ANNUAL REPORT 2011

askari general insurance co. ltd.

We achieved

Highest Ever Profit After Tax

Rs. 65.43

million this year.

Our focus is on moving ahead through out-of-box thinking and operational efficiency enhancement.

Financial Highlights

Underwriting Profits

+32%

2011: Rs. 142.35 million
(2010: Rs. 109.14 million)

Profit Before Tax

+32%

2011: Rs. 78.92 million
(2010: Rs. 53.35 million)

Earnings Per Share

+14%

2011: Rs. 2.18
(2010: Rs. 1.91)

Equity

+37%

2011: Rs. 432.21 million
(2010: Rs. 315.83 million)

Rated 'A'

by both

JCR-VIS & PACRA

The Inside

Corporate Information

Chairman
Lt. Gen. Tahir Mahmood (Retd)

President & Chief Executive
Mr. Abdul Waheed

Board of Directors
Maj. Gen. Mukhtar Ahmed (Retd)
Syed Suhail Ahmad Rizvi
Mr. Abdul Hai Mahmood Bhaimia
Brig. Tariq Sher (Retd)
Mr. Farrukh Iqbal Khan
Khawaja Muhammad Iqbal
Brig. Irfan Azam (Retd)

Company Secretary
Mr. Suleman Khalid

Chief Financial Officer
Mr. Jamil Ahmed

Executive Committee
Maj. Gen. Mukhtar Ahmed (Retd)
Chairman
Syed Suhail Ahmad Rizvi
Member
Brig. Tariq Sher (Retd)
Member

Audit Committee
Syed Suhail Ahmad Rizvi
Chairman
Brig. Tariq Sher (Retd)
Member
Mr. Farrukh Iqbal Khan
Member

Underwriting Committee
Brig. Tariq Sher (Retd)
Chairman
Mr. Abdul Waheed
Member
Mrs. Rubina Rizvi
Member

Claim Committee
Syed Suhail Ahmad Rizvi
Chairman
Mr. Abdul Waheed
Member
Mrs. Samina Khan
Member
Syed Imran Abid Bukhari
Member

Reinsurance & Co-Insurance Committee
Maj. Gen. Mukhtar Ahmed (Retd)
Chairman
Mr. Abdul Waheed
Member
Mr. Sohail Khalid
Member

Head of Internal Audit
Mr. Sajid Aziz Satti

External Auditors
M. Yousuf Adil Saleem & Company
Chartered Accountants

Legal Advisors
Hassan Kaunain Nafees

Bankers
Askari Bank Ltd.
Habib Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.
Soneri Bank Ltd.
Silk Bank Ltd.
Faysal Bank Ltd.
JS Bank Ltd.

Registrar & Share Transfer Office
THK Associates (Private) Limited
Ground Floor, State Life Building No. 3,
Dr. Zia ud Din Ahmad Road,
Karachi 75530, PO Box 8533
Ph: +92-21-111 000 322
Fax: +92-21-35655595

Registered Office/Head Office
4th Floor, AWT Plaza, The Mall,
Rawalpindi, Pakistan.
Ph: +92-51-9272425-7
Fax: +92-51-9272424
Email: info@agico.com.pk

Our Board

From Left to Right

1. Mr. Farrukh Iqbal Khan
   (Director)

2. Brig. Tariq Sher (Retd)
   (Director)

3. Mr. Abdul Waheed
   (President & Chief Executive)

4. Lt. Gen. Tahir Mahmood (Retd)
   (Chairman)

5. Maj. Gen. Mukhtar Ahmed (Retd)
   (Director)

6. Syed Suhail Ahmad Rizvi
   (Director)

7. Mr. Abdul Hai Mahmood Bhaimia
   (Director)

VISION

The Vision of askari general insurance company limited is to be amongst the leading insurance companies of the country with the clear perception of upholding the principles of corporate governance and making agico a profitable and growth oriented insurance company while creating insurance awareness and culture.

MISSION

To become a leading insurance company by providing client friendly services through highly motivated team of dedicated professionals and ensuring progressive return to the shareholders.

Our Smart Products


Motor Insurance


Marine Insurance


Fire Insurance


Health Insurance


Engineering Insurance


Aviation Insurance


Bond Insurance


Travel Insurance


Misc Insurance

Organization Structure

- BOD
  - CEO
    - Internal Audit
    - Human Resource
    - Administration
    - Legal
    - Re- Insurance
    - Recovery
    - Pre-Audit
    - Underwriting
    - Claim
      - Motor Claim
      - Non Motor Claim
    - Marketing
      - Corporate
      - Retail Consumer
    - Health
      - Health Claim
      - Health Underwriting
    - Management Information System
      - Development & Programming
      - Networking
      - Tracker Service
    - Finance
      - General Accounting
      - Financial Reporting
      - Treasury
      - Secretarial Affairs

Our Management

Sitting Left to Right

1. Chaudhry Shams-ul-Haq
   Business Head-Agriculture Insurance
2. Mr. Sohail Khalid
   Head of Reinsurance
3. Mr. Jamil Ahmed
   Chief Financial Officer
4. Mr. Abdul Waheed
   President & Chief Executive
5. Rana Shahbaz Ahmed
   Head of Marketing
6. Mrs. Rubina Rizvi
   Head of Underwriting
7. Mrs. Samina Khan
   Head of General Insurance Claims

Standing Left to Right

1. Mr. Ashraf Malik
   Head of Legal Affairs
2. Mr. Sajid Aziz Satti
   Head of Internal Audit
3. Mr. Mustafa Salman Pasha
   Business Head - Defence Institutions
4. Mr. Jamshed Jadoon
   Head of MIS & Tracker Systems
5. Mr. Fawad Asif Rana
   Head of HR
6. Dr. Muhammad Abbas Zaidi
   Chief Health Officer
7. Mr. Waseemullah
   Head of Pre-Audit
8. Syed Imran Abid Bukhari
   Head of Motor Claims
9. Mr. Suleman Khalid
   Company Secretary

President’s Message

I am very pleased to see your Company accomplish notable growth in profitability and achieving profitability in all classes of business in year 2011. We set our sights high and kept a focused approach and by the grace of Almighty, achieved this positive return.

I believe that to be distinctive in the industry it is important to be creative with out-of-box thinking and to offer level playing field to all, for which I am trying hard. Implementation of strong systems is the key to ensure the sustainable growth and our focus in year 2011 was on refining these systems which in turn brought efficiency in our operations.

Year 2011 was a mix of successes and challenges for us. AGICO IFS Rating was maintained at “A” by both the rating companies operating in Pakistan. We managed claims efficiently especially in Motor and Health segments. Claims in ‘Motor’ reduced as we started installing trackers in vehicles insured by us which in turn helped us in reducing our theft claims. In ‘Health’ class of business, we refined our client portfolio by dropping off clients with high loss ratio which resulted in increased profitability in this class of business. We have introduced Online Web Health Portal making information very easily accessible and modifiable for our clients and business partners. Our responsible risk management helped us to gain confidence of reinsurers who in turn increased our reinsurance limits in almost all classes of business. Our customer base for tracker+motor insurance is on the rise swiftly, 24/7 customer service is also being appreciated in the market. We are focusing on innovative products introduction using the Information Technology. By the Grace of Almighty Allah, the efforts we put resulted in profitability in all classes of business which is highly motivating.

Finally, I also acknowledge the hard work and dedication of AGICO team, without whose efforts the Company could not have achieved this splendid performance.

Abdul Waheed
President & Chief Executive

Notice of 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of askari general insurance company limited ("the Company") will be held on Tuesday, April 24, 2012 at 10:00 am at Blue Lagoon Complex, Masood Akhtar Road (off the Mall) Rawalpindi to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the 16th Annual General Meeting held on April 20, 2011.

2. To receive, consider and adopt the Financial Statements of the Company for the year ended December 31, 2011 together with Directors' and Auditors' Reports thereon.

3. To approve the interim bonus issue as final distribution for the year ended December 31, 2011 announced on 23 August 2011 and already issued to the shareholders in the proportion of ten Ordinary shares for every hundred Ordinary shares held i.e. 10%.

4. To appoint Auditors of the Company for the year ending December 31, 2012 and to fix their remuneration.

Special Business

5. To approve issue of Bonus Shares @ 5% (Five new shares on every hundred shares held) by passing the following resolutions:

   a. "Resolved that a sum of Rs. 15,410,478 out of the profit be capitalized and applied for the issue of 1,541,048 ordinary shares of Rs. 10 each and allotted as fully paid bonus shares to those members whose names appear in the members register of the Company at the close of business on April 17, 2012 in the ratio of five shares for every hundred shares held and that such new shares shall rank pari passu in all respect with the existing shares of the Company."

   b. "Further Resolved that fractional entitlement of the members shall be consolidated into whole shares and sold on the Karachi Stock Exchange to pay the proceeds of sale when realized to any recognized Charitable institution."

   c. For the purpose of giving effect to the above resolution, the Directors of the Company be and are hereby authorized to give such directions as may be necessary and to settle any question or difficulties that may arise in regard to the distribution of Bonus Shares or in the payment of the sale proceeds of the fractions as the Directors in their discretions deem fit.

   "Further Resolved that the President & Chief Executive and/or the Company Secretary of the Company be and are hereby authorized to complete the necessary corporate and legal formalities in respect of the above."

Any Other Business

6. To transact any other business with the permission of the Chair.

By order of the Board

Suleman Khalid
Company Secretary

Rawalpindi
03 April 2012

Notes:

1 Closure of Share Transfer Book

The Share Transfer Book of the Company will remain closed from April 18, 2012 to April 24, 2012 (both days inclusive). Transfers received at our Registrars, Messrs THK Associates (Pvt) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on April 17, 2012 will be treated in time.

2 Change in Address

Members of the Company are requested to immediately notify the change in address if any, and ask for consolidation of folio number, provided the member holds more than one folio, to our registrar M/s THK Associate (Pvt) Limited.

3 Participation in General Meeting

a. A Member is entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except that Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

b. The instrument appointing a proxy duly completed, together with Power of Attorney, if any, under which it is signed or a notarially certificate copy thereof, should be deposited with the Company Secretary, askari general insurance company limited 4th Floor the AWT Plaza, the Mall, Rawalpindi, not later than 48 hours before the time of holding the meeting.

c. CDC account holders will further have to comply with the guidelines as laid down by the Circular No. 1 dated 26 January 2000, issued by Securities and Exchange Commission of Pakistan.

Statement under Section 160(1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 24 April 2012.

Item No. 4 of the notice - Issue of Bonus Shares

The Directors are of the view that the un-appropriated profits/reserves of the Company are adequate for capitalization of Rupees 15,410,478/- enabling the issue of proposed 5% Bonus shares. The Directors have no interest directly or indirectly in this business except to the extent of their respective shareholdings in the Company.

Directors' Report

17th Annual General Meeting 2011

The performance of your Company during the year 2011 reflects the success of our strategy of focusing on profitable ventures and strengthening the operational systems to improve the efficiency in handling business.

It is of immense pleasure for us to present the 17th Annual report of askari general insurance company limited (AGICO) along with the audited Financial Statements for the year ended 31st December 2011 and Auditors' Report thereon.

INDUSTRY REVIEW

Ever since the economic downturn in 2008, the insurance industry, like other sectors of the economy, has been facing major challenges arising from muted GDP growth, precarious security situation, widening fiscal imbalance and rising inflation.

The economic slowdown has further intensified the competitive landscape of the insurance industry putting pressure on premium pricing. Consequently, the industry growth as well as overall profitability continues to remain uncertain. The industry, cognizant of growth impediments in traditional products, is exploring new avenues and taking steps to improve its operating platform to offer an improved level of services.

2011 FOR AGICO

The performance of your Company during the year 2011 reflects the success of our strategy of focusing on profitable ventures and strengthening the operational systems to improve the efficiency in handling business.

The directors are pleased to inform that this is the second consecutive year that the Company achieved profitability in all classes of business it operates in.

The Company has managed to post a 38% increase in its net profits after tax and the underwriting results also improved by 30% as compared to the previous year.

HIGHLIGHTS OF 2011

Insurer Financial Strength (IFS) Rating

Both credit rating agencies operating in Pakistan i.e. Pakistan Credit Rating Agency (PACRA) and JCR-VIS have for the 2nd consecutive year, awarded the Company, the IFS Rating 'A'.

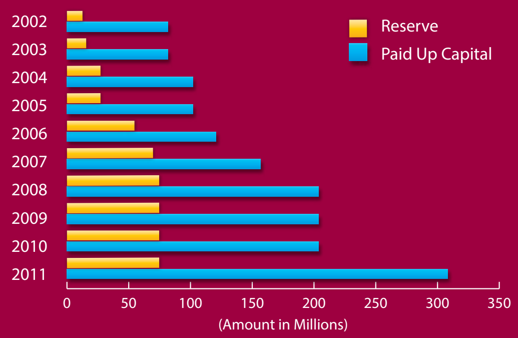
This rating denotes that the Company possesses strong capacity to meet policyholder and contract obligations, its risk factors are moderate and the impact of any adverse business and economic factors is expected to be small.

Innovations through IT

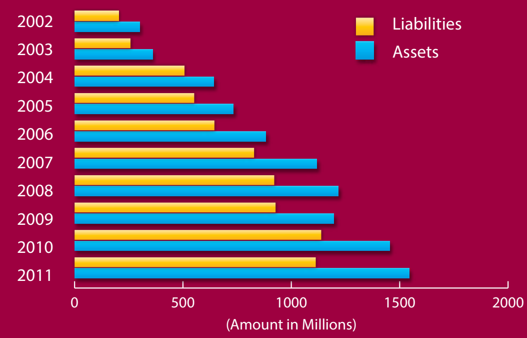
Strengthening our control base and introducing new ideas/ products to add value to the services we deliver has been the area of our high interest in year 2011 and we used Information Technology as a tool for that.

For better customer services in Health segment, web portals for panel hospitals were developed in-house through which they can monitor the entitlement limits of our clients and other related information. Our clients can access this too and can modify the records of those entitled for insurance from us. Online policy information has been made available to clients wherein they can check the status of the premiums of the policy; claims paid the payment status of the premium etc.

We introduced Online Vehicle Bidding System in year 2011, open to all on our website. An Executive Support System was developed which enabled the key executives to monitor the key business statistics live. An e-library was established for easy access of record for motor and health claims. Online



Capital & Reserve



Assets & Liabilities

information system for employees where they mark their attendance, check the pay slip and electronically check their leave balances etc., was developed.

Improvements in our tracker system have been made. Now we provide live web based tracking system for every individual, if requested. Features we provide include geo-fencing, alerts monitoring, power cut monitoring, panic and over speeding check, on call location provision, mobile control etc. We also facilitate our clients in the recovery of the vehicle if it is stolen.

Enhancement of Capital

Your Company added Rs. 104.43 million to its paid up share capital by issuance Right share and Bonus shares amounting to Rs. 50.94 million and Rs. 53.49 million respectively. This activity resulted in a total paid up share capital of Rs. 308.21 million safely above the minimum share capital requirement of Securities and Exchange Commission of Pakistan for year-end 2011.

Re-Insurance

The Company obtained an increase in capacity from the reinsurer and has also increased the bank limits. Company made a very profitable business for the reinsurer during the year end as a result stands in a very good position to negotiate future business terms with the reinsurers. Reinsurance arrangements of the Company continued with international reinsurers of sound repute.

Human Resource Development

Company conducted a workshop on “Workplace Ethics” for its employees, which provided great information and knowledge about the Workplace Ethics that can support our organization’s goals and objectives.

A disciplinary committee has been formed which deals with the instances of any disciplinary violations in the Company. Its members are the Heads of Departments of Finance, HR and Administration to ensure transparency in its proceedings.

Corporate Social Responsibility Fulfillment

The Company was awarded a “Certificate of Recognition” by the ‘Pakistan Center for Philanthropy’ for its philanthropic

Directors' Report

The Company's net profit after tax has increased distinctly. Overall business in Health segment was reduced but the underwriting profit of it has increased as the forfeited business mainly comprised of loss making clients.

contribution to social development of Pakistan for the year 2010. Those awards were based on the survey of 532 public listed companies. AGICO was ranked 4th as percentage of donations given to the Profit Before Tax. AGICO donated Rs. 5 million to the flood affected people in year 2010.

PERFORMANCE REVIEW

The Company's net profit after tax has increased distinctly. Overall business in Health segment was reduced but the underwriting profit of it has increased as the forfeited business mainly comprised of loss making clients. Although the interest rates were dropped during the current year, the Company managed to register an increase in its Investment related income.

The Company achieved a sharp growth in both the underwriting profits and the net profits after taxes. The key performance indicators of the Company are summarized below.

	2011	2010
	Rupees (unless specified otherwise)	
Gross premium written	1,106,539,010	1,350,017,360
Net premium revenue	633,283,427	639,901,275
Underwriting results	142,349,962	109,137,211
Income from investments & Deposits	60,653,694	56,822,055
Profit before tax	78,921,354	53,346,745
Profit after tax	65,434,198	47,418,169
Return on equity	20.72%	17.67%
Return on total assets	4.50%	3.97%

The above indicators represent the Company's improved return.

The Gross Premium Written during the year has dropped in comparison with the previous year mainly due to non-renewing of some high risk and some high loss making clients.

SEGMENT WISE PERFORMANCE ANALYSIS

Fire & Property Damage

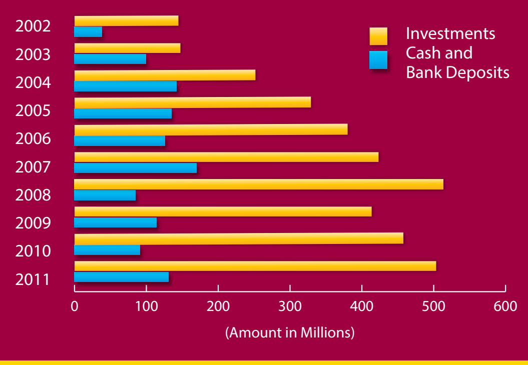
This segment contributed gross premium of Rs. 163.78 million (2010: Rs. 291.32 million) which makes its contribution of 15% (2010: 22%) to the total gross premium written by the Company.

The underwriting profit of this segment is Rs. 23.03 million as compared with Rs. 19.76 million in the previous year. Loss ratio remained considerably low in this segment this year. The premium ceded to the reinsurer percentage dropped from 86% last year to 78% in the current year.

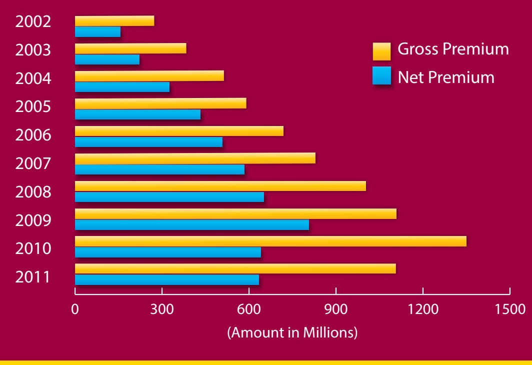
Marine, Aviation and Transport

This segment constituted 10% of our portfolio in the current year as compared to 6% in total portfolio last year. Company managed to underwrite Rs. 33 million more this year than year 2010.

The underwriting profit from this segment in the current year is Rs. 15.66 million as compared to a profit of Rs. 8.58 million last year. Total premium underwritten this year was Rs. 109.60 million against Rs. 76.78 million in the previous year. Company maintained a steady approach towards premium ceded to the Re-insurance in the current year.



Investments and Cash & Bank Deposits



Gross Premium and Net Premium

Motor

This segment constituted 44% of our total portfolio as against 31% in the previous year. The premium underwritten increased by Rs. 70.39 million, the main reason for which was introduction of tracker facility in the motor insurance business which made the Company unique in offering bundle product of tracker + insurance in the Insurance industry. This segment contributed Rs. 47.41 million underwriting profit in the current year as compared to Rs. 47.00 million in the previous year.

Accident & Health

Accident & Health portfolio contributed 22% to the total portfolio in the current year as compared to 20% of the total portfolio in previous year. In the current year, due to refinement of clientele portfolio and revision in re-insurance arrangements, your Company posted a substantial increase in underwriting profit of Rs. 17.19 million where it increased to Rs. 32.52 million as against Rs. 15.33 million last year.

Miscellaneous

This segment comprises of miscellaneous classes of business including engineering, bond insurance, crop insurance, travel insurance etc. The written premium in this class dropped substantially by Rs. 189.41 million which is mainly due to loss of a single forewent client.

This segment resulted in an underwriting profit of Rs. 23.72 million (2010: Rs. 18.47 Million) despite substantial decrease in written premium. The net premium is almost double than that of previous year. The Company's claim ratio remained

Directors' Report

Despite the reduced interest rates, investment income of the Company recorded a growth of 7% this year, rising to Rs. 60.65 million from Rs. 56.82 million in the previous year.

almost the same as last year.

Investment Income

The Company continues to keep a substantial portion of its portfolio invested in money market mutual funds, which puts the Company's exposure to market risk at a very low level.

Despite the reduced interest rates, investment income of the Company recorded a growth of 7% this year, rising to Rs. 60.65 million from Rs. 56.82 million in the previous year.

Proposed Subsequent Events

Board of Directors is pleased to recommend a stock dividend of 5 % of the paid up capital (5 shares per hundred shares held) to all the shareholders. This will result in issuance of 1,541,048 Bonus shares.

Auditors

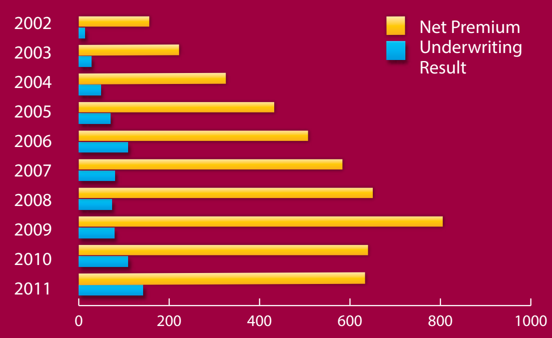
Messers M.Yousuf Adil Saleem & Co. Chartered Accountants have audited the financial statements for the current year. They were eligible for appointment for the financial year 2012. However, the Board, on the recommendation of the Audit Committee, after consideration of its concern regarding the internal disagreement between the local offices of Messers M.Yousuf Adil Saleem & Co. Chartered Accountants, has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the next financial year ending 31 December 2012.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

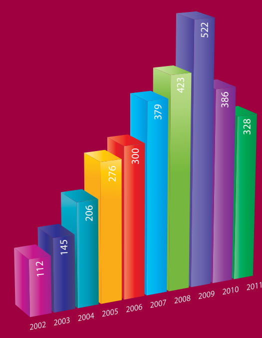
Statement of Directors' Responsibilities

In compliance with the Corporate and Financial Reporting Framework of the Code of Governance, the Directors confirm the following:

- The financial statements together with the notes forming



Net Premium and Underwriting Result



Net Claims

an integral part of these statements have been prepared by the management of the Company in conformity with the Companies Ordinance 1984 and the Insurance Ordinance 2000; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored throughout the year. Internal controls and their implementation are reviewed continuously by the Internal Audit department and any weakness in controls is timely addressed.
- There are no significant doubts upon the Company's ability to continue as going concern.
- There has been no material departure from the best practice of Code of Corporate Governance as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2011, except as disclosed in the financial statements.
- The related party transactions are approved or ratified by the Audit Committee and the Board of Directors.

Key Financial Data

Key operational and financial data for the last 10 years is annexed at page 23.

Value of investments in Provident Fund and Gratuity Fund

The value of investment of provident fund and gratuity fund, on the basis of audited accounts, as at 31 December 2011 was:

Name of Fund	2011	2010
	Rupees in Millions	
Employees' Provident Fund	28	31
Employees' Gratuity Fund	29	21

Board Meetings

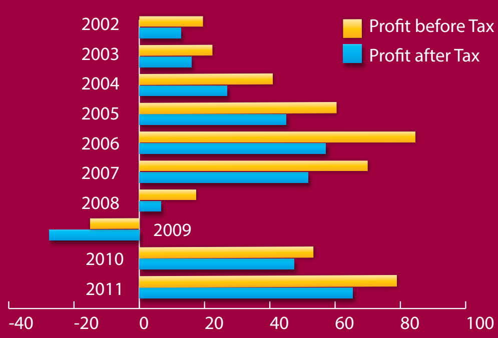
During the year, 4 meetings of the Board of Directors were held. Attendance by each of the directors was as follows:

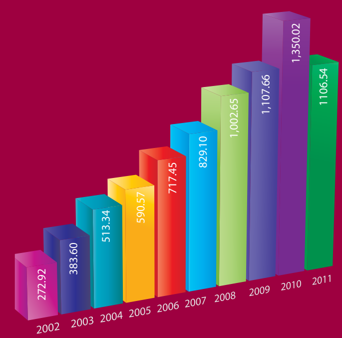
Name of Director	Meetings Attended
Lt. Gen Imtiaz Hussain (Retd)	4
Maj. Gen. Saeed Ahmed Khan (Retd)	3
Brig. Javed Qayum (Retd)	3
Brig. Tariq Sher (Retd)	3
Syed Suhail Ahmad Rizvi	4
Mr. Abdul Hai Mahmood Bhaimia	4
Khwaja Muhammad Iqbal	1
Mr. Ejaz Ahmed Khan	2
Mr. Farrukh Iqbal	2
Mr. Abdul Waheed	4

The Board granted leave of absence to those directors who could not attend the Board Meeting.

Casual Vacancies in the Board of Directors

One casual vacancy occurred in the Board of Directors on





Profit (Loss) Before Tax & After Tax

Gross Premium

25th May 2011 which was filled on 17th June 2011 by the directors. Mr. Farrukh Iqbal replaced Mr. Ejaz Ahmed Khan thereon for the remaining term.

Subsequent to the year end, three casual vacancies occurred which were timely filled by the Board of Directors. Lt. Gen. Tahir Mahmood (Retd) replaced Lt. Gen. Imtiaz Hussain (Retd) Maj. Gen. Mukhtar Ahmed (Retd) replaced Maj. Gen. Saeed Ahmed Khan (Retd) and Brig. Irfan Azam (Retd) replaced Brig. Javed Qayyum (Retd) for the remaining term.

The Board welcomes the new directors and records its appreciation for the valuable services rendered by the outgoing directors.

Pattern of Shareholding and trading in the shares

The pattern of shareholding is given at page 80. The Directors, Chief Executive Officer, Chief Financial officer, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

Board Committees

During the year, the Audit Committee and Executive Committee held four meetings each. The names of the members of the Board Committees are given at page 02.

Management Committees

The Company has three management committees which cover the core areas of business; these are Underwriting Committee, Claims Settlement Committee and Re-insurance & Co-insurance Committee. The names of members of these committees are given at page 02.

FUTURE PROSPECTS

Future industry situation continues to be gloomy because of current political situation in the Country. The overall business in the insurance industry is not expected to get some serious boost in the near future and accordingly competition will increase in all business segments.

We are very hopeful that the distinctive steps we are taking will put us in a very good position to attract more business in future. By continuing to innovate in the products, services and internal operations, we have set high targets for ourselves in the next year and are prepared to achieve them.

ACKNOWLEDGMENTS

We would like to acknowledge, with thanks, the contributions made by the management staff, employees, our business partners and regulatory authorities in bringing healthier results in year 2011. Without their efforts and support these results would not have been possible. We would also like to thank our shareholders for posing confidence in AGICO.

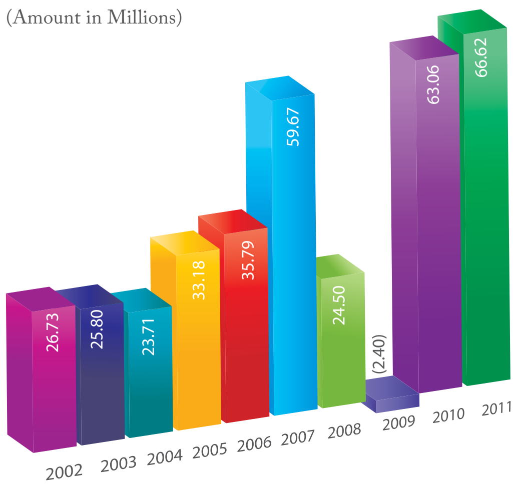
For and on behalf of the Board

Lt. Gen. Tahir Mahmood (Retd)
Chairman

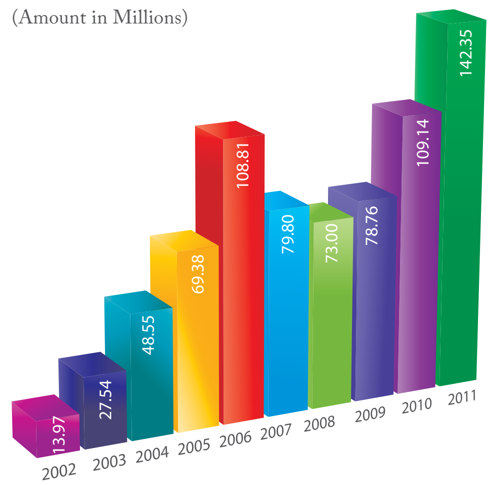
Rawalpindi
19 March 2012

Performance at a Glance

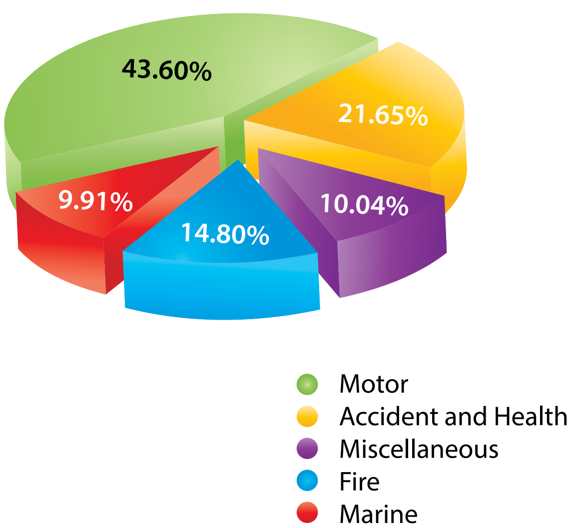
Investment Income



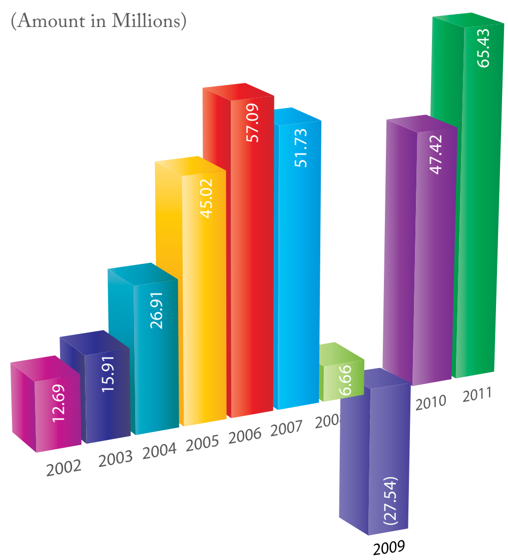
Underwriting Return



Gross Premium



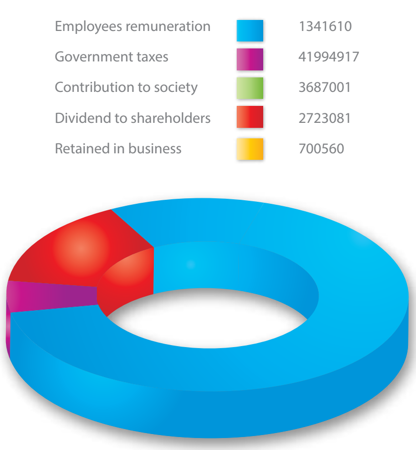
Profit after tax



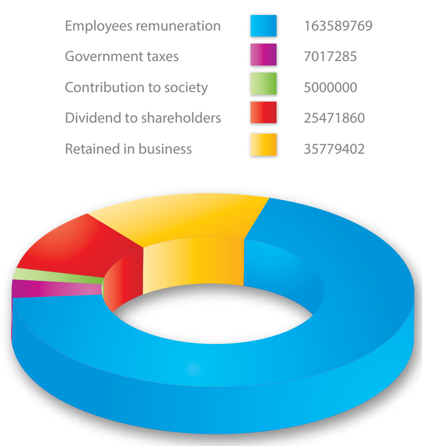
Statement of Value Added

	2011	2010
WEALTH GENERATED	Amount in Rupees	
Net premium revenue	633,283,427	639,901,275
Commission from reinsurers	110,591,776	121,023,522
Investment income & profit on bank deposits	60,653,694	56,822,055
Rental income	700,560	-
Other income	5,268,509	6,233,873
	810,497,966	823,980,725
Less:		
Claims, commission and expenses (excluding employees remuneration, depreciation, and other taxes)	521,097,268	587,122,409
Net Wealth Generated	289,400,698	236,858,316
WEALTH DISTRIBUTION		
Employees' remuneration	194,850,734	163,589,769
Government taxes (includes income tax, WWF, and other taxes)	15,097,796	7,017,285
Contribution to society	-	5,000,000
Stock dividend to shareholders	43,429,529	25,471,860
Retained in business		
- Depreciation and amortization	14,017,970	18,833,093
- Earnings	22,004,669	16,946,309
	36,022,639	35,779,402
	289,400,698	236,858,316

2011



2010



Financial Statements Analysis - Vertical

	2011		2010		2009		2008		2007		2006	
Balance Sheet	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cash and bank deposits	130,566,287	8.45	91,251,429	6.28	114,277,274	9.56	85,107,892	6.99	169,783,462	15.19	126,398,848	14.32
Loans to employees	1,189,796	0.08	2,158,634	0.15	4,197,435	0.35	2,955,672	0.24	2,816,972	0.25	1,894,929	0.21
Investments	503,413,264	32.58	457,771,860	31.49	413,606,523	34.59	512,843,411	42.13	423,227,130	37.87	380,115,979	43.06
Investment properties	50,980,833	3.30	52,290,833	3.60	-	-	-	-	-	-	-	-
Deferred taxation	3,282,478	0.21	877,003	0.06	-	-	-	-	4,242,942	0.38	1,190,000	0.13
Other assets	807,557,885	52.27	801,935,999	55.16	533,026,181	44.58	489,356,629	40.20	413,551,760	37.00	302,040,816	34.21
Fixed assets - tangible and intangible	47,989,542	3.11	47,647,803	3.28	130,643,671	10.93	126,986,527	10.43	103,971,262	9.30	71,155,768	8.06
Total Assets	**1,544,980,085**	**100.00**	**1,453,933,561**	**100.00**	**1,195,751,084**	**100.00**	**1,217,250,131**	**100.00**	**1,117,593,528**	**100.00**	**882,796,340**	**100.00**
Total Equity	432,207,395	27.97	315,832,847	21.72	268,411,298	22.45	295,956,227	24.31	289,296,808	25.89	237,568,767	26.91
Underwriting provisions	810,378,263	52.45	833,018,628	57.29	776,587,694	64.95	710,343,354	58.36	602,343,086	53.90	498,606,248	56.48
Staff retirement benefits	9,177,635	0.59	6,950,909	0.48	12,294,231	1.03	11,496,305	0.94	9,894,411	0.89	7,558,701	0.86
Creditors and accruals	280,646,459	18.17	290,058,284	19.95	65,363,727	5.47	108,991,367	8.95	136,065,483	12.17	91,411,694	10.35
Other liabilaities	12,570,333	0.81	8,072,893	0.56	73,094,134	6.11	90,462,878	7.43	79,993,740	7.16	47,650,930	5.40
Total Share Holders' Equity & Liabilities	**1,544,980,085**	**100.00**	**1,453,933,561**	**100.00**	**1,195,751,084**	**100.00**	**1,217,250,131**	**100.00**	**1,117,593,528**	**100.00**	**882,796,340**	**100.00**
Profit & Loss Account												
Net premium revenue	633,283,427	100.00	639,901,275	100.00	805,176,472	100.00	650,428,814	100.00	583,321,654	100.00	507,239,883	100.00
Net claims	327,856,816	51.77	385,889,597	60.30	522,426,357	64.88	423,393,312	65.09	378,581,217	64.90	300,056,940	59.15
Expenses	182,398,162	28.80	153,942,248	24.06	155,001,481	19.25	130,818,241	20.11	105,273,568	18.05	81,219,008	16.01
Net commission	19,321,513	3.05	9,067,781	1.42	48,991,518	6.08	23,221,251	3.57	19,664,963	3.37	17,908,181	3.53
Investment income including rental & bank deposits returns	56,481,782	8.92	56,246,175	8.79	(24,780,549)	(3.08)	16,735,097	2.57	57,275,038	9.82	33,863,048	6.68
Other income including share of profit of associates	10,140,981	1.60	6,809,753	1.06	22,378,573	2.78	7,762,463	1.19	2,393,081	0.41	1,922,244	0.38
General and administration expenses	130,051,371	20.54	(118,810,809)	(18.57)	(91,430,623)	(11.36)	(80,107,856)	(12.32)	69,473,746	11.91	59,328,669	11.70
Impairment in value of available for sale securities	-	-	64,737,599	10.12	(66,762,828)	(8.29)	-	-	-	-	-	-
Profit / (Loss) before tax	78,921,354	12.46	53,346,745	8.34	(15,075,483)	(1.87)	17,385,714	2.67	69,996,279	12.00	84,512,377	16.66
Taxation - net	(13,487,156)	(2.13)	(5,928,576)	(0.93)	(12,469,446)	(1.55)	(10,726,295)	(1.65)	(18,268,238)	(3.13)	(27,422,153)	(5.41)
Profit / (Loss) after tax	65,434,198	10.33	47,418,169	7.41	(27,544,929)	(3.42)	6,659,419	1.02	51,728,041	8.87	57,090,224	11.26

Financial Statements Analysis - Horizontal

	2011	2010	2009	2008	2007	2006	% increase / (decrease) over preceeding year 2011	2010	2009	2008	2007	2006
Balance Sheet												
Cash and bank deposits	130,566,287	91,251,429	114,277,274	85,107,892	169,783,462	126,398,848	(43.08)	20.15	(34.27)	49.87	(34.32)	(6.48)
Loans to employees	1,189,796	2,158,634	4,197,435	2,955,672	2,816,972	1,894,929	44.88	48.57	(42.01)	(4.92)	(48.66)	(12.80)
Investments	503,413,264	457,771,860	413,606,523	512,843,411	423,227,130	380,115,979	(9.97)	(10.68)	19.35	(21.17)	(11.34)	(15.51)
Investment properties	50,980,833	52,290,833	-	-	-	-	2.51	-	-	-	-	-
Deferred taxation	3,282,478	877,003	-	-	4,242,942	1,190,000	(274.28)	-	-	100.00	(256.55)	-
Other assets	807,557,885	801,935,999	533,026,181	489,356,629	413,551,760	302,040,816	(0.70)	(50.45)	(8.92)	(18.33)	(36.92)	(26.35)
Fixed assets - tangible and intangible	47,989,542	47,647,803	130,643,671	126,986,527	103,971,262	71,155,768	(0.72)	63.53	(2.88)	(22.14)	(46.12)	(61.77)
Total Assets	**1,544,980,085**	**1,453,933,561**	**1,195,751,084**	**1,217,250,131**	**1,117,593,528**	**882,796,340**	**(6.26)**	**(21.59)**	**1.77**	**(8.92)**	**(26.60)**	**(20.52)**
Total Equity	432,207,395	315,832,847	268,411,298	295,956,227	289,296,808	237,568,767	(36.85)	(17.67)	9.31	(2.30)	(21.77)	(31.63)
Underwriting provisions	810,378,263	833,018,628	776,587,694	710,343,354	602,343,086	498,606,248	2.72	(7.27)	(9.33)	(17.93)	(20.81)	(19.81)
Staff retirement benefits	9,177,635	6,950,909	12,294,231	11,496,305	9,894,411	7,558,701	(32.04)	43.46	(6.94)	(16.19)	(30.90)	-
Creditors and accruals	280,646,459	290,058,284	65,363,727	108,991,367	136,065,483	91,411,694	3.24	(343.76)	40.03	19.90	(48.85)	(16.73)
Other liabilaities	12,570,333	8,072,893	73,094,134	90,462,878	79,993,740	47,650,930	(55.71)	88.96	19.20	(13.09)	(67.87)	17.19
Total Share Holders' Equity & Liabilities	**1,544,980,085**	**1,453,933,561**	**1,195,751,084**	**1,217,250,131**	**1,117,593,528**	**882,796,340**	**(6.26)**	**(21.59)**	**1.77**	**(8.92)**	**(26.60)**	**(20.52)**
Profit & Loss Account												
Net premium revenue	633,283,427	639,901,275	805,176,472	650,428,814	583,321,654	507,239,883	1.03	20.53	(23.79)	(11.50)	(15.00)	(17.31)
Net claims	327,856,816	385,889,597	522,426,357	423,393,312	378,581,217	300,056,940	15.04	26.14	(23.39)	(11.84)	(26.17)	(8.68)
Expenses	182,398,162	153,942,248	155,001,481	130,818,241	105,273,568	81,219,008	(18.48)	0.68	(18.49)	(24.27)	(29.62)	(26.89)
Net commission	19,321,513	9,067,781	48,991,518	23,221,251	19,664,963	17,908,181	(113.08)	81.49	(110.98)	(18.08)	(9.81)	21.79
Investment income including rental & bank deposits returns	56,481,782	56,246,175	(24,780,549)	16,735,097	57,275,038	33,863,048	(0.42)	326.98	248.08	70.78	(69.14)	(17.26)
Other income including share of profit of associates	10,140,981	6,809,753	22,378,573	7,762,463	2,393,081	1,922,244	(48.92)	69.57	(188.29)	(224.37)	(24.49)	55.34
General and administration expenses	130,051,371	(118,810,809)	(91,430,623)	(80,107,856)	69,473,746	59,328,669	209.46	(29.95)	(14.13)	215.31	(17.10)	(40.88)
Impairment in value of available for sale securities	-	64,737,599	(66,762,828)	-	-	-	100.00	196.97	-	-	-	-
Profit / (Loss) before tax	78,921,354	53,346,745	(15,075,483)	17,385,714	69,996,279	84,512,377	(47.94)	453.86	186.71	75.16	17.18	(39.80)
Taxation - net	(13,487,156)	(5,928,576)	(12,469,446)	(10,726,295)	(18,268,238)	(27,422,153)	(127.49)	52.46	(16.25)	41.28	33.38	(77.69)
Profit / (Loss) after tax	65,434,198	47,418,169	(27,544,929)	6,659,419	51,728,041	57,090,224	(37.99)	272.15	513.62	87.13	9.39	(26.81)

A Glimpse of Ten Years Performance

Rupees in Millions

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Financial Position										
Paid-Up Capital	308	204	204	204	157	121	102	102	82	82
General Reserve	70	70	70	70	65	50	23	15	15	12
Equity	432	316	268	296	289	238	180	135	102	98
Underwriting Reserve	465	492	486	468	353	311	274	239	174	136
Investments	503	458	414	513	423	380	329	252	147	145
Investment Property	51	52	-	-	-	-	-	-	-	-
Fixed Assets - Tangible and Intangible	48	48	131	127	104	71	44	28	24	19
Retained Profit	49	37	(10)	18	63	62	51	32	5	4
Total Assets	1,545	1,454	1,196	1,217	1,118	883	733	641	424	301
Financial Performance										
Gross Premiums Written	1,107	1,350	1,108	1,003	829	718	591	513	384	273
Net Premium Revenue	633	640	805	650	583	507	432	325	222	156
Net Claims	328	386	522	423	379	300	276	206	145	112
Underwriting Income	142	109	79	73	80	109	69	49	28	14
Management Expenses	182	154	155	131	105	81	64	53	41	37
Administration Expenses	128	118	91	79	69	59	42	31	31	22
Investment and Other Income	67	63	(2)	25	60	36	33	24	26	27
Profit Before Tax	79	53	(15)	17	70	85	61	41	22	20
Profit After Tax	65	47	(28)	7	52	57	45	27	16	13
Dividend (Restated)	5% (B)	10% (B)	-	30% (B)	30% (B)	18% (B)	17.5% (C)	15% (C)	15% (C)	15% (C)
Earning Per Share	2.18	2.33	(1.35)	0.33	3.30	3.64	3.73	2.93	1.82	1.65
Cash Flows Summary										
Operating Activities	-17	-54	5	26	89	65	63	126	63	24
Investing Activities	5	31	26	-108	-42	-56	-61	-93	14	-4
Financing Activities	51	-1	-1	-2	-3	-1	-20	10	-17	-6
Cash & Cash Equiv. at the year end	131	91	114	85	170	126	135	142	99	38

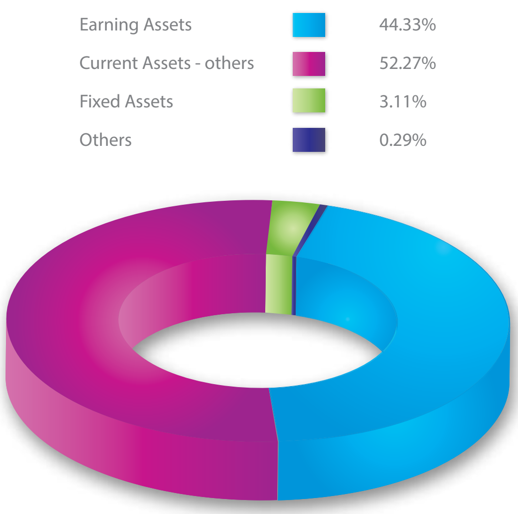
Financial Ratios

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Profitability											
Profit / (Loss) Before Tax / Gross Premium	%	7.14	3.93	(1.35)	1.69	8.44	11.84	10.32	7.99	5.73	7.33
Profit / (Loss) Before Tax / Net Premium	%	12.48	8.28	(1.86)	2.62	12.01	16.77	14.12	12.62	9.91	12.82
Profit / (Loss) After Tax / Gross Premium	%	5.87	3.48	(2.53)	0.70	6.27	7.94	7.61	5.26	4.17	4.76
Profit / (Loss) After Tax / Net Premium	%	10.27	7.34	(3.48)	1.08	8.92	11.24	10.42	8.31	7.21	8.33
Underwriting Result / Gross Premium	%	12.83	8.07	7.13	7.28	9.65	15.18	11.68	9.55	7.29	5.13
Underwriting Result / Net Premium	%	22.43	17.03	9.81	11.23	13.72	21.50	15.97	15.08	12.61	8.97
Profit / (Loss) Before Tax / Total Income	%	11.29	7.54	(1.87)	2.52	10.89	15.65	13.12	11.75	8.87	10.93
Profit / (Loss) After Tax / Total Income	%	9.29	6.69	(3.49)	1.04	8.09	10.50	9.68	7.74	6.45	7.10
Combined ratio	%	77.57	82.97	90.19	88.77	86.28	78.50	84.03	84.92	87.39	91.03
Net Claims / Net Premium	%	51.82	60.31	64.84	65.08	65.01	59.17	63.89	63.38	65.32	71.79
Management Expense / Net Premium	%	28.75	24.06	19.25	20.15	18.01	15.98	14.81	16.31	18.47	23.72
Return to Share Holders											
Return on Equity - PAT	%	15.05	14.87	(10.45)	2.36	17.99	23.95	25.00	20.00	15.69	13.27
Earning / (Loss) Per Share	Rs.	2.18	2.33	(1.35)	0.33	3.30	3.64	3.73	2.93	1.82	1.65
Earning Growth	%	38.30	(267.86)	(500.00)	(86.54)	(8.77)	26.67	66.67	68.75	23.08	-
Breakup Value Per Share	Rs.	14.03	15.49	13.14	14.51	18.41	19.67	17.65	13.24	12.44	11.95
Return on Assets (Book value)	%	4.21	3.23	(2.34)	0.58	4.65	6.46	6.14	4.21	3.77	4.32
Performance / Liquidity											
Current Ratio	Times	1.35	1.24	1.15	1.18	1.22	1.26	1.25	1.21	1.24	1.39
Cash / Current Liabilities	%	11.77	8.00	12.28	9.23	20.51	19.53	24.41	28.06	30.75	18.72
Total Assets Turnover	Times	0.72	0.93	0.93	0.82	0.74	0.81	0.81	0.80	0.91	0.91
Fixed Assets Turnover	Times	23.06	28.13	8.46	7.90	7.97	10.11	13.43	18.32	16.00	14.37
Total Liabilities / Equity	Times	2.58	3.60	3.46	3.11	2.87	2.71	3.07	3.75	3.16	2.07
Paid-up Capital / Total Assets	%	19.94	14.03	17.06	16.76	14.04	13.70	13.92	15.91	19.34	27.24
Earning assets / Total Assets	%	44.34	41.33	44.15	49.14	53.04	57.30	63.30	61.47	58.02	60.80
Equity / Total Assets	%	27.96	21.73	22.41	24.32	25.85	26.95	24.56	21.06	24.06	32.56

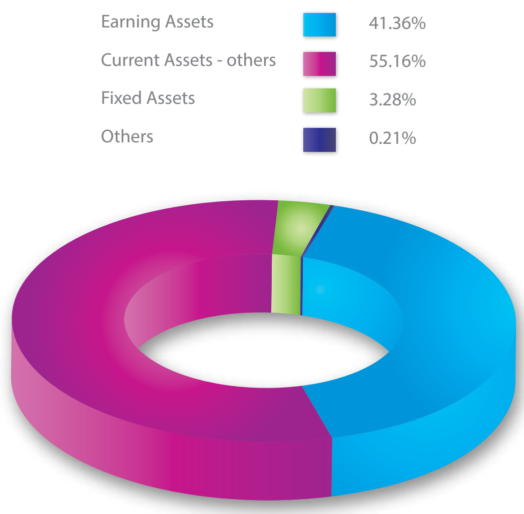
Graphical Composition of Balance Sheet

Assets

2011

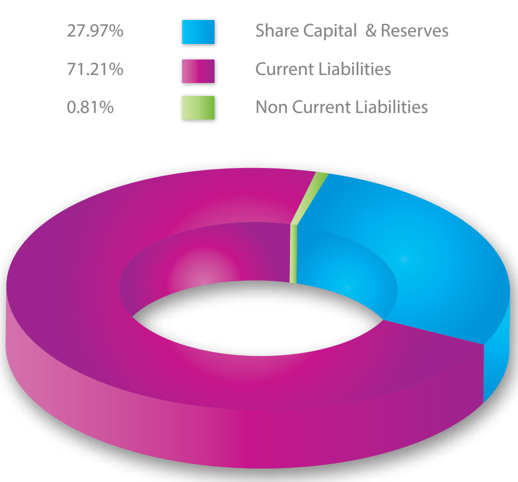


2010

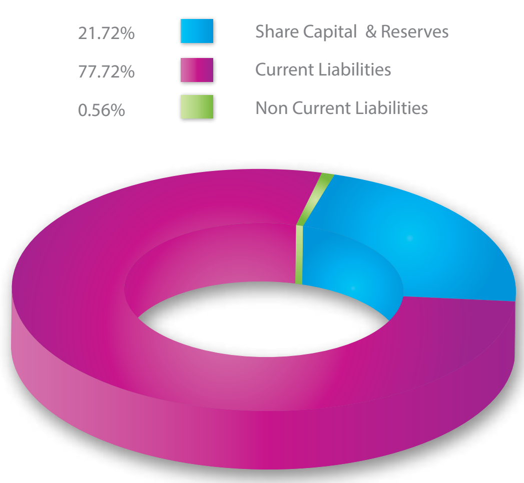


Shareholders' Equity and Liabilities

2011



2010

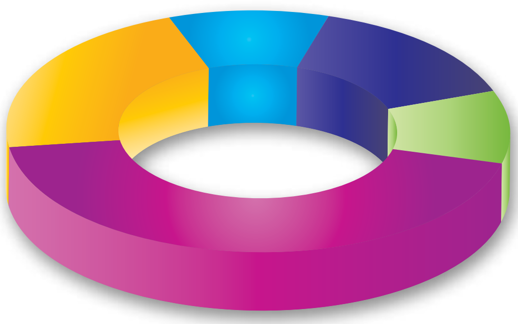


Graphical Analysis of Profit & Loss Account

Gross Premium Business wise

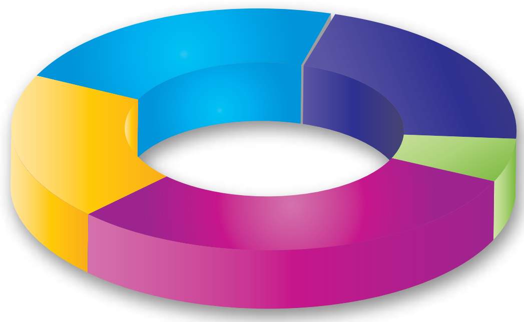
2011

14.80%	Fire and property damage
9.91%	Marine, aviation and transport
43.60%	Motor
21.65%	Accident and health
10.04%	Miscellaneous



2010

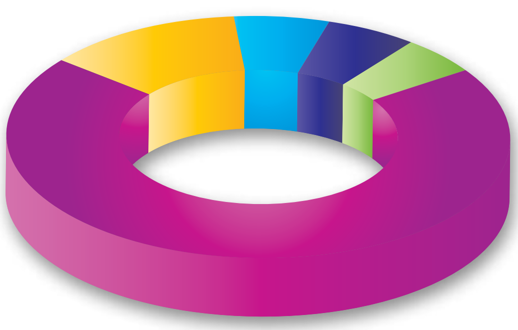
21.58%	Fire and property damage
5.69%	Marine, aviation and transport
30.53%	Motor
19.95%	Accident and health
22.26%	Miscellaneous



Net Premium Business wise

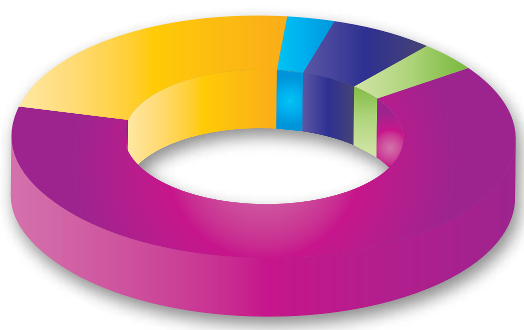
2011

5.89%	Fire and property damage
5.17%	Marine, aviation and transport
70.23%	Motor
12.61%	Accident and health
6.10%	Miscellaneous



2010

6.77%	Fire and property damage
3.91%	Marine, aviation and transport
63.70%	Motor
22.83%	Accident and health
2.78%	Miscellaneous

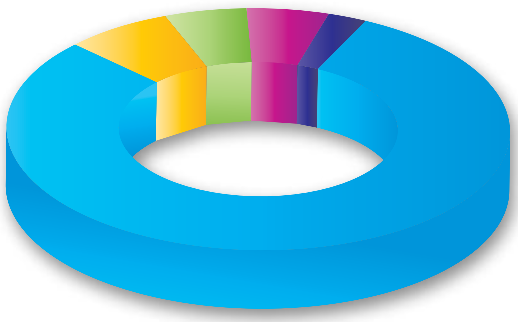


Graphical Analysis of Profit & Loss Account

Investment Income

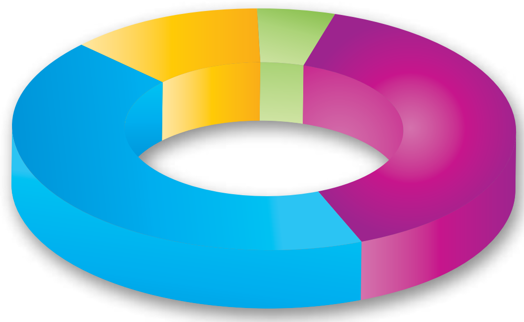
2011

2.66%	Dividend Income
83.25%	Capital Gains
7.31%	Return on bank Deposits
5.40%	Return on Govt. Securities
1.39%	Rental Income



2010

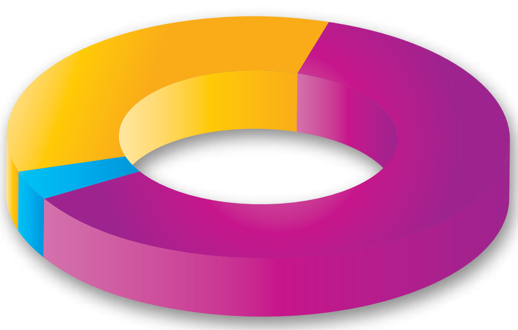
39.20%	Dividend Income
43.35%	Capital Gains
12.57%	Return on bank Deposits
4.88%	Return on Govt. Securities
0.00%	Rental Income



Combined Ratio

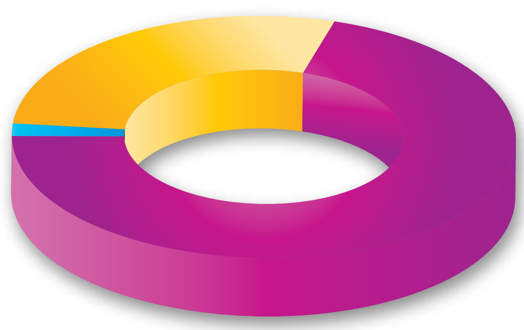
2011

61.91%	Net Claims
3.65%	Net Commission
34.44%	Expenses



2010

70.30%	Net Claims
1.65%	Net Commission
28.05%	Expenses



Financial Calendar

Results		
First Quarter ended 31 March 2011	Announced on	27 April 2011
Half Year ended 30 June 2011	Announced on	23 August 2011
Third Quarter ended 30 September 2011	Announced on	25 October 2011
Year Ended 31 December 2011	Announced on	19 March 2012

Dividends		
Final - Bonus Shares (2011)	Announced on	19 March 2012
Interim - Bonus Shares (2011)	Announced on	23 August 2011
Final - Bonus Shares (2010)	Announced on	15 March 2011

Issuance of Annual Report 2011	03 April 2012

17th Annual General Meeting	24 April 2012

Financial Statements

Statement of compliance with the code of corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in Listing Regulations of Stock Exchanges where the Company's shares are listed, 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 principals contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present all the eight directors are non-Executive Directors.

2. The directors have confirmed that none of them is serving as Director in more than ten listed companies, including askari general insurance company limited.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or being a member of the stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year one casual vacancy occurred in the Board which was filled up by the Directors within thirty days thereof.

5. The Company has prepared a "Code of Conduct and Ethics" 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 policies along with the dates, on which they were approved or amended, has been maintained.

7. The powers of The Board of Directors have been duly exercised and decision on material transaction, including appointment and determination of remuneration and terms and conditions of the employment of the chief executive have been taken.

8. The meetings of the Board of Directors were presided over by the Chairman and the Board met once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meeting; the minutes of the meeting were appropriately recorded and circulated.

9. Directors of the Company have participated in an orientation course at group level to apprise them of their duties and responsibilities. Directors, who have not participated in these have been apprised and adequately briefed.

10. The Board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Audit, including their remuneration and term and conditions of employment, as determined by the Chief Executive Officer.

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

12. The CEO and the CFO duly endorsed the Financial Statements of the Company before approval of the Board.

13. The Directors, CEO and the Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

Statement of compliance with the code of corporate Governance

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

15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee.

16. The Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the Company and they are involved in internal audit function on a full time basis.

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

19. The statuary Auditors or the person associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors alongwith pricing method.

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

For and on behalf of the Board

19 March 2012
Rawalpindi

Lt. Gen Tahir Mahmood (Retd)
Chairman

Deloitte.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
24-D, 1st Floor, Rashid Plaza, Jinnah Avenue
(Blue Area), Islamabad, Pakistan.

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Web: www.deloitte.com

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

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance, prepared by the Board of Directors of Askari General Insurance Company Limited, ("the Company") to comply with the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to the 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 covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub – Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires 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 alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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

Yousuf Adil Saleem & Co

Chartered Accountants
Engagement Partner: Mohammad Saleem

19 March 2012
Islamabad

Member of
Deloitte Touche Tohmatsu

Deloitte.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS OF ASKARI GENERAL INSURANCE COMPANY LIMITED

We have audited the annexed financial statements comprising of:

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial 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 affairs as at 31 December 2011 and of the profit, 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.

Yousuf Adil Saleem & Co

Chartered Accountants
Engagement Partner: Mohammad Saleem
19 March 2012
Islamabad

Member of
Deloitte Touche Tohmatsu

Balance Sheet
As at 31 December 2011

	Note	2011 Rupees	2010 Rupees
Share capital and reserves			
Authorized share capital			
50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Paid up share capital	6	308,209,560	203,774,920
Retained earnings		49,340,154	37,396,866
Reserves		74,657,681	74,657,681
		432,207,395	315,829,467
Deposit against issue of shares		-	3,380
TOTAL EQUITY		432,207,395	315,832,847
Underwriting provisions			
Provision for outstanding claims (including IBNR)		302,759,126	290,047,171
Provision for unearned premium		465,342,298	491,774,350
Commission income unearned		42,276,839	51,197,107
Total underwriting provisions		810,378,263	833,018,628
Deferred liabilities			
Staff compensated absences	7	9,177,635	6,950,909
Creditors and accruals			
Premium received in advance		10,777,989	7,858,779
Amounts due to other insurers/reinsurers		134,462,020	181,930,127
Accrued expenses		2,567,171	411,191
Taxation-provision less payments		3,494,987	1,951,780
Sundry creditors	8	129,344,292	97,906,407
		280,646,459	290,058,284
Other liabilities			
Unclaimed dividend		830,102	830,102
Others		11,740,231	7,242,791
		12,570,333	8,072,893
TOTAL LIABILITIES		1,112,772,690	1,138,100,714
TOTAL EQUITY AND LIABILITIES		1,544,980,085	1,453,933,561
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Syed Suhail Ahmad Rizvi
Director

	Note	2011 Rupees	2010 Rupees
Cash and bank deposits			
Cash and other equivalents	10	667,991	445,754
Current and other accounts	11	129,898,296	90,305,675
Deposits maturing within 12 months	12	-	500,000
		130,566,287	91,251,429
Advances to employees	13	1,189,796	2,158,634
Investments	14	503,413,264	457,771,860
Investment property	15	50,980,833	52,290,833
Deferred taxation	16	3,282,478	877,003
Current assets-others			
Premiums due but unpaid-unsecured	17	275,456,804	220,880,356
Amounts due from other insurers/reinsurers -unsecured, considered good		92,175,130	84,449,817
Salvage recoveries accrued		21,342,101	9,244,425
Accrued investment income		3,191,959	3,656,399
Reinsurance recoveries against outstanding claims-unsecured, considered good		156,721,326	144,981,912
Deferred commission expense		32,408,835	43,459,633
Prepayments	18	196,233,562	267,574,301
Sundry receivables	19	30,028,168	27,689,156
		807,557,885	801,935,999
Fixed assets	20		
Tangible and intangible			
Furniture and fixtures		7,853,410	8,288,277
Computer and office equipment		12,401,473	15,323,057
Motor vehicles		5,003,102	7,801,256
Tracking devices		2,533,065	-
Leasehold improvements		7,118,543	6,907,555
Software license		8,243,746	3,045,861
Capital work in progress		4,836,203	6,281,797
		47,989,542	47,647,803
TOTAL ASSETS		1,544,980,085	1,453,933,561

Brig. Tariq Sher (Retd)
Director

Lt. Gen. Tahir Mahmood (Retd)
Chairman

Profit and Loss Account

For the year ended 31 December 2011

	Note	Fire and property damage	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2011 Aggregate	2010 Aggregate
		Rupees						
Revenue account								
Net premium revenue	21	37,319,737	32,728,052	444,746,317	79,846,702	38,642,619	633,283,427	639,901,275
Net claims		(13,808,036)	(13,847,279)	(235,398,993)	(53,950,651)	(10,851,857)	(327,856,816)	(385,889,597)
Expenses	22	(9,265,263)	(8,125,299)	(135,590,600)	(19,823,309)	(9,593,691)	(182,398,162)	(153,942,248)
Net commission		8,786,743	4,902,568	(26,342,927)	26,447,342	5,527,787	19,321,513	9,067,781
Underwriting result		23,033,181	15,658,042	47,413,797	32,520,084	23,724,858	142,349,962	109,137,211
Investment income							52,094,221	51,095,806
Rental income							700,560	-
Other income	23						5,268,509	6,233,873
Profit on bank deposits							3,687,001	5,150,369
Share of profit in associated company							4,872,472	575,880
Finance cost							-	(35,585)
General and administration expenses	24						(130,051,371)	(118,810,809)
							(63,428,608)	(55,790,466)
Profit before tax							78,921,354	53,346,745
Provision for taxation	25						(13,487,156)	(5,928,576)
Profit after tax							65,434,198	47,418,169
Other comprehensive income for the year							-	-
Total comprehensive income for the year-net of tax							65,434,198	47,418,169
Profit and loss appropriation account:								
Balance at beginning of the year							37,396,866	(10,021,303)
Profit after tax for the year							65,434,198	47,418,169
Issuance of bonus shares: Re. 1 (10%) per share							(53,490,910)	-
Balance of unappropriated profit at end of the year							49,340,154	37,396,866
Earning per share - basic and diluted	26						2.18	1.91

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed (Retd) President & Chief Executive	Syed Suhail Ahmad Rizvi Director	Brig. Tariq Sher (Retd) Director	Lt. Gen. Tahir Mahmood Chairman

Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital	Reserves					
	Issued, subscribed and paid up	Share premium	General reserve	Total reserves	Retained earnings	Deposit against issue of shares	Total equity
	Rupees						
Balance as at 01 January 2010	203,774,920	4,657,681	70,000,000	74,657,681	(10,021,303)	-	268,411,298
Total comprehensive income for the year							
Profit for the year	-	-	-	-	47,418,169	-	47,418,169
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	-	47,418,169		47,418,169
Owners' equity							
Share deposit money received during the year	-	-	-	-	-	3,380	315,832,847
Balance as at 31 December 2010	203,774,920	4,657,681	70,000,000	74,657,681	37,396,866	3,380	315,832,847
Balance as at 01 January 2011	203,774,920	4,657,681	70,000,000	74,657,681	37,396,866	3,380	315,832,847
Total comprehensive income for the year							
Profit for the year	-	-	-	-	65,434,198	-	65,434,198
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	65,434,198	-	65,434,198
Owners' equity							
Issuance of right shares	50,943,730	-	-	-	-	(3,380)	50,940,350
Issuance of bonus shares: Re. 1 (10%) per share	53,490,910	-	-	-	(53,490,910)	-	-
Total transactions with owners	104,434,640	-	-	-	(53,490,910)	(3,380)	50,940,350
Balance as at 31 December 2011	308,209,560	4,657,681	70,000,000	74,657,681	49,340,154	-	432,207,395

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed President & Chief Executive	Syed Suhail Ahmad Rizvi Director	Brig. Tariq Sher (Retd) Director	Lt. Gen. Tahir Mahmood (Retd) Chairman

Statement of Cash Flows
For the year ended 31 December 2011

	2011 Rupees	2010 Rupees
Operating cash flows		
a) Underwriting activities:		
Premiums received	1,053,070,516	1,241,645,653
Reinsurance premium paid	(253,598,034)	(691,288,287)
Claims paid	(534,754,690)	(588,258,761)
Reinsurance and other recoveries received	48,324,455	181,077,023
Commissions paid	(83,510,593)	(94,679,876)
Commissions received	54,227,406	124,743,796
Other underwriting payments (management expenses)	(170,855,491)	(141,860,351)
Net cash flow from underwriting activities	112,903,569	31,379,197
b) Other operating activities:		
Income tax paid	(14,349,424)	(2,164,341)
General management expenses paid	(115,410,707)	(107,658,160)
Other operating (payments)/receipts	(1,210,424)	22,819,706
Advances to employees	968,838	2,038,801
Net cash used in other operating activities	(130,001,717)	(84,963,994)
Total cash flow used in all operating activities	(17,098,148)	(53,584,797)
Investment activities		
Profit/return received	19,362,625	22,405,695
Dividends received	1,341,610	1,216,588
Payments for investments	(227,349,130)	(1,424,216,887)
Proceeds from disposal of investments	199,319,224	1,403,841,517
Redemption of term finance certificates	22,802,400	10,742,240
Fixed capital expenditure	(16,481,188)	(15,501,918)
Proceeds from disposal of fixed assets	6,477,115	32,830,368
Total cash flow from investing activities	5,472,656	31,317,603
Financing activities		
Dividend paid	-	(4,149)
Proceeds against issue of shares	50,940,350	3,380
Financial charges paid	-	(35,585)
Payment of lease rentals	-	(722,297)
Total cash from/(used in) financing activities	50,940,350	(758,651)
Net cash from/(used in) all activities	39,314,858	(23,025,845)
Cash at beginning of the year	91,251,429	114,277,274
Cash at end of the year	130,566,287	91,251,429

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed	Syed Suhail Ahmad Rizvi	Brig. Tariq Sher (Retd)	Lt. Gen. Tahir Mahmood (Retd)
President & Chief Executive	Director	Director	Chairman

Statement of Cash Flows

For the year ended 31 December 2011

	2011 Rupees	2010 Rupees
Reconciliation to Profit and Loss Account:		
Operating cash flows	(17,098,148)	(53,584,797)
Depreciation and amortization expense	(14,017,970)	(18,833,093)
Financial charges	-	(35,585)
Profit on disposal of fixed assets	3,045,636	5,456,508
Increase in assets other than cash	11,990,274	270,892,908
Increase/(decrease) in liabilities other than running finance	26,871,231	(209,535,592)
Provision for doubtful balances	(6,872,786)	-
Un-realized (loss)/gain on investments, held for trading	(6,563,211)	3,844,098
Provision for diminution in value of investment	-	(2,505,723)
Dividend income	1,341,610	16,066,762
Investment income	56,619,939	37,246,814
Profit on bank deposits	3,687,001	5,150,369
Share of profit in associated company	4,872,472	575,880
Income tax provision	(13,487,156)	(5,928,576)
Gain/(loss) on trading	695,883	(3,556,145)
Tax paid	14,349,423	2,164,341
Profit after taxation	65,434,198	47,418,169

Definition of cash:

Cash comprises of cash in hand, bank balances, stamp in hand and short term placements with banks which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

	2011 Rupees	2010 Rupees
Cash for the purpose of the statement of cash flows consist of:		
Cash and other equivalents		
Cash in hand	521,648	384,760
Stamp in hand	146,343	60,994
	667,991	445,754
Current and other accounts		
On current accounts	16,077,749	15,224,128
On deposit accounts	113,820,547	75,081,547
	129,898,296	90,305,675
Deposit maturing within 12 months		
Fixed and term deposit accounts	-	500,000
	130,566,287	91,251,429

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
President & Chief Executive

Syed Suhail Ahmad Rizvi
Director

Brig. Tariq Sher (Retd)
Director

Lt. Gen. Tahir Mahmood (Retd)
Chairman

Statement of Premiums

For the year ended 31 December 2011

Business underwritten inside Pakistan

Class of business	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2011 Net premium revenue	2010 Net premium revenue
		Opening	Closing			Opening	Closing			
	Rupees									
Direct and facultative										
Fire and property damage	163,775,507	96,395,947	76,970,527	**183,200,927**	128,025,262	79,439,008	61,583,080	**145,881,190**	37,319,737	43,322,885
Marine, aviation and transport	109,603,957	10,571,876	14,632,145	**105,543,688**	75,615,163	8,876,951	11,676,478	**72,815,636**	32,728,052	25,036,085
Motor	482,498,083	180,200,619	208,616,338	**454,082,364**	10,614,362	3,771,188	5,049,503	**9,336,047**	444,746,317	407,625,619
Accident and health	239,599,274	104,627,556	115,546,722	**228,680,108**	144,029,676	75,597,447	70,793,717	**148,833,406**	79,846,702	146,118,104
Miscellaneous	111,062,189	99,978,352	49,576,566	**161,463,975**	63,071,265	91,925,169	32,175,078	**122,821,356**	38,642,619	17,798,582
Grand total	1,106,539,010	491,774,350	465,342,298	**1,132,971,062**	421,355,728	259,609,763	181,277,856	**499,687,635**	633,283,427	639,901,275

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
(Retd) President & Chief Executive

Syed Suhail Ahmad Rizvi
Director

Brig. Tariq Sher (Retd)
Director

Lt. Gen. Tahir Mahmood
Chairman

Statement of Claims

For the year ended 31 December 2011

Business underwritten inside Pakistan

Class of business	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	2011 Net claims expense	2010 Net claims expense
	Rupees									
Direct and facultative										
Fire and property damage	55,166,535	64,758,914	71,719,776	**62,127,397**	35,952,765	47,058,851	59,425,447	**48,319,361**	13,808,036	22,386,731
Marine, aviation and transport	41,779,024	49,739,177	42,686,690	**34,726,537**	27,397,933	33,662,380	27,143,705	**20,879,258**	13,847,279	12,812,451
Motor	257,571,898	95,786,047	98,000,478	**259,786,329**	16,861,261	2,755,575	10,281,650	**24,387,336**	235,398,993	232,713,709
Accident and health	160,026,292	67,764,872	62,500,708	**154,762,128**	113,490,474	52,409,848	39,730,851	**100,811,477**	53,950,651	112,790,777
Miscellaneous	20,210,941	11,998,161	27,851,474	**36,064,254**	14,167,982	9,095,258	20,139,673	**25,212,397**	10,851,857	5,185,929
Grand total	534,754,690	290,047,171	302,759,126	**547,466,645**	207,870,415	144,981,912	156,721,326	**219,609,829**	327,856,816	385,889,597

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed
(Retd) President & Chief Executive

Syed Suhail Ahmad Rizvi
Director

Brig. Tariq Sher (Retd)
Director

Lt. Gen. Tahir Mahmood
Chairman

Statement of Expenses

For the year ended 31 December 2011

Business underwritten inside Pakistan

Class of business	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurer*	2011 Net under-writing expense	2010 Net under-writing expense
	Rupees								
Direct and facultative									
Fire and property damage	22,529,388	12,756,469	11,029,290	**24,256,567**	9,265,263	33,521,830	33,043,310	478,520	1,178,324
Marine, aviation and transport	15,291,078	2,000,533	1,681,581	**15,610,030**	8,125,299	23,735,329	20,512,598	3,222,731	3,644,823
Motor	24,831,720	14,030,005	11,750,366	**27,111,359**	135,590,600	162,701,959	768,432	161,933,527	127,911,708
Accident and health	9,074,493	6,048,235	4,155,002	**10,967,726**	19,823,309	30,791,035	37,415,068	(6,624,033)	17,997,441
Miscellaneous	8,492,786	8,624,391	3,792,596	**13,324,581**	9,593,691	22,918,272	18,852,368	4,065,904	(5,857,829)
Grand total	80,219,465	43,459,633	32,408,835	**91,270,263**	182,398,162	273,668,425	110,591,776	163,076,649	144,874,467

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

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed (Retd) President & Chief Executive	Syed Suhail Ahmad Rizvi Director	Brig. Tariq Sher (Retd) Director	Lt. Gen. Tahir Mahmood Chairman

Statement of Investment Income

For the year ended 31 December 2011

	2011 Rupees		2010 Rupees	
Income from trading investments				
Gain/(loss) on trading	695,883		(3,556,145)	
Dividend income	988,281		849,177	
		1,684,164		(2,706,968)
Income from non-trading investments				
Return on government securities	2,723,081		2,000,003	
Return on other fixed income securities	12,601,616		13,925,081	
		15,324,697		15,925,084
Available for sale investments				
Dividend income	353,329		15,217,585	
Gain/(loss) on sale of investments	41,299,034		(43,413,678)	
		41,652,363		(28,196,093)
Unrealized (loss)/profit on re-measurement of investments at fair value through profit and loss		(6,563,211)		3,844,098
Reversal of impairment in available for sale investments		-		64,737,599
Provision for impairment in held to maturity investments		-		(2,505,723)
Investment related expenses		(3,792)		(2,191)
Net investment income		52,094,221		51,095,806

The annexed notes 1 to 32 form an integral part of these financial statements.

Abdul Waheed	Syed Suhail Ahmad Rizvi	Brig. Tariq Sher (Retd)	Lt. Gen. Tahir Mahmood (Retd)
President & Chief Executive	Director	Director	Chairman

1 STATUS AND NATURE OF BUSINESS

askari general insurance company limited ("the Company") was incorporated under the Companies Ordinance, 1984 as a public limited company on 12 April 1995. The Company is engaged in general insurance business comprising of fire, marine, motor, accident, health and miscellaneous. The Company commenced its commercial operations on 15 October 1995. Shares of the Company are quoted on Karachi, Lahore and Islamabad Stock Exchanges. The registered office and principal place of business of the Company is located at AWT Plaza, Rawalpindi. The Company has 20 branches in Pakistan. Army Welfare Trust (AWT) directly and indirectly holds a significant portion of the Company's equity.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format of financial statements prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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.

4 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost convention except for certain financial instruments which are stated at their fair values and obligation under certain employee retirement benefit funds which are measured at their present values.

4.1 Use of estimates and judgments

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

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

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

4.1.1 Income tax

In making the estimates for income taxes currently payable by the Company, the management takes into account current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

4.1.2 Fixed assets and depreciation

In making estimates of the depreciation/amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

4.1.3 Outstanding claims including incurred but not reported (IBNR)

The liability for IBNR is accounted for from subsequent to year end data on an estimated basis by the management. Any significant event may affect the management's judgement which could effect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and are measured at the amount expected to be received.

4.1.4 Premium deficiency reserves

The Company carries out an analysis of loss/combined ratios for the expired year, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

4.1.5 Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

4.1.6 Impairment of investment

Available for sale

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

Associate

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

Held to maturity

Investments held to maturity are reviewed for impairment at year end and any losses arising from impairment is recognized if the management assesses that the carrying amount of the investment is not recoverable.

4.1.7 Provision against premiums due but unpaid

The Company reviews its premium portfolio to assess amount of premium due but unpaid and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the insured are considered.

4.1.8 Classification of investment

In classifying investments as "held for trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market/interest rate movements.

In classifying investments as "held to maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

4.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4.3 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	(Effective dates)
-Amendments to IFRS 7 – Financial Instruments Disclosure	1 July, 2011
-Amendments to IFRS 9 – Financial Instruments – Classification and Measurement of financial assets	1 January, 2015
-Amendments to IFRS 10 – Consolidated Financial Statements	1 January, 2013
-Amendments to IFRS 11 – Joint Agreements	1 January, 2013
-Amendments to IFRS 12 – Disclosure of interest in Other Entities	1 January, 2013
-Amendments to IFRS 13 – Fair Value Measurement	1 January, 2013
-Amendments to IAS 1 – Presentation of Financial statements	1 July, 2012
-Amendments to IAS 12 – Income taxes	1 January, 2012
-Amendments to IAS 19 – Employee Benefits	1 January, 2013
-Amendments to IAS 27 – Consolidated and separate Financial statements	1 January, 2013
-Amendments to IAS 28 – Investments in Associates	1 January, 2013
-Amendments to IAS 32 – Financial Instruments: Presentation	1 January, 2014

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies adopted in preparation of these financial statements are set out below. The policies have been applied consistently to all years presented.

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from policy holders by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. The Company enters into the insurance contract for following class of business:

-Fire and property damage
-Marine, aviation and transport
-Motor
-Health and accident
-Miscellaneous

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters in to reinsurance contracts with both foreign and local reinsurers. 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 year as the related premiums for the direct or accepted reinsurance business being reinsured. Once a contract has been classified as insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the year, unless all rights and liabilities are extinguished or expired.

5.1.1 Premium

Premium written under all insurance policies is recognized as income over the year of insurance from the date of issuance of policy to which it relates to its expiry. Amount is recorded as premium written at the time the policy is written. 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 year of coverage is recognized as unearned premium by the Company. The unearned premium is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income included administrative surcharge that represents documentation charges recovered by the Company from policy holders in respect of policies issued.

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

5.1.2 Reinsurance ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same year 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 the manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurance 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 contracts.

Reinsurance assets are not offset against related insurance liabilities, income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets. Reinsurance liabilities or assets 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 any 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.

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

5.1.3 Claims expense

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

The Company recognizes liability in respect of all claims incurred up to 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 claims except as otherwise expressly indicated in an insurance contract. The liability for claims includes 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 estimates and the claims actually reported subsequent to the balance sheet date.

5.1.4 Reinsurance recoveries against claims

Claims recoveries receivables 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.

5.1.5 Commission

Commission expense incurred on issuance of policies is deferred and recognized as asset and is recognized in the profit and loss account as an expense in accordance with pattern of recognition of premium revenue. Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium. Profit/commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

5.1.6 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense/income in profit and loss account for the year.

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

-Fire and property damage	35%
-Marine, aviation and transport	25%
-Motor	60%
-Health	75%
-Miscellaneous	20%

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

5.2 Provision for unearned premium

In accordance with the requirements of Insurance Rules 2002, provision for unearned premium is calculated by applying 1/24th method. Unearned portion of premium is recognized as liability.

5.3 Dividend income and gain/loss on trading

Dividend income is recognized when right to receive the dividend is established. Gain/loss on sale of investments which represents the difference between the carrying value of investments and the actual sale proceeds are included in the profit and loss account in the year in which these are sold.

5.4 Return on investment-held to maturity and bank deposits

Return on investments-held to maturity and bank deposits is recognized on a time proportion basis.

5.5 Rental income

Rental income on investment properties is recognised on straight line basis over the term of lease.

5.6 Receivables

Receivables are stated at cost less provision for impairment. Known bad debts are written off while provision is made for debts considered doubtful of recovery.

5.7 Fixed assets

Owned-tangible

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work in progress, which is stated at cost less impairment losses, if any. Depreciation is charged on depreciable amount over the estimated useful life of the assets by applying reducing balance method, except for tracking devices for which straight line method is applied, at rates specified in note 20 to the financial statements. Depreciation is charged on monthly basis where full month depreciation is charged in the month of addition and no depreciation is charged in the month of disposal.

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 items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the year in which they are incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to supplier in respect of tangible and intangible fixed assets.

Owned-intangible

Software development costs are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged over the estimated useful life on straight line method at rates specified in note 20 to the financial statements. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

5.8 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are classified as follows:

- Investments held to maturity
- Investments at fair value through profit and loss-held for trading
- Investments available for sale
- Investment in associates

All 'regular way' purchases and sales of financial assets are accounted for at settlement date.

5.8.1 Held to maturity

Investments with fixed maturity, where the management has both the intention and ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity instruments is recognized on a time proportion basis taking into account the effective yield on investments.

5.8.2 Investments at fair value through profit and loss

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the year in which it arises.

5.8.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale. It also includes investments in associated undertakings where the Company does not have significant influence. The Company follows settlement date accounting for regular way purchase and sales' of investments. Subsequent to initial recognition at cost, quoted 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 S.R.O 938 issued by the Securities and Exchange Commission of Pakistan (SECP) on 12 December 2002. Had the Company adopted IAS 39 "Financial Instruments: Recognition and Measurement" the investments available for sale as of 31 December 2011 would have been higher by Rs. 0.80 million (2010: higher by Rs. 0.92 million) with the corresponding increase in equity by the same amount. The Company's available for sale investments represent investment in mutual funds. Investment in the units of these funds is valued at their respective redemption/repurchase price.

5.8.4 Investment in associates

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost and the carrying value is increased or decreased to recognize the Company's share of the profit and loss of the associate after the date of its acquisition and the Company's share in the associates' equity that has not been recognized in the associate's profit and loss account. The Company's share of profit and loss of associates is included in the profit and loss account for the year. This method is applied from the date when significant influence commences until the date when the significant influence ceases. When the associates' share of losses exceed the carrying amount of investment in associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred obligation in respect of the associate.

5.9 Investment property

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

Depreciation is charged on depreciable amount on straight line basis over its estimated useful life at the rate of 2.5% per annum.

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

5.10 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

5.11 Employees' retirement benefits

5.11.1 Defined benefit plan

The Company operates a funded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The assets of the funded plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 31 December 2011.

Actuarial valuation was carried out using the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	12.5% per annum
Expected return on plan assets	13% per annum
Expected rate of increase in salary	12.5% per annum

Average expected remaining working life time of the employee	7 years
Mortality rate	EFU (61-66)

The Company recognizes the actuarial gains or losses over the expected remaining working life time of the employees when it exceeds the corridor limit as required in IAS-19.

5.11.2 Defined contribution plan

The Company operates a recognized staff provident fund as a defined contribution plan for all eligible employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary. The Company's contribution is charged to income during the year.

5.12 Compensated absences

Provisions for compensated absences, determined by actuary, are made annually to cover the obligation for compensated absences and charged to profit and loss account. The latest actuarial valuation was carried out as at 31 December 2011.

Actuarial valuation was carried out on the Projected Unit Credit Method based on the following significant assumptions:

Discount rate	12.5% per annum
Expected rate of increase in salary	12.5% per annum
Average number of leaves accumulated per annum	9 days
Mortality rate	EFU (61-66)

5.13 Management expenses

Expenses of management have been allocated to various revenue accounts on equitable basis.

5.14 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary share. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares.

5.15 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment. The Company has following business segments.

The fire insurance segment provides insurance cover against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.
Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Accident and health provides inpatient and outpatient medical coverage.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverage.

Investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets pertaining to 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.

5.16 Foreign currency transactions

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are routed through profit and loss account.

5.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of statement of cash flows, cash and cash equivalents comprise of cash in hand, deposit accounts with banks and stamps in hand.

5.18 Creditors, accruals and provisions

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

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

5.19 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

5.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

5.21 Off setting of financial assets and financial liabilities

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

5.22 Distribution and appropriations

Cash dividends declared, bonus shares issued and other reserves' appropriations are recognized in the year in which these announcements or appropriations are made.

6 PAID UP SHARE CAPITAL

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
12,708,378	7,614,005	Ordinary shares of Rs. 10 each issued as fully paid in cash	127,083,780	76,140,050
18,112,578	12,763,487	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	181,125,780	127,634,870
30,820,956	20,377,492		308,209,560	203,774,920

6.1 Army Welfare Trust (AWT) and Askari Bank Limited held 9,862,125 (2010: 5,735,041) and 8,372,862 (2010: 5,094,348) ordinary shares of the Company respectively at the year end.

	Note	2011 Rupees	2010 Rupees
7 STAFF COMPENSATED ABSENCES	7.1	9,177,635	6,950,909

7.1 Movement in liability

	Note	2011 Rupees	2010 Rupees
Balance at beginning of the year		6,950,909	12,294,231
Charge for compensated absences	7.1.1	4,191,710	5,450,010
Benefits paid/adjusted during the year		(1,964,984)	(10,793,332)
Balance at end of the year		9,177,635	6,950,909

7.1.1 Charge for compensated absences

	2011 Rupees	2010 Rupees
Current service cost	2,404,269	1,881,606
Interest cost	903,618	1,465,725
Loss due to settlements during the year	-	1,842,117
Actuarial loss	883,823	260,562
	4,191,710	5,450,010

7.1.2 Comparison of the present value of defined benefit obligation for the current and previous four years

	2011	2010	2009	2008	2007
	Rupees				
Present value of obligation	9,177,635	6,950,909	12,294,231	11,496,305	9,894,411

8 SUNDRY CREDITORS

	Note	2011 Rupees	2010 Rupees
Agents' commission payable	8.1	38,446,409	37,175,661
Security deposit against bond insurance		52,404,434	42,919,831
Staff gratuity fund payable	8.2	-	30,005
Staff provident fund payable		703,541	16,782
Tax deducted at source		1,419,566	1,741,235
Federal excise duty/Federal insurance fee		14,967,987	9,246,158
Workers' welfare fund		2,753,318	1,801,293
Due to associated company	8.3	14,319,160	4,975,442
Payable against tracker devices and monitoring expenses		4,329,877	
		129,344,292	97,906,407

8.1 This includes commission payable to an associated undertaking amounting to Rs. 2.24 million (2010: Rs. 1.18 million).

		Note	2011 Rupees	2010 Rupees
8.2	**Staff gratuity fund**			
8.2.1	**The amount recognized in the balance sheet is determined as follows:**			
	Present value of defined benefit obligation	8.2.3	27,075,444	23,431,253
	Benefits due but not paid during the year		1,889,215	1,684,249
	Fair value of plan assets	8.2.4	(23,961,870)	(18,465,704)
	Net actuarial losses not recognized		(6,545,861)	(6,619,793)
	(Receivable)/Payable to staff gratuity fund		(1,543,072)	30,005
8.2.2	**Movement in liability recognized in balance sheet**			
	Balance at beginning of the year		30,005	661,028
	Expense for the year	8.2.6	5,170,845	5,485,404
	Contributions to the fund		(6,743,922)	(6,116,427)
	Balance at end of the year		(1,543,072)	30,005
8.2.3	**Reconciliation of the present value of defined benefits obligations**			
	Present value of obligations as at beginning of the year		23,431,253	20,452,975
	Current service cost		3,914,371	3,665,273
	Interest cost		3,046,063	2,454,357
	Benefits paid		(1,519,309)	(2,027,459)
	Benefits due but not paid		(429,579)	(1,684,249)
	Actuarial (gain)/loss		(1,367,355)	570,356
	Present value of obligations as at end of the year		27,075,444	23,431,253
8.2.4	**Movement in the fair value of plan assets**			
	Fair value of plan assets as at beginning of the year		18,465,704	12,057,734
	Expected return on plan assets		2,400,542	1,446,928
	Contribution to the fund		6,743,922	6,116,427
	Benefits paid		(1,743,922)	(2,027,459)
	Actuarial (loss)/gain		(1,904,376)	872,074
	Fair value of plan assets as at end of the year		23,961,870	18,465,704
8.2.5	**Actual return on plan assets**			
	Expected return on assets		2,400,542	1,446,928
	Actuarial (loss)/gain		(1,904,376)	872,074
			496,166	2,319,002
8.2.6	**Charge for the year**			
	Current service cost		3,914,371	3,665,273
	Interest cost		3,046,063	2,454,357
	Expected return on plan assets		(2,400,542)	(1,446,928)
	Actuarial losses recognized		610,953	812,702
	Expense for the year		5,170,845	5,485,404

8.2.7 Composition of fair value of plan assets

	2011 Fair value Rupees	2011 Percentage %	2010 Fair value Rupees	2010 Percentage %
Debt instruments	2,330,155	9.7%	2,955,889	16%
Cash and bank balances	92,583	0.4%	1,284,965	7%
Others	21,539,132	89.9%	14,224,850	77%
Fair value of plan net assets	23,961,870		18,465,704	

8.2.8 Historical data of the fund

	2011	2010	2009	2008	2007
			Rupees		
Present value of defined benefit obligation	27,075,444	23,431,253	20,452,975	19,770,196	14,894,122
Fair value of plan assets	(23,961,870)	(18,465,704)	(12,057,734)	(11,335,550)	(11,860,383)
Deficit	3,113,574	4,965,549	8,395,241	8,434,646	3,033,739
Experience adjustments					
- Actuarial (gain)/loss on obligation	(1,367,355)	570,356	(443,015)	607,483	(350,322)
- Actuarial (loss)/gain on assets	(1,904,376)	872,074	(705,206)	(4,331,231)	272,433

8.2.9 The estimated contribution to the fund for the year ending 31 December 2012 is Rs.6 million.

8.3 This mainly constitutes payable to Askari Bank Limited against salaries of its employees who are on secondment in the Company.

9 CONTINGENCIES AND COMMITMENTS

Contingencies

Tax assessments for Assessment Years 1996-1997 to 1999-2000 were finalized by the tax authorities mainly by curtailing management expenses and thereby raising demands aggregating to Rs. 6.6 million. On appeals filed by the Company, these assessments were set aside by the Income Tax Appellate Tribunal (ITAT). The Company has filed reference applications to the High Court on question of admissibility of management expenses for the Assessment Years 1996-1997 to 1999-2000. The management firmly believes that the matter will be resolved in favor of the Company.

Certain cases against the Company are pending before various courts of law. However, management is confident of a favorable outcome.

Commitments

No commitments exist as at the balance sheet date (2010: Nil).

	2011 Rupees	2010 Rupees
10 CASH AND OTHER EQUIVALENTS		
Cash in hand	521,648	384,760
Stamps in hand	146,343	60,994
	667,991	445,754

		Note	2011 Rupees	2010 Rupees
11	**CURRENT AND OTHER ACCOUNTS**			
	Cash at bank on:			
	- Current accounts		16,077,749	15,224,128
	- Deposit accounts			
	-local currency	11.1	108,447,187	75,081,547
	-foreign currency	11.2	5,373,360	-
			113,820,547	75,081,547
		11.3	129,898,296	90,305,675

11.1 These carry effective markup rate ranging from 5% to 10.5% per annum (2010 : 5% to 11.5% per annum).

11.2 This carry effective markup rate of 0.25% per annum (2010 : Nil).

11.3 These include balance amounting to Rs. 72.51 million (2010: Rs.43.28 million) held with associated company.

		Note	2011 Rupees	2010 Rupees
12	**DEPOSITS MATURING WITHIN 12 MONTHS**			
	Term deposit	12.1	-	500,000

12.1 These carried effective markup rate of 6% per annum and was matured during the year.

		Note	2011 Rupees	2010 Rupees
13	**ADVANCES TO EMPLOYEES**			
	Secured, considered good;			
	Employees			
	- Executives	13.1	124,752	52,210
	- Others		1,065,044	2,106,424
			1,189,796	2,158,634

13.1 These represents short term interest free advances given in accordance with terms of employment. The maximum amount due from executives at the end of any month during the year was Rs. 0.21 million (2010: Rs. 0.41 million).

		Note	2011 Rupees	2010 Rupees
14	**INVESTMENTS**			
	These are made up as follows:			
	Held to maturity	14.1	125,048,775	136,295,066
	Fair value through profit and loss-held for trading	14.2	310,949,441	18,500,929
	Available for sale	14.3	7,466,696	287,399,985
	Investment in associated company	14.4	59,948,352	15,575,880
			503,413,264	457,771,860
14.1	**Held to maturity**			
	Government securities	14.1.1	34,613,222	25,000,000
	Certificates of investment (COIs)	14.1.2	18,161,328	16,218,441
	Term finance certificates-quoted	14.1.3	83,402,640	106,205,040
			136,177,190	147,423,481
	Provision for impairment	14.1.2	(11,128,415)	(11,128,415)
			125,048,775	136,295,066

	2011 Rupees	2010 Rupees
14.1.1 Government securities		
Pakistan investment bonds (PIBs)	34,613,222	25,000,000

Particular	Effective yield %	Maturity date	Profit payment	Face value Rupees	2011 Rupees	2010 Rupees
Pakistan Investment Bond-10 years	8.00%	29 April 2014	Half yearly	25,000,000	25,000,000	25,000,000
Pakistan Investment Bond-3 years	13.91%	22 July 2013	Half yearly	5,000,000	4,817,160	-
Pakistan Investment Bond-3 years	13.11%	18 August 2014	Half yearly	5,000,000	4,796,062	-
					34,613,222	25,000,000

PIBs are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000. Market value of PIBs carried at amortized cost amounts to Rs. 32.88 million (2010: Rs. 21.22 million).

14.1.2 Certificates of investment (COIs)

This carries interest rate ranging from 5% to 13% (2010: 5% to 9%) per annum having maturity for a period of 3 months to 11 months (2010: 3 months to 1.5 years). The Company has created a provision against certain COIs. The movement in provision is given as under:

	2011 Rupees	2010 Rupees
Opening balance	11,128,415	8,622,692
Charge during the year	-	2,505,723
Closing balance	11,128,415	11,128,415

14.1.3 Term finance certificates

Quoted

Number of certificates 2011	Number of certificates 2010	Face Value per certificate Rupees	Redemption value per certificate Rupees	Company's name	2011 Rupees	2010 Rupees
-	60	100,000	-	Standard Chartered Bank (Pakistan) Limited	-	1,500,000
1,500	1,500	5,000	3,496	Standard Chartered Bank (Pakistan) Limited	5,244,000	7,113,000
1	1	10,000,000	6,649,320	Bank Al-Habib Limited	6,649,320	9,976,000
2,000	2,000	5,000	3,325	United Bank Limited	6,650,000	9,976,940
4,000	4,000	5,000	4,999	United Bank Limited	19,994,800	19,995,600
2,500	2,500	5,000	3,325	Bank Alfalah Limited	8,311,300	12,471,200
1,500	1,500	5,000	4,988	Bank Alfalah Limited	7,482,720	7,485,600
1,400	1,400	5,000	2,495	Faysal Bank Limited	3,493,000	5,240,200
1,500	1,500	5,000	3,741	Soneri Bank Limited	5,611,500	7,483,500
3,000	3,000	5,000	2,496	Pakistan Mobile Communications Limited	7,488,000	12,480,000
1,500	1,500	5,000	4,992	Faysal Bank Limited	7,488,000	7,491,000
1,000	1,000	5,000	4,990	Allied Bank Limited	4,990,000	4,992,000
				Book value	83,402,640	106,205,040
				Market value	81,506,637	101,770,024

The market values is determined as per rates quoted by Mutual Funds Association of Pakistan on 31 December 2011.

Maturity year, effective yield and profit payment on these investments is as follows:

Company's name	Rating	Maturity year	Effective yield	Profit payment	Market value Rupees
Standard Chartered Bank (Pakistan) Limited	AAA	2013	15.25%	Half yearly	5,368,545
Bank Al-Habib Limited	AA	2012	10.00%	Half yearly	6,036,219
United Bank Limited	AA	2012	8.45%	Half yearly	6,300,875
United Bank Limited	AA	2013	9.49%	Half yearly	19,005,057
Bank Alfalah Limited	AA-	2012	15.19%	Half yearly	8,309,014
Bank Alfalah Limited	AA-	2013	15.18%	Half yearly	7,456,568
Faysal Bank Limited	AA-	2013	15.66%	Half yearly	3,507,566
Soneri Bank Limited	A+	2013	15.39%	Half yearly	5,575,592
Pakistan Mobile Communications Limited	A+	2013	16.87%	Half yearly	7,508,292
Faysal Bank Limited	AA-	2013	15.00%	Half yearly	7,437,711
Allied Bank Limited	AA-	2014	15.71%	Half yearly	5,001,198
					81,506,637

14.2 Fair value through profit and loss-held for trading

Investment in shares/units-quoted

Number of shares/units 2011	Number of shares/units 2010	Face value per share/unit Rupees	Name of entity	Carrying/market value 2011 Rupees	Carrying/market value 2010 Rupees
			Open-End Mutual Funds		
8,255,917	-	10	ABL Government Securities Fund	82,773,000	-
36,738	-	500	Atlas Islamic Income Fund	18,910,162	-
27,083	-	100	Faysal Savings Growth Fund	2,805,010	-
189,017	-	100	IGI Income Fund	19,015,879	-
577,193	-	100	MCB Cash Management Optimizer Fund	59,384,841	-
24,246	23,718	10	Pakistan Premier Fund	223,099	213,699
78,992	-	100	PICIC Income Fund	7,967,949	-
1,067,805	-	100	UBL Government Securities Fund	107,168,770	-
			Equity Investment Instruments		
36,775	36,775		PICIC Growth Fund	458,217	487,269
			Automobile and Parts		
14,000	14,000	10	Pak Suzuki Motor Company Limited	826,420	977,480
			Banks		
-	50,000	10	Atlas Bank Limited	-	81,500
62,100	55,200	10	Faysal Bank Limited	504,873	860,568
10,000	13,300	10	JS Bank Limited	16,500	34,314
10,120	8,470	10	MCB Bank Limited	1,362,152	1,935,734
40,375	7,300	10	National Bank of Pakistan	1,657,394	560,786
28,241	28,241	10	NIB Bank Limited	48,857	83,311
26,077	23,180	10	Soneri Bank Limited	101,700	192,626
-	22,446	10	Summit Bank Limited	-	85,519
40,250	40,250	10	The Bank of Punjab	217,753	394,853

Number of shares/units 2011	Number of shares/units 2010	Face value per share/unit Rupees	Name of entity	Carrying/market value 2011 Rupees	Carrying/market value 2010 Rupees
			Chemicals		
22,577	10,025	10	Arif Habib Corporation Limited	584,970	249,522
-	3,007	10	Fatima Fertilizer Company Limited	-	33,918
-	9,000	10	Sitara Peroxide Limited	-	119,250
			Construction and Materials		
17,120	17,120	10	Attock Cement Pakistan Limited	873,120	1,080,443
30,400	20,400	10	D.G. Khan Cement Company Limited	578,512	615,468
40,000	40,000	10	Fauji Cement Company Limited	132,000	200,800
3,000	16,500	10	Flying Cement Company Limited	2,640	29,700
65,000	70,000	10	Lafarge Pakistan Cement Limited	122,200	224,700
59,000	59,000	10	Maple Leaf Cement Factory Limited	109,150	169,330
			Financial Services		
-	27,000	10	Invest and Finance Securities Limited	-	194,130
19,032	19,032	10	Jahangir Siddiqui & Company Limited	76,699	207,449
-	2,518	10	Javed Omer Vohra & Company Limited	-	10,072
3,219	3,219	10	JS Global Capital Limited	50,313	90,808
17,000	17,000	10	JS Investments Limited	44,710	113,560
-	27,625	10	Pervez Ahmed Securities Limited	-	59,118
			Fixed Line Telecommunication		
48,322	38,322	10	Pakistan Telecommunication Company Limited	502,066	744,213
16,718	16,718	10	WorldCALL Telecom Limited	16,718	48,482
			Food Producers		
2,200	-	10	JDW Sugar Mills Limited	161,150	-
			Fuel and Energy		
-	6,500	10	Attock Refinery Limited	-	810,420
58,000	38,000	10	Byco Petroleum Pakistan Limited	381,060	428,260
3,750	-	10	Mari Gas Company Limited	303,750	-
-	5,000	10	National Refinery Limited	-	1,368,950
450	-	10	Pakistan Petroleum Limited	75,744	-
			General Industries		
1,360	-	10	Packages Limited	112,499	-
			Household Goods		
7,400	15,000	10	Tariq Glass Industries Limited	60,680	307,800
			Industrial Engineering		
4,437	-	10	KSB Pumps Company Limited	107,863	-
			Industrial metals and Mining		
-	10,000	10	Dost Steel Limited	-	27,000
10,000	10,000	10	International Industries Limited	380,100	598,500
			Non Life Insurance		
-	10,000	10	Adamjee Insurance Company Limited	-	875,000
24,550	14,550	10	Century Insurance Company Limited	174,551	163,979
20,000	10,000	10	EFU General Insurance Company Limited	763,000	440,400
44,800	44,800	10	Pakistan Reinsurance Company Limited	694,400	728,000

Number of shares/units 2011	Number of shares/units 2010	Face value per share/unit Rupees	Name of entity	Carrying/market value 2011 Rupees	Carrying/market value 2010 Rupees
			Personal Goods		
21,150	-	10	Azgard Nine Limited	60,278	-
22,998	22,998	10	Chenab Limited	23,228	71,754
43,517	49,000	10	Mukhtar Textile Mills Limited	16,536	38,220
-	71,975	10	Nishat Chunian Limited	-	1,635,272
1,000	-	10	Service Industries Limited	194,990	-
2,000	4,200	10	Treet Corporation Limited	77,900	252,210
			Software and Computer Services		
44,320	34,320	10	NetSol Technologies Limited	382,038	656,542
			Tobacco		
8,000	-	10	Pakistan Tobacco Company Limited	444,000	-
				310,949,441	18,500,929

14.3 Available for sale

Investments in units-quoted

Number of units 2011	Number of units 2010	Face value per unit Rupees	Investee name	Market value 2011 Rupees	2011 Rupees	2010 Rupees
			Open-End Mutual Funds			
20,215	14,433	100	Dawood Income Fund (Formerly: Dawood Money Market Fund)	1,560,596	1,491,925	1,491,925
83,371	50,000	100	JS Large Capital Fund	3,898,450	5,000,000	5,000,000
-	25,000	100	Faysal Money Market Fund	-	-	2,500,000
-	2,740,812	10	ABL Cash Fund	-	-	27,565,079
-	5,111,718	10	ABL Income Fund	-	-	51,081,372
-	20,949	500	Alfalah GHP Cash Fund	-	-	10,605,187
-	182,378	100	KASB Cash Fund	-	-	18,281,043
-	205,966	100	MCB Cash Management Optimizer Fund	-	-	21,038,258
-	1,049,402	50	Pakistan Cash Management Fund	-	-	52,498,078
-	25,000	100	PICIC Cash Fund	-	-	2,500,000
-	883,375	100	United Liquidity Plus Fund	-	-	88,864,272
-	50,000	100	United Saving Income Fund	-	-	5,000,000
			Closed-End Mutual Funds			
210,000	210,000	10	Atlas Fund of Funds	1,799,700	2,000,000	2,000,000
116,150	116,150	10	First Dawood Mutual Fund	1,010,505	1,000,000	1,000,000
				8,269,251	9,491,925	289,425,214
			Provision for impairment in available for sale investments		(2,025,229)	(2,025,229)
			Carrying value		7,466,696	287,399,985
			Market value		8,269,251	288,317,731

14.4 Investment in associated company

Number of units 2011	Number of units 2010	Face value Rupees	Investee name	2011 Rupees	2010 Rupees
544,270	149,111	100	Askari Sovereign Cash Fund	54,696,890	15,575,880
51,886	-	100	Askari High Yield Scheme (Formerly: Askari Income Fund)	5,251,462	-
			Carrying value	59,948,352	15,575,880
			Market Value	59,948,352	15,575,880

14.4.1 The summarized financial information of associated companies on the basis of un-audited financial information for the half year ended 31 December 2011 are as follows:

	Askari Sovereign Cash Fund		Askari High Yield Scheme (Formerly: Askari Income Fund)	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Total assets	8,019,604,425	2,363,107,201	1,913,249,757	1,291,579,136
Total liabilities	646,697,683	9,059,390	8,261,807	8,302,167
Net assets	7,372,906,742	2,354,047,811	1,904,987,950	1,283,276,969
Total income for the period	466,685,594	108,025,090	7,804,095	25,047,876
Net income for the period	419,829,126	128,317,438	55,146,655	20,245,327

15 INVESTMENT PROPERTY

This represents the carrying amount of two offices in Islamabad stock exchange building, classified as investment property based on the management's intention to hold the property for earning rentals and/or capital appreciation.

	2011 Rupees	2010 Rupees
Cost		
Balance at beginning of the year	52,400,000	-
Addition during year	-	52,400,000
Balance at end of the year	52,400,000	52,400,000
Depreciation		
Balance at beginning of the year	109,167	-
Charge for the year	1,310,000	109,167
Balance at end of the year	1,419,167	109,167
Carrying value	50,980,833	52,290,833

15.1 The market value of the investment property is Rs. 70.74 million (2010: Rs. 65.50 million) as on 31 December 2011 as per valuation carried out by an independent valuer. Useful life of the investment property is estimated to be 40 years. The amount of depreciation has been allocated to general and administration expenses.

		Note	2011 Rupees	2010 Rupees
16	**DEFERRED TAXATION**			
	Deferred tax asset arising in respect of:			
	Provision for impairment in held to maturity investments		877,003	877,003
	Provision for dobutful premium		2,405,475	-
			3,282,478	877,003
17	**PREMIUMS DUE BUT UNPAID-UNSECURED**			
	Considered good	17.1	275,456,804	220,880,356
	Considered doubtful		6,872,786	-
			282,329,590	220,880,356
	Provision for doubtful balances	17.2	(6,872,786)	-
			275,456,804	220,880,356

17.1 This includes premium amounting of Rs. 27.42 million (2010: Rs. 10.08 million) receivable from the associated undertakings, the movement of which is as under:

		Note	2011 Rupees	2010 Rupees
	Balance at beginning of the year		10,085,287	8,739,383
	Insurance premium written (including government levies administrative surcharge and policies stamps)		89,555,453	64,819,434
	Premium received during the year		(72,219,714)	(63,473,530)
	Balance at end of the year		27,421,026	10,085,287
17.2	Provision for doubtful balances			
	Balance at beginning of the year		-	-
	Provision made during the year		6,872,786	-
	Balance at end of the year		6,872,786	-
18	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		181,277,856	259,609,763
	Others		14,955,706	7,964,538
			196,233,562	267,574,301
19	**SUNDRY RECEIVABLES**			
	Security deposits		4,711,621	858,521
	Staff gratuity fund receivable	8.2	1,543,072	-
	Advances to suppliers-unsecured, considered good		40,000	259,996
	Receivable against sale of vehicles		11,231,033	24,158,353
	Other receivables-unsecured, considered good	19.1	12,502,442	2,412,286
			30,028,168	27,689,156

19.1 This includes Rs. 0.12 million (2010: Rs. 1.26 million) receivable from Askari Securities Limited maintained as revolving fund for trading of shares.

20 FIXED ASSETS

	Tangible						Intangible		
	Owned assets					Leased Assets			
	Furniture and fixtures	Computers and office equipment	Motor vehicles	Tracking devices	Leasehold improvements	Motor vehicles	Software licenses	Capital work in progress	Total
					Rupees				
COST									
Balance as at 01 January 2010	16,739,885	33,090,966	75,880,280	-	14,908,761	4,590,149	3,888,334	55,571,000	204,669,375
Additions during the year	312,711	10,149,320	70,000	-	1,128,180	-	-	3,841,707	15,501,918
Disposals	-	(459,064)	(62,804,229)	-	-	-	-	-	(63,263,293)
Transfers/adjustments	107,825	583,085	4,590,149	-	40,000	(4,590,149)	-	(53,130,910)	(52,400,000)
Balance as at 31 December 2010	17,160,421	43,364,307	17,736,200	-	16,076,941	-	3,888,334	6,281,797	104,508,000
Balance as at 01 January 2011	17,160,421	43,364,307	17,736,200	-	16,076,941	-	3,888,334	6,281,797	104,508,000
Additions during the year	380,502	1,939,065	1,662,281	3,103,327	3,156,209	-	705,644	5,534,160	16,481,188
Disposals	-	(1,833,610)	(8,182,706)	-	-	-	-	-	(10,016,316)
Transfers/adjustments	25,000	967,701	230,120	-	229,338	-	5,527,595	(6,979,754)	-
Balance as at 31 December 2011	17,565,923	44,437,463	11,445,895	3,103,327	19,462,488	-	10,121,573	4,836,203	110,972,872
DEPRECIATION AND AMORTIZATION									
Balance as at 01 January 2010	7,981,015	21,170,416	36,587,000	-	5,978,874	2,243,593	64,806	-	74,025,704
Charge for the year	891,129	7,223,538	6,641,080	-	3,190,512	-	777,667	-	18,723,926
Depreciation on disposals	-	(352,704)	(35,536,729)	-	-	-	-	-	(35,889,433)
Transfers/adjustments	-	-	2,243,593	-	-	(2,243,593)	-	-	-
Balance as at 31 December 2010	8,872,144	28,041,250	9,934,944	-	9,169,386	-	842,473	-	56,860,197
Balance as at 01 January 2011	8,872,144	28,041,250	9,934,944	-	9,169,386	-	842,473	-	56,860,197
Charge for the year	840,369	5,751,421	1,336,005	570,262	3,174,559	-	1,035,354	-	12,707,970
Depreciation on disposals	-	(1,756,681)	(4,828,156)	-	-	-	-	-	(6,584,837)
Transfers/adjustments	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2011	9,712,513	32,035,990	6,442,793	570,262	12,343,945	-	1,877,827	-	62,983,330
Carrying value as at 31 December 2010	8,288,277	15,323,057	7,801,256	-	6,907,555	-	3,045,861	6,281,797	47,647,803
Carrying value as at 31 December 2011	7,853,410	12,401,473	5,003,102	2,533,065	7,118,543	-	8,243,746	4,836,203	47,989,542
Annual rate of depreciation %	10	35	20	33	33	20	20		

20.1 Depreciation and amortization is allocated as follows:

	Note	2011 Rupees	2010 Rupees
Management expenses	22	5,209,836	10,094,251
General and administration expenses	24	7,498,134	8,629,675
		12,707,970	18,723,926

20.2 Detail of disposals of fixed assets during the year

Description of assets/ particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale
			Rupees		
Vehicles					
Sold to employees under the Company policy:					
Muhammad Ali Siddiqui	560,000	379,558	180,442	227,082	46,640
Muhammad Akmal	992,000	367,701	624,299	717,664	93,365
Anwar Ahmed Malik	560,000	338,270	221,730	585,000	363,270
Fayyiaz Gul	390,298	-	390,298	600,000	209,702
Ishtiaq Ahmed	280,518	-	280,518	630,000	349,482
Asad Abbas	857,500	447,729	409,771	900,000	490,229
Ghulam Asghar	560,000	470,745	89,255	250,000	160,745
Moeen ud Din	939,000	768,334	170,666	500,000	329,334
Fawad Asif Rana	972,390	464,154	508,236	604,696	96,460
Zahid Mehmood	555,000	471,198	83,802	350,000	266,198
Feroz Qaiser	560,000	330,624	229,376	288,373	58,997
Sub total	7,226,706	4,038,313	3,188,393	5,652,815	2,464,422
Sold to third parties via open bidding:					
Sultan Amir	401,000	383,364	17,636	275,000	257,364
Sher Baz	555,000	406,479	148,521	455,000	306,479
Sub total	956,000	789,843	166,157	730,000	563,843
Office equipment					
Sold to various parties through negotiations:					
A.C Quetta	22,000	21,572	428	10,000	9,572
Photocopier (HO)	243,240	234,513	8,727	20,000	11,273
Computer (FSD)	49,000	48,348	652	950	298
Computer (FSD)	46,900	45,377	1,523	950	(573)
Other old scrap computers	1,472,470	1,406,871	65,599	62,400	(3,199)
Sub total	1,833,610	1,756,681	76,929	94,300	17,371
Total disposals	10,016,316	6,584,837	3,431,479	6,477,115	3,045,636

		Note	2011 Rupees	2010 Rupees
21	**NET PREMIUM REVENUE**			
	Premium revenue (net of reinsurance)		607,837,453	618,261,291
	Administrative surcharge	21.1	25,445,974	21,639,984
			633,283,427	639,901,275
21.1	Net premium revenue includes administrative surcharge as under:			
	Fire and property damage		3,957,137	2,864,004
	Marine, aviation and transport		3,284,309	2,488,835
	Motor		14,374,801	13,296,358
	Accident and health		1,875,963	1,822,975
	Miscellaneous		1,953,764	1,167,812
			25,445,974	21,639,984
22	**MANAGEMENT EXPENSES**			
	Salaries and other benefits	22.1	117,949,929	98,486,418
	Rent expense		16,834,922	16,022,897
	Communication		9,006,518	9,683,786
	Tracker devices		11,356,991	-
	Monitoring of trackers		5,898,273	-
	Printing and stationery		1,216,018	1,666,938
	Traveling and entertainment		2,196,034	2,662,462
	Depreciation and amortization	20.1	5,209,836	10,094,251
	Repair and maintenance		3,565,458	6,844,364
	Utilities		5,869,295	5,594,921
	Advertisement		211,298	230,264
	Legal and professional		992,266	1,101,477
	Bank charges		320,255	521,158
	Miscellaneous		1,771,069	1,033,312
			182,398,162	153,942,248

22.1 This includes charges for defined benefit plans and defined contribution plans amounting to Rs. 3.10 million (2010: Rs. 3.29 million) and Rs. 2.46 million (2010: Rs. 2.31 million) respectively.

		Note	2011 Rupees	2010 Rupees
23	**OTHER INCOME**			
	Income from non-financial assets			
	Gain on disposal of fixed assets	20.2	3,045,636	5,456,508
	Miscellaneous		2,222,873	777,365
			5,268,509	6,233,873

		Note	2011 Rupees	2010 Rupees
24	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and other benefits	24.1	76,900,805	65,103,351
	Rent expenses		8,832,845	10,752,436
	Communication		4,154,148	3,476,186
	Printing and stationery		3,124,045	3,272,434
	Traveling and entertainment		2,639,423	3,169,404
	Depreciation and amortization	15.1 & 20.1	8,808,134	8,738,842
	Repair and maintenance		3,430,195	3,096,429
	Legal and professional	24.2	1,966,073	2,338,252
	Donation	24.3	-	5,000,000
	Subscription		4,055,707	3,554,879
	Workers' Welfare Fund		1,610,640	1,088,709
	Utilities		2,626,513	3,255,546
	Advertisement		2,603,019	2,883,247
	Auditors' remuneration	24.4	550,000	550,000
	Bank charges		687,781	161,680
	Provision for doubtful balances	17.2	6,872,786	-
	Miscellaneous expenses		1,189,257	2,369,414
			130,051,371	118,810,809

24.1 This includes charges for defined benefit plans and defined contribution plans amounting to Rs. 2.07 million (2010: Rs.2.19 million) and Rs. 1.99 million (2010: Rs. 1.97 million) respectively.

24.2 This includes amount of Rs. 0.05 million (2010: Nil) paid as penalty to SECP for not timely compliance with minimum paid-up capital requirement under the Insurance Ordinance, 2000.

24.3 This represented donation given to Army Flood Relief Fund for flood victims. None of the directors and their spouse have any interest in donee institution.

		Note	2011 Rupees	2010 Rupees
24.4	**Auditors' remuneration**			
	Audit fee		325,000	325,000
	Half yearly review		125,000	125,000
	Other certifications		50,000	50,000
	Out of pocket expenses		50,000	50,000
			550,000	550,000
25	**PROVISION FOR TAXATION**			
	Current		15,892,631	6,805,579
	Deferred		(2,405,475)	(877,003)
		25.1	13,487,156	5,928,576
25.1	**Relationship between tax expense and accounting profit**			
	Profit for the year before taxation		78,921,354	53,346,745
	Tax at the applicable rate of 35% (2010: 35%)		27,622,474	18,671,361
	Tax effect of items that are not considered in determining taxable income-net		2,297,123	(11,096,285)
	Tax effect of amounts chargeable to tax at reduced rate		(16,432,440)	(1,646,500)
			13,487,156	5,928,576

		Note	2011 Rupees	2010 Rupees
26 EARNING PER SHARE-BASIC AND DILUTED				
Profit after taxation	Rupees		65,434,198	47,418,169
Weighted average number of ordinary shares	Numbers	26.2	30,070,835	24,819,992
Earnings per share	Rupees		2.18	1.91

26.1 The comparative figures of weighted average number of ordinary shares and earnings per share have been restated from 20,377,492 to 24,819,992 and Rs. 2.33 to Rs. 1.91 respectively as a result of right and bonus shares issued by the Company during the year.

26.2 Weighted average number of ordinary shares

	2011 Rupees	2010 Rupees
Number of shares outstanding as at 1 January	20,377,492	20,377,492
Right issue during the year	4,474,438	134,898
Bonus shares issued during the year	5,218,905	4,307,602
Weighted average number of ordinary shares as at 31 December	30,070,835	24,819,992

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

27 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, major shareholders, key management personnel, entities under common control, entities with common directors and employees retirement benefit funds.

The amounts due to and due from associated undertakings are disclosed in their respective notes to the financial statements.

Army Welfare Trust holds directly and indirectly significant portion of the Company's equity, therefore all subsidiaries and associated undertakings of AWT are related parties of the Company. Remuneration to chief executive, directors and executives under the terms of their employment are disclosed in note 28 to the financial statements.

Transactions with related parties during the year are given below:

	2011 Rupees	2010 Rupees
Insurance premium written (including government levies, administrative surcharge and policies stamps)	89,555,453	64,819,434
Premium received during the year	72,219,714	63,473,530
Profit on deposit accounts	3,246,097	3,229,254
Bank charges	958,913	550,718
Interest income	-	6,397
Insurance commission expense	2,066,544	1,183,415
Insurance claims paid	26,293,726	53,994,842
Purchase of listed securities through broker, ASL including brokerage fee	15,409,798	16,592,494
Sale of listed securities through broker, ASL including brokerage fee	15,119,574	17,871,101
Investments made-available for sale (included in note 14)	-	15,575,880
Rent paid	7,345,334	6,187,103
Issuance of bonus shares-numbers	3,165,178	-
Issuance of right shares-numbers	4,242,887	-
Other :		
Contribution to staff retirement benefit funds	9,620,391	9,762,288

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

28.1 The aggregate amount charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
		Rupees			Rupees	
Remuneration and bonus	8,306,986	-	6,990,168	3,294,269	-	5,360,541
Housing and utilities	2,188,505	-	3,235,008	1,563,090	-	2,369,859
Leave fare assistance	542,810	-	-	368,634	-	-
Provident fund	331,458	-	490,154	237,829	-	359,064
Meeting fee	-	255,000	-		385,000	-
	11,369,759	255,000	10,715,330	5,463,822	385,000	8,089,464
No of person(s)	1	8	9	1	7	7

28.2 The Chief Executive and certain Executives are also provided with the Company's maintained car. They are also entitled to gratuity and leave encashment for which the provision is determined by the actuary.

29 MANAGEMENT OF FINANCIAL AND INSURANCE RISK

29.1 Financial risk

The Company's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest/mark-up rate risk and price risk). The Company's overall risk management program 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 year 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.

29.1.1 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 industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and maintain conservative estimates of provisions for doubtful assets, if required. The management believes 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 Rupees	2010 Rupees
Bank deposits	129,898,296	90,805,675
Investments	503,413,264	457,771,860
Premium due but unpaid	275,456,804	220,880,356
Amounts due from other insurers/reinsurers	92,175,130	84,449,817
Accrued investment income	3,191,959	3,656,399
Reinsurance recoveries against outstanding claims	156,721,326	144,981,912
Sundry receivables	30,028,168	27,429,160
	1,190,884,947	1,029,975,179

The Company does not hold any collateral against the above.

General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers/reinsurers for whom there is no recent history of default.

The age analysis of gross receivables is as follows:

	Premium due but unpaid	Amounts due from other insurers/ reinsurers	Sundry receivables	2011 Aggregate	2010 Aggregate
			Rupees		
Up to 1 year	227,814,890	53,403,059	30,028,168	311,246,117	284,257,487
1-2 years	36,124,627	23,413,670	-	59,538,297	43,007,254
2-3 years	13,780,391	15,358,401	-	29,138,792	5,754,587
Over 3 years	4,609,682	-	-	4,609,682	-
	282,329,590	92,175,130	30,028,168	404,532,888	333,019,328

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

	Rating		Rating agency	2011	2010
	Short term	Long term		Rupees	Rupees
Askari Bank Ltd	A1+	AA	PACRA	72,509,562	43,279,780
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	644,502	485,872
Summit Bank Limited	A-2	A	JCR-VIS	33,514,634	32,398,242
Habib Bank Limited	A-1+	AA+	JCR-VIS	211,836	5,095,906
Faysal Bank Limited	A1+	AA	PACRA	22,858,356	8,971,041
MCB Bank Limited	A1+	AA+	PACRA	-	124
Meezan Bank Limited	A-1	AA-	JCR-VIS	-	465
JS Bank Limited	A1	A	PACRA	19,524	18,670
Soneri Bank Limited	A1+	AA-	PACRA	57,128	55,077
First Women Bank Limited	A2	BBB+	PACRA	-	500,000
Silk Bank	A-2	A-	JCR- VIS	82,754	498
				129,898,296	90,805,675

	2011 Rupees	2010 Rupees
b) Sector wise analysis of gross premiums due but unpaid is as follows:		
Financial services	18,189,113	23,826,948
Textile and composites	17,148,750	12,620,019
Pharmaceuticals	9,169,436	3,251,822
Engineering	2,346,582	2,515,023
Other manufacturing	52,893,968	56,151,799
Construction companies	951,987	3,001,461
Education	14,609,553	22,756,275
Development	15,151,784	19,360,492
Telecommunication	5,287,476	1,867,774
Logistics	32,105,164	-
Consumer goods	10,359,397	
Other services	20,570,875	14,394,144
Miscellaneous	83,545,505	61,134,599
	282,329,590	220,880,356

During the year the Company provided for amount of Rs. 6.87 million against premium due but unpaid. The movement of which is disclosed in note 17.2 to the financial statements.

c) The credit quality of amount due from other insurers/reinsurers and reinsurance recoveries against outstanding claims can be assessed with reference to external credit rating as follows:

	2011			2010
Rating	Amount due from other insurers/ reinsurers	Reinsurance recoveries against outstanding claims	Aggregate	Aggregate
	Rupees			
A or above (including PRCL)	80,993,865	156,721,326	237,715,191	223,653,094
Others	11,181,265	-	11,181,265	5,778,635
	92,175,130	156,721,326	248,896,456	229,431,729

d) The Company has diversified portfolio of investment to mitigate the risk. The major credit risk exposure in held for trading investment can be assessed from the credit quality of Company's exposure in TFC as disclosed in note 14.1.3 to the financial statements.

29.1.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity requirements are monitored by management to ensure that adequate funds are available to meet any obligations as it arise. To guard against risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. As at the balance sheet date the Company has cash and bank deposits of Rs. 130.60 million (2010: Rs. 91.20 million) and marketable securities of Rs. 318.42 million (2010: Rs. 305.90 million).

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

	2011			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	Rupees			
Financial liabilities				
Provision for outstanding claims (including IBNR)	302,759,126	302,759,126	302,759,126	-
Amounts due to other insurers/reinsurers	134,462,020	134,462,020	134,462,020	-
Accrued expenses	2,567,171	2,567,171	2,567,171	-
Other creditors and accruals	129,344,292	129,344,292	129,344,292	-
Unclaimed dividend	830,102	830,102	830,102	-
Other liabilities	11,740,231	11,740,231	11,740,231	-
	581,702,942	581,702,942	581,702,942	-

	2010			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	Rupees			
Financial liabilities				
Provision for outstanding claims (including IBNR)	290,047,171	290,047,171	290,047,171	-
Amounts due to other insurers/reinsurers	181,930,127	181,930,127	181,930,127	-
Accrued expenses	5,386,633	5,386,633	5,386,633	-
Other creditors and accruals	92,930,965	92,930,965	92,930,965	-
Unclaimed dividend	830,102	830,102	830,102	-
Other liabilities	7,242,791	7,242,791	7,242,791	-
	578,367,789	578,367,789	578,367,789	-

29.1.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market variable such as interest/mark up rate, foreign exchange rate and equity 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 and price risk.

a) Interest/mark up rate risk

Interest/mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest/mark up rates. The Company invests in securities and has deposits that are subject to interest/ mark up rates risk. The Company limits interest/mark up rate risk by monitoring changes in interest/mark up rates in the currencies in which its cash and investments are denominated.

At the balance sheet date exposure to interest bearing financial assets is as follows:

	2011	2010	2011	2010
	Effective interest rate (%)		Carrying amounts	
			Rupees	
Deposit accounts	0.25% to 10.50%	5% to 11.50%	113,820,547	75,081,547
Term deposits	-	6%	-	500,000
Investments-held to maturity	5% to 16.87%	5% to 15.43%	125,048,775	136,295,066
			238,869,322	211,876,613

The Company's financial liabilities are not exposed to interest/mark up rate risk as at 31 December 2011.

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 the fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased/ increased profit/(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 other variables remain constant.

	Changes in basis points	Profit before tax for the year Rupees
31 December 2011		
Variable rate financial assets	+ 100	597,205
	- 100	(597,205)
31 December 2010		
Variable rate financial assets	+ 100	647,565
	- 100	(647,565)

b) **Foreign currency risk**

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

c) **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 factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to price risk since it has investments in quoted securities amounting to Rs. 318.42 million (2010: Rs. 305.90 million) at the balance sheet date. The Company manages price risk by monitoring exposure in quoted securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to price risk are based on quoted market prices as of the balance sheet date except for investments held to maturity securities which are measured at their amortized cost, investment in associates which are carried under equity method and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

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

Had all the quoted investments, other than held to maturity and associated investments, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase/ (decrease) in shareholders' equity	Hypothetical increase/ (decrease) in profit/(loss) before tax
	Rupees			Rupees	
31 December 2011	319,218,692	10 % increase	351,140,562	826,925	31,094,944
		10 % decrease	287,296,823	(826,925)	(31,094,944)
31 December 2010	306,818,660	10 % increase	337,500,526	28,831,773	1,850,093
		10 % decrease	276,136,794	(28,831,773)	(1,850,093)

29.1.4 Fair value of financial instruments

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

The basis for determining the fair values is as follows:

Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels are defined as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the balance sheet date, the Company's investments in fair value through profit or loss of Rs. 310.93 million (2010: 18.50 million) are carried in the financial statements at their fair values. The fair values for these investments have been determined using the valuation method as described in fair value hierarchy level 1.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement/or disclosure purpose based on the following methods:

Investment in fair value through profit and loss account-held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investment

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date. The fair value is determined for disclosure purposes.

Held to maturity investment

Fair value for held to maturity investment except for Term Finance Certificates (TFC) is estimated as the present values of future cash flows, discounted at the market rate of interest at the reporting date. Fair values for TFC is estimated as per rates quoted by Mutual Funds Association of Pakistan for 31 December 2011. The fair values are determined for disclosure purposes.

Non-derivatives financial assets and liabilities

The fair value is estimated based on the present values of future cash flows, discounted at the market rate of interest at the reporting date. However, since these assets and liabilities are due to be settled within one year, the fair value is approximate to their carrying values.

29.1.5 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company was required to achieve minimum paid up capital of Rs. 300 million by 31 December 2011, under the Insurance Ordinance, 2000, which it successfully did.

The Company has adopted a policy of profit capitalization to meet the regulatory requirements for minimum paid up capital and where required call further capital. There was no change in the Company's approach towards capital management during the year.

29.2 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses , engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties/assets in the overall portfolio of insured properties/assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

The Company has entered into reinsurance cover/arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report/assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims reported and otherwise are analyzed separately. The development of large losses/catastrophes is analyzed separately. The shorter settlement year for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting year.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous years. Claims are assessed on a case-by-case basis separately.

(c) Sensitivity analysis

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

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

	Pre tax profit 2011	Pre tax profit 2010	Shareholders' equity 2011	Shareholders' equity 2010
	Rupees			
10% increase in loss				
Net				
Fire and property damage	(1,380,804)	(2,238,673)	(897,522)	(1,455,138)
Marine aviation and transport	(1,384,728)	(1,281,245)	(900,073)	(832,809)
Motor	(23,539,899)	(23,271,371)	(15,300,935)	(15,126,391)
Health	(5,395,065)	(11,279,078)	(3,506,792)	(7,331,400)
Miscellaneous	(1,085,186)	(518,593)	(705,371)	(337,085)
	(32,785,682)	(38,588,960)	(21,310,693)	(25,082,823)
10% decrease in loss				
Net				
Fire and property damage	1,380,804	2,238,673	897,522	1,455,138
Marine aviation and transport	1,384,728	1,281,245	900,073	832,809
Motor	23,539,899	23,271,371	15,300,935	15,126,391
Health	5,395,065	11,279,078	3,506,792	7,331,400
Miscellaneous	1,085,186	518,593	705,371	337,085
	32,785,682	38,588,960	21,310,693	25,082,823

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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.

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

	Gross sum insured 2011	Gross sum insured 2010	Reinsurance 2011	Reinsurance 2010	Net 2011	Net 2010
	Rupees in '000					
Fire and property damage	122,939,765	129,512,114	98,487,046	112,893,378	24,452,719	16,618,736
Marine, aviation and transport	170,893,843	69,432,343	122,838,494	49,519,147	48,055,349	19,913,196
Motor	20,034,176	16,539,282	476,813	322,516	19,557,363	16,216,766
Miscellaneous	24,079,485	49,641,726	15,226,284	45,883,491	8,853,201	3,758,235
	337,947,269	265,125,465	237,028,637	208,618,532	100,918,632	56,506,933

Claims development tables

The following table shows the development of fire claims over a year of time. The disclosure goes back to the year when the earliest material claim arose for which there is still uncertainty about the amount and timing of i.e., claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. In accordance with the guidelines issued by the Securities and Exchange Commission of Pakistan vide Circular No. 4/2010 dated 23 January 2010, the claims where uncertainty about the amount and timings of claims payment is usually resolved within a year are not disclosed in the below table.

Analysis on gross basis

Accident year	2008	2009	2010	2011	Total
	Rupees				
Estimate of ultimate claims cost:					
At end of accident year	123,448,238	72,270,018	59,097,670	74,828,740	329,644,666
One year later	115,949,641	76,355,592	49,985,336	-	242,290,569
Two years later	116,567,575	73,494,350	-	-	190,061,925
Three years later	115,874,808	-	-	-	115,874,808
Estimate of cumulative claims	115,874,808	73,494,350	49,985,336	74,828,740	314,183,234
Cumulative payments to date	100,672,907	72,542,340	47,638,940	21,609,271	242,463,458
Liability recognized in the balance sheet	15,201,901	952,010	2,346,396	53,219,469	71,719,776

30 SEGMENT REPORTING

(Amounts in Rupees)

The following table presents revenue and profit information regarding segments for the years ended 31 December 2011 and 2010 and estimated information regarding certain assets and liabilities of the segments as at 31 December 2011 and 2010.

	Fire and property damage		Marine, aviation and transport		Motor		Accident and health		Miscellaneous		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
REVENUE												
Net premium revenue	37,319,737	43,322,885	32,728,052	25,036,085	444,746,317	407,625,619	79,846,702	146,118,104	38,642,619	17,798,582	633,283,427	639,901,275
Segment result	23,033,181	19,757,830	15,658,042	8,578,811	47,413,797	47,000,202	32,520,084	15,329,886	23,724,858	18,470,482	142,349,962	109,137,211
Investment income											52,094,221	51,095,806
Rental income											700,560	-
Other income											5,268,509	6,233,873
Profit on bank deposits											3,687,001	5,150,369
Share of profit in associated company											4,872,472	575,880
Finance cost											-	(35,585)
Unallocated general and administration expenses											(130,051,371)	(118,810,809)
											(63,428,608)	(55,790,466)
Profit before tax											78,921,354	53,346,745
Provision for taxation											(13,487,156)	(5,928,576)
Profit after tax											65,434,198	47,418,169
OTHER INFORMATION												
Segment assets	35,638,343	36,655,429	31,253,531	21,182,994	424,708,830	344,891,432	76,249,309	123,630,311	36,901,624	15,059,354	604,751,637	541,419,520
Unallocated corporate assets											940,228,448	912,514,041
Consolidated total assets											1,544,980,085	1,453,933,561
Segment liabilities	59,462,843	72,389,448	52,146,752	41,833,511	708,629,886	681,113,312	127,222,547	244,152,922	61,570,640	29,740,160	1,009,032,668	1,069,229,353
Unallocated corporate liabilities											103,740,022	68,871,361
Consolidated total liabilities											1,112,772,690	1,138,100,714
Capital expenditure	645,114	789,425	565,742	456,205	7,687,949	7,427,709	1,380,242	2,662,548	667,981	324,324	10,947,028	11,660,211
Unallocated capital expenditure											5,534,160	6,281,797
Depreciation and amortization	748,888	1,275,047	656,747	736,843	8,924,634	11,996,931	1,602,268	4,300,438	775,433	523,834	12,707,970	18,833,093
Unallocated depreciation											1,310,000	-

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 19 March, 2012.

32 GENERAL

32.1 Corresponding figures, wherever necessary, have been rearranged and reclassified for the purposes of comparison. However, these are not considered material enough to be disclosed separately.

Figures have been rounded off to the nearest Pak Rupee unless otherwise stated.

32.2 The Board of Directors in its meeting held on 19 March 2012 has announced a stock dividend in respect of the year ended 31 December 2011@ 5% (31 December 2010: 10%). These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

Abdul Waheed	Syed Suhail Ahmad Rizvi	Brig. Tariq Sher (Retd)	Lt. Gen. Tahir Mahmood (Retd)
President & Chief Executive	Director	Director	Chairman

Pattern of Shareholding As at 31 December 2011

No of Shareholders	From	To	Total Shares Held
310	1	100	11,583
727	101	500	177,021
181	501	1,000	121,419
316	1,001	5,000	668,599
52	5,001	10,000	381,734
16	10,001	15,000	192,741
15	15,001	20,000	248,891
9	20,001	25,000	201,660
8	25,001	30,000	216,721
4	30,001	35,000	121,508
4	35,001	40,000	148,391
4	40,001	45,000	170,676
5	45,001	50,000	241,381
3	50,001	55,000	153,784
1	55,001	60,000	56,677
3	60,001	65,000	187,436
1	65,001	70,000	66,000
2	75,001	80,000	153,065
2	95,001	100,000	196,427
1	100,001	105,000	104,898
1	115,001	120,000	115,024
1	125,001	130,000	129,185
1	170,001	175,000	171,882
1	215,001	220,000	218,674
3	255,001	260,000	769,077
1	335,001	340,000	337,689
1	360,001	365,000	364,223
1	370,001	375,000	374,000
1	430,001	435,000	430,281
1	1,070,001	1,075,000	1,072,339
1	2,305,001	2,310,000	2,307,659
1	2,475,001	2,480,000	2,478,384
1	8,370,001	8,375,000	8,370,402
1	9,860,001	9,865,000	9,861,525
1680			30,820,956

Categories of Shareholders

Particulars	No of Shareholders	Shares Held	Percentage
Individuals	1,651	7,243,053	23.50
Insurance Companies	-	-	-
Financial Institutions	5	8,531,156	27.68
Charitable Trust	2	9,862,125	32.00
Others	22	5,184,622	16.82
Total	1,680	30,820,956	100.00

Note: 1 Individual includes 6 Directors Holding 9,673 Shares in their capacity as nominee of Army Welfare Trust, Asraki Commercial Bank, and Askari Leasing Limited. The ultimate ownership remains with respective Company/Trust.

Categories of Shareholders

Particulars	No of Shareholders	Shares Held	Percentage
Associated undertakings			
Army Welfare Trust	2	9,862,125	31.9981
Askari Bank Limited	2	8,372,862	27.1661
Askari Securties Limited	1	94	0.0003
NIT/ICP	-	-	
Directors			
Lt. Gen. Imtiaz Hussain (Retd)	1	1,512	0.0049
Brig. Javed Qayum (Retd)	1	1,512	0.0049
Brig. Tariq Sher (Retd)	1	1,512	0.0049
Maj. Gen. Saeed Ahmed Khan (Retd)	1	1,512	0.0049
Mr. Farrukh Iqbal Khan	1	550	-
Syed Suhail Ahmad Rizvi	1	3,075	0.0100
Mr. Abdul Hai Mahmood Bhaimia	1	1,965	0.0064
Khawaja Muhammad Iqbal	1	1,210	0.0039
Executives	-	-	-
Public Sector Companies and Corporations (other than specified above)	-	-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarbas & Mutual Funds (other than specified above)	2	158,200	0.5133
Individual	1,643	7,230,205	23.4587
Others	22	5,184,622	16.8217
Paid up Capital	**1,680**	**30,820,956**	**100.0000**

Note 2: There have been no trade in the shares of the Company, carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children.

Branch Network

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Form of Proxy

I/We ______________________________ of ______________________________ being Member(s) of askari general insurance co. ltd, holding ________________ ordinary shares, hereby appoint Mr./Mrs./Miss ______________________ of ______________________________ or failing him/her ______________________ of ______________________________ who is also a member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 17th Annual General Meeting of the Company to be held on Tuesday 24 April 2012 at 10 am and at any adjournment thereof.

Folio No.	CDC Account No.		Signature on Rs. 5.00 Revenue Stamp
	Participant ID	Account No.	(Signature should agree with the specimen signature registered with the Company)

As we witness my/our hand this ____________ day of ______________________________ 2012

Signed by the said ____

Witness: 1

Signature ______________________________

Name ______________________________

Address ______________________________

CNIC No./ Passport No. ______________________________

Witness: 2

Signature ______________________________

Name ______________________________

Address ______________________________

CNIC No./ Passport No. ______________________________

Notes:

1. A Member is entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as proxy, who is not a member of the Company except Government of Pakistan/Corporate entity may appoint a person who is not a member of the Company. If the member is corporate entity (other than Government of Pakistan) its common seal should be affixed on the instrument.

2. The instrument appointing a proxy duly completed, together with Power of Attorney, if any, under which it is signed or a notarially certificate copy thereof, should be deposited with the Company Secretary, askari general insurance company limited 4th Floor, AWT Plaza, the Mall, Rawalpindi, not later than 48 hours before the time of holding the meeting.

3. CDC account holders will further have to comply with the guidelines as laid down by the Circular No.1 dated January 26, 2000, issued by Securities and Exchange Commission of Pakistan.

4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

AFFIX
CORRECT
POSTAGE

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