

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed financial statements comprising of:

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

of **ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED** ("the Company") as at December 31, 2011 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the International 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 accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved International 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) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- e) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI

DATED: 16 MAR 2012



**CHARTERED ACCOUNTANTS**

 Engagement Partner: Zulfikar Ali Causer

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2011**

				(Rupees in '000)	
Note	Shareholders' fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010	
		Accident and health			
<b>Share capital and reserves</b>					
	Authorized share capital				
	80,000,000 ordinary shares of Rs. 10 each	800,000	-	800,000	800,000
	Issued, subscribed and paid up share capital				
	50,000,000 ordinary shares of Rs. 10 each	500,000	-	500,000	500,000
	Accumulated deficit	(72,951)	-	(72,951)	(30,972)
	<b>Net shareholders' equity</b>	<b>427,049</b>	<b>-</b>	<b>427,049</b>	<b>469,028</b>
	<b>Balance of statutory fund (including policyholders' liabilities Rs. 111.903 million (December 31, 2010: 87.146 million))</b>	<b>-</b>	<b>118,132</b>	<b>118,132</b>	<b>95,977</b>
	<b>Deferred liabilities</b>				
	Staff retirement benefits	8,298	-	8,298	4,799
	<b>Creditors and accruals</b>				
	Outstanding claims	-	44,447	44,447	26,250
	Premium received in advance	-	378	378	170
	Amount due to other insurers/reinsurers	-	1,111	1,111	-
	Amounts due to agents	-	2,739	2,739	3,579
	Accrued expenses	2,019	-	2,019	1,038
	Other creditors	1,074	-	1,074	1,074
		3,093	48,675	51,768	32,111
	<b>Other liabilities</b>	44	-	44	44
	<b>Obligations under finance lease</b>	770	-	770	1,061
	<b>TOTAL LIABILITIES</b>	<b>12,205</b>	<b>166,807</b>	<b>179,012</b>	<b>133,992</b>
	<b>CONTINGENCIES AND COMMITMENTS</b>				
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>439,254</b>	<b>166,807</b>	<b>606,061</b>	<b>603,020</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2011**

					(Rupees in '000)
Note	Shareholders' fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010	
		Accident and health			
<b>Cash and bank deposits</b>	14				
Cash and others		7	7	3	
Current and other accounts		18,543	93,471	88,450	
Deposits maturing within 12 months		-	-	5,000	
		<u>18,543</u>	<u>93,478</u>	<u>93,453</u>	
<b>Investments</b>	15				
Government securities		140,011	140,011	144,464	
Listed securities		115,995	115,995	128,431	
Open end mutual funds		152,783	158,718	158,551	
		<u>408,789</u>	<u>414,724</u>	<u>431,446</u>	
<b>Other assets</b>					
Premiums due but unpaid	16	80,365	80,365	50,169	
Amounts due from other insurers/reinsurers		1,772	1,772	7,263	
Investment income accrued		269	269	2,040	
Advances and deposits	17	3,800	4,303	3,748	
Prepayments		1,238	1,238	1,138	
Taxation - payments less provision	18	5,131	5,131	4,234	
		<u>7,141</u>	<u>93,078</u>	<u>68,592</u>	
<b>Fixed assets</b>	19				
Tangible assets		4,108	4,108	6,663	
Intangible assets		673	673	2,866	
		<u>4,781</u>	<u>4,781</u>	<u>9,529</u>	
<b>TOTAL ASSETS</b>		<u>439,254</u>	<u>606,061</u>	<u>603,020</u>	

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

		(Rupees in '000)	
	Note	December 31, 2011	December 31, 2010
<b>Investment income not attributable to statutory funds</b>			
Return on Government securities		15,982	16,316
Return on other fixed income securities and deposits		2,976	5,451
Amortization of discount relative to par		494	671
Dividend income		9,731	6,814
		29,183	29,252
<b>Gain on sale of investments</b>		7,783	23,015
<b>(Loss)/gain on revaluation of investment</b>			
Listed equities		(12,459)	25,656
Open end mutual funds		9,661	(5,909)
		(2,798)	19,747
<b>Total investment income</b>		34,168	72,014
Less: Investment related expenses		38	37
<b>Net investment income</b>		34,130	71,977
Less: Loss on disposal of assets		4	1
Less: Expenses not attributable to statutory funds	20	10,804	10,659
<b>Profit before tax</b>		23,322	61,317
<b>Taxation</b>	21		
Current		3,101	2,231
<b>Profit after tax</b>		20,221	59,086
Earnings per share - basic and diluted (rupees)	23	0.40	1.18

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	(Rupees in '000)	
	December 31, 2011	December 31, 2010
Profit after tax	20,221	59,086
Other comprehensive income	-	-
Total comprehensive income for the year	<u>20,221</u>	<u>59,086</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

	<b>Issued, subscribed and paid-up capital</b>	<b>Accumulated surplus</b>	<b>Capital contribution to statutory fund</b>	<b>Net accumulated deficit</b>	<b>Total</b>
Balance as at January 1, 2010	500,000	66,386	64,851	1,535	501,535
<b>Movement during the year</b>					
Total comprehensive income for the year	-	59,086	-	59,086	59,086
Capital contributed during the year	-	-	91,593	(91,593)	(91,593)
Balance as at December 31, 2010	<u>500,000</u>	<u>125,472</u>	<u>156,444</u>	<u>(30,972)</u>	<u>469,028</u>
<b>Movement during the year</b>					
Total comprehensive income for the year	-	20,221	-	20,221	20,221
Capital contributed during the year	-	-	62,200	(62,200)	(62,200)
<b>Balance as at December 31, 2011</b>	<b><u>500,000</u></b>	<b><u>145,693</u></b>	<b><u>218,644</u></b>	<b><u>(72,951)</u></b>	<b><u>427,049</u></b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

	Shareholders' fund	Statutory fund	Aggregate	Aggregate
		Accident and health	December 31, 2011	December 31, 2010
<b>Operating cash flows</b>				
<b>a) Underwriting activities</b>				
Premiums received	-	190,173	190,173	155,930
Reinsurance premiums paid	-	(1,388)	(1,388)	(1,388)
Claims paid	-	(160,285)	(160,285)	(156,465)
Commission paid	-	(6,795)	(6,795)	(8,798)
Other underwriting payments	-	-	-	(20)
Net cash flow from underwriting activities	-	21,705	21,705	(10,741)
<b>b) Operating activities</b>				
Income tax paid	(3,998)	-	(3,998)	(3,745)
General management expenses paid	(910)	(76,322)	(77,232)	(72,765)
Other operating payments	(122)	(550)	(672)	(2,161)
Other operating receipts	17	100	117	88
Net cash flow from other operating activities	(5,013)	(76,772)	(81,785)	(78,583)
Total cash flow from all operating activities	(5,013)	(55,067)	(60,080)	(89,324)
<b>Investment activities</b>				
Profit/return received	29,275	7,878	37,153	49,164
Dividends received	9,462	15	9,477	7,250
Payments for investments	(278,144)	(40,013)	(318,157)	(297,038)
Proceeds from disposal of investments	292,717	40,013	332,730	376,765
Fixed capital expenditure	(750)	-	(750)	(2,126)
Proceeds from disposal of assets	47	-	47	83
Total cash flow from investing activities	52,607	7,893	60,500	134,098
<b>Financing activities</b>				
Capital payments received by statutory fund	(62,200)	62,200	-	-
Payments on finance leases	(395)	-	(395)	(398)
Total cash flow from financing activities	(62,595)	62,200	(395)	(398)
Net cash (outflow)/inflow from all activities	(15,001)	15,026	25	44,376
Cash at beginning of the year	33,544	59,909	93,453	49,077
Cash at end of the year	<b>18,543</b>	<b>74,935</b>	<b>93,478</b>	<b>93,453</b>
<b>Reconciliation to profit and loss account</b>				
Operating cash flows			(60,080)	(89,324)
Depreciation expense			(3,254)	(3,336)
Loss on disposal of fixed assets			(4)	(1)
Amortization expense			(2,193)	(2,442)
Financial charges			(104)	(145)
Profit on disposal of investment			8,392	23,366
Increase / (decrease) in assets other than cash			26,256	(48)
Increase in liabilities other than running finance			(47,912)	(6,520)
Dividend and other investment income			36,466	33,549
Unrealized (loss) / gain on held for trading investment			(2,148)	19,929
Deficit of statutory fund			64,802	84,058
<b>Profit after taxation</b>			<b>20,221</b>	<b>59,086</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**REVENUE ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

	<b>Statutory fund</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>Accident and</b>	<b>2011</b>	<b>2010</b>
	<b>health</b>		
<b>Income</b>			
Premium less reinsurances	211,232	211,232	153,560
Net investment income	8,542	8,542	4,830
<b>Total net income</b>	219,774	219,774	158,390
<b>Claims and expenditure</b>			
Claims, including bonuses, net of reinsurance recoveries	178,482	178,482	153,158
Management expenses less recoveries	81,337	81,337	78,597
<b>Total claims and expenditure</b>	259,819	259,819	231,755
<b>(Deficit) of income over claims and expenditure</b>	(40,045)	(40,045)	(73,365)
Add: Policyholders' liabilities at beginning of the year	87,146	87,146	76,453
Less: Policyholders' liabilities at end of the year	111,903	111,903	87,146
<b>(Deficit)</b>	(64,802)	(64,802)	(84,058)
Movement in policyholders' liabilities	24,757	24,757	10,693
<b>Transfers from shareholders' fund</b>			
- Capital contributions from shareholders' fund	62,200	62,200	91,593
Net transfer from shareholders' fund	62,200	62,200	91,593
<b>Balance of statutory fund at beginning of the year</b>	95,977	95,977	77,749
<b>Balance of statutory fund at end of the year</b>	118,132	118,132	95,977
<b>Represented by:</b>			
Capital contributed by shareholders' fund	218,644	218,644	156,444
Policyholders' liabilities	111,903	111,903	87,146
Retained earnings on other than participating business	(212,415)	(212,415)	(147,613)
<b>Balance of statutory fund at end of the year</b>	118,132	118,132	95,977

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**



**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF PREMIUMS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

	<b>Statutory fund</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>Accident and health</b>		
<b>Gross premiums</b>			
Regular premium individual policies *			
Single premium individual policies	7,816	7,816	2,295
Group policies without cash value	204,804	204,804	152,653
<b>Total gross premiums</b>	212,620	212,620	154,948
<b>Less: Reinsurance premiums ceded</b>			
On group policies	1,388	1,388	1,388
<b>Net premiums</b>	211,232	211,232	153,560

\* Individual policies are those underwritten on an individual basis.

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF CLAIMS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

<b>Statutory fund</b>	<b>December 31,</b>	<b>December 31,</b>	
<b>Accident and health</b>			<b>2011</b>
<b>Gross claims</b>			
Claims under individual policies			
by insured event other than death	2,036	2,036	1,334
<b>Total gross individual policy claims</b>	2,036	2,036	1,334
Claims under group policies			
by insured event other than death	176,446	176,446	151,824
<b>Total gross group policy claims</b>	176,446	176,446	151,824
<b>Total gross claims</b>	178,482	178,482	153,158
<b>Less: Reinsurance recoveries</b>			
On group policies	-	-	-
<b>Total reinsurance</b>	-	-	-
<b>Net claims</b>	178,482	178,482	153,158

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

<b>Statutory fund</b>	<b>December 31,</b>	<b>December 31,</b>
<b>Accident and health</b>	<b>2011</b>	<b>2010</b>

**Acquisition costs**

Remuneration to insurance intermediaries on individual policies:

Commission on single premiums 1,400 1,400 314

Remuneration to insurance intermediaries on group policies

Commission 3,616 3,616 6,020

**Total acquisition cost**

5,016 5,016 6,334

**Administration expenses**

Salaries, allowances and other benefits

47,786 47,786 41,085

Travelling and conveyance

2,070 2,070 1,412

Communication

3,208 3,208 2,849

Utilities

1,260 1,260 890

Auditors' remuneration

364 364 334

Legal and professional

2,371 2,371 4,054

Printing and stationery

1,753 1,753 1,170

Advertisement

364 364 4,735

Vehicle running and maintenance

3,513 3,513 2,396

Fees, subscription and periodicals

95 95 406

Rent, rates and taxes

3,469 3,469 3,672

Repair and maintenance

1,363 1,363 981

Entertainment

388 388 355

Depreciation/amortization

4,476 4,476 4,734

Insurance

1,894 1,894 1,345

Bank charges

- - 1

Interest on leased vehicle

83 83 116

Provision for doubtful debts

1,559 1,559 1,559

Other expenses

305 305 169

76,321 76,321 72,263

**Gross management expenses**

81,337 81,337 78,597

**Commission from reinsurers**

- - -

**Net management expenses**

81,337 81,337 78,597

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**STATEMENT OF INVESTMENT INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

<b>Statutory fund</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>	
<b>Accident and health</b>			
<b>Investment income</b>			
On Government securities	-	-	816
On other fixed income securities and deposits	7,268	7,268	3,481
Dividend income	15	15	-
<b>Total</b>	7,283	7,283	4,297
<b>Gain on sale of investments</b>	609	609	351
<b>Gain on revaluation of investments</b>			
Open end mutual funds	650	650	182
<b>Less: Investment related expenses</b>	-	-	-
<b>Net investment income</b>	8,542	8,542	4,830

The annexed notes from 1 to 28 form an integral part of these financial statements.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**ASIA CARE HEALTH AND LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1 Asia Care Health & Life Insurance Company Limited (the Company) was incorporated on March 19, 2008 under the Companies Ordinance, 1984 as public limited company and is registered as a life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company obtained license to carry on life and related lines of insurance business on March 02, 2009. The registered office of the Company is situated at 15-17C, 2nd Floor, Commercial Lane No. 5, Zamzama Phase 5, DHA, Karachi.
- 1.2 The Company is engaged in life insurance business carrying on ordinary accident and health business and has established "accident and health business" statutory fund, as required by the Insurance Ordinance, 2000.
- 1.3 The Company is a subsidiary of Noorsehat Health Systems Limited, Cayman Islands, which is managed by Noorsehat Health Systems Management LLC based in New York, USA.

**2 BASIS FOR PRESENTATION**

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

**2.1 Statement of compliance**

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

**2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IAS 12 - Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	January 01, 2012
IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)	July 01, 2012
IFRS 10 - Consolidated Financial Statements	January 01, 2013

#### **Standard or Interpretation**

IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013
IAS 19 - Employee Benefits (Amendments 2011)	January 01, 2013
IAS 27 - Separate Financial Statements (2011)	January 01, 2013
IAS 28 - Investments in Associates and Joint Ventures (2011)	January 01, 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards, with the exception of the amendments to IAS 19, will not affect the Company's financial statements in the period of initial application.

With respect to the amendments to IAS 19, the Company is currently assessing the impact of the amendments which are effective from January 01, 2013. It is expected the adoption of the said amendments will result in a change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 9 to the financial statements.

### **2.3 Functional and presentation currency**

These financial statements have been presented in Pak rupees, which is the functional and presentation currency of the Company.

### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared on the basis of the historical cost convention except revaluation of certain investments at fair values and valuation of policyholders' liabilities and staff retirement benefits on the basis of actuarial valuation.

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of financial statements are as follows:

#### **4.1 Insurance contracts**

Insurance contracts are those contracts when the Company [the insurer] has accepted significant insurance risk from another party [the policyholders] by agreeing to compensate the policyholders if a specified uncertain future event [the insured event] adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

#### **4.2 Statutory funds**

The Company maintains statutory fund for accident and health business. Assets, liabilities, revenues and expenses are recorded in the fund, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenue and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory fund on the basis of actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000.

#### **4.3 Policyholders' liabilities**

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values are considered. The basis used are applied consistently from year to year.

Policyholders' liabilities mainly represent estimates for unearned premium, premium deficiency reserve and provision for liabilities incurred but not reported (IBNR).

#### **4.4 Revenue recognition**

##### **Gross premiums**

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

##### **Unearned premium reserve**

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. The proportions attributable to subsequent periods is deferred as a provision for unearned premiums and is calculated by the actual method for all annual policies. A provision for unearned premiums is included in the policyholders' liabilities.

## **Reinsurance premiums**

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense. The deferred portion premium expense is recognised as a prepayment.

## **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 at the balance sheet date. The provision at the balance sheet date is determined by the appointed actuary and is included in the policyholders' liability. The movement in the premium deficiency reserve is charged to income currently.

### **4.5 Claims**

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, as soon as reliable estimates of the claim amount can be made. The liability for claims incurred but not reported at the year end is determined by the Appointed Actuary and are included in the policyholders' liabilities.

### **4.6 Claims recoveries**

Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which gives rise to the right of recovery and are measured at the amount expected to be recovered.

### **4.7 Liability adequacy test**

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs, if any. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs, if any, and by subsequently establishing a provision for losses arising from liability adequacy tests.

### **4.8 Receivables and payables related to insurance contracts**

Receivables and payables are recognised when due. These include amounts due to and from agents, insurance contract holders and insurance companies.



#### **4.9 Other revenue recognition**

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

Return on bank balances and deposits are recognized on accrual basis.

Gain / loss on sale of investments is included in profit and loss account in the period of sale.

#### **4.10 Acquisition costs**

These are costs incurred in acquiring insurance policies, maintaining such policies, and include, without limitation remuneration paid to insurance agents.

Commissions and other direct expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

#### **4.11 Fixed assets**

##### **Owned assets**

These are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals and replacements are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation on additions is charged for the full month in which an asset has been purchased and no depreciation is charged on the assets disposed off or retired during the month.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

##### **Assets subject to finance lease**

The assets under finance lease are recorded at an amount equal to fair value of the leased assets at inception of the lease or, if lower, at the present value of minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease or incremental borrowing rate of the Company, where appropriate.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability.

Depreciation is charged to income applying the straight-line method on a basis similar to owned assets.

### **Intangible assets**

Costs incurred on the acquisition of intangible assets are capitalized and are amortized over the useful life of the related assets on straight line basis.

### **Impairment**

The carrying values of the Company's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

## **4.12 Investments**

All investments are initially recognized at fair value and include transaction costs except for investments at fair value through profit and loss account in which case transaction costs are charged to profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the settlement date. These investments are classified upon initial recognition as follows:

### **Investments at fair value through profit and loss account**

These include held-for-trading investments and those designated under this category upon initial recognition. Subsequent to initial recognition, these are carried at fair value. The fair value of investments is determined by reference to quoted market price or declared net asset value in case of open-end mutual funds with a resultant gain or loss being included in profit or loss for the period.

### **Held-to-maturity**

Investments with fixed maturity, where management has both intent and the ability to hold to maturity, are classified as held-to-maturity. Subsequently, these are measured at amortized cost using effective interest rate method and taking into account any discount or premium on acquisition.

### **Available-for-sale**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Subsequent to initial recognition, these are measured at the lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirement of the SEC (Insurance) Rules, 2002.

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

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

#### **4.14 Staff retirement benefits**

##### **Defined benefit plan**

The Company operates an unfunded gratuity scheme for all its permanent employees and provision is made annually to cover the obligation under the law based on actuarial advice.

#### **4.15 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any in accordance with the Income Tax Ordinance, 2001.

##### **Deferred**

Deferred tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that the taxable profits will be available against which these can be utilized.

#### **4.16 Dividend**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

#### **4.17 Financial instruments**

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognised in the profit and loss account of the current period.

#### **4.18 Off-setting of financial assets and financial liabilities**

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

#### **4.19 Foreign currencies**

Transactions in foreign currencies are accounted for in Pak Rupees (functional currency) at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

#### **4.20 Transactions with related parties**

All transactions with related parties are carried out by the Company on arm's length basis.

### **5 ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amount of assets and liabilities, income and expenses.

Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision effects only that period, or in the period and future periods if the revision effects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are:

#### **a Policyholders' liabilities**

Policyholders' liabilities are calculated by the appointed actuary on the basis of assumptions.

Calculation for premium deficiency reserve and claims incurred but not reported (IBNR) is calculated by the appointed actuary on the basis of assumptions that the claim lag patterns will follow the historical trend experience.

#### **b Taxation**

Provision for taxation is based on the assumption that tax assessments will be finalized in accordance with the historical experience of the Company.

**c Retirements benefits**

Certain actuarial assumptions have been adopted as disclosed in note 9 of these financial statements for valuation of present value of defined benefit obligation.

**d Impairment**

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of revalued assets is treated as revaluation decrease.

**6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

<b>Issued, subscribed and paid up capital</b>			<b>(Rupees in '000)</b>	
<b>2011</b>	<b>2010</b>		<b>2011</b>	<b>2010</b>
<b>(No. of shares)</b>				
<u>50,000,000</u>	<u>50,000,000</u>	Issued, subscribed and paid up Ordinary shares of Rs. 10 each issued for cash	<u>500,000</u>	<u>500,000</u>
<u>49,999,997</u>	<u>49,999,997</u>	Shares held by holding company (M/s Noorsehat Health Systems Limited, Cayman Islands)	<u>499,999</u>	<u>499,999</u>
		Percentage of holding	<u>99.99%</u>	<u>99.99%</u>

**7 POLICY HOLDERS' LIABILITIES**

	<b>(Rupees in '000)</b>		
	<b>Statutory fund</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>Accident and health</b>		
Actuarial liability relating to future events	106,383	106,383	79,699
Premium deficiency reserve	-	-	2,709
Provision for incurred but not reported claims	5,520	5,520	4,738
	<u>111,903</u>	<u>111,903</u>	<u>87,146</u>

**8 MOVEMENT OF STATUTORY FUND**

<b>Policyholder liabilities</b>			
Balance at beginning of the year	87,146	87,146	76,453
Increase during the year	24,757	24,757	10,693
Balance at end of the year	<u>111,903</u>	<u>111,903</u>	<u>87,146</u>
<b>Retained earnings on other than participating business</b>			
Balance at beginning of the year	(147,613)	(147,613)	(63,555)
(Deficit) allocated in respect of the year	(64,802)	(64,802)	(84,058)
Surplus appropriated to shareholders' fund	-	-	-
Balance at end of the year	<u>(212,415)</u>	<u>(212,415)</u>	<u>(147,613)</u>
<b>Capital contributed by shareholders' fund</b>			
Balance at beginning of the year	156,444	156,444	64,851
Capital contributed during the year	62,200	62,200	91,593
Capital withdrawn during the year	-	-	-
Balance at end of the year	<u>218,644</u>	<u>218,644</u>	<u>156,444</u>
Balance of statutory fund	<u>118,132</u>	<u>118,132</u>	<u>95,977</u>

## 9 STAFF RETIREMENT BENEFITS

### General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at December 31, 2011, using the Projected Unit Credit Method.

### Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2011	2010
Annual discount rate	13.00%	14.50%
Annual expected rate of increase in salary	13.00%	14.50%

	(Rupees in '000)	
	Aggregate December 31, 2011	Aggregate December 31, 2010
<b>Reconciliation of due to defined benefit plan</b>		
Present value of defined benefit obligation	8,983	5,352
Fair value of plan assets	-	-
	<u>8,983</u>	<u>5,352</u>
Net actuarial (loss) to be recognized in later periods	(685)	(553)
Closing net liability	<u><u>8,298</u></u>	<u><u>4,799</u></u>

### Movement of the liability recognized in the balance sheet

Opening net liability	4,799	2,410
Charge for the year	3,675	3,544
Contribution to fund made during the year	(176)	(1,155)
Closing net liability	<u><u>8,298</u></u>	<u><u>4,799</u></u>

### Charge for the year

Current service cost	2,724	2,865
Interest cost	949	621
Expected return on plan assets	-	-
Actuarial losses recognized during the year	2	58
Charge for the year	<u><u>3,675</u></u>	<u><u>3,544</u></u>

**Historical information of Staff Gratuity Fund:**

	(Rupees in '000)		
	2011	2010	2009
<b>a) Present value of Defined Benefit Obligation and Fair Value of Plan Assets</b>			
Present value of defined benefit obligation	(8,983)	(5,352)	(3,521)
Fair value of plan assets	-	-	-
Funded status	<u>(8,983)</u>	<u>(5,352)</u>	<u>(3,521)</u>

**b) Experience Adjustments**

Experience (gain)/loss on obligation	133	(499)	1,111
Experience gain/(loss) on Plan assets	-	-	-

Based on actuarial advice, the Management estimates that the charge in respect of defined benefit plan for the year ending December 31, 2012 would be Rs.5.130 million.

**10 ACCRUED EXPENSES**

		(Rupees in '000)		
Note	Shareholders' fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010
		Accident and health		
	300	-	300	393
	1,719	-	1,719	645
	<u>2,019</u>	<u>-</u>	<u>2,019</u>	<u>1,038</u>

**11 OTHER CREDITORS**

Sundry creditors	11.1	1,074	-	1,074	1,074
		<u>1,074</u>	<u>-</u>	<u>1,074</u>	<u>1,074</u>

11.1 This includes an amount of Rs. 0.274 million (2010: Rs. 0.274 million) payable to the Holding Company.



## 12 OBLIGATIONS UNDER FINANCE LEASE

(Rupees in '000)

	December 31, 2011		December 31, 2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Within one year	395	333	395	291
After one year but not more than five year	453	437	848	770
Total minimum lease payments	848	770	1,243	1,061
Less: Amount representing finance charges	78	-	182	-
Present value of minimum lease	770	770	1,061	1,061
Less: Current portion	333	333	291	291
	437	437	770	770

The total lease rentals due under the lease agreements aggregate to Rs. 0.848 million (2010: Rs. 1.243 million) and are payable in equal monthly installments till September, 2013. Taxes, repairs and insurance costs are to be borne by the Company. Financing rates of approximately by 13.42% (2010: 13.42%) per annum have been used as the discounting factor. Purchase options can be exercised by the Company by paying 10% of the leased amount.

## 13 CONTINGENCIES AND COMMITMENTS

There were no significant contingencies and commitments as at the balance sheet date.

## 14 CASH AND BANK DEPOSITS

(Rupees in '000)

	Shareholders' fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010
		Accident and health		
Cash and others	-	7	7	3
Current and other accounts				
Current account	11	462	473	446
Saving account	14.1	18,532	74,466	92,998
Deposits maturing within 12 months	-	-	-	5,000
	18,543	74,935	93,478	93,453

14.1 These carry profit at rates ranging from 5% to 10.5% per annum (2010: 9% to 12% per annum).

## 15 INVESTMENTS

	Note	Shareholders' fund	Statutory fund Accident and health	Aggregate December 31, 2011	Aggregate December 31, 2010
Held to maturity					
Government securities	15.1	140,011	-	140,011	144,464
Held for trading					
Listed equities	15.2	115,995	-	115,995	128,431
Open end mutual funds	15.3	152,783	5,935	158,718	158,551
		<u>408,789</u>	<u>5,935</u>	<u>414,724</u>	<u>431,446</u>

### 15.1 Government securities

1 year Treasury bills	15.1.1	140,011	-	140,011	94,958
Pakistan Investment Bonds		-	-	-	49,506
		<u>140,011</u>	<u>-</u>	<u>140,011</u>	<u>144,464</u>

15.1.1 The Company has deposited 1 year Treasury Bill having face value of Rs.56 million (2010: 3-years Pakistan Investment Bond Rs. 50 million) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

### 15.2 Listed securities

2011	2010		December 31, 2011	December 31, 2010
No. of shares			(Rupees in '000)	
6,500	6,500	Al-Ghazi Tractors Limited	1,253	1,475
300	300	Siemens Pakistan Limited	317	376
148,437	118,750	National Bank of Pakistan Limited	6,094	9,122
78,540	78,540	United Bank Limited	4,115	5,359
56,870	51,700	MCB Bank Limited	7,655	11,815
101,761	92,510	Habib Bank Limited	10,795	11,281
47,553	43,230	Allied Bank Limited	2,562	3,033
27,000	27,000	Lucky Cement Limited	2,026	2,046
7,200	6,000	DG Khan Cement Limited	137	181
7,000	7,000	ICI Pakistan Limited	842	1,010
5,400	5,400	International Industries Limited	205	323
40,000	40,000	Fauji Fertilizer Bin Qasim Limited	1,697	1,429
47,500	38,000	Fauji Fertilizer Company Limited	7,103	4,783
46,200	38,500	Engro Pakistan Limited	4,283	7,462
1,800	1,800	Nestle Pakistan Limited	6,475	4,275
200	200	Rafhan Maize Products Company Limited	503	422
8,383	5,400	IGI Insurance Limited	371	523
32,000	32,000	Pakistan Reinsurance Company Limited	496	520
28,000	28,000	Jahangir Siddiqui & Company Limited	113	305
136,000	136,000	Oil & Gas Development Corporation Limited	20,620	23,233
50,000	50,000	Pakistan Oil Fields Limited	17,323	14,798

		(Rupees in '000)		
2011	2010	December 31, 2011	December 31, 2010	
No. of shares				
70,080	70,080	Pakistan Petroleum Limited	12,975	15,218
3,000	3,000	Attock Refinery Limited	323	374
2,000	2,000	National Refinery Limited	485	548
10,000	10,000	Pakistan State Oil Limited	2,272	2,952
5,000	5,000	Packages Limited	413	643
3,000	3,000	Glaxosmithkline Pakistan Limited	231	264
4,500	4,500	Abbott Laboratories Pakistan Limited	449	494
45,000	45,000	Kot Addu Power Company Limited	1,859	1,831
50,000	50,000	Hub Power Company Limited	1,710	1,870
7,250	7,250	Nishat Mills Limited	293	466
		<u>115,995</u>	<u>128,431</u>	

### 15.3 Open end mutual funds

(Rupees in '000)						
		No. of units 2011	No. of units 2010	Cost	Market value 2011	Market value 2010
<b>Share holder fund</b>						
ABL Cash Fund		2,953,695	-	26,978	29,609	-
IGI Money Market Fund		294,658	-	26,971	29,667	-
NIT Govt. Bond Fund		3,744,094	2,500,782	35,000	40,010	26,307
Meezan Sovereign Fund		589,308	519,442	25,107	29,654	26,351
Pakistan Cash Management Fund		474,185	-	21,942	23,843	-
Pakistan Income Fund		-	407,193	-	-	21,158
Faysal Saving Growth Fund		-	-	-	-	-
ABL Income Fund		-	2,637,364	-	-	26,399
IGI Income Fund		-	262,282	-	-	26,449
MCB Dynamic Cash Fund		-	254,617	-	-	26,602
				<u>135,998</u>	<u>152,783</u>	<u>153,266</u>
<b>Statutory fund</b>						
KASB Cash Fund		55,918	52,322	5,000	5,935	5,285
				<u>5,000</u>	<u>5,935</u>	<u>5,285</u>

### 16 PREMIUM DUE BUT UNPAID

(Rupees in '000)		
Statutory fund Accident and health	Aggregate December 31, 2011	Aggregate December 31, 2010
Gross premium due but unpaid	83,483	83,483
Less: Provision for doubtful debts	3,118	3,118
	<u>80,365</u>	<u>80,365</u>
	<u>51,728</u>	<u>1,559</u>
	<u>80,365</u>	<u>50,169</u>

## 17 ADVANCES AND DEPOSITS

(Rupees in '000)

	Shareholders' fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010
		Accident and health		
Advances	122	-	122	17
Lease deposits	158	-	158	158
Other deposits	223	3,800	4,023	3,573
	503	3,800	4,303	3,748

## 18 TAXATION-NET

Opening balance	4,234	-	4,234	2,720
Advance tax	3,998	-	3,998	3,745
Less: Provision for taxation	3,101	-	3,101	2,231
	5,131	-	5,131	4,234

## 19 FIXED ASSETS

### 19.1 TANGIBLE ASSETS

(Rupees in '000)

Description	Cost				Rate %	Depreciation			As at 31-12-2011	Written down value as at 31-12-2011	Written down value as at 31-12-2010
	As at 01-01-2011	Additions	(Disposals)	As at 31-12-2011		As at 01-01-2011	For the year	(Adjustment)			
<b>Owed</b>											
Furniture and fixture	2,584	195	-	2,779	20	1,072	533	-	1,605	1,174	1,512
Office and electrical equipment	2,931	150	-	3,081	20	1,360	610	-	1,970	1,111	1,571
Computer equipment	5,105	405	(89)	5,421	33.33	3,040	1,526	(38)	4,528	893	2,065
Motor vehicles	1,350	-	-	1,350	20	675	270	-	945	405	675
	11,970	750	(89)	12,631		3,200	2,939	(38)	9,048	3,583	5,823
<b>Leased</b>											
Motor vehicles	1,575	-	-	1,575	20	735	315	-	1,050	525	840
<b>Total Tangible 2011</b>	<b>12,701</b>	<b>750</b>	<b>(89)</b>	<b>14,206</b>		<b>3,620</b>	<b>3,254</b>	<b>(38)</b>	<b>10,098</b>	<b>4,108</b>	<b>6,663</b>

### 19.2 INTANGIBLE ASSETS

Description	Cost				Rate %	Depreciation			As at 31-12-2011	Written down value as at 31-12-2011	Written down value as at 31-12-2010
	As at 01-01-2011	Additions	(Disposals)	As at 31-12-2011		As at 01-01-2011	For the year	(Adjustment)			
Software	7,702	-	-	7,702	33.33	4,836	2,193	-	7,029	673	2,866
<b>Total Intangible 2011</b>	<b>7,702</b>	<b>-</b>	<b>-</b>	<b>7,702</b>		<b>4,836</b>	<b>2,193</b>	<b>-</b>	<b>7,029</b>	<b>673</b>	<b>2,866</b>

### 19.3 Disposal of fixed assets

	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal
Computers	89	38	51	47	(4)	Insurance settlement

(Rupees in '000)

December 31, 2011      December 31, 2010

## 20 EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

Salaries, allowances and other benefits	5,720	5,884
Travelling and conveyance	148	215
Communication	624	548
Utilities	262	185
Audit fee	91	83
Legal and professional	1,473	1,178

(Rupees in '000)

**December 31, 2011**      **December 31, 2010**

Printing and stationery	61	57
Vehicle running and maintenance	228	195
Fees, subscription and periodicals	23	59
Rent, rates and taxes	174	230
Repair and maintenance	288	200
Entertainment	71	72
Depreciation	533	557
Amortization	438	488
Insurance	473	337
Interest on leased vehicle	21	29
Charity and donation	100	300
Other expenses	76	42
	10,804	10,659

**21 TAXATION**

Current		3,101	2,231
Deferred	21.1	-	-
		3,101	2,231

21.1 Deferred tax arising due to timing differences calculated at the current rate of taxation amounts to Rs. 72.734 million debit (2010: Rs. 55.178 million debit). Deferred tax asset has not been recognised in these financial statements due to uncertainty of realizability of the amount.

**22 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

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

(Rupees in '000)

	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	December 31, 2011			December 31, 2010		
Fee	-	1,350	-	-	1,000	-
Managerial remuneration	11,088	-	22,730	9,900	4,389	15,523
Others	445	-	2,530	307	1,489	1,557
	11,533	1,350	25,260	10,207	6,878	17,080
Number of persons	1	7	11	1	7	6

The Company also provides some of the Executives with Company maintained cars.

		(Rupees in '000)	
		December 31, 2011	December 31, 2010
<b>23</b>	<b>EARNINGS PER SHARE - basic and diluted</b>		
	Profit after tax	20,221	59,086
	Weighted average number of ordinary shares (Number in '000)	50,000	50,000
	Earnings per share - basic and diluted (Rupees)	0.40	1.18

## 24 FINANCIAL INSTRUMENTS

(Rupees in '000)							
Interest/mark-up bearing			Non-interest bearing			Total December 31, 2011	Total December 31, 2010
Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		
<b>On balance sheet financial instruments</b>							
<b>Financial assets</b>							
	7	-	7	-	-	7	3
	92,998	-	92,998	473	473	93,471	88,450
	-	-	-	-	-	-	5,000
	140,011	-	140,011	274,714	274,714	414,725	431,446
	-	-	-	80,365	80,365	80,365	50,169
	-	-	-	1,772	1,772	1,772	7,263
	-	-	-	269	269	269	2,040
	-	-	-	4,303	4,303	4,303	3,748
	233,016	-	233,016	361,896	361,896	594,912	588,119
<b>Financial liabilities</b>							
	-	-	-	44,447	44,447	44,447	26,250
	-	-	-	378	378	378	170
	-	-	-	1,111	1,111	1,111	-
	-	-	-	2,739	2,739	2,739	3,579
	-	-	-	2,019	2,019	2,019	1,038
	-	-	-	1,074	1,074	1,074	1,074
	-	-	-	44	44	44	44
	333	437	770	-	-	770	1,061
	333	437	770	51,812	51,812	52,582	33,216
<b>On balance sheet gap</b>	232,683	(437)	232,246	310,084	310,084	542,330	554,903

### Effective markup rates

Effective rates are mentioned in the respective notes to the financial statements.

## 25 RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, deposits, investments and receivables. Financial liabilities of the Company include payables, accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and dividends payable.

The risks involved with financial instruments and the Company's approach to managing such risks are discussed below.

### 25.1 Insurance risk

The risk under an 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 such contracts is that the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Company principally issues the health insurance cover. Risks under these policies usually cover a twelve month duration. For health insurance contracts the most significant risks arise from hospitalization activities.

Underwriting and retention policies and procedures and limits precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of the risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

Due to the nature of business, uncertainty about the amount and timing of claims payment is typically resolved within one year.

### Sensitivity analysis

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and revenue account.

	(Rupees in '000)		
	Change in claims assumption	Impact on gross liabilities	Impact on revenue account
<b>December 31, 2011</b>			
Current claims	+10%	17,848	(17,848)
	-10%	(17,848)	17,848
<b>December 31, 2010</b>			
Current claims	+10%	15,316	(15,316)
	-10%	(15,316)	15,316

## 25.2 Reinsurance risk

In order to minimize the financial exposure arising from large claims, the Company in the normal course of business, enters into agreement with other parties for reinsurance purposes. Reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claim reinsured to the extent that reinsurer fails to meet the obligation under reinsurance agreements.

In order to manage this risk, the company obtains reinsurance cover only from companies with sound financial health.

	<b>(Rupees in '000)</b>
<b>Rating</b>	<b>Other reinsurance asset</b>
A or above	578

## 25.3 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

### Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements as at December 31, 2011 is the carrying amount of the financial assets as set out below:

	<b>(Rupees in '000)</b>	
<b>Nature of financial assets</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Cash and bank deposits	93,471	93,450
Investments		
- Listed equity securities	115,996	128,431
- Open end mutual funds	158,718	158,551
Premiums due but unpaid	80,365	50,169
Amounts due from other insurers/reinsurers	1,772	7,263
Dividend and other receivables	269	2,040
Deposits	4,181	3,731
	<u>454,772</u>	<u>443,635</u>



## Concentration of credit risk

Concentration is the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

## Bank balances

The Company maintained its funds with banks having strong credit rating. Currently the funds are kept with banks having rating ranging from AAA to A.

## 25.4 Impaired assets

During the year no assets have been impaired, other than premium due but unpaid against which a provision amounting to Rs. 3.118 million (2010: Rs. 1.559 million) has been recorded.

## 25.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

In the case of the Company, the liquidity level of Company remained on satisfactory level during the year and the Company did not face any difficulty for generation of liquidity.

(Rupees in '000)

	December 31, 2011					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
<b>Non-derivative</b>						
<b>Financial liabilities</b>						
Creditors and accruals	3,093	3,093	3,093	-	-	-
Obligation under finance lease	770	847	197	198	848	-
Other liabilities	44	-	-	-	-	-
	<u>3,907</u>	<u>3,940</u>	<u>3,290</u>	<u>198</u>	<u>848</u>	<u>-</u>

(Rupees in '000)

December 31, 2010

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
<b>Non-derivative</b>						
<b>Financial liabilities</b>						
Creditors and accruals	2,112	2,112	2,112	-	-	-
Obligation under finance lease	1,061	1,243	197	198	848	-
Other liabilities	44	-	-	-	-	-
	3,217	3,355	2,309	198	848	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at December 31.

## 25.6 Market risk

### Market price risk

Market risk arises where the value of a financial instrument fluctuates due to changes in market prices. Equity price risk is the risk that value of equity instruments will fluctuate due to changes in the equity prices of these instruments. The Company is exposed to equity price risk with respect to its investments in quoted securities. Change of 10% in equity prices will result in change in prices of respective equity instruments by Rs. 27.471 million (2010: Rs. 28.698 million).

### Assets and liabilities with respect to assets-liability matching

(Rupees in '000)

Shareholder Fund	Statutory fund	Aggregate December 31, 2011	Aggregate December 31, 2010	
	Accident and health			
Equity securities - listed securities	268,779	5,935	274,714	286,982
Insurance receivables	-	82,137	82,137	57,432
Cash and cash equivalent	18,543	74,935	93,478	93,453
Other assets	772	3,800	4,572	5,788
Total assets	288,094	166,807	454,901	443,655
Short term insurance contracts	-	48,675	48,675	29,999
Other liabilities	12,205	-	12,205	8,016
Total liabilities	12,205	48,675	60,880	38,015

### Risk management / mitigation

The Company's policy is to manage price risk through diversification and selection of financial instruments within specified limits.

## 25.7 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the Company's interest - bearing financial instruments is:

	(Rupees in '000)	
	Carrying amount	
	December 31, 2011	December 31, 2010
<b>Fixed rate instruments</b>		
Financial assets	-	5,000
<b>Variable rate instruments</b>		
Financial assets	92,998	88,004
Financial liabilities	770	1,061

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at reporting date would not affect profit and loss account.

### Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss and equity by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

	(Rupees in '000)			
	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2011				
Cash flow sensitivity	922	(922)	922	(922)
As at December 31, 2010				
Cash flow sensitivity	869	(869)	869	(869)

\*Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

## **Risk management / mitigation**

The Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Company's policy requires the management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

The average effective duration of the Company's portfolio is a measure of the sensitivity of the fair value of the Company's fixed interest securities to changes in market interest rates.

The Company's policy does not allow holding interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.

## **26 TRANSACTION WITH RELATED PARTIES**

The related parties comprise of related group companies, local associated companies, staff retirement fund, Directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

<b>Relation with</b>	<b>Transactions</b>	<b>(Rupees in '000)</b>	
		<b>December 31 2011</b>	<b>December 31 2010</b>
Associated undertaking	Dividend income	891	713
Associated undertaking	Premium written	-	29
Associated undertaking	Claims incurred	-	147
	<b>Balances</b>		
Associated undertaking	Investments	6,545	6,545
Associated undertaking	Other creditors	274	274

## **27 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors on March 16, 2012.

**28 GENERAL**

Figures have been rounded off to the nearest thousands of rupees.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.

**CHAIRMAN**

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**