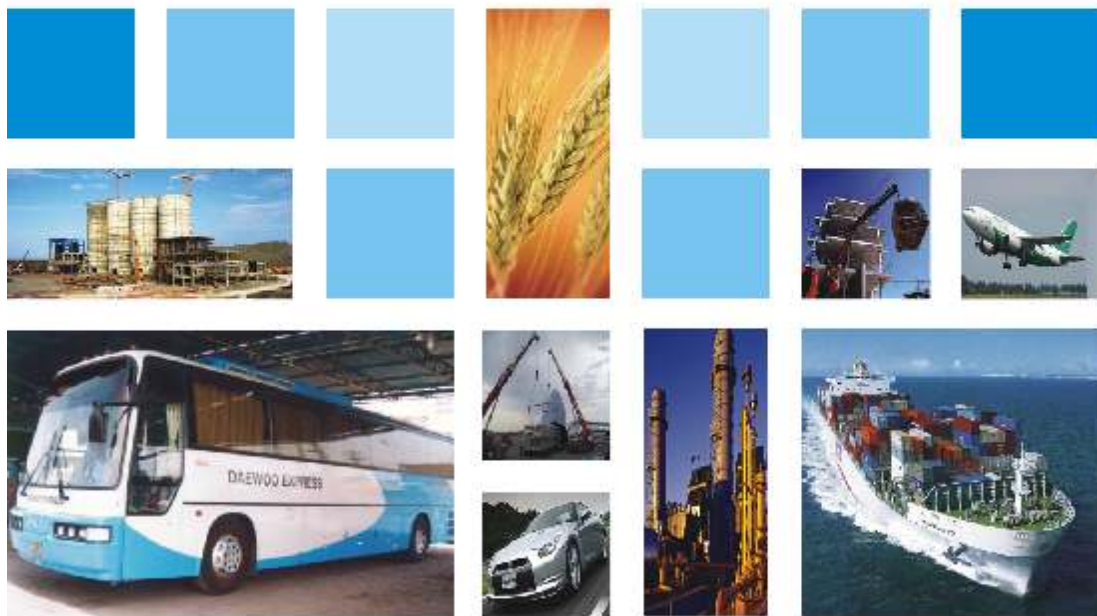




**52<sup>nd</sup>**

**2011**  
**Annual Report**



**The Universal Insurance Co. Ltd.**



# vision statement



*We, at Universal Insurance Company Limited recognize the importance of satisfying our customers by consistently providing quality insurance services in accordance with their needs and expectations. We strive to be competent partner of our customers against insured perils.*

# Mission Statement Quality Policy



*We strive to provide our customers cost effective insurance cover by continually increasing the productivity of our employees. To increase productivity, we conduct regular training programs during which employees are assessed and allocated a career path in accordance with their performance.*

*We diligently follow the applicable laws and ensure strict compliance by conducting regular internal audits and educating our employees about the law.*

*We try to improve our services by continually assessing our systems and procedures based on customers and team feedback. We strive to maintain a customer focused approach by ensuring that our service is delivered to the customer on time, according to the customer required specifications and within our stipulated cost.*

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# Corporate Information



<b>Board of Directors</b>	<b>Mr. Raza Kuli Khan Khattak</b> (Chairman)
	Lt. GEN (R) Ali Kuli Khan Khattak
	Mr. Ahmed Kuli Khan Khattak
	Begum Zeb Goher Ayub Khan (Chief Executive)
	Mrs. Shahnaz Sajjad Ahmed
	Dr. Shaheen Kuli Khan Khattak
	Mr. Mushtaq Ahmed Khan F.C.A.
	Ch. Sher Mohammad
<b>Principal Officer</b>	Mr. Muhammad Rafiq Chaudhry
<b>Chief Operating Officer</b>	Mr. Omar Ayub Khan
<b>Chief Financial Officer</b>	Mr. Amir Raza
<b>Company Secretary</b>	Mr. Ijaz Ahmed
<b>Internal Auditor</b>	Mr. Abdul Waheed Chaudhry
<b>Auditors</b>	M/S. Riaz Ahmed & Company Chartered Accountants
<b>Legal Advisor</b>	Mr. Maqsood Hasan Advocate
<b>Share Registrar</b>	M/S Hameed Majeed Associates (Pvt) Ltd. H.M House, 7-Bank Square, Lahore Phone # 042-37235091-82 Fax: # 042-37358817
<b>Registered Office:</b>	Universal Insurance House 63-Shahrah-e-Quaid-e-Azam Lahore, 54000 Pakistan. Ph: 042-37353453-37353458 Fax: 042-37230326 Web: <a href="http://www.uic.com.pk">www.uic.com.pk</a> Email: <a href="mailto:info@uic.com.pk">info@uic.com.pk</a>



## BOARD & MANAGEMENT COMMITTEES

- 1. Directors Executive Board**  
Begum Zeb Gohar Ayub Khan  
Lt. Gen (R) Ali Kuli Khan Khattak  
Mr. Ahmed Kuli Khan Khattak  
Mr. Mushtaq Ahmed Khan F.C.A.  
Chairperson  
Member  
Member  
Member
- 2. Audit Committee:-**  
Lt. Gen (R) Ali Kuli Khan Khattak  
Mr. Ahmed Kuli Khan Khattak  
Mr. Mushtaq Ahmed Khan F.C.A.  
Ch. Sher Mohammad  
Chairman  
Member  
Member  
Member
- 3. Investment Committee:-**  
Mr. Mushtaq Ahmed Khan F.C.A.  
Ch. Sher Mohammad  
Mr. Muhammad Rafiq Chaudhry  
Chairman  
Member  
Member
- 4. Underwriting Committee:-**  
Mr. Mushtaq Ahmed Khan F.C.A.  
Mr. Muhammad Rafiq Chaudhry  
Mr. Fazal-ul-Rehman Malik  
Chairman  
Member  
Member
- 5. Claim Settlement Committee:-**  
Mr. Mushtaq Ahmed Khan F.C.A.  
Mr. Muhammad Rafiq Chaudhry  
Mr. Amir Raza  
Chairman  
Member  
Member
- 6. Re-Insurance & Co-Insurance Committee:-**  
Mr. Mushtaq Ahmed Khan F.C.A.  
Mr. Muhammad Rafiq Chaudhry  
Mr. Ghulam Qamber Naqvi  
Chairman  
Member  
Member
- 7. Management Committee:-**  
Mr. Mushtaq Ahmed Khan F.C.A.  
Mr. Muhammad Rafiq Chaudhry  
Chairman  
Member



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 52nd Annual General Meeting of the Shareholders of The Universal Insurance Company Limited will be held on Saturday 28th April, 2012 at 10:00 a.m. at the Registered Office of the Company at 63-Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

### **A. ORDINARY BUSINESS**

1. To Confirm the Minutes of the Extra Ordinary General Meeting held on 29th November, 2011.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2011 and reports of the Directors and Auditor's thereon.
3. To appoint auditors for the year 2012 and to fix their remuneration. The Board on recommendations of Audit Committee of the company has proposed the appointment of M/s. Riaz Ahmad & Company Chartered Accountants as external auditor for the year 2012 being eligible, have offered themselves for re-appointment.

### **B. Any other business with permission of the Chair.**

By Order of the Board

(IJAZ AHMED)  
Secretary

Dated: March 31, 2012



## NOTES:

1. The Share Transfer Books of the Company will remain closed from 26th April, 2012 to 2nd May, 2012 (both days inclusive).
2. A member entitled to attend and vote at the above meeting may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies, in order to be effective, must be received by The Universal Insurance Company Limited, Universal Insurance House, 63-Shahrah-e-Quaid-e-Azam, Lahore not less than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed. A member shall not be entitled to appoint more than one proxy.
3. CDC shareholders are requested to bring their original National Identity Cards, Account, Sub-Account Numbers and participant's Number in Central Depository Company for identification purposes for attending the meeting. In case of Corporate entity, the Board of Director's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. Members who have not yet submitted photocopies of their valid computerized national identity cards to the Company are requested to send the same at the earliest directly to the its share registrar M/s. Hameed Majeed Associates (Pvt) Ltd, 7- Bank Square, Lahore.
5. Members are requested to notify change in the address, if any.

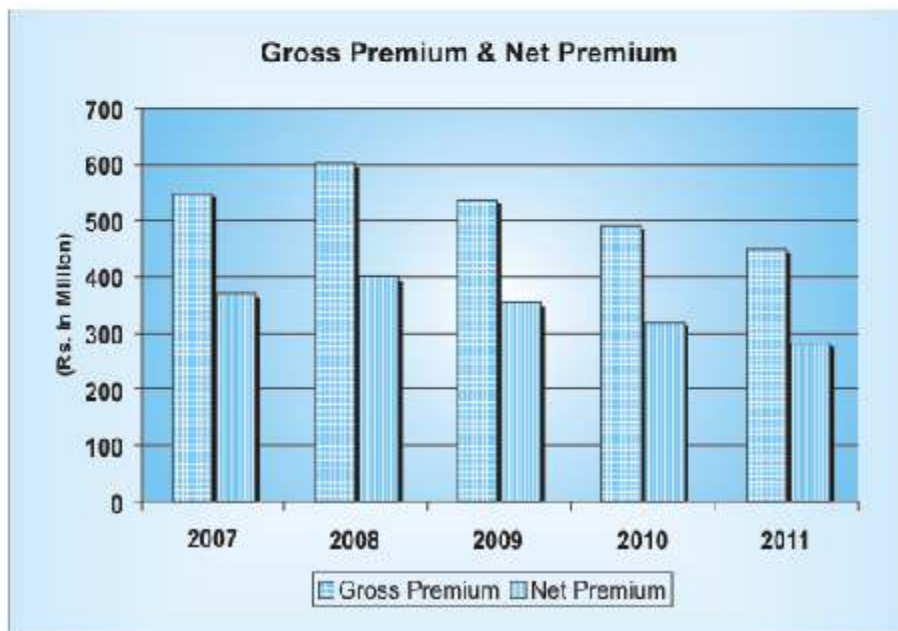




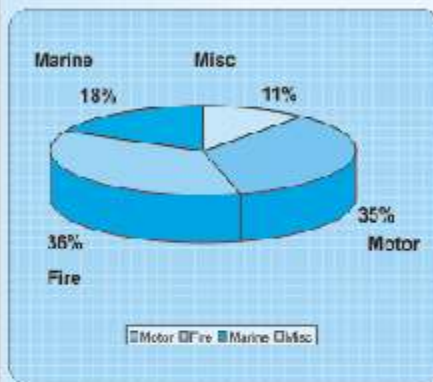
## TEN YEARS KEY FINANCIAL DATA

(Rupees in million)

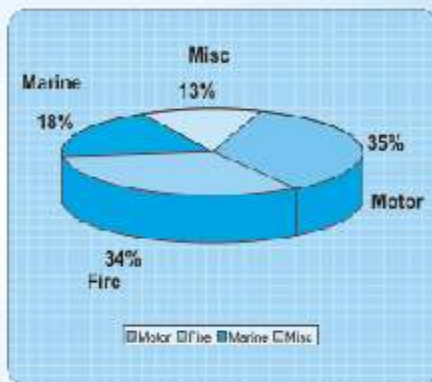
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Gross Premium</b>	<b>464</b>	503	539	611	550	568	514	371	301	247
<b>Net Premium</b>	<b>292</b>	329	361	407	372	391	300	188	162	125
<b>Net Claim</b>	<b>143</b>	177	182	197	187	203	147	86	69	57
<b>Investment</b>	<b>135</b>	160	115	145	89	46	39	23	11	10
<b>Underwriting (Loss)/ Profit</b>	<b>(2)</b>	(17)	58	96	75	80	75	54	47	30
<b>(Loss)/ Profit Before Tax</b>	<b>(110)</b>	(103)	11	34	63	35	41	26	20	8
<b>(Loss)/ Profit After Tax</b>	<b>(65)</b>	(86)	8	21	50	24	27	17	13	5
<b>Paid-up Capital</b>	<b>300</b>	262.50	210	210	120	100	80	80	50	50
<b>Cash and Banks</b>	<b>130</b>	88	159	152	143	212	239	171	158	128
<b>Total Property &amp; Assets</b>	<b>1069</b>	1164	1066	922	788	753	663	547	432	346
<b>Equity</b>	<b>208</b>	233	265	257	236	174	145	130	83	69
<b>EPS (Rs)</b>	<b>(4.20)</b>	(7.82)	0.48	1.00	4.15	2.00	2.68	3.27	2.59	0.97



### Gross Premium Class Wise

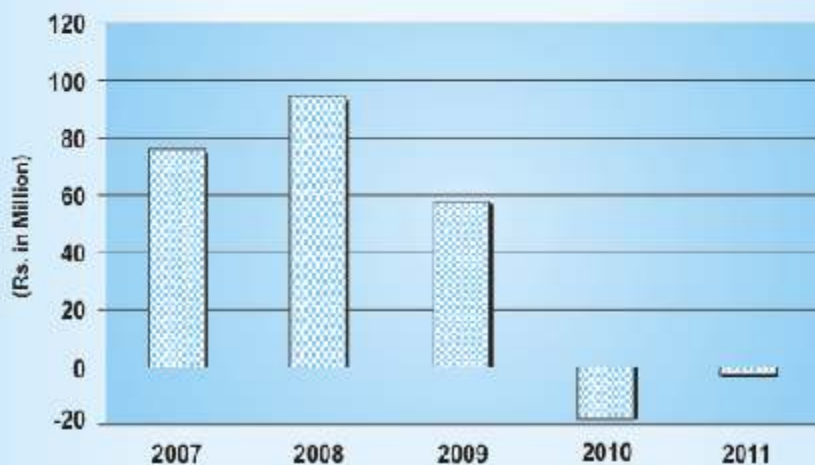


2011

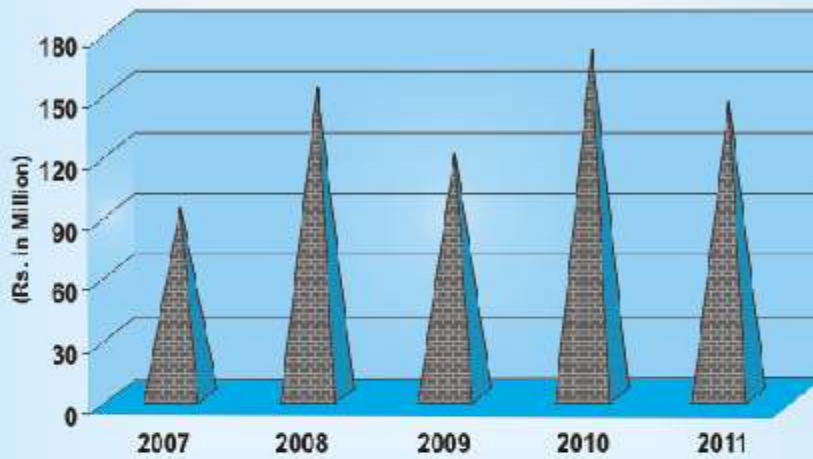


2010

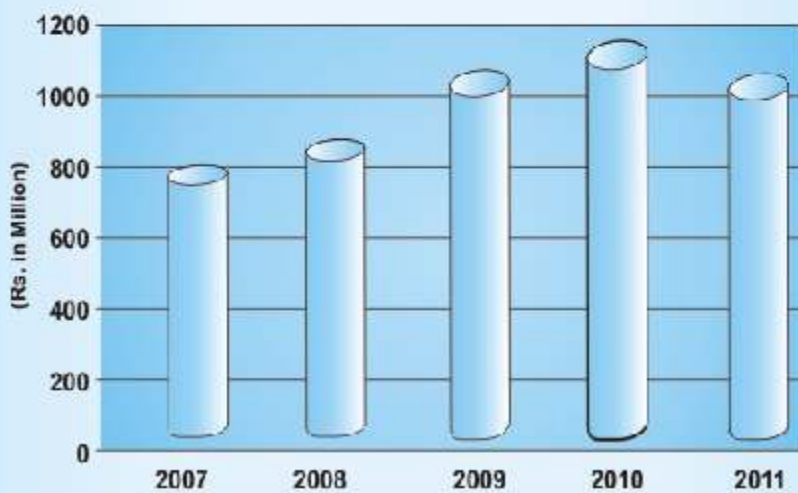
### Underwriting Profit



### Investment



### Total Assets







## DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, it gives me great pleasure to present the **52nd Annual Report** and the audited account of the company for the year ended December 31, 2011

### OPERATING RESULTS:

The operating results for the year ended 31 December, 2011 are given below.

	<u>2011</u>	<u>2010</u>
	-----Rupees in '000-----	
Gross premium	464,208	503,185
Net premium	292,305	328,663
(Loss)/ Profit from underwriting business	(2,023)	(17,243)
Net claims (paid & outstanding)	143,400	177,037
Management / administrative expenses	232,010	233,139
Capital and reserves	207,765	232,997
(Loss)/ Profit before taxation	(110,583)	(103,433)

### DIVIDEND & APPROPRIATION OF PROFIT

The amount available for appropriation is:

(Loss)/ Profit after taxation	(64,808)	(86,485)
Add: Balance of unappropriated profit - b/f-Restated	(46,119)	40,366
Less: Bonus/Dividend paid during the year	-	-
(Loss)/ Profit carry forward to next year	(110,927)	(46,119)
Loss per share - Rupees	(4.20)	(7.82)

### REVIEW OF OPERATING RESULTS:

The operating results of the Company were negative as the result of fall in Gross Premium by Rs.38.977 Million over the corresponding period. However, the net claim ratio and management / administrative expense remained slightly below as compared to last year.

### IFS Rating

Insurers Financial Strength Rating BBB was assigned by JCR-VIS which we are determined to improve through enhanced underwriting & prudent claims settlement procedures, reducing operating cost and by rationalizing all reinsurance arrangements; enhancing premium retention capacity; extensive investment activities and improved service standards considering these element as pre-requisites for better rating.

### ISO Certification

The Company received ISO 9001:2000 certification from M/s. Lloyd's Register-EMEA, Karachi since May 17, 2003. M/s. Lloyd's Register-EMEA, Karachi has renewed Company's certification ISO 9001:2000 on Jun 01, 2009 for next 3 years which exhibits that Company meets the requirement of standard and maintains satisfactory level of implementation of ISO-Quality System.

### INFORMATION TECHNOLOGY (IT)

The development of different modules particularly Accounting module has improved significantly whereas progress for developing Re-insurance module is satisfactory and hopefully would be operational in the year 2012.



## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- (a) The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- (b) The company has maintained proper books of accounts as required under the companies Ordinance, 1984.
- (c) The company has followed consistently appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.
- (d) Financial statement have been prepared by the company in accordance with the International Accounting Standards as applicable in Pakistan. The departure there from, if any, is disclosed adequately.
- (e) The system of internal control is sound and is being implemented and monitored.
- (f) The fundamentals of the company are strong and there are no doubts about its ability to continue as a going concern.
- (g) The company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure there from.
- (h) Key operating and financial data for the last ten years in summarized form is annexed to this annual report.

### Outstanding Taxes and Duties

Details of outstanding taxes and duties are given in the financial statements.

### Related Party Transitions

The related party transactions are ratified by the Audit Committee and approved by the Board of Directors.

## AUDIT COMMITTEE

The Board of Directors, in compliance with the Code, has constituted an Audit Committee comprising of the following non-executive directors:

- Lt. Gen. (R) Ali Kuli Khan Khattak	Chairman
- Mr. Ahmed Kuli Khan Khattak	Member
- Mr. Mushtaq Ahmad Khan - FCA	Member
- Ch. Sher Mohammad	Member

Major responsibilities of the Audit Committee include reviewing reports of the Company's financials, monitoring internal audit functions and to ensure compliance with the relevant statutory requirements of relevant rules and laws, assisting the Board in discharging its responsibilities for safeguarding the Company's assets, and development & implementation of an effective internal control system for efficient and transparent operations of the Company.



## BOARD OF DIRECTORS' MEETINGS.

During the year, Six (6) Board meetings were held. The number of meetings attended by each Director is given hereunder :

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mr. Raza Kuli Khan Khattak	6
Lt. Gen. (R) Ali Kuli Khan Khattak	6
Mr. Ahmed Kuli Khan Khattak	6
Begum Zeb Gohar Ayub Khan	4
Mrs. Shahnaz Sajjad Ahmad	5
Dr. Shaheen Kuli Khan Khattak	3
Mr. Mushtaq Ahmad Khan - FCA	4
Ch. Sher Mohammad	3
Capt. M. Jamil Akhtar Khan	6

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their other engagements.

### Pattern of Shareholding

The pattern of shareholding is separately shown in the report

### Trading in Company's Shares

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

### Increase in Paid-up Capital

The Sponsors have injected Rs.37.500 Million as Paid-up Capital as per approval of SECP's letter No.ID/ENF/UNIVERSAL/2011/11245 dated December 14, 2011 making a total of Paid-up Capital of Rs.300.00 Million.

### Appointment of Auditors

The Auditors M/s. Riaz Ahmad & Co, Chartered Accountants retire at the conclusion of Annual General Meeting, given their consent for re-appointment for the year ending December 31, 2012.

### Future Outlook

Losses incurred during the year 2010 & 2011, very stringent measures have been taken in connection with the performance evaluation of Marketing and Operational staff. Merging of branches located in the same cities is also underway with the objective to curtail the operational cost. These steps would certainly enhance the business volume of the company with lower expense ratio which are pre-requisite for earning the profit at the end of the financial year.

### Acknowledgement

We would like to thank the Insurance Division - Securities & Exchange Commission of Pakistan, Pakistan Reinsurance Company Ltd., State Bank of Pakistan, Other Reinsurers and Coinsurers for their continued cooperation and guidance through-out the year and our valued clients for their continued patronage extended to us.

For & on behalf of the Board of Directors

**Raza Kuli Khan Khattak**  
Chairman

**Date: March 31, 2012**

**Place: Lahore**



## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2011**

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in the listing regulation No. 37 and Chapter XIII of the Karachi and Lahore stock exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes seven independent non-executive directors out of nine Directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution or a Non Banking Finance Company and none of them is a member of any of the stock exchange.
4. No casual vacancy occurred during the year ended December 31, 2011.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the executive director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control which is effectively implemented at all levels within the Company.
10. An orientation course for Directors has been arranged previously to apprise them of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.





13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed underwriting, claims settlement, reinsurance, Investment and coinsurance committees.
18. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee.
19. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The term of references of the committee have been formed and advised to the committee for compliance.
20. The Company has an internal audit department and is headed by an experienced person, who is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. We confirm that all other material principles contained in the Code have been complied with.

**Date:** March 31, 2012  
**Place:** Lahore

**BEGUM ZEB GOHAR AYUB KHAN**  
CHIEF EXECUTIVE



## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED 31 DECEMBER 2011

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the respective stock exchange where the Company is listed.

For & on behalf of the Board of Directors

Raza Kull Khan Khattak  
CHAIRMAN

Begum Zeb Gohar Ayub Khan  
CHIEF EXECUTIVE



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of THE UNIVERSAL INSURANCE COMPANY LIMITED ("the Company") for the year ended 31 December 2011, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

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

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

RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of engagement partner:  
Syed Mustafa Ali

Date: March 31, 2012

LAHORE



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

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

In our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2011 and of the loss, its comprehensive loss, 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of engagement partner:  
Syed Mustafa Ali

Date: March 31, 2012

LAHORE





## BALANCE SHEET AS AT 31 DECEMBER 2011

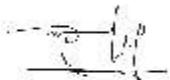
	Note	2011	2010
		(RUPEES IN THOUSAND)	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2010: 50,000,000) ordinary shares of Rupees 10 each		500,000	500,000
Issued, subscribed and paid-up share capital	3	300,000	262,500
Accumulated loss		(106,484)	(43,630)
Reserves	4	14,249	14,127
		(92,235)	(29,503)
TOTAL EQUITY		207,765	232,997
Surplus on revaluation of fixed assets	5	230,544	211,373
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		319,304	318,351
Provision for premium deficiency	6	1,242	-
Provision for unearned premium		136,314	155,657
Commission income unearned		10,717	12,936
Total underwriting provisions		467,577	486,944
DEFERRED LIABILITIES			
Deferred taxation	7	-	2,300
Employee benefit - unfunded	8	16,328	276
		16,328	2,576
CREDITORS AND ACCRUALS			
Amounts due to other insurers / reinsurers	9	56,462	93,714
Accrued expenses	10	26,898	9,715
Taxation - payment less provision	11	-	1,200
Other creditors and accruals	12	59,414	59,473
		142,774	164,102
BORROWINGS			
Liabilities against assets subject to finance lease	13	628	2,447
OTHER LIABILITIES			
Deposits against performance bonds		2,946	3,538
Unclaimed dividends		610	610
TOTAL LIABILITIES		630,863	660,217
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	14	1,069,172	1,104,587

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

  
Raza Kuli Khan Khattak  
CHAIRMAN

  
Begum Zeb Gohar Ayub Khan  
CHIEF EXECUTIVE

  
Mushtaq Ahmed Khan F.C.A.  
DIRECTOR

  
Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER



## BALANCE SHEET AS AT 31 DECEMBER 2011

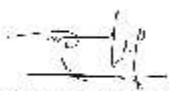
	Note	2011 (RUPEES IN THOUSAND)	2010
<b>CASH AND BANK DEPOSITS</b>			
Cash and other equivalents	15	33	81
Current and other accounts	16	89,619	83,628
Deposits maturing within 12 months	17	40,000	4,600
		<u>129,652</u>	<u>88,309</u>
<b>INVESTMENTS</b>	18	135,201	160,175
<b>DEFERRED TAXATION</b>	7	35,240	-
<b>CURRENT ASSETS - OTHERS</b>			
Premiums due but unpaid	19	114,512	142,716
Amounts due from other insurers / reinsurers	20	128,443	162,935
Salvage recoveries accrued		2,500	2,910
Accrued investment income	21	530	124
Reinsurance recoveries against outstanding claims		177,750	193,437
Taxation - payment less provision	11	5,848	-
Deferred commission expense		23,242	27,065
Prepayments	22	48,625	62,263
Loans to employees - unsecured considered good	23	1,096	643
Sundry receivables	24	9,927	16,959
		<u>512,473</u>	<u>609,052</u>
<b>FIXED ASSETS - TANGIBLE</b>	25		
<b>OWNED</b>			
Land and buildings		205,862	185,280
Furniture, fixtures and office equipment		10,979	10,476
Computer equipment		5,615	7,495
Motor vehicles		32,441	38,833
		<u>254,897</u>	<u>242,084</u>
<b>LEASED</b>			
Furniture, fixtures and office equipment		-	1,390
Motor vehicles		1,709	3,577
		<u>1,709</u>	<u>4,967</u>
<b>TOTAL ASSETS</b>		<u><u>1,069,172</u></u>	<u><u>1,104,587</u></u>

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

  
Raza Kuli Khan Khattak  
CHAIRMAN

  
Begum Zeb Gohar Ayub Khan  
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Mushtaq Ahmed Khan F.C.A.  
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Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

Fire and Property Damage	Marine and Transport	Motor	Others	Treaty	Aggregate 2011	Aggregate 2010
--------------------------------	-------------------------	-------	--------	--------	-------------------	-------------------

----- (RUPEES IN THOUSAND) -----

Revenue account	Note						
Net premium revenue		70,599	41,585	141,262	38,859	-	292,305
Net claims		(16,780)	(10,941)	(82,760)	(32,919)	-	(143,400)
Premium deficiency expense	6	-	-	-	(1,242)	-	(1,242)
Expenses	26	(40,179)	(19,996)	(38,353)	(11,815)	-	(110,343)
Net commission		(17,271)	(1,209)	(16,988)	(3,875)	-	(39,343)
		(57,450)	(21,205)	(55,341)	(15,690)	-	(149,686)
Underwriting result		(3,631)	9,439	3,161	(10,992)	-	(2,023)
Investment income						6,180	8,172
Rental income						1,164	1,164
Other income	27					9,933	4,978
						15,254	(2,929)
General and administration expenses	28					(121,319)	(107,139)
Financial charges						(348)	(609)
Share of (loss) / profit from associates - net of tax						(4,170)	7,244
Loss before taxation						(110,583)	(103,433)
Taxation	29					45,775	16,948
Loss after taxation						(64,808)	(86,485)

### PROFIT AND LOSS APPROPRIATION ACCOUNT

Balance of (accumulated loss) / retained earnings at the commencement of the year	(43,630)	38,627
Loss after taxation for the year	(64,808)	(86,485)
Items directly recognised in statement of changes in equity	1,954	4,228
Balance of accumulated loss at the end of the year	(106,484)	(43,630)
Loss per share - basic and diluted - Rupees (Note 30)	(4.20)	(7.82)

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

  
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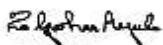
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

2011                      2010  
(RUPEES IN THOUSAND)

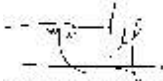
Loss after taxation	(64,808)	(86,485)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(64,808)</u>	<u>(86,485)</u>

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

  
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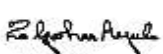


## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

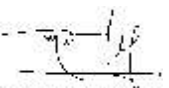
	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVE	RETAINED EARNINGS / (ACCUMULATED LOSS)	TOTAL
		SHARE PREMIUM RESERVE	CAPITAL RESERVE			
----- (RUPEES IN THOUSAND) -----						
Balance as at 31 December 2009	210,000	4	2,303	14,090	38,627	265,024
Issue of ordinary share capital - other than right	52,500	-	-	-	-	52,500
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	1,700	1,700
Share of associates accounted for under equity method	-	-	(2,285)	15	2,528	258
Total comprehensive loss for the year ended 31 December 2010	-	-	-	-	(86,485)	(86,485)
Balance as at 31 December 2010	262,500	4	18	14,105	(43,630)	232,997
Issue of ordinary share capital - other than right	37,500	-	-	-	-	37,500
Transfer of incremental depreciation from surplus on revaluation of buildings	-	-	-	-	1,763	1,763
Share of associates accounted for under equity method	-	-	-	122	191	313
Total comprehensive loss for the year ended 31 December 2011	-	-	-	-	(64,808)	(64,808)
Balance as at 31 December 2011	300,000	4	18	14,227	(106,484)	207,765

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

  
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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

2011                      2010  
(RUPEES IN THOUSAND)

### OPERATING CASH FLOWS

a) Underwriting activities		
Premiums received	475,523	498,152
Reinsurance premiums paid	(177,889)	(190,951)
Claims paid	(213,355)	(254,038)
Reinsurance and other recoveries received	87,005	95,068
Commissions paid	(83,763)	(98,615)
Commissions received	46,024	49,854
Net cash flow from underwriting activities	133,545	99,470
b) Other operating activities		
Income tax paid	(1,928)	(2,762)
General management expenses paid	(66,647)	(110,663)
Other operating payments	(95,658)	(83,812)
Other operating receipts	3,143	3,928
Loans to employees (given) / repaid	(453)	130
Other receipts / (payments) - net	1,712	(7,771)
Net cash outflow from other operating activities	(159,831)	(200,950)
Total cash outflow from all operating activities	(26,286)	(101,480)

### INVESTMENT ACTIVITIES

Profit / return received	6,930	3,856
Dividends received	1,652	1,648
Rental income received	1,740	12
Payments for purchase of investments	(15,096)	(21,999)
Proceeds from redemption / disposal of investments	38,464	15,555
Fixed capital expenditure	(3,712)	(17,731)
Proceeds from disposal of fixed assets	2,318	2,227
Net cash inflow / (outflow) from investing activities	32,296	(16,432)

### FINANCING ACTIVITIES

Share capital received	37,500	52,500
Financial charges paid	(348)	(614)
Payments on finance leases	(1,819)	(4,565)
Net cash inflow from financing activities	35,333	47,321
Net cash inflow / (outflow) from all activities	41,343	(70,591)
Cash at the beginning of the year	88,309	158,900
Cash at the end of the year	129,652	88,309



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

2011                      2010  
(RUPEES IN THOUSAND)

Operating cash flows	(26,286)	(101,480)
Depreciation	(15,693)	(17,082)
Provision for doubtful receivables	(19,593)	-
Fixed assets written off	(836)	-
Financial charges	(348)	(609)
Profit on disposal of fixed assets	624	881
Increase / (decrease) in assets other than cash	(80,735)	120,926
(Increase) / decrease in liabilities other than borrowings	71,052	(107,426)
	(71,815)	(104,790)

### OTHER ADJUSTMENTS

Profit on investments and deposits	6,180	8,172
Share of (loss) / profit from associates - net of taxation	(4,170)	7,244
Premium deficiency expense	(1,242)	-
Rental income	1,164	1,164
Profit on term deposit receipts	5,075	1,725
	7,007	18,305
Loss after taxation	(64,808)	(86,485)

### Definition of cash:

Cash comprises cash in hand, bank balances and other deposits which are readily convertible to cash and which are used in cash management function on a day to day basis.

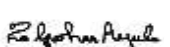
Cash for the purposes of the Cash Flow Statement consists of:

### Cash and other equivalent

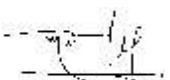
Cash in hand (stamps in hand)	33	81
Current and other accounts		
Current accounts	60,561	9,144
Saving accounts	29,058	74,484
	89,619	83,628
Deposits maturing within 12 months		
Fixed and term deposits accounts	40,000	4,600
Total cash and cash equivalents	129,652	88,309

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

  
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Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER

# STATEMENT OF PREMIUMS FOR THE YEAR ENDED 31 DECEMBER 2011

Business underwritten inside Pakistan

Class	Premiums				Reinsurance				Net premium revenue	
	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2011	2010
		Opening	Closing			Opening	Closing			
(RUPEES IN THOUSAND)										
Direct and facultative										
Fire and property damage	169,031	56,200	47,323	177,908	98,226	36,530	27,447	107,309	70,599	69,787
Marine and transport	84,123	10,128	11,243	83,008	41,980	5,064	5,621	41,423	41,585	46,919
Motor	161,349	65,036	60,444	165,941	23,991	9,755	9,067	24,679	141,262	155,699
Others	49,705	24,293	17,304	56,694	13,692	8,988	4,845	17,835	38,859	56,260
Total	464,208	155,657	136,314	483,551	177,889	60,337	46,980	191,246	292,305	328,665
Treaty	-	-	-	-	-	-	-	-	-	(2)
Grand total	464,208	155,657	136,314	483,551	177,889	60,337	46,980	191,246	292,305	328,663

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

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Raza Kuli Khan Khattak  
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*Mushlaq Ahmed Khan*  
Mushlaq Ahmed Khan F.C.A.  
DIRECTOR

*Muhammad Rafiq Chaudhry*  
Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER



# STATEMENT OF CLAIMS FOR THE YEAR ENDED 31 DECEMBER 2011

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2011	2010
Direct and facultative										
Fire and property damage	53,168	145,668	151,107	58,607	40,144	118,007	119,690	41,827	16,780	18,683
Marine and transport	23,504	46,454	44,350	21,400	12,498	28,350	26,311	10,459	10,941	18,572
Motor	83,256	74,306	89,945	98,895	15,155	16,583	17,563	16,135	82,760	102,672
Others	53,837	50,954	32,933	35,816	19,208	30,497	14,186	2,897	32,919	37,082
Total	213,765	317,382	318,335	214,718	87,005	193,437	177,750	71,318	143,400	177,009
Treaty - proportional	-	969	969	-	-	-	-	-	-	28
Grand total	213,765	318,351	319,304	214,718	87,005	193,437	177,750	71,318	143,400	177,037

(RUPEES IN THOUSAND)

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Raza Kuli Khan Khattak  
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*Mushlaq Ahmed Khan*  
Mushlaq Ahmed Khan F.C.A.  
DIRECTOR

*Muhammad Rafiq Chaudhry*  
Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER



## STATEMENT OF EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2011

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurer	Net underwriting expense	
		Opening	Closing					2011	2010
(RUPEES IN THOUSAND)									
Direct and facultative									
Fire and property damage	41,495	16,306	11,619	46,182	40,179	86,361	28,911	57,450	55,527
Marine and transport	16,147	2,926	2,099	16,974	19,996	36,970	15,765	21,205	31,851
Motor	19,103	4,986	7,068	17,021	38,353	55,374	33	55,341	55,027
Others	7,018	2,847	2,456	7,409	11,815	19,224	3,534	15,690	26,464
Total	83,763	27,065	23,242	87,586	110,343	197,929	48,243	149,686	168,869
Treaty - proportional	-	-	-	-	-	-	-	-	-
Grand total	83,763	27,065	23,242	87,586	110,343	197,929	48,243	149,686	168,869

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

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PRINCIPAL OFFICER





## STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

2011                      2010  
(RUPEES IN THOUSAND)

### INCOME FROM TRADING INVESTMENTS

#### Dividend income

From related parties  
From others

-	-
1,312	818
1,312	818

### INCOME FROM NON - TRADING INVESTMENTS

#### Held to maturity

Return on fixed income securities and deposits

3,140                      2,817

#### Available for sale

#### Dividend income

From related parties  
From others

-	-
304	830
304	830

Gain on sale of investments at fair value through profit or loss

727                      516

Gain on sale of investments - available for sale

1,053                      42

Gain / (loss) on revaluation of investments at fair value through profit or loss

(359)                      3,212

Reversal / (provision) for impairment in value of available for sale investments

3                      (63)

Less: Investment related expenses

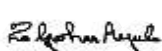
-                      -

Net investment income

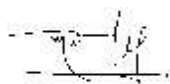
6,180	8,172
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1 THE COMPANY AND ITS OPERATIONS

The Universal Insurance Company Limited ("the Company") is a public limited company incorporated in Pakistan on 09 May 1958 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on Karachi and Lahore Stock Exchanges and is engaged in the non-life insurance business. The registered office of the Company is situated at Universal Insurance House, 63 Shahrah-e-Quaid-e-Azam, Lahore.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

##### a) Statement of compliance

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

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

##### b) Basis of presentation

These financial statements are prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002.

##### c) Accounting convention

These financial statements have been prepared under the historical cost convention except for investments at fair value through profit or loss which are stated at fair value, available for sale investments which are stated at lower of cost and market value, held to maturity investments stated at amortized cost and land and buildings which are stated at revalued amounts.

##### d) Critical accounting estimates and judgments

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



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

- Provision for outstanding claims incurred but not reported (IBNR)
- Provision for doubtful receivables
- Useful lives, pattern of economic benefits of operating fixed assets
- Premium deficiency reserve
- Impairment of assets
- Provision for taxation
- Defined benefit plans
- Classification of investments

e) Amendments to published approved standards that are effective in current year and are relevant to the Company

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

f) Interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

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

g) Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2012 or later periods:

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

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

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





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

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

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

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

## 2.2 Insurance contracts

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

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

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

## 2.3 Premium

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company.

## 2.4 Reinsurance ceded

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

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

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



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

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

## 2.5 Claims expense

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

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

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

Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and claims actually reported subsequent to the reporting period.

## 2.6 Premium deficiency reserve

Premium deficiency reserve is maintained where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business, to comply with the requirements of section 34 (2)(d) of the Insurance Ordinance, 2000. Any movement in the reserve is charged to the profit and loss account.

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

## 2.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cash at banks on current and saving accounts and bank deposits.

## 2.8 Loans to employees and agents

These are recognized at cost, which is the fair value of the consideration given.

## 2.9 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

All "regular way" purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the investment.



The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates accounted for under equity method, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments in associates

Associates are the entities over which the Company has significant influence but not control. Investments in these associate are accounted for using the equity method of accounting and are initially recognised at cost. The Company's share of its associates' post acquisition profits or losses, movement in other comprehensive income, and its share of post acquisition movement in reserves is recognised in the profit and loss account, statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. Distributions received from an associate reduce the carrying amount of the investment.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available-for-sale

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

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

d) Investments at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.10 Premium due but unpaid

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

2.11 Amounts due to / from other insurers / reinsurers

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



## 2.12 Claim recoveries

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

## 2.13 Taxation

### a) Current

Provision for 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 framed during the year for such years.

### b) Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

## 2.14 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting periods.

## 2.15 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate. For non-proportional reinsurance contracts, the reinsurance expense is recognized evenly in the period of indemnity. The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

## 2.16 Fixed assets

Fixed assets except freehold land, buildings on freehold land and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount, buildings on freehold land are stated at revalued amounts less accumulated depreciation and impairment losses, if any, while capital work in progress is stated at cost less accumulated impairment losses (if any).

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



a) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 25.1. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions upto the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

b) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.17 Assets subject to finance lease

Assets held under finance leases are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

2.18 Provision for unearned premium

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

Provision for unearned premium is being calculated as a proportion of the gross premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day.

2.19 Commission income unearned

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

2.20 Employee benefits

a) Gratuity

During the year, as on 02 April 2011 the Company has changed its employee benefit scheme from defined contribution plan (approved contributory provident fund) to defined benefit plan (gratuity). Previously, in approved contributory provident fund, equal monthly contributions were made by the Company and all permanent employees to the fund at the rate of 10 percent of basic salary. Now, the Company operates an unfunded gratuity scheme for all permanent employees who are entitled to gratuity equivalent to last drawn gross salary multiplied by the number of years of service upto the date of leaving the Company. The latest actuarial valuation was carried out as at 31 December 2011, using the "Projected Unit Credit Method" to determine the liability on the reporting date.

b) Compensated absences

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

2.21 Creditors, accruals and provisions

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



## 2.22 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

## 2.23 Provisions

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

## 2.24 Revenue recognition

### a) Premium income earned

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry as follows:

- |  |   |
|--|---|
| - for direct business                    | evenly over the period of the policy                        |
| - for proportional re-insurance business | evenly over the period of the underlying insurance policies |

Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as revenue in accordance with the pattern of the incidence of risk.

### b) Administrative surcharge

This represents documentation and other charges recovered by the Company from policyholders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rupees 2,000 per policy. Administrative surcharge is recognized as revenue at the time, the policies are written.

### c) Commission income

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

### d) Dividend income and bonus shares

Dividend income is recognized when the right of receipt is established. Bonus shares are accounted for by increase in number of shares without any change in the value of investments.

### e) Investment income

Income from available-for-sale investments

- Return on fixed income investments  
Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.
- Gain / loss on sale of available-for-sale investments  
Gain / loss on sale of available-for-sale investments is included in income currently.



#### Income from held-to-maturity investments

Income from held-to-maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

#### f) Rental and other income

Rental and other income is recognized on accrual basis.

#### 2.25 Commission expense and other acquisition costs

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

#### 2.26 Expenses

Management expenses which are directly attributable to the underwriting business are allocated in accordance with the volume of each class of business and portion of management expenses which are not allocable to the underwriting business are charged as general and administration expenses.

#### 2.27 Impairment

##### a) Financial assets

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

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

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

##### b) Non - financial assets

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

#### 2.28 Financial instruments

Financial instruments carried on the balance sheet include current and other accounts, deposits maturing within twelve months, loans to employees, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, salvage recoveries accrued, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, unclaimed dividends, other creditors and accruals, deposits against performance bonds and liabilities against assets subject to finance lease etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.



Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### 2.29 Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### 2.30 Earnings / (loss) per share

The Company presents basic earnings / (loss) per share for its shareholders. Basic earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

#### 2.31 Borrowing cost

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

#### 2.32 Share capital

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

#### 2.33 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized as liability in the Company's financial statements in the year in which these are approved.

#### 2.34 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

#### 2.35 Segment reporting

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

As the operations of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

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





### 3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011 (NUMBER OF SHARES)	2010		2011 (RUPEES IN THOUSAND)	2010 (RUPEES IN THOUSAND)
14,720,000	10,970,000	Ordinary shares of Rupees 10 each fully paid up in cash	147,200	109,700
15,280,000	15,280,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	152,800	152,800
<u>30,000,000</u>	<u>26,250,000</u>		<u>300,000</u>	<u>262,500</u>

#### 3.1 Movement during the year

26,250,000	21,000,000	At 01 January	262,500	210,000
3,750,000	5,250,000	Issued during the year as fully paid ordinary shares - other than right shares	37,500	52,500
<u>30,000,000</u>	<u>26,250,000</u>	At 31 December	<u>300,000</u>	<u>262,500</u>

3.2 Bibojee Services (Private) Limited (the Holding Company) holds 24,158,326 (2010: 20,408,326) ordinary shares of the Company.

### 4. RESERVES

2011  
(RUPEES IN THOUSAND)

Composition of reserves is as follows:

Capital reserves:

Share premium reserve

Capital reserve

4	4
18	18
22	22
14,227	14,105
<u>14,249</u>	<u>14,127</u>

Revenue reserve

### 5. SURPLUS ON REVALUATION OF FIXED ASSETS

Freehold land

119,843

106,443

Buildings on freehold land

Surplus on revaluation

Related deferred tax liability

47,706	37,040
(16,697)	(12,964)
31,009	24,076
(3,545)	(1,782)
1,241	623
(2,304)	(1,159)

Surplus on revaluation of buildings - net of deferred tax

28,705

22,917

Share of surplus on revaluation of fixed assets of associated companies accounted for under equity method

148,548

129,360

81,996

82,013

230,544

211,373



	2011 (RUPEES IN THOUSAND)	2010
6. PROVISION FOR PREMIUM DEFICIENCY		
Balance as at 01 January	-	-
Premium deficiency expense for the year	1,242	-
Balance as at 31 December	<u>1,242</u>	<u>-</u>
7. DEFERRED TAXATION		
The (liability) / asset for deferred taxation comprises temporary differences arising due to:		
Accelerated tax depreciation	(5,560)	(5,936)
Surplus on revaluation of buildings	(15,456)	(12,341)
Liabilities against assets subject to finance lease	(378)	(882)
Tax losses	40,745	16,859
Provision for doubtful receivables	6,067	-
Employee benefits	9,822	-
	<u>35,240</u>	<u>(2,300)</u>
8. EMPLOYEE BENEFIT - Unfunded		
Gratuity		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	3,359	-
Gratuity of Managing Directors (Note 8.1)	12,969	276
	<u>16,328</u>	<u>276</u>
8.1 This represents gratuity payable to ex-managing directors of the Company as per terms of their employment contract. Before adoption of gratuity scheme for all permanent employees as stated in Note 2.20 (a), gratuity scheme was only for managing director of the Company and provision was made on the basis of last drawn gross salary for each year served.		
	2011 (RUPEES IN THOUSAND)	2010
a) Change in present value of net staff gratuity		
Liability as at 01 January	-	-
Charge for the year	3,470	-
Payments made to outgoing employees of the Company	(111)	-
Liability as at 31 December	<u>3,359</u>	<u>-</u>
b) Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 January	-	-
Current service cost	3,252	-
Interest cost	218	-
Benefits paid during the year	(111)	-
Present value of defined benefit obligation as at 31 December	<u>3,359</u>	<u>-</u>
c) Charge for the year		
Current service cost	3,252	-
Interest cost	218	-
	<u>3,470</u>	<u>-</u>



d) Assumptions used for valuation of the defined benefit scheme are as under:

Per annum	
2011	2010
Discount rate	13%
Expected rate of increase in salary	12%

e) The expected charge for the year 2012 is Rupees 4.534 million.

2011                      2010  
(RUPEES IN THOUSAND)

#### 9. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

Amounts due to coinsurers	15,378	16,108
Amounts due to reinsurers	41,084	77,606
	<u>56,462</u>	<u>93,714</u>

#### 10. ACCRUED EXPENSES

Salaries payable	8,373	261
Audit fee payable	337	342
Expenses payable	3,504	2,736
Commission payable	14,684	6,376
	<u>26,898</u>	<u>9,715</u>

#### 11. TAXATION - Payment less provision

Provision for taxation	81	5,285
Advance income tax	(5,929)	(4,085)
	<u>(5,848)</u>	<u>1,200</u>

#### 12. OTHER CREDITORS AND ACCRUALS

Excise duty	25,856	30,527
Federal insurance fee	1,428	1,385
Sundry creditors	13,536	8,030
Due to provident fund trust	-	1,116
Leave encashment payable	11,734	11,059
Accrued mark-up	-	17
Income tax deducted at source	1,937	5,581
Others	4,923	1,758
	<u>59,414</u>	<u>59,473</u>



	2011	2010
	(RUPEES IN THOUSAND)	
<b>13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Minimum lease payments:		
Not later than 1 year	656	1,934
Later than 1 year and not later than 5 years	-	657
	<u>656</u>	<u>2,591</u>
Less: Future finance charges on finance lease	(28)	(144)
Present value of minimum lease payments	<u>628</u>	<u>2,447</u>
Present value of minimum lease payments:		
Not later than 1 year	628	1,818
Later than 1 year and not later than 5 years	-	629
	<u>628</u>	<u>2,447</u>
13.1 The Company has lease finance facility from Askari Leasing Limited. This lease finance is payable in monthly installments and is subject to finance charge at the rate of 16.93 % (2010: 14.28 % to 17.54 %) per annum. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term. This lease finance facility is secured against title of the leased vehicle in the name of lessor and demand promissory note.		
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Contingencies</b>		
14.1.1 The insured has filed a petition against the Company in Lahore High Court, Lahore for alleged claim of Rupees 7.30 million. The petition is still pending before the court. The Company is confident that the outcome of the petition will be in its favour, hence, no provision for claim has been recognized in these financial statements.		
14.1.2 The Company issued a performance bond on behalf of a contractor in favour of National Highway Authority (NHA). Owing to subsequent developments, NHA instituted a civil suit for recovery of Rupees 2.621 million against the contractor and the Company. This suit was dismissed and subsequently on appeal in the District Court the said appeal was also dismissed. Now, NHA has filed a Civil Revision Application in Honourable High Court of Sindh at Karachi. No provision against claim of NHA has been made in these financial statements, as the management is confident of a favourable outcome of the litigation.		
<b>14.2 Commitments</b>		
As at 31 December 2011, commitments for revolving letters of credits, other than for capital expenditure, were outstanding for Rupees 0.747 million (2010: Rupees 0.747 million).		
<b>15. CASH AND OTHER EQUIVALENTS</b>		
Stamps-in-hand	<u>33</u>	<u>81</u>
<b>16. CURRENT AND OTHER ACCOUNTS</b>		
Saving accounts (Note 16.1)	29,058	74,484
Current accounts	60,561	9,144
	<u>89,619</u>	<u>83,628</u>
16.1 These include balance of Rupees 0.747 million (2010: Rupees 0.716 million) kept with a bank as security against letters of credit. Rate of profit on bank balances ranges from 5% to 8.5% (2010: 4% to 6%) per annum.		
<b>17. DEPOSITS MATURING WITHIN 12 MONTHS</b>		
Term deposit receipts	41,202	5,802
Provision for impairment	(1,202)	(1,202)
Term deposit receipts - considered good (Note 17.1)	<u>40,000</u>	<u>4,600</u>
17.1 This represents term deposit receipt issued by Habib Metropolitan Bank Limited and carry interest at the rate of 11.80 % (2010: 10% to 12%) per annum.		



	2011	2010
	(RUPEES IN THOUSAND)	
18. INVESTMENTS		
In related parties		
Investments in associates (Note 18.1)	91,955	95,865
Others		
Held-to-maturity (Note 18.2)	34,145	28,170
Available-for-sale (Note 18.3)	835	10,832
At fair value through profit or loss (Note 18.4)	8,266	25,308
	<u>135,201</u>	<u>160,175</u>

18.1 Investments in associates

NUMBER OF SHARES		FACE VALUE	NAME OF ENTITY	2011	2010
2011	2010			2011	2010
		RUPEES		(RUPEES IN THOUSAND)	
Quoted					
			Personal Goods		
7,152	7,152	10	Bannu Woollen Mills Limited		
			Equity held 0.09% (2010: 0.09%)		
			Cost	32	32
			Share of post acquisition reserves:		
			As at 01 January	673	485
			Share of profit after income tax	107	198
			Share of items directly credited in equity	(4)	4
			Dividend received	(36)	(14)
				740	673
			Share of surplus on revaluation of fixed assets recognized during the year	300	-
				1,072	705
			Industrial Engineering		
1,192,148	1,192,148	10	Gandhara Industries Limited		
			Equity held 5.60% (2010: 5.60%)		
			Cost	12,160	12,160
			Share of post acquisition reserves:		
			As at 01 January	82,834	53,848
			Share of profit / (loss) after income tax	(4,271)	7,050
				78,563	60,898
			Share of surplus on revaluation of fixed assets recognized during the year	-	21,936
				90,723	94,994
			Automobile and Parts		
5,000	5,000	10	Gandhara Nissan Limited		
			Equity held 0.01% (2010: 0.01%)		
			Cost	103	103
			Share of post acquisition reserves:		
			As at 01 January	63	58
			Share of loss after income tax	(6)	(4)
				57	54
			Share of surplus on revaluation of fixed assets recognized during the year	-	9
				160	166
				91,955	95,865



- 18.1.1 Summarized un-audited financial statements of the associates, including the aggregated amounts of assets, liabilities, revenues and profits / (losses) are as follows:

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT / (LOSS)
	As at 31 December 2011		From 01 January 2011 to 31 December 2011	

------(RUPEES IN THOUSAND)-----

Bannu Woollen Mills Limited	1,468,927	274,537	620,379	118,537
Gandhara Industries Limited	4,093,705	2,473,632	1,532,767	(51,119)
Gandhara Nissan Limited	2,750,817	1,147,312	1,766,386	(57,340)

NAME	ASSETS	LIABILITIES	REVENUE	PROFIT / (LOSS)
	As at 31 December 2010		From 01 January 2010 to 31 December 2010	

------(RUPEES IN THOUSAND)-----

Bannu Woollen Mills Limited	966,675	181,076	536,980	219,850
Gandhara Industries Limited	2,897,815	1,201,468	2,016,770	125,898
Gandhara Nissan Limited	3,381,616	1,720,771	2,844,405	(38,309)

2011                      2010  
(RUPEES IN THOUSAND)

- 18.1.2 Fair value of investments in associates is as follows:

Bannu Woollen Mills Limited	100	96
Gandhara Industries Limited	8,679	13,948
Gandhara Nissan Limited	12	25

The management, in accordance with provisions of IAS 36 "Impairment of Assets" has determined the recoverable amount of its investments in associates accounted for under equity method i.e. higher of fair value less cost to sell and value in use. Based on value in use calculations as at 31 December 2011, the management concluded that the carrying amount of investments in associates do not exceed the recoverable amount. Based on favourable value in use, there was no impairment loss on investments in associated companies with significant influence (tested for impairment) under IAS 36 "Impairment of Assets".

2011                      2010  
(RUPEES IN THOUSAND)

- 18.2 Held-to-maturity

Statutory deposits (Note 18.2.1 and 18.2.2)	34,145	23,478
Advance for purchase of Pakistan Investment Bonds	-	4,692
	<u>34,145</u>	<u>28,170</u>

- 18.2.1 Statutory deposits

	Maturity	Coupon rate (%)		
Pakistan Investment Bond	19-05-2011	9.30	-	10,099
Pakistan Investment Bond	06-10-2013	8.00	14,069	13,379
Pakistan Investment Bond	18-08-2016	11.50	15,326	-
Pakistan Investment Bond	22-07-2020	12.00	4,750	-
			<u>34,145</u>	<u>23,478</u>

- 18.2.1.1 Market value of these PIBs as on 31 December 2011 is Rupees 30.575 million (2010: Rupees 22.826). Profit on PIBs is received bi-annually.

- 18.2.2 These investments are made to meet the statutory requirement as required by section 29(2)(a) of The Insurance Ordinance, 2000.



### 18.3 Available-for-sale

NUMBER OF SHARES / UNITS		FACE VALUE	NAME OF ENTITY	2011	2010
2011	2010			(RUPEES IN THOUSAND)	
RUPEES					
Quoted					
			Ordinary shares		
			Personal Goods		
26,740	26,740	10	Fawad Textile Mills Limited	268	268
49,000	49,000	10	Hamid Textile Mills Limited	490	490
			Industrial Transportation		
888	888	10	Pakistan National Shipping Corporation	24	24
				782	782
			Mutual funds		
			Open-ended Mutual Fund		
1,773	1,368		Atlas Stock Market Fund	500	500
-	1,000,000		NIT Income Fund	-	10,000
			Close-ended Mutual Fund		
23,245	23,245	10	JS Growth Fund ( Formerly UTP Growth Fund)	135	135
6,391	6,391	10	PICIC Investment Fund	85	85
				720	10,720
Un-Quoted					
			Ordinary shares		
1,106	1,106	10	Nowshera Engineering Works Limited	11	11
				1,513	11,513
Provision for impairment in value of investments (Note 18.3.1)				(678)	(681)
				835	10,832

### 18.3.1 Provision for impairment in value of investments

Opening balance as at 01 January	681	3,754
Provision made during the year	48	116
Provision reversed during the year	(51)	(53)
	(3)	63
Provision adjusted against disposal of investments	-	(3,136)
Closing balance as at 31 December	678	681

18.3.2 At 31 December 2011, the fair value of available-for-sale securities was Rupees 0.884 million (2010: Rupees 11.454 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2011 would have been higher by Rupees 0.049 million (2010: Rupees 0.622 million).

### 18.4 Investments at fair value through profit or loss

NUMBER OF SHARES / UNITS		FACE VALUE	NAME OF ENTITY	2011	2010
2011	2010			(RUPEES IN THOUSAND)	
RUPEES					
Quoted					
			Ordinary shares		
			Banks		
23,718	18,975	10	National Bank of Pakistan	3,097	3,097
			Construction and materials		
104,511	104,511	10	Pioneer Cement Limited	6,402	6,402
			Electricity		
40,000	40,000	10	The Hub Power Company Limited	1,198	1,198
			Chemicals		
95,000	95,000	10	Fauji Fertilizer Bin Qasim Limited	4,041	4,041
				14,738	14,738
			Mutual funds		
			Close-ended Mutual Fund		
76,500	76,500	10	PICIC Growth Fund	2,889	2,889
			Open-ended Mutual Funds		
1,184	1,069		Atlas Income Fund	500	500
-	570,660		ABL Income Fund	-	5,122
-	30,708		Faysal Savings Growth Fund	-	2,702
-	217,881		NAFA Government Securities Liquid Fund	-	2,000
-	32,691		IGI Income Fund	-	3,000
-	21,059		Askari Sovereign Cash Fund	-	2,000
				3,389	18,213
				18,127	32,951
Unrealized loss on remeasurement of investments				(9,861)	(7,643)
				8,266	25,308



	2011	2010
	(RUPEES IN THOUSAND)	
19. PREMIUMS DUE BUT UNPAID - Unsecured		
Considered good		
Due from associates (Note 19.1)	25,704	36,740
Others	88,808	105,976
	<u>114,512</u>	<u>142,716</u>
Considered doubtful		
Due from associates	-	-
Others	21,521	12,399
	<u>21,521</u>	<u>12,399</u>
Provision for doubtful receivables (Note 19.2)	(21,521)	(12,399)
	<u>114,512</u>	<u>142,716</u>
19.1 Due from associates:		
Janana De Malucho Textile Mills Limited	8,453	5,912
Babri Cotton Mills Limited	227	254
Bannu Woollen Mills Limited	-	-
Rahman Cotton Mills Limited	7,661	7,437
Ghandhara Nissan Limited	4,219	12,232
Ghandhara Industries Limited	5,033	10,441
The General Tyre and Rubber Company of Pakistan Limited	37	62
Gammon Pakistan Limited	74	74
Bibojee Services (Private) Limited	-	328
	<u>25,704</u>	<u>36,740</u>

19.1.1 Maximum aggregate balance due from associates at the end of any month was Rupees 72.399 million (2010: Rupees 56.965 million).

	2011	2010
	(RUPEES IN THOUSAND)	
19.2 Provision for doubtful receivables		
Balance as at 01 January	12,399	-
Provision made during the year	16,889	12,399
	<u>29,288</u>	<u>12,399</u>
Bad debts written off	(7,767)	-
Balance as at 31 December	<u>21,521</u>	<u>12,399</u>





2011                      2010  
(RUPEES IN THOUSAND)

20. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured

Amounts due from coinsurers	127,892	147,140
Amounts due from reinsurers	7,294	19,834
	<u>135,186</u>	<u>166,974</u>
Provision for doubtful receivables (Note 20.1)	(6,743)	(4,039)
Amount due from other insurers / reinsurers - considered good	<u>128,443</u>	<u>162,935</u>

20.1 Provision for doubtful receivables

Balance as at 01 January	4,039	-
Provision made during the year	2,704	4,039
Balance as at 31 December	<u>6,743</u>	<u>4,039</u>

21. ACCRUED INVESTMENT INCOME

This represents profit accrued on term deposit receipts.

22. PREPAYMENTS

Prepaid reinsurance premium ceded	46,980	60,337
Others	1,645	1,926
	<u>48,625</u>	<u>62,263</u>

23. LOANS TO EMPLOYEES - Unsecured considered good

Executives	380	-
Others	716	643
	<u>1,096</u>	<u>643</u>

These represent interest free loans given to employees in accordance with the policy of the Company. These are recoverable in equal monthly installments.

2011                      2010  
(RUPEES IN THOUSAND)

24. SUNDRY RECEIVABLES

Advances to employees unsecured - considered good	1,835	4,981
Security deposits	3,424	4,095
Rent recoverable from holding company	864	1,440
Sales tax receivable	260	608
Others	3,544	5,835
	<u>9,927</u>	<u>16,959</u>

25. FIXED ASSETS

Owned assets (Note 25.1)  
Leased assets (Note 25.1)

2011  
(RUPEES IN THOUSAND)

254,897  
1,709  
256,606

242,084  
4,967  
247,051

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	OWNED				LEASED			
	Freehold land	Buildings on freehold land	Furniture, fixtures and office equipment	Motor Vehicles	Sub total	Furniture, fixtures and office equipment	Motor Vehicles	Total
At 01 January 2010								
Cost/revaled amount	107,360	81,622	21,229	67,548	290,440	2,258	14,319	307,017
Accumulated depreciation	-	(11,398)	(10,923)	(39,652)	(66,899)	(623)	(4,577)	(70,476)
Net book value	107,360	70,224	10,306	27,896	223,541	1,635	10,365	236,541
Year ended 31 December 2010								
Opening net book value	107,360	70,224	10,306	27,896	223,541	1,635	10,365	236,541
Additions	-	-	1,350	14,223	17,731	-	-	17,731
Transferred from leased assets:								
Cost	-	-	-	8,268	8,268	-	(8,268)	-
Accumulated depreciation	-	-	-	(3,553)	(3,553)	-	3,553	-
	-	-	-	4,715	4,715	-	(4,715)	-
Deposits:								
Cost	-	-	-	(2,087)	(2,087)	-	-	(2,087)
Accumulated depreciation	-	-	-	1,165	1,165	-	-	1,165
	-	-	-	(922)	(922)	-	-	(922)
Depreciation charge	-	-	-	(7,079)	(7,079)	-	(2,445)	(9,524)
Surplus on revaluation (Note 25.2)	-	-	-	-	-	-	-	-
Closing net book value	115,600	69,680	10,476	38,833	242,084	1,390	3,577	247,051
As at 31 December 2010								
Cost/revaled amount	115,600	84,589	22,395	87,952	324,693	2,258	6,051	333,002
Accumulated depreciation	-	(14,909)	(11,919)	(49,119)	(86,937)	(2,474)	(3,342)	(95,951)
Net book value	115,600	69,680	10,476	38,833	242,084	1,390	3,577	247,051
Year ended 31 December 2011								
Opening net book value	115,600	69,680	10,476	38,833	242,084	1,390	3,577	247,051
Additions	-	-	566	2,647	3,712	-	-	3,712
Transferred from leased assets:								
Cost	-	-	-	2,571	2,571	-	-	-
Accumulated depreciation	-	-	-	(1,268)	(1,268)	-	(2,571)	-
	-	-	-	1,303	1,303	-	(1,303)	-
Deposits:								
Cost	-	-	(17)	(3,473)	(3,490)	-	-	(3,490)
Accumulated depreciation	-	-	15	1,781	1,796	-	-	1,796
	-	-	(2)	(1,692)	(1,694)	-	-	(1,694)
Written off:								
Cost	-	-	(199)	(2,476)	(2,675)	-	-	(2,675)
Accumulated depreciation	-	-	130	1,709	1,839	-	-	1,839
	-	-	(69)	(767)	(836)	-	-	(836)
Depreciation charge	-	-	-	-	-	-	-	-
Surplus on revaluation (Note 25.2)	-	-	-	-	-	-	-	-
Closing net book value	13,400	10,666	10,666	(2,379)	(15,053)	(75)	(565)	(15,693)
As at 31 December 2011								
Cost/revaled amount	129,000	76,862	10,799	32,441	254,897	-	1,709	256,606
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book value	129,000	76,862	10,799	32,441	254,897	-	1,709	256,606
Annual rate of depreciation (%)	5%	10-30%	30%	20%	15%	20%	20%	

25.2 Surplus on revaluation

Latest revaluation of land and buildings was carried out by Messers Sadruddin Associates (Private) Limited (PBA approved value) as on 31 December 2011. Had there been no revaluation, carrying values of land and buildings as on 31 December 2011 would have been lower by Rupees 119,843 million (2010: Rupees 106,443 million) and Rupees 44,161 million (2010: Rupees 35,258 million) respectively.



25.3 The depreciation charge for the year has been allocated as follows:

	2011	2010
	(RUPEES IN THOUSAND)	
Expenses (Note 26)	10,462	11,395
General and administration expenses (Note 28)	5,231	5,687
	<u>15,693</u>	<u>17,082</u>

25.4 Detail of operating fixed assets having book value exceeding Rupees 50,000 disposed of during the year is as follows:

DESCRIPTION	QTY	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	GAIN	MODE OF DISPOSAL	PARTICULAR OF PURCHASES
------(RUPEES IN THOUSAND)-----								
Nissan Sunny KV-06-044	1	1,105	715	390	800	410	Negotiation	Mr. Ghias-UI-Hassan, Lahore
Toyota Corolla LEB-10-7233	1	1,332	300	1,032	1,310	278	As per Company's policy	Mr. Atiq Saddiquee - Company's ex - employee
Suzuki Mehran LZO-9242	1	558	375	183	50	(133)	Tender	Mr. M. Naeem, Lahore
		<u>2,995</u>	<u>1,390</u>	<u>1,605</u>	<u>2,160</u>	<u>555</u>		
Aggregate of items with individual book value not exceeding Rupees 50,000		495	406	89	158	69		
		<u>3,490</u>	<u>1,796</u>	<u>1,694</u>	<u>2,318</u>	<u>624</u>		



	2011	2010
	(RUPEES IN THOUSAND)	
<b>26. EXPENSES</b>		
Salaries and other benefits (Note 26.1)	66,529	77,985
Rent, rates and taxes	6,192	5,223
Electricity charges	2,140	2,265
Insurance	4,246	3,082
Communication	3,988	4,921
Printing and stationery	648	921
Travelling and entertainment	3,376	3,270
Depreciation (Note 25.3)	10,462	11,395
Repairs and maintenance	3,659	3,992
Legal and professional	890	1,295
Advertisement	41	246
Gratuity	1,972	-
Provision for leave encashment	2,447	7,373
Others	2,901	2,545
Service charges	852	878
	<u>110,343</u>	<u>125,391</u>
26.1 These include Rupees 0.634 million (2010: Rupees 2.802 million) in respect of provident fund contribution upto 02 April 2011.		
26.2 The above expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue.		
<b>27. OTHER INCOME</b>		
Income from financial assets		
Profit on term deposit receipts	5,075	446
Profit on bank accounts	<u>1,656</u>	<u>1,279</u>
	6,731	1,725
Income from non-financial assets		
Fronting fee	<u>1,048</u>	<u>987</u>
Gain on disposal of fixed assets	624	881
Credit balances written-back	1,091	1,338
Miscellaneous	<u>439</u>	<u>47</u>
	<u>3,202</u>	<u>3,253</u>
	<u>9,933</u>	<u>4,978</u>
<b>28. GENERAL AND ADMINISTRATION EXPENSES</b>		
Salaries and other benefits (Note 28.1)	50,551	53,579
Rent, rates and taxes	1,857	2,200
Electricity charges	1,356	1,561
Insurance	2,122	2,277
Communication	2,557	1,516
Printing and stationery	1,938	3,546
Travelling and entertainment	4,503	3,578
Depreciation (Note 25.3)	5,231	5,687
Repairs and maintenance	3,379	2,187
Legal and professional	2,579	1,615
Provision for doubtful receivables (Note 28.2)	19,593	16,438
Provision for impairment on term deposit receipts (Note 17)	-	1,202
Gratuity	14,192	-
Provision for leave encashment	3,486	3,686
Fixed assets written off (Note 25.1)	836	-
Advertisement	1,846	934
Auditors' remuneration (Note 28.3)	477	442
Others	4,816	6,691
	<u>121,319</u>	<u>107,139</u>



28.1 These include Rupees 0.508 million (2010: Rupees 1.860 million) in respect of provident fund contribution upto 02 April 2011.

2011                      2010  
(RUPEES IN THOUSAND)

28.2 Provision for doubtful receivables

Premium due but unpaid (Note 19.2)	16,889	12,399
Amounts due from other insurers / reinsurers (Note 20.1)	2,704	4,039
	<u>19,593</u>	<u>16,438</u>

28.3 Auditors' remuneration

Statutory audit fee	300	300
Out of pocket expenses	52	17
Half yearly review	100	100
Certification and other charges	25	25
	<u>477</u>	<u>442</u>

29. TAXATION

Current:

Current year	(81)	(5,285)
Prior years	5,201	(5,070)
	<u>5,120</u>	<u>(10,355)</u>

Deferred

	40,655	27,303
	<u>45,775</u>	<u>16,948</u>

29.1 In view of taxable loss for the year, provision for current taxation represents tax charge against rental income under the Income Tax Ordinance, 2001. The Company has carried forwardable tax losses of Rupees 116.414 million. Numerical reconciliation between average tax rate and applicable tax rate has not been presented being impracticable.

30. LOSS PER SHARE - BASIC AND DILUTED

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

Loss after taxation attributable to ordinary shareholders	<u>(64,808)</u>	<u>(86,485)</u>
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NUMBER OF SHARES

Weighted average number of ordinary shares outstanding during the year	<u>15,446,149</u>	<u>11,058,959</u>
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RUPEES

Loss per share - basic and diluted	<u>(4.20)</u>	<u>(7.82)</u>
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### 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

PARTICULARS	CHIEF EXECUTIVE		MANAGING DIRECTOR		EXECUTIVES	
	2011	2010	2011	2010	2011	2010
------(RUPEES IN THOUSAND)-----						
Managerial remuneration	840	840	4,080	4,902	15,764	17,006
House rent	360	360	684	375	6,210	5,230
Provident fund contribution	-	-	102	396	223	996
Utilities	275	431	117	162	1,385	1,069
Medical allowance	136	2,542	86	91	-	-
	<u>1,611</u>	<u>4,173</u>	<u>5,069</u>	<u>5,926</u>	<u>23,582</u>	<u>24,301</u>
Number of employees	1	1	1	1	17	16

31.1 Chief executive, managing director and executives are also provided with free use of the Company's maintained cars and residential telephones.

31.2 Aggregate amount charged in the financial statements for meeting fee to all directors was Rupees 0.500 million (2010: Rupees 0.380 million).

### 32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, associated undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2011	2010
	(RUPEES IN THOUSAND)	
Holding company		
Premium underwritten	949	648
Premium received	1,277	1,686
Claims paid	-	123
Shares issued	37,500	52,500
Commission paid	12,611	13,889
Rental income	1,152	1,152
Associated companies		
Premium underwritten	72,200	60,743
Premium received / adjusted	82,908	78,694
Claims paid	13,808	13,096
Dividend received	36	14
Vehicles purchased	-	8,098
Other related parties		
Company's contribution to provident fund trust	1,142	4,662

### 33. SEGMENT REPORTING

The Company has following four primary segments:

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

	FIRE AND PROPERTY DAMAGE		MARINE AND TRANSPORT		MOTOR ACCIDENT		OTHERS		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(RUPEES IN THOUSAND)									
Revenue	177,908	179,941	83,008	91,668	165,941	178,183	56,694	62,334	483,551	512,126
Gross premium earned	(3,631)	(4,449)	9,439	(3,509)	3,161	(1,999)	(10,992)	(7,286)	(2,023)	(17,243)
Segment results									6,180	8,172
Investment income									1,164	1,164
Rental income									9,933	4,978
Other income									(121,319)	(107,139)
General and administration expenses									(348)	(609)
Financial charges									(4,170)	7,244
Share of (loss) / profit from associates - net of tax									(108,560)	(86,190)
Loss before taxation									(110,583)	(103,433)
Taxation									45,775	16,948
Loss after taxation									(64,808)	(86,485)
Other information										
Segment assets	249,421	281,729	76,183	91,931	118,130	137,126	49,693	78,613	493,427	589,399
Unallocated assets									575,745	515,188
Total assets									1,069,172	1,104,587
Segment liabilities	234,675	262,626	70,278	79,615	161,348	155,157	60,684	86,798	526,985	584,196
Unallocated liabilities									103,878	76,021
Total liabilities									630,863	660,217





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

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

The individual risk wise analysis is given below:

##### 34.1 Credit risk and concentration of credit risk

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

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

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

	2011	2010
	( RUPEES IN THOUSAND )	
Current and other accounts	89,619	83,628
Deposits maturing within twelve months	40,000	4,600
Loans to employees	1,096	643
Investments	43,246	64,310
Premiums due but unpaid	114,512	142,716
Amounts due from other insurers / reinsurers	128,443	162,935
Salvage recoveries accrued	2,500	2,910
Accrued investment income	530	124
Reinsurance recoveries against outstanding claims	177,750	193,437
Sundry receivables	9,667	16,351
	<u>607,363</u>	<u>671,654</u>

Provision is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year receivables of Rupees 19.593 million were further impaired and provided for. The provision for doubtful debts is shown in the respective notes of these financial statements.

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

Upto one year	82,402	98,090
Past one but less than three years	32,110	44,626
	<u>114,512</u>	<u>142,716</u>





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

	SHORT TERM	LONG TERM	RATING AGENCY	2011	2010
				( RUPEES IN THOUSAND )	
Allied Bank Limited	A-1+	AA	PACRA	-	1,279
Askari Bank Limited	A-1+	AA	PACRA	-	96
Bank Alfalah Limited	A-1+	AA	PACRA	-	525
Bank AL Habib Limited	A-1+	AA+	PACRA	4,617	62,832
Faysal Bank Limited	A-1+	AA	PACRA	-	93
Habib Bank Limited	A-1+	AA+	JCR-VIS	82,370	1,649
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	-	74
Indus Bank Limited	-	-	-	-	74
JS Bank Limited	A-1	A	PACRA	-	2
KASB Bank Limited	A-3	BBB	PACRA	-	342
MCB Bank Limited	A-1+	AA+	PACRA	-	1,214
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,566	8,677
Soneri Bank Limited	A-1+	AA-	PACRA	-	1,056
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	-	1,037
Summit Bank Limited	A-2	A	JCR-VIS	-	116
The Bank of Punjab	A-1+	AA-	PACRA	-	179
The Bank of Khyber	A-2	A-	PACRA	-	165
United Bank Limited	A-1+	AA+	JCR-VIS	66	4,218
				89,619	83,628

#### Term deposit receipts

Allied Bank Limited	A-1+	AA	PACRA	-	3,000
The Bank of Punjab	A-1+	AA-	PACRA	-	1,600
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	40,000	-
				40,000	4,600

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

	Amounts due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2011	2010
	----- (RUPEES IN THOUSAND) -----			
A or above (including PRCL)	126,235	172,960	299,195	319,966
BBB	2,208	4,790	6,998	32,620
Others	-	-	-	3,786
Total	128,443	177,750	306,193	356,372



### 34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are monitored regularly and the management ensures that sufficient liquid funds are available.

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

2011			
Carrying amount	Contractual cash flow	Upto one year	More than one year
------(RUPEES IN THOUSAND)-----			

#### Financial liabilities

Provision for outstanding claims (Including IBNR)	319,304	319,304	319,304	-
Amounts due to insurers / reinsurers	56,462	56,462	56,462	-
Accrued expenses	26,898	26,898	26,898	-
Unclaimed dividends	610	610	610	-
Other creditors and accruals	18,459	18,459	18,459	-
Deposits against performance bonds	2,946	2,946	2,946	-
Liabilities against assets subject to finance lease	628	656	656	-
	425,307	425,335	425,335	-

2010			
Carrying amount	Contractual cash flow	Upto one year	More than one year
------(RUPEES IN THOUSAND)-----			

#### Financial liabilities

Provision for outstanding claims (Including IBNR)	318,351	318,351	318,351	-
Amounts due to insurers / reinsurers	93,714	93,714	93,714	-
Accrued expenses	9,715	9,715	9,715	-
Unclaimed dividends	610	610	610	-
Other creditors and accruals	9,805	9,805	9,805	-
Deposits against performance bonds	3,538	3,538	3,538	-
Liabilities against assets subject to finance lease	2,447	2,591	1,934	657
	438,180	438,324	437,667	657

### 34.3 Market risk

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



a) Interest / mark-up rate risk

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

2011	2010	2011	2010
Effective interest rate		( RUPEES IN THOUSAND )	
Percentage			

Fixed rate financial instruments

Financial assets

Investments - PIBs	8 to 12%	8 to 9.30%	34,145	23,478
Term deposit receipts	11.80%	10 to 12%	40,000	4,600

Floating rate financial instruments

Financial assets

Bank deposits	5 to 8.5%	4 to 6%	29,058	74,484
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Financial liabilities

Liabilities against assets subject to finance lease	16.93%	14.28 to 17.54%	628	2,447
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Sensitivity analysis

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

(RUPEES IN THOUSAND)

2011

Cash flow sensitivity-variable rate financial liabilities	(6)	6
Cash flow sensitivity-variable rate financial assets	291	(291)
Decrease / (increase) in loss for the year	285	(285)



(RUPEES IN THOUSAND)

2010

Cash flow sensitivity-variable rate financial liabilities	(24)	24
Cash flow sensitivity-variable rate financial assets	745	(745)
Increase / (decrease) in the profit for the year	<u>721</u>	<u>(721)</u>

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is not exposed to commodity price risk. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares.

The available for sale investments are stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. The carrying and market value of these investments has been disclosed in the note 18.3 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

As the Company is only exposed to price risk for investments classified in the available-for-sale and at fair value through profit or loss category, a 10% increase / decrease in share prices at year end would have decreased / increased loss for the year as follows:

Impact on profit / (loss) before tax	Impact on equity
--	---------------------

(RUPEES IN THOUSAND)

2011

Effect of increase in share price - Decrease in loss and increase in equity	860	559
Effect of decrease in share price - Increase in loss and decrease in equity	867	564

2010

Effect of increase in share price - Decrease in loss and increase in equity	2,555	1,661
Effect of decrease in share price - Increase in loss and decrease in equity	3,061	1,990

c) Currency risk

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



#### 34.4 Financial instruments by categories

Held to maturity		At fair value through profit or loss		Available for sale		Loans and receivables		Total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010

(RUPEES IN THOUSAND)

#### Financial assets as per balance sheet

Current and other accounts	-	-	-	-	-	-	89,619	83,628	89,619	83,628
Deposits maturing within twelve months	-	-	-	-	-	-	40,000	4,600	40,000	4,600
Loans to employees	-	-	-	-	-	-	1,096	643	1,096	643
Investments	34,145	28,170	8,266	25,308	835	10,832	-	-	43,246	64,310
Premiums due but unpaid	-	-	-	-	-	-	114,512	142,716	114,512	142,716
Amounts due from other insurers / reinsurers	-	-	-	-	-	-	128,443	162,935	128,443	162,935
Salvage recoveries accrued	-	-	-	-	-	-	2,500	2,910	2,500	2,910
Accrued investment income	-	-	-	-	-	-	530	124	530	124
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-	177,750	193,437	177,750	193,437
Sundry receivables	-	-	-	-	-	-	9,667	16,351	9,667	16,351
	<u>34,145</u>	<u>28,170</u>	<u>8,266</u>	<u>25,308</u>	<u>835</u>	<u>10,832</u>	<u>564,117</u>	<u>607,344</u>	<u>607,363</u>	<u>671,654</u>

#### Other financial liabilities

2011 2010

(RUPEES IN THOUSAND)

#### Financial liabilities as per balance sheet

Provision for outstanding claims (including IBNR)	319,304	318,351
Amounts due to insurers / reinsurers	56,462	93,714
Accrued expenses	26,898	9,715
Unclaimed dividends	610	610
Other creditors and accruals	18,459	9,805
Deposits against performance bonds	2,946	3,538
Liabilities against assets subject to finance lease	628	2,447
	<u>425,307</u>	<u>438,180</u>

#### 35. INSURANCE RISK

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.



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

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

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

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

a) Concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

b) Reinsurance risk

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risk, and provide additional underwriting capacity which also constitutes towards the growth of premium. A significant portion of the reinsurance is affected under treaty, facultative and also under excess of loss reinsurance contracts to protect Company's exposure towards catastrophic losses.

To minimize its exposure to any possible losses from reinsurers' insolvencies, the Company evaluates the financial condition of the reinsurers, their rating and monitors concentrations of credit risk arising from the respective geographic regions, activities or economic characteristics of the reinsurers.

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



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

	Gross sum insured		Reinsurance		Net	
	2011	2010	2011	2010	2011	2010
----- (RUPEES IN THOUSAND) -----						
Fire	70,796,859	74,094,114	41,062,178	48,175,993	29,734,681	25,918,121
Marine	91,120,128	61,198,005	45,560,064	9,038,945	45,560,064	52,159,060
Motor	13,583,591	6,480,234	2,037,539	3,248,542	11,546,052	3,231,692
Others	3,695,164	1,534,774	1,034,646	291,147	2,660,518	1,243,627
	<u>179,195,742</u>	<u>143,307,127</u>	<u>89,694,427</u>	<u>60,754,627</u>	<u>89,501,315</u>	<u>82,552,500</u>

c) Neutral assumptions for claims estimation

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

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

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

d) Sensitivity Analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

	Net impact of increase / decrease in average claim by			
	10 % on			
	Underwriting result		Shareholders' equity	
	2011	2010	2011	2010
----- (RUPEES IN THOUSAND) -----				
Fire	1,678	1,871	1,091	1,216
Marine	1,094	1,858	711	1,208
Motor	8,276	10,267	5,379	6,674
Other	3,292	3,708	2,140	2,410
	<u>14,340</u>	<u>17,704</u>	<u>9,321</u>	<u>11,508</u>



### 36. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

2011						
Interest / mark-up bearing			Non interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

----- (RUPEES IN THOUSAND) -----

#### Financial assets on balance sheet

Current and other accounts	29,058	-	29,058	60,561	-	60,561	89,619
Deposits maturing within twelve months	40,000	-	40,000	-	-	-	40,000
Loans to employees	-	-	-	1,096	-	1,096	1,096
Investments	-	34,145	34,145	9,101	-	9,101	43,246
Premiums due but unpaid	-	-	-	114,512	-	114,512	114,512
Amounts due from other insurers / reinsurers	-	-	-	128,443	-	128,443	128,443
Salvage recoveries accrued	-	-	-	2,500	-	2,500	2,500
Accrued investment income	-	-	-	530	-	530	530
Reinsurance recoveries against outstanding claims	-	-	-	177,750	-	177,750	177,750
Sundry receivables	-	-	-	9,667	-	9,667	9,667
	69,058	34,145	103,203	504,160	-	504,160	607,363
Off balance sheet	-	-	-	-	-	-	-
Total	69,058	34,145	103,203	504,160	-	504,160	607,363

#### Financial liabilities on balance sheet

Insurance contract - short term	-	-	-	136,314	-	136,314	136,314
Reinsurance assets held to cover insurance contracts	-	-	-	(46,980)	-	(46,980)	(46,980)
	-	-	-	89,334	-	89,334	89,334
Provision for outstanding claims	-	-	-	319,304	-	319,304	319,304
Amounts due to insurers / reinsurers	-	-	-	56,462	-	56,462	56,462
Accrued expenses	-	-	-	26,898	-	26,898	26,898
Unclaimed dividends	-	-	-	610	-	610	610
Other creditors and accruals	-	-	-	18,459	-	18,459	18,459
Deposits against performance bonds	-	-	-	2,946	-	2,946	2,946
Liabilities against assets subject to finance lease	628	-	628	-	-	-	628
	628	-	628	514,013	-	514,013	514,641
Off balance sheet	-	-	-	-	-	-	-
Total	628	-	628	514,013	-	514,013	514,641
On balance sheet gap	68,430	34,145	102,575	(9,853)	-	(9,853)	92,722
Off balance sheet gap	-	-	-	-	-	-	-





2010						
Interest / mark-up bearing			Non interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

----- (RUPEES IN THOUSAND) -----

#### Financial assets on balance sheet

Current and other accounts	74,484	-	74,484	9,144	-	9,144	83,628
Deposits maturing within twelve months	4,600	-	4,600	-	-	-	4,600
Loans to employees	-	-	-	643	-	643	643
Investments	10,099	13,379	23,478	36,140	4,692	40,832	64,310
Premiums due but unpaid	-	-	-	142,716	-	142,716	142,716
Amounts due from other insurers / reinsurers	-	-	-	162,935	-	162,935	162,935
Salvage recoveries accrued	-	-	-	2,910	-	2,910	2,910
Accrued investment income	-	-	-	124	-	124	124
Reinsurance recoveries against outstanding claims	-	-	-	193,437	-	193,437	193,437
Sundry receivables	-	-	-	16,351	-	16,351	16,351
	89,183	13,379	102,562	564,400	4,692	569,092	671,654

#### Off balance sheet

	-	-	-	-	-	-	-
Total	89,183	13,379	102,562	564,400	4,692	569,092	671,654

#### Financial liabilities on balance sheet

Insurance contract - short term	-	-	-	155,657	-	155,657	155,657
Reinsurance assets held to cover insurance contracts	-	-	-	(60,337)	-	(60,337)	(60,337)
	-	-	-	95,320	-	95,320	95,320
Provision for outstanding claims	-	-	-	318,351	-	318,351	318,351
Amounts due to insurers / reinsurers	-	-	-	93,714	-	93,714	93,714
Accrued expenses	-	-	-	9,715	-	9,715	9,715
Unclaimed dividends	-	-	-	610	-	610	610
Other creditors and accruals	-	-	-	9,805	-	9,805	9,805
Deposits against performance bonds	-	-	-	3,538	-	3,538	3,538
Liabilities against assets subject to finance lease	1,818	629	2,447	-	-	-	2,447
	1,818	629	2,447	531,053	-	531,053	533,500

#### Off balance sheet

	-	-	-	-	-	-	-
Total	1,818	629	2,447	531,053	-	531,053	533,500

On balance sheet gap	87,365	12,750	100,115	33,347	4,692	38,039	138,154
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Off balance sheet gap	-	-	-	-	-	-	-
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### 37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 18.3 to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

### 38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's objectives when managing capital are :

- (i) To be in compliance with the paid-up capital requirement set by the SECP.
- (ii) To safe guard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to stakeholders.
- (iii) To provide an adequate return to shareholders.

The Company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

### 39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2012 by the Board of Directors of the Company.

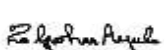
### 40. GENERAL

Figures have been rounded-off to the nearest thousand Rupees unless otherwise stated.

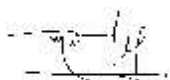
### 41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. There are no significant rearrangements / reclassifications except for the netting off of balances amounting to Rupees 131.368 million relating to same reinsurers grouped under amounts due from reinsurers and amounts due to reinsurers.

  
Raza Kuli Khan Khattak  
CHAIRMAN

  
Begum Zeb Gohar Ayub Khan  
CHIEF EXECUTIVE

  
Mushtaq Ahmed Khan F.C.A.  
DIRECTOR

  
Muhammad Rafiq Chaudhry  
PRINCIPAL OFFICER



## DETAILED CATEGORIES OF SHAREHOLDERS AS ON 31 DECEMBER 2011

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
242	1	- 100	6,889	0.02
175	101	- 500	51,647	0.17
115	501	- 1000	85,335	0.28
318	1001	- 5000	775,755	2.59
56	5001	- 10000	396,840	1.32
34	10001	- 15000	401,123	1.34
10	15001	- 20000	178,515	0.60
7	20001	- 25000	158,127	0.53
2	25001	- 30000	54,342	0.18
3	30001	- 35000	99,384	0.33
1	35001	- 40000	37,431	0.12
4	40001	- 45000	167,704	0.56
1	45001	- 50000	50,000	0.17
2	50001	- 55000	104,036	0.35
1	55001	- 60000	56,206	0.19
1	60001	- 65000	63,548	0.21
2	65001	- 70000	131,940	0.44
1	70001	- 75000	71,275	0.24
2	75001	- 80000	157,090	0.52
1	80001	- 85000	80,193	0.27
1	85001	- 90000	85,625	0.29
1	95001	- 100000	96,181	0.32
2	100001	- 105000	208,967	0.70
2	105001	- 110000	216,534	0.72
1	115001	- 120000	117,855	0.39
2	120001	- 125000	245,285	0.82
1	155001	- 160000	158,136	0.53
1	180001	- 185000	182,220	0.61
1	225001	- 230000	229,920	0.77
1	245001	- 250000	247,928	0.83
1	415001	- 420000	415,237	1.38
1	510001	- 515000	510,406	1.70
1	24155001	- 24160000	24,158,326	80.53
<b>994</b>			<b>30,000,000</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2011

Sr. #	Categories	No. of Shareholders	Shares Held	%age of Capital
1	Executives	7	392,765	1.31
2	Directors, Chief Executive Officer, and their spouse and minor children	9	1,286,347	4.29
3	Associated Companies, Undertakings and Related Parties	1	24,158,326	80.53
4	NIT and ICP	1	1,363	0.00
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	17	262,374	0.87
6	Insurance Companies	2	88,558	0.30
7	General Public (Local)	953	3,752,605	12.51
8	Others	4	57,662	0.19
<b>Total:</b>		<b>994</b>	<b>30,000,000</b>	<b>100.00</b>



## PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 2011

Sr. #	Name	Shares Held	%age of total Capital
<b>Executives</b>			
1	Mr. Amar Majeed	20,000	0.0667
2	Fazal-ur-Rehman Malik	65,625	0.2188
3	Rana Abdul Hameed	50,000	0.1667
4	Mr. Amir Raza	25,000	0.0833
5	Ghulam Qamber Naqvi	41,673	0.1389
6	Mr Pervaiz Chughtai	104,842	0.3495
7	Muhammad Rafiq Chaudhry	85,625	0.2854
Running Total:		392,765	1.3092
<b>Directors, Chief Executive Officer, and their spouse and minor children</b>			
1	Capt. M. Jamil Akhtar Khan	10,000	0.0333
2	Mushtaq Ahmed Khan F.C.A.	2,625	0.0088
3	Choudhry Sher Mohammad	6,562	0.0219
4	Mrs. Zeb Gohar Ayub Khan	123,962	0.4132
5	Ms. Shahnaz Sajjad Ahmed	77,472	0.2582
6	Dr. Shaheen Kuli Khan Khattak	77,472	0.2582
7	Raza Kuli Khan Khattak	510,406	1.7014
8	Mr.Ahmed Kuli Khan Khattak	229,920	0.7664
9	Lt.Gen. Ali Kuli Khan Khattak	247,928	0.8264
Running Total:		1,286,347	4.2878
<b>Associated Companies, Undertakings and Related Parties</b>			
1	Bibojee Services Pvt. Limited	24,158,326	80.5278
Running Total:		24,158,326	80.5278
<b>NIT and ICP</b>			
1	Investment Corporation of Pakistan,	1,363	0.0045
Running Total:		1,363	0.0045
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>			
1	SALIM SOZER SECURITIES (PVT.) LTD.	20,243	0.0675
2	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	3,049	0.0102
3	DARSON SECURITIES (PVT) LIMITED	10,595	0.0353
4	AWJ SECURITIES (SMC-PRIVATE) LIMITED.	13,245	0.0442
5	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	3,500	0.0117
6	FIRST NATIONAL EQUITIES LIMITED	1	0.0000
7	STOCK MASTER SECURITIES (PRIVATE) LTD.	105	0.0004
8	CLIKTRADE LIMITED	40	0.0001
9	N. H. CAPITAL FUND LIMITED	5	0.0000
10	RS HOLDINGS (PRIVATE) LIMITED	12	0.0000
11	CAPITAL VISION SECURITIES (PVT) LTD.	770	0.0026
12	ALI HUSAIN RAJABALI LTD	10,000	0.0333
13	MAM SECURITIES (PVT) LIMITED	500	0.0017
14	DARSON SECURITIES (PRIVATE) LIMITED	12,082	0.0403
15	IDBP (ICP UNIT)	4,648	0.0155
16	Shirazi Investment (pvt) Limited,	1,359	0.0045
17	SONERI BANK LIMITED	182,220	0.6074
Running Total:		262,374	0.8746



Sr. #	Name	Shares Held	%age of total Capital
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#### Insurance Companies

1	GULF INSURANCE COMPANY LIMITED	22,243	0.0741
2	EXCEL INSURANCE CO.LTD.	66,315	0.2211
Running Total:		88,558	0.2952

#### General Public (Local)

3,752,605 12.5087

#### Others

1	SULTAN TEXTILE MILLS KARACHI LIMITED	1,848	0.0062
2	MILLWALA SONS (PRIVATE) LIMITED	3,599	0.0120
3	SULTAN TEXTILE MILLS (K) LTD	14,784	0.0493
4	DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	37,431	0.1248

Running Total: 57,662 0.1922

Grand Total: 30,000,000 100.0000



## HEAD OFFICE EXECUTIVE/ DEPARTMENTAL HEAD / MARKETING EXECUTIVES

Name	Designation	Telephone Office	Fax No.
Begum Zeb Gohar Ayub Khan	Chief Executive	042-37312836	042-37230326
Mr. Mushtaq Ahmed Khan	Member Board of Directors/Chief Monitoring Director	042-37312836	042-37230326
Mr. Mhuammad Rafiq Chaudhry	Principal Officer	042-37355579	042-37230326
Mr. Omar Ayub Khan	Chief Operating Officer	042-37312836	042-37230326
Mr. Fazal-ur-Rehman Malik	Executive Director (Operations & Development)	042-37311666	042-37230326
Mr. Amir Raza	Chief Financial Officer	042-37242913	042-37230326
Syed Ghulam Qamber Naqvi	General Manager - Reinsurance	042-37238616	042-37230326
Mr. Ijaz Ahmed	Company Secretary	042-37359437	042-37230326
Mr. Shahbaz Hameed	Assistant General Manager - Legal Cell	042-37112691	042-37230326
Mr. Jawad Altaf Rana	Assistant General Manager - Claims	042-37350482	042-37230326
Mr. Abdul Waheed Chaudhry	Internal Auditor	042-37353357	042-37230326
Mr. Aftab Rashid	Senior Manager - IT	042-37355426	042-37230326
Syed Hammad Hassan Rizwi	Manager - Finance & Accounts	042-37243168	042-37230326
Mr. Zaheer Ahmed Qazi	Manager - Claims	042-37353458	042-37230326
Mr. Muhammad Qasim	Manager - Underwriting	042-37353458	042-37230326
Mr. Muhammad Ateeq Anwer	Manager - IT	0423-7353458	042-37230326



## COUNTRY WIDE BRANCH NETWORK

S. No.	Br_Code	Branch	Address	Phone Numbers	Fax Number
1	101	Brandreth Road branch, Lahore	Room # 201, 2nd Floor Shahzadi Rafaqat Market, 83-Brandreth Road, Lahore	042- 37641593-37637367	042-37630866
2	104	Kutchery Bazar branch, Faisalabad	Akbar Manzil Kutchery Bazar, Faisalabad	041-2632917; 041-2641977	041- 2601388
3	105	Circular Road branch, Faisalabad	P-184 Jamal Building, Circular Road, Faisalabad	041-2623322; 041-2601024; 041-2643532	041-2637546
4	106	Cavalry Ground branch, Lahore	2nd Floor 54 - Commercial Area Cavalry Ground, Lahore Cantt	042-36619724	042-36682323
5	108	Gujrat branch	Shahroz plaza, Near Sultan Public School, G.T. Road, Gujrat	0533-524887-88	-
6	109	Gujranwala branch-I	Dala Market Opp.Sangam Cinema, G.T.Rad, Gujranwala	055- 3251948	055-3731948
7	113	Blue Area branch, Islamabad	3rd Floor, Waheed Plaza, 52-W, Jinnah Avenue, Blue Area, Islamabad	051-2277555-56; 051-2825558	051-2825554
8	117	Principal Office, Karachi	807 - Business And Finance Centre,I.I Chundrigar Road, Karachi	021- 32446036-38	021- 32446039
9	123	Mirpur branch, Mirpur	Al - Rahi Square Sector C-1, Mirpur (A.J.K)	0300-8644140	-
10	124	Nusrat Road branch, Multan	1st Floor, Khawar Center, Nusrat Road, Multan	061-4540004; 061-4541004 ; 061-4545404	061-4581803
11	125	Brandreth Road branch, Lahore	Room # 201, 2nd Floor Shahzadi Rafaqat Market, 83-Brandreth Road, Lahore	042-37641593, 37637367	042-37630866
12	126	Dean Trade Center branch, Peshawar	Dean Trade Center, 145, 146 3rd floor Opp: State Bank of Pakistan, Saddar Road, Peshwar Cantt	091- 5273794; 091-5250081, 091-5273789	091-5272246
13	129	Muree Road branch, Rawalpindi	Opp: Rawalpindi General Hospital Muree Road, Rawalpindi	051-4571354	051- 4414579
14	131	Kashmir Road branch, Sialkot	Al-Nasir Zone, Near Habib Bank Ltd. Kashmir Road, Sialkot	052-4262770; 052- 4263371-74	052- 4268073
16	133	Sargodha branch-1	Al-Munir Market,Block # 4 Sargodha	048-3720913	048-3700655
17	137	Queens Road branch, Lahore	Mumtaz Centre, 15-A Queens Road, Lahore	042-36374533 ; 042-36362277	042-36303558
18	139	Abbot Road branch, Sialkot	Near OK, Sports, Abbot Road, Sialkot	052-4262603-4	052- 4262601
19	143	Vehari Branch, Vehari.	55-Faisal Town, Vehari	067-3363529	067-3363529
20	144	Sadiqabad Branch, Sadiqabad.	Mukarram Manzil, Al-falah, Town, Saddiqabad.	068- 5702195	068 -5702195, 068 - 5701395
21	145	Mailsi Branch, Mailsi.	Mailsi	067-3410012	-
22	148	Mazang Branch, Lahore.	Room No. 6, 1st floor jalal center, opp. Eye ward Ganga Ram Hospital, Lahore	042-36309087	042-36302510



## COUNTRY WIDE BRANCH NETWORK

S. No.	Br_Code	Branch	Address	Phone Numbers	Fax Number
23	149	Mcleod Road Branch, Lahore.	301-30, Zia Chamber Mcleod Road, Lahore	042-37356316 ; 042-37236247	042-37221609
24	150	Kohinoor City Branch, Faisalabad.	Office # 11, 3rd Floor, Legacy Tower, Kohinoor City, Faisalabad	041-8555443-8555444	041-8555442
25	151	Circular Road Branch, Quetta.	13-D, 3rd Floor, Agha Siraj Complex, Circular Road, Quetta	081- 2866070	081- 2866070
26	152	LMQ Road Branch, Multan.	Suite # 15, 1st Floor, Sharif Plaza, LMQ Road, Multan	061-4580153-4501029-31	061- 4580154
27	153	Cavalry Ground branch, Lahore	2nd Floor 54 - Commercial Area Cavalry Ground, Lahore Cantt	042-36663965	042-36682323
28	154	Madina Town Branch, Faisalabad.	1st Floor, Main Susan Road (Madina Town), Faisalabad	041-8733172-174	041- 8733170
29	155	Abbotabad Branch, Abbotabad.	Room # 205, 2nd Floor Bilal Plaza behind silk plaza, Mansehra Road supply Abbotabad.	0992-342441	0992-342441
30	159	Sargodha Branch - II, Sargodha.	Master R. M. Motors near falcon CNG station, Lahore Road Sarodha	048-3220720	048-3220721
31	161	Queens Road branch, Lahore	Mumtaz Centre, 15-A Queens Road, Lahore	042-36374533 ; 042-36362277	042-36303558
32	162	Bosan Road Branch, Multan.	Office No. 55, 56, 57 first floor, Business City, Bosan Road, Multan	061-6004564, 061-6214564	061-6214564
33	163	Gujranwala branch-II	House No.7, Malik Park, Link Sui Gas Road, Near Warraich House, Gujranwala	0302-8644664	-
34	164	Eden Centre Branch.	213, Eden Center, 43 - Jail Raod, Lahore	042-37596684-6	042-37585297
35	166	Queens Road branch, Lahore	Mumtaz Centre, 15-A Queens Road, Lahore	042-36374533 ; 042-36362277	042-36303558
36	167	Kashmir Road branch, Sialkot	Al-Nasir Zone, Near Habib Bank Ltd. Kashmir Road, Sialkot	052-4262770; 052- 4263371-74	052- 4268073
37	168	Mazang II Branch, Lahore	1st Floor Tufail Chamber 39-Mazang Road Lahore.	042-37112379, 042-37355533	042-37311742
38	169	Paris Road Branch, Silakot	Obero Building, Paris Road, Sialkot	052-4596849, 052-4591023, 052-4591025	052-4593022
39	170	Paris Road Branch, Silakot	Obero Building, Paris Road, Sialkot	052-4598402, 052-4591024	052-4593022





## FORM OF PROXY

I / We \_\_\_\_\_ of  
\_\_\_\_\_ being a member(s) of The  
Universal Insurance Company Limited and holder of \_\_\_\_\_ Ordinary Shares  
as per Registered Folio No./CDC Participation ID and Account  
No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ or failing him / her  
\_\_\_\_\_ of  
\_\_\_\_\_ who is  
also member of The Universal Insurance Company Limited vide Registered Folio  
No./CDC Participant's ID and Account No. \_\_\_\_\_ as may / our proxy  
to vote for me / us and on my / our behalf at the 52nd Annual General Meeting of the  
Company to be held on Saturday 28th April, 2012 at 10:00 a.m and any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

**AFFIX  
REVENUE  
STAMP  
RS. 5/-**

Signature \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

Name with NIC No.: \_\_\_\_\_

Name with NIC No.: \_\_\_\_\_

Address \_\_\_\_\_

Address \_\_\_\_\_

### IMPORTANT:

1. This form of Proxy duly completed must be deposited at the Company's Registered office The Universal Insurance Company Limited, 63-Shahrah-e-Quaid-e-Azam, Lahore not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a member of the Company.
3. CDC Shareholders and their proxies must attach an attested photocopy of their National identity Card of Passport with this Proxy with this Proxy form.



**THE UNIVERSAL INSURANCE CO. LTD.**

**UNIVERSAL INSURANCE HOUSE**

**63-SHAHRAH-E-QUAID-E-AZAM**

**LAHORE-54000 PAKISTAN.**

**PH: 042-3735 5426, 3732 4244, 3732 4194**

**FAX: 042-3723 0326**

**WEB: [www.uic.com.pk](http://www.uic.com.pk)**

**E-MAIL: [info@uic.com.pk](mailto:info@uic.com.pk)**