-	-	(158,195)	(158,195)	-	(158,195)	(158,195)
Issuance of bonus shares @ 1 share for every 4 shares held	197,744	-	-	(197,744)	(197,744)	-	(197,744)	-
Transfer to general reserve	-	-	100,000	(100,000)	-	-	-	-
Balance as at December 31, 2011	**988,721**	**9,384**	**1,670,000**	**874,764**	**2,544,764**	**-**	**2,554,148**	**3,542,869**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	------ (Rupees in '000) ------	
Operating Cash Flows		
(a) Underwriting activities		
Premiums received	**5,162,099**	4,232,323
Reinsurance premiums paid	**(2,164,930)**	(1,634,280)
Claims paid	**(2,137,331)**	(1,728,204)
Reinsurance and other recoveries received	**563,261**	253,351
Commissions paid	**(436,836)**	(346,163)
Commissions received	**190,361**	138,448
Other underwriting payments (management expenses)	**(621,196)**	(535,775)
Net cash inflow from underwriting activities	**555,428**	379,700
(b) Other operating activities		
Income tax paid	**(114,015)**	(56,079)
General expenses paid	**(25,530)**	(8,203)
Other operating payments	**(747,492)**	(664,166)
Other operating receipts	**930,954**	823,480
Loans advanced	**(2,010)**	(2,413)
Loan repayments received	**1,703**	1,718
Net cash inflow from other operating activities	**43,610**	94,337
Total cash inflow from all operating activities	**599,038**	474,037
Investment activities		
Profit / return received	**99,040**	134,827
Dividends received	**105,362**	95,837
Rentals received - net of expenses	**100,831**	75,761
Payments for purchase of investments / investment property	**(8,207,864)**	(5,715,365)
Proceeds from disposal of investments	**7,477,580**	4,116,827
Fixed capital expenditure	**(30,747)**	(19,191)
Proceeds from sale of fixed assets	**4,735**	3,072
Total cash outflow from investing activities	**(451,063)**	(1,308,232)
Financing activities		
Dividends paid	**(155,397)**	(194,154)
Total cash outflow from financing activities	**(155,397)**	(194,154)
Net cash outflow from all activities	**(7,422)**	(1,028,349)
Cash at beginning of the year	**974,483**	2,002,832
Cash at end of the year	**967,061**	974,483

	2011	(Restated) 2010
	------ (Rupees in '000) ------	
Reconciliation to profit and loss account		
Operating cash flows	**599,038**	474,037
Depreciation / amortisation expense	**(23,694)**	(24,429)
Profit / (loss) on sale of fixed assets	**94**	(607)
Profit on disposal of investments	**468,982**	281,972
Dividend income	**105,362**	92,314
Rental income	**94,275**	84,383
Other investment income	**98,615**	137,049
Provision against doubtful balances	**-**	(67,687)
Increase in assets other than cash	**84,422**	469,938
Increase in liabilities other than running finance	**(629,905)**	(996,819)
Profit after taxation	**797,189**	450,151

Definition of cash

Cash comprises of cash in hand, policy stamps, bond papers, cheques in hand, 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 purposes of the statement of cash flows consists of:

	2011	(Restated) 2010
Cash and bank deposits		
Cash and other equivalents		
Cash	**100**	266
Policy stamps and bond papers in hand	**4,248**	3,727
	4,348	3,993
Current and other accounts		
Current accounts	**204,120**	210,994
PLS savings accounts	**645,645**	658,396
	849,765	869,390
Deposits maturing within 3 months (encashable on demand)		
Term deposit certificates - Local Currency *	**26,100**	101,100
Term deposit certificates - Foreign Currency	**36,848**	-
	62,948	101,100
Deposit with State Bank of Pakistan	**50,000**	-
	967,061	974,483

* This does not include deposits placed under lien amounting to Rs.0.3 million (2010: Rs.0.3 million).

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

Class		Premiums written (note 23)	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expense	2011 Net premium revenue	2010 Net premium revenue
			Opening	Closing			Opening	Closing			
		---------- (Rupees in '000) ----------									
Direct and facultative											
1.	Fire and property damage	1,327,214	446,433	541,229	1,232,418	657,474	197,662	295,591	559,545	**672,873**	605,134
2.	Marine, aviation and transport	602,953	57,579	54,798	605,734	94,091	6,525	10,479	90,137	**515,597**	427,594
3.	Motor	766,315	264,217	314,329	716,203	29,230	3,244	12,253	20,221	**695,982**	623,802
4.	Liability	269,745	67,486	69,816	267,415	215,482	52,794	48,206	220,070	**47,345**	33,207
5.	Accident and health	522,160	174,258	217,769	478,649	-	-	-	-	**478,649**	435,552
6.	Miscellaneous	1,692,012	511,563	634,645	1,568,930	1,326,911	371,546	483,286	1,215,171	**353,759**	325,939
	Total	5,180,399	1,521,536	1,832,586	4,869,349	2,323,188	631,771	849,815	2,105,144	**2,764,205**	2,451,228
Treaty											
7.	Proportional / non-proportional	(1)	-	-	(1)	-	-	-	-	**(1)**	(1)
	Grand total	5,180,398	1,521,536	1,832,586	4,869,348	2,323,188	631,771	849,815	2,105,144	**2,764,204**	2,451,227

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Managing Director (Chief Executive)**

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2011 Net claims expense	2010 Net claims expense
		Opening	Closing			Opening	Closing			
	(Rupees in '000)									
Class										
Direct and facultative										
1. Fire and property damage	400,056	365,915	437,454	471,595	118,417	77,682	79,699	120,434	**351,161**	385,291
2. Marine, aviation and transport	277,409	280,495	293,415	290,329	31,480	101,588	98,828	28,720	**261,609**	226,453
3. Motor	435,473	247,868	248,230	435,835	2,051	29,379	39,526	12,198	**423,637**	397,311
4. Liability	1,917	11,635	9,782	64	1,359	8,968	6,461	(1,148)	**1,212**	1,530
5. Accident and health	374,473	60,612	61,410	375,271	-	-	-	-	**375,271**	366,944
6. Miscellaneous	648,002	913,045	781,833	516,790	324,734	649,636	555,489	230,587	**286,203**	300,080
Total	2,137,330	1,879,570	1,832,124	2,089,884	478,041	867,253	780,003	390,791	**1,699,093**	1,677,609
Treaty										
7. Proportional / non-proportional	1	-	-	1	-	-	-	-	**1**	5
Grand Total	2,137,331	1,879,570	1,832,124	2,089,885	478,041	867,253	780,003	390,791	**1,699,094**	1,677,614

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	**Director**	**Director**	**Managing Director (Chief Executive)**

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses (note 24)	Underwriting expense	Commission from reinsurers*	2011 Net underwriting expense	2010 Net underwriting expense
	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------
Class									
Direct and facultative									
1. Fire and property damage	169,422	60,907	65,688	164,641	158,830	323,471	44,549	**278,922**	240,312
2. Marine, aviation and transport	88,838	9,001	8,956	88,883	121,705	210,588	1,381	**209,207**	181,354
3. Motor	67,098	24,581	29,016	62,663	164,284	226,947	1,047	**225,900**	219,161
4. Liability	9,379	4,301	3,738	9,942	11,176	21,118	11,040	**10,078**	2,728
5. Accident and health	14,840	5,700	6,076	14,464	112,984	127,448	-	**127,448**	127,161
6. Miscellaneous	105,964	31,670	42,265	95,369	83,504	178,873	119,074	**59,799**	66,983
Total	455,541	136,160	155,739	435,962	652,483	1,088,445	177,091	**911,354**	837,699
Treaty									
7. Proportional / non-proportional	-	-	-	-	-	-	-	**-**	(1)
Grand total	455,541	136,160	155,739	435,962	652,483	1,088,445	177,091	**911,354**	837,698

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

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	------ (Rupees in '000) ------	
Income from non-trading investments		
Held to maturity		
Return on government securities	**51,222**	31,870
Return on other fixed income securities and Term finance certificates	**12,324**	10,746
Amortisation of premium	**(2,233)**	(3,102)
	61,313	39,514
Available for sale		
Dividend income		
Related parties	**11,314**	9,127
Others	**94,048**	83,187
	105,362	92,314
Gain on sale of non-trading investments	**468,982**	281,972
Impairment in value of available for sale securities	**(16,880)**	-
Investment related expenses	**(6,811)**	(6,202)
Net investment income	**611,966**	407,598

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chairman	Director	Director	Managing Director (Chief Executive)

JUBILEE GENERAL INSURANCE COMPANY LIMITED
(FORMERLY NEW JUBILEE INSURANCE COMPANY LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. STATUS AND NATURE OF BUSINESS

1.1 Jubilee General Insurance Company Limited (Formerly: New Jubilee Insurance Company Limited) (the Company) is a public limited company incorporated in Pakistan on May 16, 1953. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in general insurance business. The registered office of the Company is situated at 2nd Floor, Jubilee Insurance House, I.I. Chundrigar Road, Karachi.

1.2 The Company has changed its corporate name from "New Jubilee Insurance Company Limited" to "Jubilee General Insurance Company Limited" from October 17, 2011 to create a strong brand identity. The change of name has been approved by the shareholders in their meeting held on April 23, 2011 and the Certificate of Incorporation on Change of Name has been issued by the Securities and Exchange Commission of Pakistan on October 17, 2011.

2. BASIS OF PREPARATION AND MEASUREMENT

2.1 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.

2.2 These financial statements have been prepared under the historical cost convention.

3. STATEMENT OF COMPLIANCE

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

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 valuation of 'available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

3.2 Accounting standards not yet effective

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

Standard	**Effective date (accounting periods beginning on or after)**
IFRS 7 – Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about transfers of financial assets	July 01, 2011

Standard	**Effective date (accounting periods beginning on or after)**
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits – (Amendment)	January 01, 2013

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the impact of the above amendments which are effective from January 01, 2013 on the financial statements. However, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 5.9.1 to the financial statements.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised 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.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) classification of insurance contracts (note 5.3);

(b) provision for premium due but unpaid (note 5.6 (iii));

(c) provision for outstanding claims (including IBNR) (note 5.7);

(d) premium deficiency reserve (note 5.8);

(e) accounting for staff retirement benefits (note 5.9);

(f) classification of investments (note 5.10);

(g) determining the residual values and useful lives of fixed assets and investment properties (note 5.11 and 5.12);

(h) allocation of management expenses (note 5.18);

(i) recognition of taxation and deferred tax (note 5.19);

(j) segment reporting (note 5.20);

(k) impairment (note 5.23); and

(l) provision for obligations (note 5.24).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as stated in note 5.1 below:

5.1 Change in accounting policy relating to equity method

International Accounting Standard (IAS-28) "Investment in Associates" requires to account for the investment initially at cost and the carrying amount is increased or decreased with investor's share of the profit or loss, distribution received and the changes in comprehensive income of the investee.

Upto previous years, the Company was recording its share of associate's profit or loss, distribution received and all the changes in associate's shareholders equity. The Company has now changed its accounting policy in accordance with the requirement of IAS-28 and only the share of profit or loss, distribution received and changes in associate's other comprehensive income are recorded.

The change has been applied retrospectively in accordance with the requirements of International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives have been restated to conform to the changed policy.

Had there been no change in the accounting policy, "Company's share of capital contributed to statutory funds by an associate" would have been higher by Rs.29.344 million, retained earnings as at period end would have been lower by Rs.26.410 million and, correspondingly, deferred tax asset would have increased by Rs.2.934 million. There is no effect of this change on the profit for the year.

5.2 Adoption of new and amended International Financial Reporting Standards (IFRSs)

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 – Business Combinations
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 – Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 – Presentation of Financial Statements
- Clarification on statement of changes in equity

IAS 27 – Consolidated and Separate Financial Statements
- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting
- Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes
- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

5.3 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine, aviation and transport
- Motor
- Liability
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period, whereas, normally travel insurance contracts expire within one month time.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Liability insurance contracts protects the insured against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions, livestock and crop insurance etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

5.4 Reinsurance contracts held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

5.5 Provision for unearned premium

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by SEC (Insurance) Rules, 2002. The unearned portion of premium income is recognized as liability.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

5.6 Receivables and payables related to insurance contracts

(i) Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

(ii) If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

(iii) Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

5.7 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgment and the Company's prior experience.

The Company takes advice from actuary for the determination of IBNR claims at the year end. The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic claim lag triangle method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

5.8 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Company operates an approved defined gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund 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 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 obligations) are recognized over the average remaining service life of the employees.

5.9.2 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 8.33 percent of basic salary.

5.9.3 Employees' compensated absences

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

5.10 Investments

5.10.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value 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 to maturity
- Available-for-sale

5.10.2 Measurement

5.10.2.1 Investment at fair value through profit or loss

- 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.

Subsequent to initial recognition, these investments are premeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

5.10.2.2 Held to maturity

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

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

5.10.2.3 Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Quoted

Subsequent to initial recognition at cost, 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 SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" in respect of recognition of gain / loss on remeasurement of available-for-sale securities directly into equity, the investments of the Company would have been higher by Rs.325.38 million and the net equity would have increased by the same amount.

Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

5.10.2.4 Investment in associates - equity method

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost and the carrying amount with investor's share of the Profit and loss , distribution received and change in the comprehensive income of the investee at the end of each reporting period . After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate.

5.10.2.5 Date of recognition

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

5.11 Investment property

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

- Leasehold land is stated at cost.

- Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life, which is estimated to be 40 - 80 years.

- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 10 percent under the straight line method.

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

5.12 Fixed assets

5.12.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22 to the financial statements. The assets' residual values, useful lives and method are reviewed and adjusted if appropriate at each financial year end.

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

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

An item of tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognized.

5.12.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 22 to the financial statements.

Amortisation is calculated from the month the assets are available for use. While on disposal, amortisation is charged up to the month in which the assets are disposed off.

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

5.13 Premium income

Premiums including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognised as a liability.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognised as a prepayment.

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

5.14 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

5.15 Rental income

Rental income from investment properties is recognised on accrual basis.

5.16 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

- Dividend income is recognised when the company's right to receive the payment is established.

- Gain / loss on sale of available-for-sale investments is included in income currently.

- Return on fixed income securities classified as available-for-sale is recognised on a time proportion basis taking into account the effective yield on the investments.

- Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

5.17 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriation are recognized when approved.

5.18 Expenses of management

Expenses of management have been allocated to various classes of business as deemed equitable by management. Expenses not allocable to the underwriting business are charged under general and administration expenses.

5.19 Taxation

5.19.1 Current

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

5.19.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

5.20 Segment reporting

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

Based on its classification of insurance contracts issued, the Company has six primary business segments for reporting purposes namely fire, marine, motor, accident and health, liability and miscellaneous. The nature and business activities of these segments are disclosed in note 5.3.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

5.21 Currency transactions

5.21.1 Functional and presentational currency

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

5.21.2 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.22 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.23 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. In addition impairment on available-for-sale investments, associates and reinsurance assets are recognised as follows:

Available-for-sale

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

Associates

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

Reinsurance assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.24 Provisions for obligation

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans to employees, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised 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 comprises 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 currently.

6. SHARE CAPITAL

Issued, subscribed and paid-up

2011	2010		2011	2010
(Number of shares in '000)			------ (Rupees in '000) ------	
210	210	Ordinary shares of Rs.10 each issued as fully paid in cash	**2,100**	2,100
98,662	78,887	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**986,621**	788,877
98,872	79,097		**988,721**	790,977

Shares of the Company held by associates amounted to Rs.685.88 million (68,588,047 shares of Rs.10 each) [2010: Rs.511.991 million (51,199,123 shares of Rs.10 each)].

	Note	2011	(Restated) 2010
		------ (Rupees in '000) ------	
7. RESERVES			
Capital reserves			
Reserve for exceptional losses	7.1	**9,384**	9,384
Revenue reserves			
General reserve	7.2	**1,670,000**	1,570,000
		1,679,384	1,579,384

7.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts upto 10 percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect upto the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserve created upto December 31, 1978.

7.2 General reserve

	2011	2010
Balance at beginning of the year	**1,570,000**	1,250,000
Transfer from retained earnings	**100,000**	320,000
Balance at end of the year	**1,670,000**	1,570,000

8. TAXATION

8.1 The Company has filed returns upto tax year 2011. The income tax assessments of the Company have been finalised upto and including assessment year 2002-2003 and tax years 2004, 2008, 2009, 2010 and 2011. The returns filed for tax years 2005, 2006, 2007 and 2011 are deemed to be orders under the provisions of section 120 of the Income Tax Ordinance, 2001 unless any amendments have been made by the tax authorities.

8.2 In the assessment order for the assessment year 2002-2003, made in prior years, certain items have been disallowed and further additional tax has been levied. The appeal against the order filed before the Commissioner of Inland Revenue (Appeals) (CIRA) has been decided mostly in favour of the Company. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the disallowance of certain items amounting to Rs.31.7 million. The ATIR has set aside disallowances and referred to Taxation Officer for reassessment proceedings. The tax provision amounting to Rs.11.11 million in this respect has been made in these financial statements.

8.3 During prior years, the Taxation Officer had passed an assessment order in respect of tax year 2004 consequent to finalisation of tax audit proceedings wherein the disallowances have been made on account of bad debts written off, amortisation of negative goodwill and allocation of expenses against dividend income. Further, the claim of tax credits has also not been allowed in full. The Company filed an appeal before the CIRA who maintained the order passed by the Taxation Officer except allocation of expenses against dividend income. The ATIR also maintained the order of CIRA. The Company has filed petition with the Honorable High Court of Sindh against the said disallowances. Income tax charge amounting to Rs.54.4 million in this respect has been recorded by the Company in prior years.

8.4 For the assessment year 2008, the Company has filed an appeal before the CIRA for tax refund of additional tax paid amounting to Rs.5.09 million, which is pending adjudication.

8.5 During the year, the Taxation Officer has passed an assessment order in respect of tax year 2009 consequent to finalisation of tax audit proceedings in which disallowances have been made on account of bad debts, amortisation of premium, loss on disposal of assets and impairment in the value of investments. This resulted in aggregate tax liability after adjustment of brought forward loss of Rs.43.96 million which is already accounted for in prior years. The Company filed an appeal before the CIRA who maintained the disallowances made by the Taxation Officer. Subsequent to the year end, the Company has filed an appeal before the ATIR which is pending adjudication.

8.6 During the year, the Taxation Officer had passed an assessment order in respect of tax year 2010 in which additions / disallowances were made on account of management expenses, rental income, provision for IBNR, etc. This has resulted in aggregate tax liability of Rs.165.73 million. The Company had made provision amounting to Rs.111.44 million against the same in prior years. The Company had filed an appeal before the CIRA against additions / disallowances. The CIRA has issued the appeal order by deleting the additions / disallowances made by the Taxation Officer in respect of management expenses and rental income. The CIRA has also set aside additions of provision of IBNR and contribution to provident fund for further verification of the Taxation Officer. This has resulted in a reduced tax liability of Rs.97.74 million. The tax department has filed an appeal with ATIR against the order issued by CIRA on certain allowances amounting to Rs.81.15 million which is pending adjudication.

In respect of the pending outcome of the appeal as referred above, the management, based on the advice of its tax consultants, is confident that the outcome of this matter will be favorable for the Company and, hence, no provision for the balance tax liability of Rs.14.7 million has been made in the current year's financial statements in this regard.

9. OTHER CREDITORS AND ACCRUALS

	Note	2011	2010
		------ (Rupees in '000) ------	
Federal excise duty and sales tax		**21,177**	18,954
Federal insurance fee		**1,242**	841
Workers' Welfare Fund		**17,858**	32,173
Tax deducted at source		**571**	2,218
Premiums and commissions payable		**329,217**	292,720
Payable to Commercial General Union Insurance International (CGUII)	9.1	**7,428**	7,428
Claims payable		**4,237**	79
Miscellaneous		**12,805**	16,236
		394,535	370,649

9.1 This represents CGUII share under the acquisition agreement made in 2002, of the amount recovered against pre acquisition claim recoverable, after adjustment of certain receivables.

10. DEPOSITS AND OTHER PAYABLES

	2011	2010
Advance rent	**29,734**	28,656
Security deposits against bond insurance	**541,110**	368,732
Other deposits	**92**	92
	570,936	397,480

11. CONTINGENCIES

Contingencies in respect of income tax amounted to Rs.14.7 million (2010: Rs.65.40 million) at the year end (refer note 8.6).

12. CASH AND BANK DEPOSITS

	Note	2011	2010
		------ (Rupees in '000) ------	
Cash and other equivalents			
Cash		**100**	266
Policy stamps and bond papers in hand		**4,248**	3,727
		4,348	3,993
Current and other accounts			
Current accounts		**204,120**	210,994
PLS savings accounts		**645,645**	658,396
		849,765	869,390
Deposits maturing within 12 months			
Term deposit certificates - local currency	12.1 & 12.2	**26,400**	101,400
Term deposit certificates - foreign currency	12.3	**36,848**	-
		63,248	101,400
Deposit with State Bank of Pakistan	12.4	**50,000**	-
		967,361	974,783

12.1 The rate of return on term deposit certificates issued by various banks range from 11.25% to 12.75% per annum (2010: 9.50% to 12.75% per annum) due on maturity. These term deposit certificates have maturities upto July 15, 2012.

12.2 Included herein is a sum of Rs.0.30 million (2010: Rs.0.30 million) placed under lien with a commercial bank.

12.3 The rate of return on these term deposit certificates is 1.25% (2010: Nil) per annum due on maturity. These term deposit certificates have maturities upto February 21, 2012.

12.4 This represents amount deposited with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

13. LOANS TO EMPLOYEES

	Note	2011	2010
Considered good			
Secured	13.1	**1,390**	1,249
Unsecured	13.2	**426**	260
		1,816	1,509
Less: Current portion	21	**967**	718
		849	791

13.1 These represent loans provided to employees for the purchase of motor vehicles at the mark-up rate of 6% per annum (2010: 6% per annum) and are recoverable in four to five years. These are secured against motor vehicles.

13.2 These represents interest free loans to employees for general purposes in accordance with the terms of their employment and are recoverable within one year.

13.3 The maximum amount due from executives calculated with reference to month-end balances was Rs.Nil (2010: Rs.Nil).

	Note	2011	(Restated) 2010
		------ (Rupees in '000) ------	
14. INVESTMENTS			
In related parties			
Investment in an associate - equity method accounting	14.1	**81,907**	69,041
Available for sale - quoted equity securities / mutual funds	14.4.1	**554,079**	404,079
		635,986	473,120
Others			
Held to maturity			
Government securities	14.2	**298,633**	375,654
Term finance certificates - quoted	14.3	**83,479**	73,233
Available-for-sale			
Quoted equity securities / mutual funds	14.4.2	**3,916,715**	2,784,648
Unquoted equity securities			
- Matiari Sugar Mills Limited [715,000 shares (2010: 715,000 shares)]		**2,500**	2,500
		4,301,327	3,236,035
		4,937,313	3,709,155

14.1 Investment in an associate under equity method

14.1.1 Particulars of investment in associate - listed

Number of shares 2011	Number of shares 2010	Face value per share (Rupees)	Name of associate	2011	2010
4,032,766	4,032,766	10	Jubilee Life Insurance Company Limited (Formerly New Jubilee Life Insurance Company Limited) incorporated in Pakistan (Chief Executive: Javed Ahmed)	**81,907**	69,041

Market value of investment and percentage of holding in associate are Rs.251.60 million and 6.43% respectively (2010: Rs.185.87 million and 6.43%).

14.1.2 Movement of investment in associate

	2011	2010
Beginning of the year	**69,041**	64,071
Share in profit upto September 30	**18,916**	9,003
Less: Dividend received	**(6,050)**	(4,033)
	12,866	4,970
Closing balance	**81,907**	69,041

14.1.3 Following information has been summarised based on financial statements as at September 30, 2011 (2010: September 30, 2010) of the associate:

	2011	2010
Total assets	**14,455,998**	9,986,776
Total liabilities	**13,182,256**	9,432,444
Net assets	**1,273,742**	554,332
Share of net assets	**81,907**	35,645
Revenue	**5,763,167**	4,101,728
Profit after tax	**217,937**	70,539

14.2 Government securities

Face value (Rupees)	Profit rate %	Profit payment	Particulars	Maturity date	2011	2010
					------ (Rupees in '000) ------	
50,000,000	10	Semi annually	Pakistan Investment Bond - 20 years	20-01-2024	**57,467**	57,824
50,000,000	11.5	Semi annually	Pakistan Investment Bond - 5 years	18-08-2016	**48,268**	-
50,000,000	12	Semi annually	Pakistan Investment Bond - 10 years	24-12-2011	**-**	51,728
22,500,000	14	Semi annually	Pakistan Investment Bond - 10 years	18-04-2011	**-**	22,938
40,000,000	11.83	On maturity	Treasury Bills	23-08-2012	**37,138**	-
160,000,000	11.82	On maturity	Treasury Bills	22-03-2012	**155,760**	-
150,000,000	12.81	On maturity	Treasury Bills	10-02-2011	**-**	145,605
35,000,000	13.21	On maturity	Treasury Bills	24-03-2011	**-**	33,968
35,000,000	13.42	On maturity	Treasury Bills	30-06-2011	**-**	32,805
35,000,000	13.73	On maturity	Treasury Bills	30-12-2011	**-**	30,786
					298,633	375,654

14.2.1 Market value of Pakistan Investment Bonds is Rs.88.41 million (2010: Rs.109.29 million) and of Treasury Bills is Rs.192.89 million (2010: Rs.243.91 million).

14.2.2 Pakistan Investment Bonds with face value to Rs.100.00 million (2010: Rs.80.00 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.

14.3 Term Finance Certificates - quoted

Number of certificates 2011	Number of certificates 2010	Face value per certificate (Rupees)	Type of security	2011	2010
				------ (Rupees in '000) ------	
10,000	10,000	5,000	Bank Al Habib Limited	**49,910**	49,930
5,056	5,056	5,000	United Bank Limited	**23,569**	23,303
2,000	-	5,000	Orix Leasing Pakistan Limited	**10,000**	-
				83,479	**73,233**

14.3.1 Market value of quoted term finance certificates is Rs.86.96 million (2010: Rs.73.81 million). The market values are determined as per rates quoted by Mutual Funds Association of Pakistan as on December 31, 2011.

14.3.2 Details of term finance certificates are as follows:

Particulars	Profit rate per annum	Profit payment	Maturity date
Bank Al Habib Limited	6 months KIBOR plus 1.95% per annum	Semi-annually	06-02-2015
United Bank Limited	6 months KIBOR plus 0.85% per annum	Semi-annually	14-02-2018
Orix Leasing Pakistan Limited	3 months KIBOR plus 2.15% per annum	Quarterly	30-06-2014

14.4 Available-for-sale securities / mutual funds - quoted

14.4.1 In related parties

Number of shares / certificates / units 2011	Number of shares / certificates / units 2010	Face value per share / certificate / unit (Rupees)	Name of entity	2011 (Rupees in '000)	2010 (Rupees in '000)
			Open-end mutual funds		
4,847,343	3,453,843	100	HBL Money Market Fund	**500,000**	350,000
			Banks		
1,048,924	953,568	10	Habib Bank Limited	**54,079**	54,079
				554,079	404,079

14.4.2 Others

Number of shares / certificates / units 2011	Number of shares / certificates / units 2010	Face value per share / certificate / unit (Rupees)	Name of entity	2011 (Rupees in '000)	2010 (Rupees in '000)
			Open-end mutual funds		
166,742	100,000	100	JS Large Capital Fund	**2,300**	2,300
50,685,369	25,435,053	10	ABL Cash Fund	**500,000**	250,000
-	587,839	10	ABL Income Fund	**-**	5,419
419,991	238,603	500	Atlas Money Market Fund	**198,365**	119,446
4,994,661	2,039,798	100	Askari Sovereign Cash Fund	**500,000**	207,138
2,033,117	1,936,896	10	BMA Empress Cash Fund	**20,000**	20,000
-	49,480	100	First Habib Income Fund	**-**	4,717
998,001	451,062	100	Faysal Saving Growth Fund	**100,000**	44,748
3,777,718	2,832,326	100	IGI Money Market Fund	**370,000**	275,566
505,387	-	100	Lakson Income Fund	**50,000**	-
30,894	521,343	100	Lakson Money Market Fund	**2,613**	50,000
3,906,771	3,537,670	100	MCB Cash Management Optimizer	**400,000**	360,824
-	185,069	50	Meezan Cash Fund	**-**	8,476
1,997,881	1,492,650	50	Meezan Sovereign Fund	**100,000**	75,000
2,490,387	-	10	NAFA Financial Securities Income Fund	**25,000**	-
35,969,386	15,216,303	10	NAFA Government Securities Liquid Fund	**350,000**	155,009
-	2,866,287	10	NAFA Islamic Multi-Asset Fund	**-**	25,000
-	9,168,957	10	NAFA Multi-Asset Fund	**-**	100,000
-	624,825	10	NIT Government Bond Fund	**-**	6,104
2,223,882	5,100,708	50	Pakistan Cash Management Fund	**110,000**	253,955
421,035	-	100	PICIC Cash Fund	**40,000**	-
400,353	-	100	PICIC Income Fund	**40,000**	-
1,048,673	1,000,000	10	Pakistan Strategic Allocation Fund	**2,280**	2,280
5,055,057	3,189,828	100	UBL Liquidity Plus Fund	**500,000**	307,036
			Equity investment instruments		
500,000	500,000	10	PICIC Growth Fund	**2,797**	2,797
1,881,379	1,881,379	10	PICIC Investment Fund	**3,825**	3,825
1,297,972	1,297,972	10	Standard Chartered Modaraba	**8,839**	8,839
3,969,000	3,969,000	5	First Habib Modaraba	**22,515**	22,515
			Financial services		
362,323	362,323	10	Orix Leasing Pakistan Limited	**2,300**	6,219

Number of shares / certificates / units 2011	2010	Face value per share / certificate / unit (Rupees)	Name of entity	2011	2010
				--- (Rupees in '000) ---	
			Banks		
212,700	196,350	10	Allied Bank Limited	**9,404**	5,083
402,134	-	10	Bank Al Habib Limited	**12,032**	-
-	224,630	10	The Bank of Punjab Limited	**-**	2,964
616,537	548,033	10	Faysal Bank Limited	**4,570**	4,570
692,187	553,750	10	National Bank of Pakistan Limited	**20,223**	20,223
2,290,486	2,290,486	10	NIB Bank Limited	**3,963**	10,680
329,400	292,800	10	Soneri Bank Limited	**1,285**	2,618
270,000	181,441	10	United Bank Limited	**13,073**	6,038
			Personal goods		
31,566	31,566	10	Dewan Khalid Textile Mills Limited	**124**	124
68,889	168,889	10	Nishat Mills Limited	**2,116**	5,187
199,420	199,420	10	Service Industries Textiles Limited	**100**	180
62,106	62,106	10	Crescent Jute Products Limited	**34**	34
			General industrials		
291,490	242,909	5	Thal Limited	**16,458**	16,458
			Tobacco		
234,909	234,909	10	Pakistan Tobacco Company Limited	**24,081**	24,081
			Electricity		
3,246,710	2,261,210	10	The Hub Power Company Limited	**106,165**	57,579
933,893	933,893	10	Kot Addu Power Company Limited	**33,454**	33,454
			Oil and gas		
225,000	180,000	10	Pakistan State Oil Company Limited	**66,942**	53,774
32,274	137,000	10	Pakistan Oil Fields Limited	**5,936**	20,465
165,602	255,093	10	Pakistan Petroleum Limited	**19,364**	31,444
			Industrial metal and mining		
2,312,706	1,312,706	10	International Industries Limited	**71,951**	19,346
			Industrial engineering		
42,160	42,160	10	Hinopak Motors Limited	**9,568**	9,568
300,000	300,000	10	Millat Tractors Limited	**15,452**	15,452
			Automobile and parts		
-	49,519	10	Indus Motor Company Limited	**-**	6,764
			Fixed line telecommunication		
2,322,400	1,332,400	10	Pakistan Telecommunication Company Limited (A)	**35,777**	24,028
			Chemicals		
924,820	1,026,125	10	Fauji Fertilizer Company Limited	**73,446**	88,525
72,596	-	10	Engro Corporation Limited	**10,399**	-
400,000	-	10	Lotte Pakistan PTA Limited	**6,000**	-
			Forestry and paper		
304,900	304,900	10	Century Paper & Board Mills Limited	**3,964**	8,796
				3,916,715	2,784,648

14.4.3 Market value of quoted available-for-sale investments is Rs.4,796.17 million (2010: Rs.3,701.95 million).

15. INVESTMENT PROPERTIES

2011

	Cost			Depreciation			Written down value as at December 31, 2011	Useful life
	As at January 01, 2011	Additions	As at December 31, 2011	As at January 01, 2011	For the year	As at December 31, 2011		
	---- (Rupees in '000) ----							
Leasehold land	**34,164**	**-**	**34,164**	**-**	**-**	**-**	**34,164**	**-**
Building on leasehold land	**107,202**	**3,849**	**111,051**	**10,344**	**3,019**	**13,363**	**97,688**	**40-80 years**
Lifts and other installations	**25,830**	**-**	**25,830**	**10,405**	**2,512**	**12,917**	**12,913**	**10 years**
	167,196	**3,849**	**171,045**	**20,749**	**5,531**	**26,280**	**144,765**	

2010

	Cost			Depreciation			Written down value as at December 31, 2010	Useful life
	As at January 01, 2010	Additions	As at December 31, 2010	As at January 01, 2010	For the year	As at December 31, 2010		
	---- (Rupees in '000) ----							
Leasehold land	34,164	-	34,164	-	-	-	34,164	-
Building on leasehold land	105,433	1,769	107,202	7,530	2,815	10,345	96,857	40-80 years
Lifts and other installations	25,486	344	25,830	7,900	2,505	10,405	15,425	10 years
	165,083	2,113	167,196	15,430	5,320	20,750	146,446	

15.1 The market value of the investment properties as per valuations carried out by professional valuers in 2011 is Rs.1,591.09 million (2010: Rs.1,408.14 million).

	Note	2011	(Restated) 2010
		------ (Rupees in '000) ------	
16. DEFERRED TAXATION			
Deferred tax debits / (credits) arising in respect of:			
Accelerated depreciation		**(10,313)**	(9,771)
Provision for doubtful debts		**49,907**	49,907
Share of profit from associate		**(3,361)**	(3,753)
		36,233	36,383
17. PREMIUMS DUE BUT UNPAID			
Unsecured			
Considered good		**821,123**	814,446
Considered doubtful		**137,961**	137,961
		959,084	952,407
Less: Provision for doubtful balances	17.1	**137,961**	137,961
		821,123	814,446

	Note	2011	2010
		------ (Rupees in '000) ------	

17.1 Provision for doubtful balances

	Note	2011	2010
Opening balance		**137,961**	70,274
Provision made during the year	24	**-**	67,687
		137,961	137,961

18. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Unsecured

	Note	2011	2010
Considered good		**76,994**	144,218
Considered doubtful		**4,631**	4,631
		81,625	148,849
Less: Provision for doubtful balances	18.1	**4,631**	4,631
		76,994	144,218

18.1 Provision for doubtful balances

	Note	2011	2010
Opening balance		**4,631**	54,459
Less: Transferred to other income on receipt of cash		**-**	(8,545)
Less: Amount written off		**-**	(41,283)
		4,631	4,631

19. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered good.

20. PREPAYMENTS

	Note	2011	2010
Prepaid reinsurance premium ceded		**849,815**	631,771
Rent		**10,450**	9,331
Miscellaneous expenses		**2,736**	1,934
		863,001	643,036

21. SUNDRY RECEIVABLES

	Note	2011	2010
Current portion of long-term loans	13	**967**	718
Advances to suppliers and contractors - considered good		**8,350**	1,874
Rent receivable		**1,658**	1,605
Security deposits		**7,342**	6,168
Sales tax recoverable		**2,183**	1,651
Medical claim recoverable		**5,365**	2,186
Other advances - considered good		**4,701**	5,549
Receivable against sale of shares		**-**	32,936
		30,566	52,687

22. FIXED ASSETS - Tangible and intangible

		Furniture, fixtures and office equipment						
	Building	Furniture and fixtures	Office equipment	Computer equipment	Sub total	Motor vehicles	Computer software	Total
	(Rupees in '000)							
As at January 01, 2011								
Cost	6,875	55,678	96,627	35,968	188,273	8,454	9,852	213,454
Accumulated depreciation	(250)	(29,444)	(47,690)	(27,818)	(104,952)	(3,542)	(7,198)	(115,942)
Net book value as at January 01, 2011	6,625	26,234	48,937	8,150	83,321	4,912	2,654	97,512
For the year ended December 31, 2011								
Opening net book value	6,625	26,234	48,937	8,150	83,321	4,912	2,654	97,512
Additions	-	7,720	16,329	3,936	27,985	1,563	1,199	30,747
Disposals								
- Cost	-	(2,982)	(10,335)	(32)	(13,349)	(1,722)	-	(15,071)
- Accumulated depreciation	-	2,578	7,578	9	10,165	265	-	10,430
	-	(404)	(2,757)	(23)	(3,184)	(1,457)	-	(4,641)
Depreciation charge	(235)	(6,617)	(11,972)	(2,992)	(21,581)	(752)	(1,126)	(23,694)
Net book value as at December 31, 2011	6,390	26,933	50,537	9,071	86,541	4,266	2,727	99,924
As at December 31, 2011								
Cost	6,875	60,416	102,621	39,872	202,909	8,295	11,051	229,130
Accumulated depreciation	(485)	(33,483)	(52,084)	(30,801)	(116,368)	(4,029)	(8,324)	(129,206)
Net book value as at December 31, 2011	6,390	26,933	50,537	9,071	86,541	4,266	2,727	99,924
Annual rate of depreciation	3%	17%	17% - 25%	25%		20%	20%	

	Building	Furniture, fixtures and office equipment: Furniture and fixtures	Office equipment	Computer equipment	Sub total	Motor vehicles	Computer software	Total
	(Rupees in '000)							
As at January 01, 2010								
Cost	5,308	54,877	90,164	34,148	179,189	9,097	8,896	202,490
Accumulated depreciation	(15)	(23,376)	(37,477)	(24,575)	(85,428)	(4,281)	(6,217)	(95,941)
Net book value as at January 01, 2010	5,293	31,501	52,687	9,573	93,761	4,816	2,679	106,549
For the year ended December 31, 2010								
Opening net book value	5,293	31,501	52,687	9,573	93,761	4,816	2,679	106,549
Addition	1,567	2,415	10,697	1,835	14,947	1,721	956	19,191
Disposals								
- Cost	-	(1,613)	(4,104)	(75)	(5,792)	(2,285)	-	(8,077)
- Accumulated depreciation	-	639	2,348	46	3,033	1,365	-	4,398
	-	(974)	(1,756)	(29)	(2,759)	(920)	-	(3,679)
Adjustment								
- Cost	-	(1)	(130)	60	(71)	(79)	-	(150)
- Accumulated depreciation	-	1	(4)	-	(3)	33	-	30
	-	-	(134)	60	(74)	(46)	-	(120)
Depreciation charge	(235)	(6,708)	(12,557)	(3,289)	(22,554)	(659)	(981)	(24,429)
Net book value as at December 31, 2010	6,625	26,234	48,937	8,150	83,321	4,912	2,654	97,512
As at December 31, 2010								
Cost	6,875	55,678	96,627	35,968	188,273	8,454	9,852	213,454
Accumulated depreciation	(250)	(29,444)	(47,690)	(27,818)	(104,952)	(3,542)	(7,198)	(115,942)
Net book value as at December 31, 2010	6,625	26,234	48,937	8,150	83,321	4,912	2,654	97,512
Annual rate of depreciation	3%	17%	17% - 25%	25%		20%	20%	

22.1 Disposal of tangible assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of buyers
	---------------------- (Rupees in '000) ----------------------						
Disposal of tangible assets during the year having book value exceeding Rs.50,000							
Motor vehicles	800	120	680	847	167	Negotiation	Muhammad Sabir, Karachi
	850	102	748	1023	275	Negotiation	Mobin Ahmed Khan, Karachi
Disposal of tangible assets during the year having book value upto Rs.50,000							
Furniture and fixtures	2,982	2,578	404	176	(228)	Negotiation	Various
Office equipment, electrical installations, trakker and computers	10,367	7,587	2,780	2,664	(116)	Negotiation	Various
Motor vehicles	72	43	29	25	(4)	Negotiation	Various
	15,071	**10,430**	**4,641**	**4,735**	**94**		

23. ADMINISTRATIVE SURCHARGE

Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:

	Note	2011	2010
		------ (Rupees in '000) ------	
Fire and property damage		**9,712**	10,139
Marine, aviation and transport		**13,746**	11,681
Motor		**21,220**	18,850
Miscellaneous		**10,109**	14,220
		54,787	54,890

24. MANAGEMENT EXPENSES

	Note	2011	2010
Salaries, wages and benefits	24.1	**438,468**	401,843
Rent, taxes and electricity		**39,176**	39,900
Communications		**14,222**	13,693
Directors' fee and expenses		**1,360**	1,260
Printing and stationery		**14,824**	11,795
Travelling and entertainment		**22,474**	19,164
Auditors' remuneration	27.3	**260**	200
Legal and professional charges		**8,785**	4,462
Statutory levies		**9,463**	6,681
Annual monitoring fee for tracking devices		**13,660**	7,483
Inspection fee		**6,564**	3,686
Repairs and maintenance		**5,021**	5,446
Advertisement and sales promotion		**25,153**	5,810
Depreciation	22	**22,568**	23,448
Amortisation	22	**1,126**	981
Bad debts written off		**6,305**	538
Provision against doubtful balances	17.1	**-**	67,687
Insurance expense		**4,376**	4,409
Expenses on co-insurance policies		**5,852**	4,340
Motor vehicle running expenses		**2,290**	2,157
Other expenses		**10,536**	7,978
		652,483	632,961

24.1 These include Rs.10.47 million (2010: Rs.10.05 million) being contribution for employees' provident fund and Rs.11 million (2010: Rs.12.71 million) in respect of defined benefit plan.

25. RENTAL INCOME

	2011	2010
Rental revenue	**112,780**	103,541
Investment property related expenditure	**(18,505)**	(19,158)
	94,275	84,383

26. OTHER INCOME

	2011	2010
Income from financial assets / liabilities		
Exchange gain	**961**	490
Return on loans to employees	**89**	63
Creditors no longer considered payable written back	**1,407**	9,232
Receipt on account of acquisition	**-**	24,545
Others	**117**	463
Income from non-financial assets		
Gain / (loss) on sale of fixed assets	**94**	(607)
	2,668	34,186

27. GENERAL AND ADMINISTRATION EXPENSES

	Note	2011	2010
		------ (Rupees in '000) ------	
Legal and professional		**4,327**	1,928
Subscription		**493**	560
Registration fee		**276**	173
Insurance ombudsman		**392**	335
Workers' Welfare Fund	27.1	**16,149**	10,934
Charity and donations	27.2	**6,850**	2,920
Auditors' remuneration	27.3	**1,058**	1,323
Others		**1,202**	964
		30,747	19,137

27.1 Workers' Welfare Fund

	2011	2010
- for the year	**17,858**	10,934
- for prior years	**(1,709)**	-
	16,149	10,934

27.2 Donations made include the following in which a Director or spouse of a Director is interested.

Name and address of donee	Interested Director	Interest in donee	Note	2011	2010
				------ (Rupees in '000) ------	
Pakistan Centre of Philanthropy ST-14, F8/3, Islamabad, Pakistan	Towfiq H. Chinoy	Director		**834**	-

27.3 Auditors' remuneration

	Note	2011	2010
Audit fee		**400**	250
Interim review		**100**	75
Income tax advisory services		**-**	435
Special reports and certificates for various government agencies and sundry advisory services		**455**	450
Out of pocket expenses		**103**	113
	27	**1,058**	1,323
Federal excise duty / sales tax advisory services	24	**260**	200
		1,318	1,523

28. TAXATION - NET

	2011	2010
Current		
- for the year	**107,556**	103,870
- for prior years	**(11,984)**	-
	95,572	103,870
Deferred	**150**	(7,339)
	95,722	96,531

	2011	2010	2011	2010
	(Effective tax rate) ----- (Percentage) -----		------ (Rupees in '000) ------	
28.1 Relationship between tax expense and accounting profit				
Profit before taxation			**892,911**	546,682
Tax at the applicable rate of 35% (2010: 35%)	**35.00**	35.00	**312,519**	191,339
Tax effect of income subject to lower rate	**(5.75)**	(6.26)	**(51,358)**	(34,213)
Tax effect of expenses that are not allowable in determining taxable income	**1.20**	1.81	**10,689**	9,898
Tax effect of income exempt from tax	**(18.38)**	(12.89)	**(164,144)**	(70,493)
Effect of change in prior years tax	**(1.34)**	-	**(11,984)**	-
	10.72	17.66	**95,722**	96,531

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, associates, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 31 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2011	2010
Companies having common directorship	------ (Rupees in '000) ------	
Insurance premium:		
- Balance at beginning of the year	**244,085**	244,680
- Insurance premium written (including government levies administrative surcharge and policy stamps)	**354,594**	315,070
- Received / adjusted during the year	**(297,673)**	(315,665)
- Balance at end of the year	**301,006**	244,085
Insurance commission expense	**530**	692
Insurance claims expense	**260,384**	113,813
Outstanding claims	**222,348**	157,470
Purchases of goods and services	**5,705**	5,333
Dividend received	**11,314**	9,127
Dividend received from an associate	**6,050**	4,033
Dividend paid	**102,396**	127,996
Rent income	**28,209**	23,190
Investment in shares / mutual funds other than associate	**1,550,000**	366,834
Disposal of shares / mutual funds other than associate	**1,400,000**	-
Donations	**834**	-
Others		
Insurance premium:		
Balance at beginning of the year	**73**	31
Insurance premium written (including government levies administrative surcharge and policy stamps)	**198**	174
Received / adjusted during the year	**(149)**	(132)
Balance at end of the year	**122**	73
Insurance claims expense	**-**	(70)
Dividend paid	**5,927**	7,371
Contributions / provision for staff retirement benefit plans	**21,474**	22,767

30. EMPLOYEE BENEFITS

Defined benefit plan

The actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation of the plan:

- Discount rate 12.5% (2010: 13%) per annum.
- Expected rate of increase in the salaries of the employees 12.5% (2010: 13%) per annum.
- Expected interest rate on plan assets 13% (2010: 12%) per annum.
- Expected service length of the employees 14 years (2010: 15 years).

	Note	2011	2010
		------ (Rupees in '000) ------	
30.1 Asset / (liability) in balance sheet			
Present value of defined benefit obligation	30.3	**78,727**	71,169
Fair value of plan assets	30.4	**(88,688)**	(70,258)
Net actuarial gain / (losses) not recognised		**9,961**	(911)
		-	-
30.2 Movement in asset / (liability) during the year			
Opening balance		**-**	-
Charge to profit and loss account		**11,006**	12,714
Contributions to the Fund during the year		**(11,006)**	(12,714)
Closing balance		**-**	-
30.3 Reconciliation of the present value of the defined benefit obligations			
Present value of obligation as at January 01		**71,169**	60,817
Current service cost		**10,888**	12,069
Interest cost		**9,252**	7,298
Benefits paid		**(3,194)**	(4,108)
Actuarial gain		**(9,388)**	(4,907)
Present value of obligation as at December 31		**78,727**	71,169
30.4 Changes in fair value of plan assets			
Fair value of plan assets as at January 01		**70,258**	55,445
Expected return on plan assets		**9,134**	6,653
Contribution to the Fund		**11,006**	12,714
Benefits paid		**(3,194)**	(4,108)
Actuarial gain / (loss)		**1,484**	(446)
Fair value of plan assets as at December 31		**88,688**	70,258

30.5 Charge for the defined benefit plan

	2011	2010
	----- (Rupees in '000) -----	
Current service cost	**10,888**	12,069
Interest cost	**9,252**	7,298
Expected return on plan assets	**(9,134)**	(6,653)
	11,006	12,714

30.6 Actual return on plan assets

	2011	2010
Expected return on assets	**9,134**	6,653
Actuarial gain / (loss)	**1,484**	(446)
	10,618	6,207

30.7 Composition of fair value of plan assets

	2011		2010	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Debt instruments	**75,659**	**85.31%**	55,473	78.96%
Equity instruments	**17**	**0.02%**	17	0.02%
Others	**13,012**	**14.67%**	14,768	21.02%
Fair value of plan net assets	**88,688**		70,258	

30.8 Historical data

	2011	2010	2009	2008	2007
	---------------------- (Rupees in '000) ----------------------				
Present value of defined benefit obligations	**78,727**	71,169	60,817	52,504	38,922
Fair value of plan assets	**(88,688)**	(70,258)	(55,445)	(43,503)	(35,427)
(Surplus) / deficit	**(9,961)**	911	5,372	9,001	3,495
Experience adjustments					
- Actuarial (gain) / loss on obligation	**(9,388)**	(4,908)	(9,290)	4,783	1,102
- Actuarial gain / (loss) on assets	**1,484**	(446)	5,910	(723)	748

30.9 The estimated contribution to the Fund for the year ending December 31, 2012 is Rs.10.06 million.

31. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	-- (Rupees in '000) --							
Director fees	**-**	-	**1,360**	1,260	**-**	-	**1,360**	1,260
Managerial remuneration - including bonus	**10,454**	8,760	**-**	-	**64,654**	64,666	**75,108**	73,426
Staff retirement benefits	**710**	590	**-**	-	**2,962**	3,034	**3,672**	3,624
House rent allowance	**2,557**	2,124	**-**	-	**23,607**	20,943	**26,164**	23,067
Utilities allowance	**852**	708	**-**	-	**5,388**	5,327	**6,240**	6,035
Medical expenses	**37**	56	**-**	-	**2,096**	2,185	**2,133**	2,241
Leave passage / assistance	**-**	500	**-**	-	**308**	242	**308**	742
Vehicle allowance	**1,591**	1,591	**-**	-	**26,341**	25,669	**27,932**	27,260
Others	**618**	667	**-**	-	**12,941**	9,967	**13,559**	10,634
	16,819	14,996	**1,360**	1,260	**138,297**	132,033	**156,476**	148,289
Number of persons	**1**	1	**8**	8	**55**	53	**64**	62

In addition, the managing director and some of the executives are provided with certain items of household furniture, fixtures and equipment in accordance with their entitlements.

32. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2011 and December 31, 2010, unallocated capital expenditure and non-cash expenses during the year:

	Fire		Marine		Motor		Liability		Accident and health		Miscellaneous		Total	(Restated)
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)													
SEGMENT ASSETS														
Segment assets	**681,071**	593,819	**236,269**	245,257	**220,322**	212,262	**110,501**	141,890	**99,324**	111,624	**1,386,690**	1,357,496	**2,734,177**	2,662,348
Unallocated corporate assets													**6,240,658**	5,039,710
Consolidated total assets													**8,974,835**	7,702,058
SEGMENT LIABILITIES														
Segment liabilities	**1,249,994**	1,031,596	**472,795**	438,921	**710,126**	634,049	**137,734**	142,636	**377,364**	318,181	**1,783,460**	1,698,247	**4,731,473**	4,263,630
Unallocated corporate liabilities													**700,493**	534,553
Consolidated total liabilities													**5,431,966**	4,798,183
Depreciation / amortisation	**5,768**	6,031	**4,420**	4,261	**5,966**	6,217	**406**	331	**4,103**	4,341	**3,031**	3,248	**23,694**	24,429
Non-cash expenses other than depreciation / amortisation	**1,535**	16,843	**1,176**	11,901	**1,587**	17,362	**108**	924	**1,092**	12,123	**807**	9,072	**6,305**	68,225
Unallocated capital expenditure													**34,596**	21,304

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

33.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

33.1.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. 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 information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

		2011					
		Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	
	Effective rate % per annum	Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total		Total
		(Rupees in '000)					
Financial assets							
Cash and bank deposits	1.25 - 12.75	**722,045**	**-**	**-**	**722,045**	**208,468**	**930,513**
Loans to employees	6	**-**	**849**	**-**	**849**	**-**	**849**
Investments	10 - 15.64	**192,898**	**108,178**	**81,036**	**382,112**	**4,555,201**	**4,937,313**
Premiums due but unpaid		**-**	**-**	**-**	**-**	**821,123**	**821,123**
Amounts due from other insurers / reinsurers		**-**	**-**	**-**	**-**	**76,994**	**76,994**
Reinsurance recoveries due but unpaid		**-**	**-**	**-**	**-**	**50,504**	**50,504**
Accrued investment income		**-**	**-**	**-**	**-**	**10,460**	**10,460**
Reinsurance recoveries against outstanding claims		**-**	**-**	**-**	**-**	**746,168**	**746,168**
Sundry receivables	6	**541**	**-**	**-**	**541**	**21,675**	**22,216**
		915,484	**109,027**	**81,036**	**1,105,547**	**6,490,593**	**7,596,140**
Financial liabilities							
Provision for outstanding claims		**-**	**-**	**-**	**-**	**1,832,124**	**1,832,124**
Amounts due to other insurers / reinsurers		**-**	**-**	**-**	**-**	**506,764**	**506,764**
Accrued expenses		**-**	**-**	**-**	**-**	**27,951**	**27,951**
Other creditors and accruals		**-**	**-**	**-**	**-**	**353,687**	**353,687**
Deposits and other payables		**-**	**-**	**-**	**-**	**541,202**	**541,202**
Unclaimed dividend		**-**	**-**	**-**	**-**	**24,820**	**24,820**
		-	**-**	**-**	**-**	**3,286,548**	**3,286,548**
Interest risk sensitivity gap		**915,484**	**109,027**	**81,036**	**1,105,547**	**3,204,045**	**4,309,592**
Cumulative interest risk sensitivity gap		**915,484**	**1,024,511**	**1,105,547**			

	Effective rate % per annum	2010 Interest / mark-up bearing financial instruments: Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	Total
		------------------------------------- (Rupees in '000) -------------------------------------					
							(Restated)
FINANCIAL ASSETS							
Cash and bank deposits	4.88 to 11.50	759,796	-	-	759,796	214,987	974,783
Loans to employees	6	-	791	-	791	-	791
Investments	10 to 14.34	317,830	49,930	81,127	448,887	3,260,268	3,709,155
Premiums due but unpaid		-	-	-	-	814,446	814,446
Amounts due from other insurers / reinsurers		-	-	-	-	144,218	144,218
Reinsurance recoveries due but unpaid		-	-	-	-	68,500	68,500
Accrued investment income		-	-	-	-	10,688	10,688
Reinsurance recoveries against outstanding claims		-	-	-	-	841,018	841,018
Sundry receivables	6	458	-	-	458	50,355	50,813
		1,078,084	50,721	81,127	1,209,932	5,404,480	6,614,412
FINANCIAL LIABILITIES							
Provision for outstanding claims		-	-	-	-	1,879,570	1,879,570
Amounts due to other insurers / reinsurers		-	-	-	-	348,506	348,506
Accrued expenses		-	-	-	-	18,347	18,347
Other creditors and accruals		-	-	-	-	316,463	316,463
Deposits and other payables		-	-	-	-	368,824	368,824
Unclaimed dividend		-	-	-	-	22,022	22,022
		-	-	-	-	2,953,732	2,953,732
Interest risk sensitivity gap		1,078,084	50,721	81,127	1,209,932	2,450,748	3,660,680
Cumulative interest risk sensitivity gap		1,078,084	1,128,805	1,209,932			

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
		-------------- (Rupees in '000) --------------	
December 31, 2011	**100**	**12,488**	**8,117**
	(100)	**(12,488)**	**(8,117)**
December 31, 2010	100	16,530	10,745
	(100)	(16,530)	(10,745)

33.1.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present, is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

33.1.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of December 31, 2011 and 2010. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manner.

	Fair value (Rupees in '000)	Price change	Effect on fair value (Rupees in '000)
December 31, 2011	**4,883,136**	**+5%**	**244,157**
		-5%	**(244,157)**
December 31, 2010	3,775,760	+5%	188,788
		-5%	(188,788)

33.1.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. 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 is maintained.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2011			
	With in one year	**year to five years**	**Over five years**	**Total**
	--------------------- (Rupees in '000) ---------------------			
FINANCIAL LIABILITIES				
Provision for outstanding claims	**1,832,124**	**-**	**-**	**1,832,124**
Amounts due to other insurers / reinsurers	**506,764**	**-**	**-**	**506,764**
Accrued expenses	**27,951**	**-**	**-**	**27,951**
Other creditors and accruals	**353,687**	**-**	**-**	**353,687**
Deposits and other payables	**541,202**	**-**	**-**	**541,202**
Unclaimed dividend	**24,820**	**-**	**-**	**24,820**
	3,286,548	**-**	**-**	**3,286,548**

	2010			
	With in one year	**year to five years**	**Over five years**	**Total**
	--------------------- (Rupees in '000) ---------------------			
FINANCIAL LIABILITIES				
Provision for outstanding claims	1,879,570	-	-	1,879,570
Amounts due to other insurers / reinsurers	348,506	-	-	348,506
Accrued expenses	18,347	-	-	18,347
Other creditors and accruals	316,463	-	-	316,463
Deposits and other payables	368,824	-	-	368,824
Unclaimed dividend	22,022	-	-	22,022
	2,953,732	-	-	2,953,732

33.1.3 Credit Risk

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

33.1.3.1 Concentration of credit risk and credit exposure of the financial instruments

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segment.

The Company is exposed to major credit risk on bank balances and deposits, Term Finance Certificates, premiums receivable from customers and co-insurers; and on commission and claim recoveries from re-insurers.

The credit quality of Company’s bank balances (excluding deposit of Rs.50 million held with the State Bank of Pakistan) can be assessed with reference to external credit ratings as follows:

Bank	Rating	Raging Agency	2011	2010
			------ (Rupees in '000) ------	
Habib Bank Limited	AA+	JCR-VIS	**242,718**	250,737
Soneri Bank Limited	AA-	PACRA	**254,316**	229,325
Faysal Bank Limited	AA	PACRA /JCR-VIS	**10,411**	13,483
Standard Chartered Bank (Pak) Limited	AAA	PACRA	**346,495**	336,972
Bank Al-Falah Limited	AA	PACRA	**756**	723
NIB Bank Limited	AA-	PACRA	**1,348**	102,307
Habib Metropolitan Bank Limited	AA+	PACRA	**74**	71
Silk Bank Limited	A-	JCR-VIS	**795**	-
The First Micro Finance Bank Limited	A+	JCR-VIS	**25,000**	-
United Bank Limited	AA+	JCR-VIS	**23,696**	28,620
MCB Bank Limited	AA+	PACRA	**2,625**	3,858
Dubai Islamic Bank Limited	A	JCR-VIS	**3,491**	3,594
Pak Oman MicroFinance Bank Limited	BBB+	JCR-VIS	**1,100**	1,100
Samba Bank Limited	A+	JCR-VIS	**188**	-
			913,013	970,790

The credit quality of Company's quoted equity securities and mutual funds can be assessed as follows:

Rating	2011	2010
	------ (Rupees in '000) ------	
A or above	**4,255,009**	2,865,097
others	**314,573**	392,671
	4,569,582	3,257,768

The credit quality of Company's exposure in TFCs can be assessed as follows:

Bank Al-Habib Limited	AA	PACRA	**49,930**	49,930
United Bank Limited	AA	JCR-VIS	**23,303**	23,303
Orix Leasing Pakistan Limited	AA+	PACRA	**10,000**	-
			83,233	73,233

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provision for doubtful receivables as disclosed in note 17.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 35.

34. 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 accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

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 Company's class wise major risk exposure is as follows:

Class	Maximum Gross Risk Exposure	
	2011	**2010**
	------ (Rupees in '000) ------	
Fire and property	**33,717,650**	14,569,893
Marine, aviation and transport	**2,241,068**	1,735,493
Motor	**39,390**	45,000
Liability	**4,454,800**	4,441,900
Accident and health	**7,692,686**	6,726,328
Miscellaneous	**3,678,250**	3,672,150

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions. As the major reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures is not quantifiable.

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. For the estimation of provision of claims IBNR, the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim lag triangle method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of claims incurred but not reported.

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:

Class	Assumed net loss ratio 2011	Assumed net loss ratio 2010
Fire and property	**48%**	51%
Marine, aviation and transport	**47%**	43%
Motor	**61%**	63%
Liability	**3%**	35%
Accident and health	**80%**	77%
Miscellaneous	**76%**	70%

Sensitivities

The insurance claim liabilities are sensitive to the incidence of insured events and severity/size of claims. The impact of variation in incidence of insured events on gross claim liabilities, net claim liabilities, profit before tax and equity is as follows:

Average claim cost	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		(Rupees in '000)			
2011	**+ 10%**	**208,988**	**169,775**	**166,446**	**108,190**
2010	+ 10%	229,177	167,447	164,164	106,707

Claim 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.

35. REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognised 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 assets	2011	2010
	(Rupees in '000)				
Rating					
A or above including Pakistan Reinsurance Company Limited	**58,600**	**662,566**	**47,910**	**769,076**	1,027,169
BBB	**15,707**	**27,878**	**1,128**	**44,713**	20,411
Others	**2,687**	**55,724**	**1,466**	**59,877**	6,156
	76,994	**746,168**	**50,504**	**873,666**	1,053,736

36. CAPITAL MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to Ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for investments in associate, held to maturity and available-for-sale securities having fair value of Rs.5,416.03 million (December 31, 2010: Rs.4,314.83 million).

38. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2011	2010
	(Rupees in '000)	
Profit after tax for the year	**797,189**	450,151
	(Number of shares in '000)	
Weighted average number of shares of Rs.10 each	**98,872**	98,872
	(Rupees)	
Earnings per share of Rs.10 each - basic and diluted	**8.06**	4.55

38.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

39. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on February 14, 2012 has announced a final cash dividend in respect of the year ended December 31, 2011 @ Rs.3.0 per share of Rs.10 each (30%) [December 31, 2010: Rs.2.0 per share of Rs.10 each (20%)] and bonus shares @ 20% (December 31, 2010: 25%). In addition, the Board of Directors has approved the transfer of Rs.100 million (December 31, 2010: Rs.Nil) to special reserve and Rs.230 million (December 31, 2010: Rs.100 million) to general reserve from unappropriated profit. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

40. AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on February 14, 2012.

41. GENERAL

All figures have been rounded off to the nearest thousand of rupees.

Chairman	Director	Director	Managing Director (Chief Executive)