Annual Report

2011

Enduring Value
Inspiring Excellence

GENERAL

E F U GENERAL INSURANCE LTD.

Enduring Value. Inspiring Excellence.

Delivering value is EFU's history and heritage.

Almost 80 years of customer experience testifies to EFU's singular position in Pakistan's insurance community. This enduring value is part of EFU's corporate culture, an inspiration to all of us to hold the banner aloft, to keep continuously improving ourselves - to keep exceeding customer expectations.

This corporate culture is established on the belief that leadership is neither a privilege nor a right. It flows from the acknowledgement by the public that the company is true to its word. In the case of an insurer this translates into delivering on promises. EFU delivers on promises in many ways, from the basic insurance function of providing financial protection against the unforeseen, to shaping the landscape of insurance itself in Pakistan.

Contents

ENDURING VALUE... INSPIRING EXCELLENCE

VALUE
IN MULTIPLE DIMENSIONS

At EFU General, we deliver value in many ways.

Operating above and beyond the profit principle is our consistent tradition. Building upon the basic role of insurer as protector against the unseen, EFU is also an advisor to its customers, identifying vulnerabilities and suggesting ways and means to minimize risks.

We are always mindful of our pioneering role in nurturing Pakistan's insurance industry. Enhancing our customer base is important to us, so is the creation of ever increasing awareness about the concept, principles and practice of insurance.

Consciousness of the quality of our product and service is always a core concern with us. We continuously evolve and implement strategies and programmes to improve both.

These efforts on our part add up to enduring value – a belief among the insuring public that EFU General is the insurer that provides them the finest security against unforeseen hazards.

LEADERSHIP
WITH THE POWER TO PROTECT

The leadership position of EFU General stands on solid ground and is based on many different pillars.

Three of these pillars are Experience, Expertise and an Exceptional Power to Protect, built upon a solid asset base.

With almost eight decades of insurance underwriting practice, we are Pakistan's most experienced insurance services provider.

EFU is not part of any industrial or finance group. We have no captive business. Our business is won in open competition, by our people whose abilities, loyalty to the company and devotion to the profession are a source of pride to us.

Our experience covers all classes of general insurance. All through Pakistan's history we have played a pioneering role in preserving value, providing certainty of financial security to our customers.

EFU expertise is unique. As Pakistan's largest insurer we cover the greatest variety of risks, continuously enhancing our knowledge bank. Our accumulated experience and expertise are imparted as knowledge to our human resource – making them the best equipped insurance professionals in the market.

Our assets provide the financial strength to protect our customers, ensuring them that we are well equipped with the resources to deliver on our promises.

ENDURING VALUE... INSPIRING EXCELLENCE

PERFORMANCE

SHAPING THE NATION'S INSURANCE INDUSTRY

The insurance industry in any society is inextricably tied to its peculiar needs and aspirations. EFU General, established in 1932 and operating in Pakistan since the country's birth, is distinguished by having evolved principles of insurance practice that have become industry standards and yardsticks.

With industrialization our country is slowly, but surely moving away from being a predominantly agricultural economy. This change in the orientation of society continues to demand innovative products in tune with the on-going developments, dictating new insights and in-depth understanding of the requirements as they emerge.

On another plane, EFU General continues to function as the nation's foremost nursery of professionally trained and skilled insurance human resource.

EXCELLENCE

A NEVER-ENDING INSPIRATION AND ASPIRATION

The bank of goodwill for EFU General among the insuring public is a constant challenge for us to meet and exceed expectations. This challenge is our inspiration to do better still, to excel more.

This zeal for excellence is reflected in everything we do. The goal being to deliver the best customer experience.

In developing economies, a big challenge any insurance company faces is enhancing the horizontal spread of insurance awareness. Our way of doing business nurtures the very idea of insurance as a real protector and we can say with some satisfaction that our customers are more aware of the role that insurance in general, and EFU in particular plays in the security of their financial future.

If analogies could be drawn between medical and insurance practice, EFU would be described as the "Family Insurer" by many of our customers whom we have provided protection across generations.

EFU General has also decided to establish Takaful Division as soon as the Takaful window operation Rules are announced by the SECP.

Our continuing quest for excellence is also mirrored in the way we train our human resource, equipping them with all the tools to accurately assess their client's needs and advise appropriate protection. Beyond that we train them to be receptive, responsive, sypmpathetic friends if and when a call about a claim comes in. This is the acid test of an insurer, and that is where EFU General excels the most.

ENDURING VALUE... INSPIRING EXCELLENCE

BUSINESS STRATEGIES

ENABLING CONSISTENT GROWTH

Insurance, by its very nature, focuses on the future. As insurance practitioners, we keep our focus on sustainable growth when we design our business strategies. Consolidating our strengths, broadening our customer base, and creating awareness about new risks are keystones of our strategic planning for increasing market share.

Another key element in our strategic planning is consistent enhancement of efficiency. The result is increasingly better cost benefit ratios of our deployment of human and material resources, and gives us a sustainable edge.

The warp and weft of our strategy matrix is the continuous development of our human resource. We believe in them and consider as our prime asset. It is they who produce the results year after year. We have always accorded the highest priority to enhancing capabilities and skill sets of our people. This provides us with ever-increasing intellectual capital, which underpins and powers the Company to greater heights.

PRODUCT PORTFOLIO

INSURING EVERYTHING YOU VALUE

EFU General provides a full range of insurance services to fulfill the needs of all of its customers being commercial and individual clients. Our product portfolio includes:

PROPERTY (FIRE & ENGINEERING)

Our portfolio comprises of a broad spread of quality business ranging from simple residential property to very large sophisticated industrial risks. These would include activities involving complex risks relating to Oil & Gas exploration / development, petrochemicals and other major industrials. The fire portfolio in the main comprises of operational risks other than power generating industry.

The engineering part of the portfolio would include in the main construction risks be it simple civil work or major infrastructure projects like dams, highways etc. Other engineering risks would include coverage for breakdown of plant / machinery.

The insurance covers include both material damage as well as loss of revenue due to business interruption following the material damage.

MARINE AVIATION & TRANSPORT

Marine Cargo

Insurance coverage is provided for goods in transit from all over the world to Pakistan and vice versa by all means of conveyance i.e. sea, air and land. Special insurance products are also offered for large project cargoes and this class also includes for such projects, loss of revenue insurance.

Marine Hull & Aviation

Coverage is provided for the insurances of ships, other vessels and aircraft ranging from small single general aviation to airlines. This insurance includes both physical damage as well as liabilities to third parties and passengers.

MOTOR

EFU provides a full range of products for all kinds of vehicles being either private or commercial and the coverage includes physical damage including theft and liabilities as required under law. Ancillary products are also offered for personal accident to drivers, passengers, and the like.

MISCELLANEOUS

All other insurance products of various types to suit individual client requirements are also available like banker's blanket, personal accident, travel, liability, money, stock brokers, credit cards, asset value, event cancellation and other like insurances.

Also, specialised insurance covers are offered to crops covering loss due to natural calamities and viral / bacterial attacks.

VALUE ADDED SERVICES

In striving to constantly improve service to clients, EFU has initiated as a start in their Motor insurance business, facility of SMS alerts, electronic survey reporting and auto repairers.

ENDURING VALUE... INSPIRING EXCELLENCE

RISK
IDENTIFICATION, EVAULATION AND MANAGEMENT

Risk is a multi-dimensional phenomenon and a constant feature of everyday life. Fires, accidents, thefts, explosions, natural calamities and terrorism are the more common types of risk the community faces.

The dimensions and effects of such loss events have since long assumed major significance for whole economies. The question of how to predict and prevent such risks is accordingly the subject of intensive discussion both in the political sphere and among the public at large.

The complex realities of modern economic life and the growing awareness of the public at large place increasing demand on companies to pursue appropriate and far-sighted policies about risk. The same applies to insurers in determining their underwriting policies. The rapid development of new technologies and the changing nature of production processes necessitate a constant analysis of risk profiles. Both entrepreneurs and insurers therefore face enormously increased need for analytical and advisory services.

EFU works closely with clients to identify various risk exposures and then provide specific insurance proposals.

This helps in loss prevention and reducing the cost of protection.

Our market-driven team of inspired and technically qualified insurance personnel, comprises specialists in civil and mechanical engineering, metallurgy, electronics, and other disciplines. They are on call for necessary professional advice at all times. Our linkages with overseas specialists are of major value to our clients. In addition to insurance protection, it is our practice to provide risk reduction advice to clients and assist them in developing preventive capabilities to avert mishaps and disasters.

BUSINESS RISKS

The company continuously monitors and controls the risks to the business. The following are the major risks faced by the company:

Economic and Political Risk

Volatile economic, political and financial market conditions coupled with power shortage in the country may cause hurdle in overall business scenario of the country. The insurance sector will also face challenges arising from the economic and political scenario. The company has cautious underwriting approach to deal with such risks and increase market share without compromising profitability.

Insurance Risk

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claims. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits.

Credit Risk

The Company monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in several industries and by continually assessing the credit worthiness of counter parties.

Liquidity Risk

The Company manages it's liquidity by ensuring it has sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

Market Risk

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in government securities, equity and term finance certificate markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

Interest Rate Risk

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

Investment Risk

The company manages its market price risk by maintaining a diversified investment portfolio and monitors developments in equity and term finance certificate and money markets.

Reinsurance Risk

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health. Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

IT Risk

To meet the challenges of changing business environment, EFU has taken the initiative to transform its Enterprise Information System with an end to end solution comprising Oracle's latest technological software and hardware.

VISION & MISSION

Vision

Our vision is to be the first choice company for our customers, shareholders and employees. To achieve this we will be driven by an obsession to be better than the best in a continuous journey, not a destination.

At EFU first choice means a sustained commitment to meet and exceed stakeholder expectations. A will to go the "Extra Mile" to delight our customers with products and services that exceed their expectations.

Mission

We will manage our affairs through modern technology, collective wisdom and institutionalised leadership. We will be a respected, cultured and an educated company with a strong market position. Together with our customers, reinsurers and employees we will achieve world class quality standards through continuous quality improvement. Achieve zero defects in everything we do.

We will do good business, with good clients and of the highest integrity. We will not compromise our principles and we will like to be known as a responsible corporate citizen aware of our obligation to the Government and the society we serve.

Company Information

Chairman
Saifuddin N. Zoomkawala

Managing Director & Chief Executive
Hasanali Abdullah

Directors
Rafique R. Bhimjee
Sultan Ahmad
Abdul Rehman Haji Habib
Jahangir Siddiqui
Muneer R. Bhimjee
Taher G. Sachak

Chief Financial Officer & Corporate Secretary
Altaf Qamruddin Gokal, F.C.A.

Legal Advisor
Mohammad Ali Sayeed

Advisors
Akhtar K. Alavi, A.C.I.I.
Nasreen Rashid, A.C.I.I.
Salim Rafik Sidiki, B.A. (Hons), M.A.
S.C. (Hamid) Subjally, A.C.I.I.
Syed Mehdi Imam, M.A.

Audit Committee
Muneer R. Bhimjee
Taher G. Sachak
Abdul Rehman Haji Habib

Rating Agency: JCR-VIS
Insurer Financial Strength Rating : AA
Outlook : Stable

Auditors
Hyder Bhimji & Co.
Chartered Accountants
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi

Registrar
Technology Trade (Pvt.) Ltd.
Dagia House 241-C
Block-2, P.E.C.H.S.
Off Shahra-e-Quaideen
Karachi

Website
www.efuinsurance.com

Registered Office
Dodhy Building, 2nd Floor, 52-E
Jinnah Avenue, (Blue Area)
Islamabad

Main Offices
EFU House
M. A. Jinnah Road
Karachi

Co-operative Insurance Building
23, Shahrah-e-Quaid-e-Azam
Lahore

Management

Managing Director
Hasanali Abdullah, F.C.A.

Senior Deputy Managing Director
Mahmood Lotia, A.C.I.I.

Deputy Managing Director
Qamber Hamid, LL.B., LL.M.

Senior Executive Directors
Abdur Rahman Khandia, A.C.I.I.
Jaffer Dossa
Khurram Ali Khan, B.E.
Malik Akbar Awan
Muhammad Iqbal Lodhia
Nudrat Ali
S. M. Haider, M.Sc.
S. Salman Rashid
Shaukat Saeed Ahmed

Executive Directors
Altaf Qamruddin Gokal, F.C.A.
K. M. Anwer Pasha
M. Shehzad Habib
Syed Kamran Rashid
Syed Rizwan Hussain

Deputy Executive Directors
Abdul Sattar Baloch
Aftab Fakhruddin, B.E., Dip C.I.I.
Darius H. Sidhwa, F.C.I.I.
Imran Ahmed, M.B.A., B.E., A.C.I.I.
Kamran Arshad Inam, M.B.A., B.E.
Khurram Nasim, B.S. (Ins.)
Mahmood Ali Khan, M.A.
Mohammad Iqbal Dada, M.A., A.C.I.I.
Muhammad Bashir Seja
Nadeem Ahmed
S. Aftab Hussain Zaidi, M.A., M.B.A.
Salim Razzak Bramchari, A.C.I.I.
Satwat Mahmood Butt
Thomas Leo Fernandez

Assistant Executive Directors
Abdul Hameed Qureshi, M.Sc.
Ahmed Hussain Zuberi
Baqar Aneel Jafari, B.S. (Ins.)
Javed Iqbal Barry, M.B.A., L.L.B., F.C.I.I.
Jawahar Ali Kassim
Jehanzeb Karamat
Kauser Ali Zuberi
Khalid Usman
Khawaja Khalid Mustafa, M.A.
Khozema T. Haider Mota
M. Shoaib Razzak Bramchari
Mir Babar Ali, M.B.A.
Muhammad Sohail Nazir, M.Sc., A.C.I.I.
Musakhar-uz-Zaman, B.E.
Syed Amir Aftab
Syed Asim Iqbal, M.B.A.
Syed Basit Hussain

Senior Executive Vice Presidents
Ali Kausar
Babar A. Sheikh
Badar Amin Sissodia
Javed Akhtar Shaikh, B.B.A.
Khalid Ashfaq Ahmed
Muhammad Naeem M. Hanif
Muhammad Rashid Akmal, M.B.A.
Ross Masood M.B.E.
Shaharyar Jalees, M. A.
Yawar Aminuddin
Zarar Ibn Zahoor Bandey

Executive Vice Presidents
A. Ghaffar A. Kareem
Aamir Ahmad
Abdul Qadir Memon, M.Sc.
Abdul Razzak A. Sattar
Abdul Wahid
Adam Dur Mohammad Baloch
Aslam A. Ghole, F.C.I.S.
Irfan Raja Jagirani
Liaquat Ali Khan, F.C.I.I., A.M.P.I.M.
Mansoor Abbas Abbasi, B.E.
Masroor Hussain
Mazhar H. Qureshi
Mohammad Arif Bhatti
Mohammad Haji Hashim, L.L.B.
Mohammad Kamil Khan, M.A.
Mohammad Nasir, M.B.A., EMS
Mohammad Pervaiz
Mohammad Rizwanul Haq
Mohammad Shoaib, M.A.
Muhammad Arif Khan
Muhammad Arshad Khan
Muhammad Azhar Ali
Muhammad Ilyas Khan, A.C.I.I.
Muhammad Najeeb Anwar
Muhammad Razzaq Chaudhry
Muhammad Sohail
Muhammad Tawheed Alam, M.B.A., B.E.
Munawar Salemwala, F.C.A.
Nadir Hussain
Pervez Ahmad, M.B.A
Qasim Ali Mohammad
Shamim Pervez, M.B.A.
Shazim Altaf Kothawala
Syed Abid Raza Rizvi, M.Com
Syed Ahmad Hassan, M.B.A.
Syed Sadiq Ali Jafri
Syed Shahid Hussain, L.L.B.
Zafar Ali Khokhar, M.A.
Zakaria Suleman

Senior Vice Presidents
Aamer Ali Khan, M.B.A.
Abdul Hameed
Abdul Majeed
Abdul Mateen Farooqui, M.Sc.
Ali Raza
Anjum Kamal Khan
Arshad Ali Khan, A.C.M.A.
Asghar Ali
Atif Anwar, A.C.C.A.
Faisal Gulzar

Fakhruddin Saifee
Farman Ali Afridi
Fatima Bano, M.B.A., A.C.I.I.
Ghulam Haider, M.Sc.
Iftikharuddin, L.L.B.
Imran Ahmed
Kashif Gul, B.E.
M. A. Qayum, M.Com
M. Hussain Khatri
Malik Firdaus Alam
Mohammad Afzal Khan, E.M.B.A.
Mohammad Amin Sattar, M.Com
Mohammad Naeem Shaikh, A.C.I.I.
Muhammad Khalid Ahmed Khan
Muhammad Shakil Khan, B.E., M.B.A.
Muhammad Zeeshan, B.E.
Murtaza Noorani, A.C.C.A, C.A.T.
Nadeem Ahmad Khan
Quaid Johar
Rao Abdul Hafeez Khan
Rashid Mohammad Iqbal
Riaz Ahmad, M.B.A.
S. Anwar Hasnain
S. M. Shamim
S. Tayyab Hussain Gardezi, M.Sc.
Shahid Abdullah Godil, M.B.A.
Shahzad Zakaria
Sohail Shaukat Ali, A.C.A., A.C.M.A.
Syed Abdul Quddus, M.A.
Syed Noman Kadri, M.Sc.
Usman Ali, B.A., L.L.B.
Wasim Tasawar, M.B.A.
Zahid Hussain, A.C.I.I.
Zia Mahmood, M.B.A.
Zohair Sharih

Vice Presidents

Abdul Bari
Abdul Rashid
Abdul Shakoor Piracha
Agha Ali Khan
Ali Ghulam Ali, A.C.A.
Amanullah Khan
Asadullah Khan
Ashfaque Ahmed
Asif Mehmood
Dr. Ghulam Jaffar, Ph.D.
Farhat Iqbal
Farrukh Ahmad Qureshi
Fawad Maseel Jafri, M.B.A., A.C.I.I.
Haseeb Ahmad Bajwa
Hasan Riaz, M.B.A.
Imran Aslam
Imran Saleem, M.B.A., M.C.S.
Imran Yasin, M.B.E., A.C.I.I.
Inayatullah Chaoudhry
Inayatullah Khalil
Irshad Zamir Hashmi
Javed Iqbal Khan
Kaleem Imtiaz, M.A.
Kamran Bashir, M.B.A.
Liaquat Imran
M. Saghiruddin, M.Com.
Mirza Mutahir Hussain
Mohammad Adil Khan
Mohammad Hanif
Mohammad Idrees Abbasi
Mohsin Ali Baig
Muhammad Ilyas
Muhammad Mujtaba
Muhammad Naseem
Muhammad Rashid Awan, M.B.A., A.C.I.I.
Muhammad Salahuddin
Muhammad Saleem Gaho
Muhammad Shahjahan Khan
Muhammad Siddique
Nadeemuddin Farooqi, L.L.B.
Qasim Ayub
Rana Zafar Iqbal
Reaz Hussain Siddiqui, L.L.B.
Rehanuddin Qureshi
Rizwan Ahmed, M.B.A.
S. Asim Iijaz
S. M. Aamir Kazmi, L.L.B.
S. M. Adnan Ashraf Jelani, A.C.I.I.
Saifullah
Salimullah Khan, M.Com.
Shah Asghar Abbas
Shahab Khan
Tariq Naeem Bajwa
Umair Ali Khan, M.A.
Waqar Hasan Qureshi
Zia Ur Rehman
Zulfiqar Ali Khan, M.Sc., A.C.I.I.

Assistant Vice Presidents

Abdul Aziz
Abdul Rashid Yaqoob
Altaf Baig Chughtai, M.B.A.
Amjad Irshad
Aziz Ahmed
Faiz Muhammad
Farnazia Khatri, M.B.A.
Fazal Hussain
Feroz Ali
Fouzia Naz
Habib Ali
Haider R. Rizvi
Hassan Aziz, M.Sc.
Ikramul Ghani, M.A.
Irfan Ahmad, A.C.M.A., C.I.A.
Khawaja Samiullah
M. Saghiruddin
Ms. Ansa Azhar
Mansoor Ahmed
Mansoor Hassan Khan
Mazhar Ali
Mohammad Amin Memon
Mohammad Saleem
Mohammad Shoaib
Mohammad Siddique Khan
Muhammad Ahmed
Muhammad Ali
Muhammad Ali
Muhammad Khalil Khan
Muhammad Mushtaq

Muhammad Owais Alam, M.B.A.
Muhammad Sarwar
Muhammad Sirajuddin
Muhammad Usman
Muhammad Usman
Muhammad Yasir H. Choudhry
Musarrat Zaman Shah
Nadeem Ahmed
Naseer Ahmad
Nausherwan Haji
Nayyar Sultana, L.L.B.
Noor Asghar Khan
Quaid Johar
Rahim Khowaja, M.A.
Riazuddin, M.A.
Saeed Ahmed
S. Ferozuddin Haider
S. Kamran Shemsher Ali
S. Khaliluddin
Salma Ghani
Sarfaraz Mehmood Khan
Sarfaraz Mohammad Khan
Shadab Mohammad Khan
Shahab Saleem
Shaikh Mohammad Yousuf
Shaista Batool, B.E.
Sikandar Kasbati
Sirajuddin
Syed Ishaq Kamal Hashimi, M.B.A.
Syed Mohammad Saleem
Syed Nazish Ali
Tariq Mahmood
Waheed Yousuf
Waqar Ahmad, M.Sc.
Waseem Ahmed
Zohaib A. Khan, M.B.A., L.L.B.

Business Consultant

Maqbool Saeed

Chief Medical Officer

Dr. Mohbat Ali Khowaja

Marketing Executives

Senior Executive Directors

Altaf Kothawala
Hassan Abdul Rehman
Jahangir Anwar Shaikh

Executive Directors

Abdul Wahab Polani
Ali Safdar
Muhammad Khalid Saleem
Saleem Tariq Ahmed

Deputy Executive Directors

Agha S. U. Khan
Haroon Haji Sattar Dada

Assistant Executive Directors

Abdullah H. Godil
Abdul Wahab
Akhtar Kothawala
Khalid Mehmood Mirza
Syed Jaweed Envor
Tauqir Hussain Abdullah

Senior Executive Vice Presidents

Aamir Ali Khan
Anis Mehmood
Azmat Maqbool, M.B.A.
Imran Ali Khan
Mrs. Nargis Mehmood
Muhammad Aamir Khadeli
Muhammad Hussain
Muhammad Iqbal, M.A.
Muhammad Sheeraz
Muhammad Umer Memon
Muhammad Umer, M.A.
Muhammad Younus
Muhammad Younus Khadeli
Rizwan Siddiqui
Shamsul Haq
S. Ashad H. Rizvi
Syed Imran Zaidi
Syed Saad Jafri
Yousuf Alavi

Executive Vice Presidents

Abootalib Dada, LL.B.
Adeel Ahmed
Amin Yaqoob, M.A.
Azharul Hassan Chishty
Ejaz Ahmed
Haji Muhammad Shakeel
Jameel Masood
M. Yousuf Jagirani, M.A.
Malik Akhtar Rafique
Ms. Shazia Rahil Razzak
Muhammad Javed
Rashid Habib, M.A.
Saad Anwar Shaikh
Saleem Ullah Tahir
Shahid Younus
Shahzeb Lodhi
Syed Ali Zaheer
Syed Baqar Hasan, M.A.
Syed Iftikhar Haider Zaidi, M.A.
Usman Ali Khan

Senior Vice Presidents

Bashir Ahmed Sangi
Faisal Hassan
Faisal Khalid
Faisal Mahmood Jaffery
Farid Khan
Kayomarz H. Sethna
Kh. Zulqarnain Rasheed
Mrs. Bushra Rizwan
Mrs. Hina Elahi
Ms. Shela Farooq Kothawala
Mian Abdul Razak Raza, B.Ed.
Muhammad Farooq
Muhammad Imran Naeem
Muhammad Mushtaq Najam Butt
Muhammad Shamim Siddiqui

Muneeb Farooq Kothawala
Naeem Ullah Jan
Naseeruddin Amed
Ramesh Malraj Bherwani
Rashid A. Islam
S. Shahid Mahmood
S. Sohail Haider Abidi
Saad Wahid
Shakil Wahid
Syed Asif Ali
Syed Shahid Raza
Tahir Ali Zuberi
Wasif Mubeen, L.L.B.
Wasim Ahmed

Vice Presidents

Abul Nasar
Ahmed Saeed Khan
Atique H. Patel
Babar Zeeshan
Hamid-Us-Salam
Imdadullah Awan
M. Amir Arif Bhatti
M. Anis-ur-Rehman
M. Ashraf Samana
M. Nadeem Shaikh
Mrs. Sadia Muneer
Ms. Fatima Moiz Shaikh
Ms. Fauzia Khawja
Ms. Nighat Sartaj
Ms. Sadia Khanum
Muhammad Aslam Hayat
Muhammad Iftikhar Siddiqui
Muhammad Niamatullah
Muhammad Rehan Iqbal Booti
Muhammad Saleem Babar
Muhammad Siddiq
Muhammad Zia-ul-Haq
Pheroo Mal
Rashid Umer Burney
Syed Abdul Ghaffar
Syed Abid Raza
Syed Mobin A. Niazi
Syed Rashid Ali
Syed Rizwan Haider
Zakaullah Khan
Zubia Eram Nadeem

Assistant Vice Presidents

Abdul Ghani
Ahmed Nawaz
Ali Hasnain Shah
Arshad Iqbal
Hassan Abbas Shigri
Imran Naseem
Javed Aslam Awan
Javed Iqbal Cheema
Khadim Hussain
M.A. Qayyum Khan
Mrs. Shagufta Asrar Ahmed
Mrs. Tanveer Khurshid
Ms. Maria N. Jagirani
Ms. Shahida Aslam
Mubashir Saleem
Muhammad Asif Jawed
Muhammad Awais Memon
Muhammad Musarat Hussain Siddique, M.Sc.
Muhammad Owais Jagirani
Muhammad Tayyab Nazir
Nadeem A. Siddiqui
Parvez Baig
Qamar Aziz
S. Shakeel Bakhtiar
Shahid Iqbal
Sohail Raza
Syed Ejaz Hussain
Syed Hasan Mazahir Zaidi
Syed Mojiz Hasan
Syed Muhammad Waseem
Syed Zulfiqar Mehdi
Waleed Polani
Zain Tharia

Notice Of Meeting

Notice is hereby given that the 79th Annual General Meeting of the Shareholders of E F U General Insurance Ltd. will be held at the Registered Office of the Company at Dodhy Building, 2nd Floor, 52-E, Jinnah Avenue, (Blue Area) Islamabad on Saturday April 14, 2012 at 9:30 a.m. to:

A. ORDINARY BUSINESS:

1. confirm the minutes of the 78th Annual General Meeting held on April 27, 2011.

2. confirm the minutes of Extraordinary General Meeting held on July 9, 2011.

3. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2011 together with the Directors' and Auditors' reports thereon.

4. consider and if thought fit to approve the payment of Dividend at the rate of Rs. 2.75 per share for the year ended December 31, 2011 as recommended by the Board of Directors.

5. appoint Auditors for the year 2012 and fix their remuneration.

B. SPECIAL BUSINESS:

6. Consider and if thought fit to pass the following Resolution with or without modification(s) as Special Resolution.

   "RESOLVED that the approval accorded for Investment in Shares of EFU Life Assurance Ltd., an associated company, of Rs. 300 million in the Annual General Meeting of April 27, 2007 of which Rs. 250.21 million have been invested and Rs. 49.79 million remaining un-invested be and is hereby revalidated and the said amount be invested within a period of two years.

   This investment be made from time to time as the Managing Director (Chief Executive) and/or other attorney(s) of the Company may deem fit."

7. transact any other matter with the permission of the Chair.

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance 1984.

By Order of the Board

ALTAF QAMRUDDIN GOKAL
Chief Financial Officer
& Corporate Secretary

Karachi 10 March 2012

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.

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

A. For attending the meeting:

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

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

B. For appointing proxies:

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

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

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

(iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.

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

3. The Share Transfer Books of the Company will be closed from April 7, 2012 to April 14, 2012 (both days inclusive). Transfers received in order by our Shares Registrar, Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi at the close of business on April 6, 2012 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend.

4. Members are requested to communicate to our Shares Registrar of any change in their addresses.

Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special business:

1. 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 April 14, 2012.

2. Item 6 regarding investment in associated company:

   The Shareholders previously at the Annual General Meeting held on April 27, 2007 had approved investment in shares of an associated Company EFU Life Assurance Ltd., upto an amount of Rs. 300 million and the Managing Director (Chief Executive) and / or other attorney(s) of the Company were authorised to make the investment from time to time as they deem fit. Rs. 250.21 million has been invested in shares of EFU Life Assurance Ltd., against approval of Rs. 300 million and an amount of Rs. 49.79 million still remains un-invested. Regulation No. 8 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 require revalidation for the remaining un-invested amount of Rs. 49.79 million out of the previous approval of April 27, 2007 at this meeting by the Shareholders.

The details and information to be furnished regarding item No. 6 investment in associated company are as under:

EFU Life Assurance Ltd. (EFU Life) is the leading life insurance company in the private sector in the country. As on December 31, 2011 it had asset base of Rs. 28 billion. Its After tax profit for the years 2009, 2010 and 2011 have been Rs. 711.66 million, Rs. 363.24 million and Rs. 578.37 million respectively. EFU Life as on December 31, 2011 has Paid-up Capital of Rs. 850 million, General Reserve of Rs. 232.50 million and Accumulated Surplus of Rs. 650.14 million.

The information required under Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2012 is as under:

Regulation No. 3(1)a:

i) Name of Associated Company along with criteria based on which the associated relationship is established:

EFU Life Assurance Ltd. being associated on the basis of more than 20% holding by EFU General Insurance Limited.

ii) Purpose, benefits and period of investment:

Long-term strategic investment for better return and capital appreciation by way of purchase from time to time from the Stock Exchange at a price ruling on the date of purchase.

iii) Maximum amount of investment:

Rs. 49.79 million being amount remaining un-invested out of Rs. 300 million as approved previously at the Annual General Meeting held on April 27, 2007 in Ordinary shares of Rs. 10 each.

iv) Maximum price at which securities will be acquired:

Not more than the price quoted on Stock Exchange.

v) Maximum number of securities to be acquired:

Equivalent to the amount of Investment.

vi) Number of securities and percentage thereof held before and after the proposed investment:

35,920,416 shares (42.26 %) held to date i.e. before proposed investment. Number of Shares and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of shares which could vary with the market price at which shares are purchased in future.

vii) Average of the preceding twelve weekly average price of the security intended to be acquired:

Rs. 78.6 per share

viii) In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1):

Not applicable

ix) Break-up value of securities intended to be acquired on the basis of the latest audited financial statements:

As on December 31, 2011 Rs. 20.38

x) Earning per share of the associated company or associated undertaking for the last three years:

Year ended December 31, 2011 - Rs. 6.80

Year ended December 31, 2010 - Rs. 4.27

Year ended December 31, 2009 - Rs. 8.37

xi) Sources of fund from which securities will be acquired:

Internal generation.

xii) Where the securities are intended to be acquired using borrowed funds,-

(I) justification for investment through borrowings; and

(II) detail of guarantees and assets pledged for obtaining such funds;

Not applicable

xiii) Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment;

Not applicable

xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration:

No Director or Chief Executive has any interest in the proposed investments, except in their individual capacities as "Directors/Chief Executive" and/or as shareholders of the Company.

xv) Any other important details necessary for the members to understand the transaction;

None

xvi) In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely,-

(I) description of the project and its history since conceptualization;

(II) starting and expected dated of completion of work;

(III) time by which such project shall become commercially operational; and

(IV) expected time by which the project shall start paying return on investment;

Not applicable

Regulation No. 3(3)

The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment.

The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of EFU Life Assurance Ltd.

Regulation No. 4

Other information to be disclosed to the members.-

(1) If the associated company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance.

EFU Life Assurance Ltd. is holding 8,516,316 Shares to date of the investing company EFU General Insurance Ltd. No Director or Chief Executive has any interest in the investing Company except in their individual capacities as "Directors/Chief Executive" and/or as shareholders of the investing Company. The Shareholding of the Directors is Mr. Saifuddin N. Zoomkawala 222,667, Mr. Hasanali Abdullah 111,270, Mr. Rafique R. Bhimjee 10,362,460, Mr. Jahangir Siddiqui 10,956, Mr. Muneer R. Bhimjee 9,978,590 and Mr. Taher G. Sachak 1,280.

(2) In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely,-

a) total investment approved;

Rs. 300 million approved by the shareholders at Annual General Meeting of April 27, 2007.

b) amount of investment made to date;

Rs. 250.21 million

c) reasons for not having made complete investment so far where resolution required it to be implemented in specified time;

No specific time was mentioned in the previous special resolution therefore a fresh special resolution is being proposed to the shareholders for the remaining amount of Rs. 49.79 million.

d) and material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.

Since the date of passing the resolution by the shareholders of the Company on April 27, 2007 the shareholders equity of the investee company has increased to Rs. 1,732 million from Rs. 730 million due to issue of Bonus Shares of Rs. 550 million and increase in Reserves of Rs. 452 million.

Board of Directors (Left to Right) Muneer R. Bhimjee; Sultan Ahmad; Rafique R. Bhimjee; Saifuddin N. Zoomkawala - Chairman; Hasanali Abdullah - Managing Director & Chief Executive; Jahangir Siddiqui; Abdul Rehman Haji Habib; Taher G. Sachak.

The Directors of your Company are pleased to present the Seventy Ninth audited financial statements for the year ended December 31, 2011.

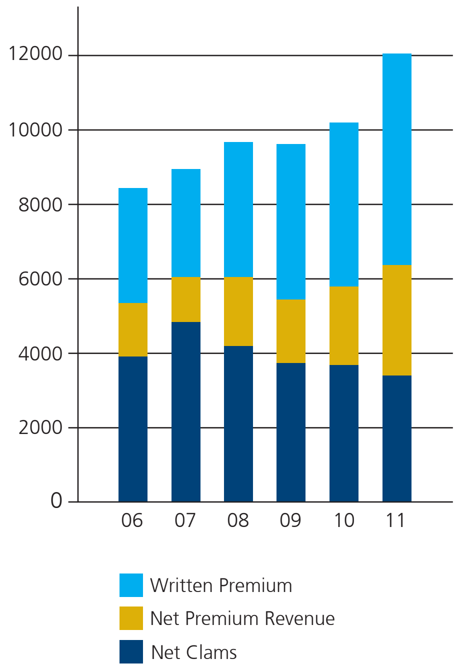
The Year 2011 was a breakthrough year in which your company was able to show significant improvement in performance. The Company's written premium for the year was Rs. 12 billion as compared to Rs. 10.2 billion in 2010 showing growth of 18 % and the net premium revenue was Rs. 6.2 billion as against Rs. 5.85 billion in 2010 showing growth of 6 %.

The total Underwriting Profit of the Company for the year under review was Rs. 693 million as against Rs. 112 million in the previous year which is the highest ever underwriting profit recorded in a year. The overall claims ratio also improved to 60 % from 67 % in 2010.

The conditions in the insurance industry continue to be challenging and pricing sufficiency in many classes of business remains under stress with pressures on underwriting profitability. Your Company however continues to lay emphasis on being the preferred insurer in the local market as well as maintaining its leadership in the industry. We look for growth in business and also focus on improving profitability.

WRITTEN PREMIUM, NET PREMIUM REVENUE AND NET CLAIMS

(Rupees in Million)



The department wise performance was as follows:

FIRE AND PROPERTY

The Fire and Property class of business demonstrated strong underwriting performance which led to exceptional results despite continued pressures on rates. The written premium increased by 30 % to Rs. 6,445 million as compared to Rs. 4,951 million in 2010. Disciplined underwriting, supported by lower claims compared to 2010 and continuing efforts in controlling costs, resulted in underwriting profit of Rs. 264 million in comparison to an underwriting loss of Rs. 339 million in 2010.

MARINE, AVIATION AND TRANSPORT

The written premium increased by 34 % to Rs. 2,111 million as compared to Rs. 1,572 million in 2010. Claims as a percentage of net premium revenue were 61 % as against 57 % in 2010. The Underwriting profit for the year declined to Rs. 68 million compared to Rs. 95 million in 2010. The decline in profit is attributed to increasing losses from hijacking of consignments of loaded trucks/trailers. Efforts are being made by the insurance industry to restrict incidence of losses from such incidents.

MOTOR

The written premium was Rs. 2,539 million as compared to Rs. 2,780 million in 2010. Claims as a percentage of net premium revenue were 65 % as against 63 % in 2010 and the underwriting profit for the year was Rs. 173 million compared to Rs. 263 million in 2010. The decrease in profits in Motor business is the result of lower volume of premium income due to controlled credit disbursement by banks, leasing companies and modaraba companies for car financing.

OTHERS

The written premium was Rs. 947 million compared to Rs. 930 million in 2010. Claims as percentage of net premium revenue improved to 37 % as against 60 % in 2010 resulting in the increase of 111 % in the underwriting profit to Rs. 188 million compared to Rs. 89 million in 2010.

Investment Income

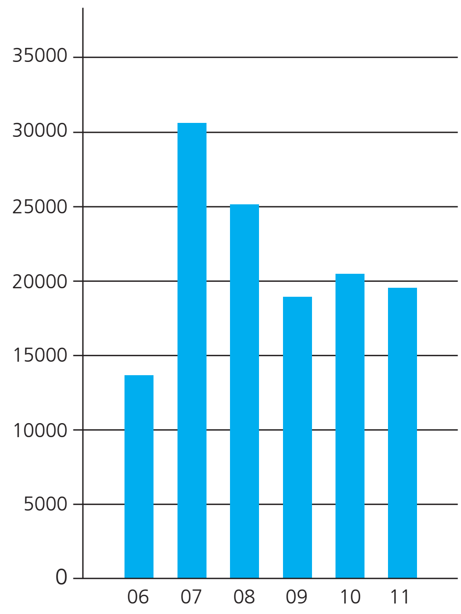
Despite the 6 percent decline in KSE Index from 12,022 points on 31 December 2010 to 11,348 points on 31 December 2011, your company was able to realize capital gains of Rs. 115 million as against Rs. 27 million in 2010. In addition, during the period your company earned dividend income of Rs. 193 million as against Rs. 150 million last year i.e. increase of 29 %.

Market value of Available for Sale equity investment stand at Rs. 2.7 billion as on 31 December 2011. However, market prices of certain stocks in the portfolio declined due to which the company provided further impairment of Rs. 181 million. The provision for impairment thus stands at Rs. 2.64 billion (2010: Rs. 2.46 billion) in Available for Sale investments and Rs. 1.98 billion (2010: Rs. 1.98 billion) in Investment in Associate - EFU Life Assurance Limited. Share of profits from EFU Life Assurance Ltd during the period was Rs. 244 million compared to Rs. 151 million last year.

Your Company's investments in associated company, EFU Life Assurance Ltd. is being accounted for using equity method of accounting in accordance with the requirements of IAS 28. The carrying amount of investment in EFU Life was tested for impairment based on value in use by independent actuary. No change in impairment has been recognized in the current year as the recoverable amount calculated by the independent actuary is more than the carrying amount.

TOTAL ADJUSTED ASSETS

(Rupees in Million)



Information Technology

As reported earlier, your company acquired state of the art Oracle Technology in 2010 including World's fastest OLTP machine EXADATA. Your company has developed its own IT Systems in house with its own technical personnel. The conversion of the COBOL system into ORACLE is also being done in house with the existing team and hopefully the new system should be operational in later part of 2012 as per plan. In 2011 your company made further investment in Information Technology and Business Communication with the deployment of integrated SMS and email alerts in the IT System offering better and swift services to the customers. Your company also has IT solutions such as Oracle Discoverer and will further acquire Business Intelligence for swift and better decision making and analysis. Your company has been providing online facilities to its Business Partners for several years which are now being extended to its clients also.

Earnings per share

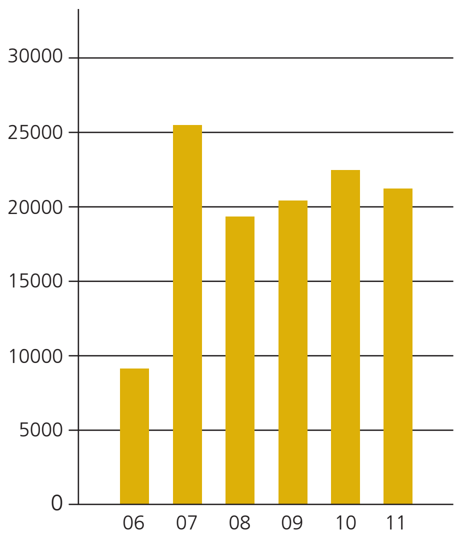
Your Company has reported earnings per share of Rs. 4.49 in 2011 as compared to loss per share of Rs. 3.31 in 2010.

Appropriation and Dividend

The Company's profit after tax for the year ended 2011 is Rs. 561 million compared to loss after tax of Rs. 413 million in 2010. Your Directors have pleasure in recommending dividend of Rs. 2.75 per share (27.5%) to the shareholders whose names appear in the share register of the Company at the close of business on April 06, 2012.

RESERVES & FUNDS

(Rupees in Million)



Credit Rating

As reported last year your Company continues to have JCR-VIS as its rating agency. JCR-VIS has reaffirmed the financial strength rating to AA and outlook to 'Stable'.

Human Resource

EFU takes pride on its team of professionals, a fact which is recognized in the insurance industry in Pakistan and abroad. The Company lays great emphasis on building and nurturing its human resources to maintain its competitive edge in the market. EFU also takes pride in the fact that it has the lowest turnover of staff in the insurance industry.

At present, we have professional strength of 23 Chartered Insurers, 18 Engineers and 13 Professional Accountants.

In 2011 the Human Resource Department arranged Technical and Soft Skills training programs and workshops. These programs were initiated after a detailed Training Need Assessment (TNA) exercise.

This technical and soft skills training was provided to officers and executives through out the year including access to core insurance workshops and seminars held in Pakistan and abroad.

We are also encouraging our employees to get worldwide acceptable professional qualification from Chartered Insurance Institute - UK.

In recognition of our efforts we were awarded 2nd Global HR Excellence Awards 2011 by The Global Media Links and Business Milestones. The awards were given to honor and recognize the services who worked extraordinarily in the field of Human Resource Management.

The awards were received by Mr. Saifuddin N. Zoomkawala, (Chairman), in individual category and by Mr. Hasanali Abdullah, (MD/CEO), in corporate and in individual category.

Your company continued to receive the Brands of the Year Award for the 3rd consecutive year awarded by Brands Foundation.

Prospects for 2012

The Company has set its financial targets for 2012 in anticipation of the normal range of risks and opportunities typical for insurance sector however the level of economic activities in the country would be critical factor towards the growth of the company's business in particular and of the insurance industry in general.

Takaful (Islamic Insurance) Operations

Securities & Exchange Commission of Pakistan (SECP) has published Draft Rules for permitting insurance companies also to carry on Takaful (Islamic insurance) business as a Window Operation. Your Company has decided to establish Takaful Division as soon as the Rules are announced by SECP. Your company feels that there is a good market for selling Takaful products.

Reinsurance

Your company continues to enjoy reinsurance arrangements backed by leading reinsurers of the world i.e Swiss Reinsurance Company Switzerland (AA-), SCOR Global P&C France (A), Korean Reinsurance Company South Korea (A-), Asia Capital Reinsurance Group Singapore (A-), Hannover Reinsurance Company Germany (A), Malaysian Reinsurance Behrad Malaysia (A-) and some others.

Related Party Transactions

At each board meeting the Board of Directors approves Company's transactions made with Associated Companies/Related parties. All the transactions executed with related parties are on arm's length basis.

Capital Management and Liquidity

The Company has a policy to maintain a strong capital position. In fact, your Company has the highest paid-up capital in the private sector of the insurance industry.

The Company's liquidity also remained very strong with cash and cash equivalents at the end of 2011 of Rs. 1,758 million as against Rs. 1,707 million at the end of 2010.

Management and Audit Committees

As part of the Corporate Governance, your Company maintains following four committees which meet at least once every quarter:

Audit Committee

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

Underwriting Committee

The underwriting committee formulates the underwriting policy of your insurance company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. The committee regularly reviews the underwriting and premium policies of the insurance company with due regard to relevant factors such as its business portfolio and the market development.

Claims Settlement Committee

This committee devises the claims settling policy of the Company. It oversees the claims position of your Company and ensures that adequate claims reserves are made. Particular attention is paid to significant claims cases or events, which give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims disputes shall be brought to its attention and decide how to deal with such claims disputes. It also oversees the implementation of the measures for combating fraudulent claims cases.

Reinsurance and Coinsurance Committee

This committee ensures that adequate reinsurance arrangements are made for the insurance company's businesses. It peruses the proposed reinsurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance programme for future reference.

Corporate Social Responsibility

Business Ethics and Consumer Protection

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations. Statement of Ethics and business practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Occupational Safety and Health

Fire extinguishers have been installed at various points at working premises of various branches. Further, the Company has a full time Chief Medical Officer at Karachi to take care of employees and their families' health matters and advise on preventive health care.

Scholarship Awards

To encourage academic endeavours within the employees' families, scholarship of Rs. 15,000 per child is awarded to those children of staff who pass matriculation or intermediate examinations with 70% plus marks.

Relationship with other Stakeholders

Your Company tries to maintain good relationship with:

- Its employees by providing good work environment;
- Its clients through building trust and providing quality service;
- The business community through honest and fair dealing;
- The government through promoting free enterprise along with competitive market system and comply with all applicable laws; and
- The society in general through providing safe and healthy workplace and provide employees the opportunity to improve the skills

National-Cause Donations and Welfare spending for under-privileged classes

Your Company, being a responsible corporate citizen donates generously every year. In 2011, the company donated Rs 5.2 million to various charitable organizations including, Memon Health and Education Foundation, Burhani Medical Welfare Association, Shaukat Khanum Memorial Trust, H.O.P.E, The Kidney Centre, Chiniot Anjuman Islamia, Aga Khan Hospital & Medical College Foundation and Sindh Institute of Urology and Transplantation among others.

Contribution to National Exchequer

Your company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company is growing. This year the Company contributed Rs. 2.4 billion to the National Exchequer in the form of Federal Excise Duty, Sales Tax, Custom Duties, Income Tax, etc.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the Extraordinary General Meeting held on July 9, 2011 for a term of three years expiring on July 9, 2014. On July 11, 2011 Mr. Saifuddin N. Zoomkawala was elected as Chairman of the Board of Directors and Mr. Hasanali Abdullah was appointed as the Managing Director and Chief Executive of the Company.

The number of meetings attended by each Director is given hereunder:

Sr. no.	Name of Directors	Number of meetings attended
1	Saifuddin N. Zoomkawala *(Non-Executive Director)*	6 out of 6
2	Hasanali Abdullah *(Executive Director)*	6 out of 6
3	Rafique R. Bhimjee *(Non-Executive Director)*	5 out of 6
4	Sultan Ahmad *(Non-Executive Director)*	3 out of 6
5	Abdul Rehman Haji Habib *(Non-Executive Director)*	6 out of 6
6	Jahangir Siddiqui *(Non-Executive Director)*	2 out of 6
7	Wolfram W. Karnowski *(Non-Executive Director)*	0 out of 3
8	Muneer R. Bhimjee *(Non-Executive Director)*	6 out of 6
9	Taher G. Sachak *(Non-Executive Director)*	6 out of 6

Leave of absence was granted to the Directors who could not attend Board meetings.

Statement of Ethics and Business Practices

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Corporate and Financial Reporting Framework

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

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgements.

d) The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

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

g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

h) The key operating and financial data for the last six years is annexed.

i) The value of investments of provident, gratuity and pension funds based on their audited accounts, as on December 31, 2011 were the following:

Provident Fund	Rs. 360 million
Gratuity Fund	Rs. 214 million
Pension Fund	Rs. 148 million

The value of investments includes accrued interest.

j) Trading of shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children were:

Purchase of shares	No. of shares
Mr. Hasanali Abdullah	54,912

k) The statement of pattern of shareholding in the Company as at 31 December 2011 is included with the Report.

The Board of Directors recommends the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as Auditors of the Company for the year 2012 as suggested by Audit Committee in place of retiring auditors Hyder Bhimji & Co. and KPMG Taseer Hadi & Co. Chartered Accountants as they have completed five years and in accordance with the requirements of Code of Corporate Governance cannot continue.

We would like to thank our valued customers for their continued patronage and support and to Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by officers, field force and staff who had contributed to the growth of the Company and the continued success of its operations.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Key Financial Data

(Rupees in Million)

	2011	2010	2009	2008	2007	2006
Written Premium	12 043	10 232	9 614	9 699	8 961	8 459
Net Premium Revenue	6 224	5 847	5 570	6 137	6 111	5 418
Underwriting Result	693	112	67	371	(177)	365
Investment & Other Income	654	7	1 163	(5 311)	15 012	814
Profit / (Loss) before tax	842	(360)	801	(5 443)	14 457	858
Profit / (Loss) after tax	561	(413)	732	(5 471)	14 536	762
Paid-up Capital	1 250	1 250	1 150	1 150	1 000	500
Shareholders Equity	9 996	9 591	10 464	10 106	16 177	1 791
Breakup Value (Rupees)	79.97	76.73	91.00	87.88	161.77	35.82
Investments & Properties	12 552	11 899	12 886	12 091	18 868	3 964
Cash & Bank Balances	1 758	1 707	1 350	1 304	1 163	1 136
Total Assets Book Value	24 378	24 542	21 939	21 230	27 390	10 628
Dividend %	27.50	12.50	40.00	32.50	60.00	30.00
Bonus %	–	–	8.696	–	15.00	100.00

Vertical Analysis of Financial Statements

	2011		2010	
	Rupees	%	Rupees	%
Balance Sheet				
Cash and Bank Deposits	1 758 119	7.21	1 706 571	6.95
Loans to Employees	3 326	0.01	3 293	0.01
Investments	12 332 678	50.59	11 663 731	47.53
Investment Properties	219 408	0.90	235 703	0.96
Deferred Taxation	–	–	115 012	0.47
Other Assets	9 304 862	38.17	10 108 274	41.19
Fixed Assets	759 645	3.12	709 085	2.89
Total Assets	**24 378 038**	**100.00**	**24 541 669**	**100.00**
Total Equity	9 995 869	41.00	9 591 171	39.08
Underwriting Provisions	11 684 182	47.93	12 707 217	51.78
Deferred Liabilities	103 451	0.43	40 847	0.17
Creditors and Accruals	2 160 518	8.86	1 830 011	7.45
Other Liabilities	434 018	1.78	372 423	1.52
Total Equity and Liabilities	**24 378 038**	**100.00**	**24 541 669**	**100.00**
Profit and Loss Account				
Net Premium Revenue	**6 224 495**	**100.00**	**5 846 591**	**100.00**
Net Claims	3 707 552	59.56	3 941 583	67.42
Change in premium deficiency reserve	57 029	0.92	(2 129)	(0.04)
Manangement Expenses	1 193 858	19.18	1 134 685	19.41
Net Commission	686 766	11.03	656 319	11.23
Investment Income / (Loss)	185 101	2.97	(357 955)	(6.12)
Rental Income	86 846	1.40	83 513	1.43
Profit on deposits	110 924	1.78	87 232	1.49
Other Income	23 017	0.37	38 778	0.66
Share of Profit / (Loss) of Associate	243 918	3.92	151 114	2.58
Exchange Gain / (Loss)	3 921	0.06	4 342	0.07
General and Admnistration Expenses	505 531	8.12	478 662	8.19
Profit / (Loss) before tax	841 544	13.52	(359 763)	(6.15)
Taxation - net	(280 596)	(4.51)	(53 558)	(0.92)
Profit / (Loss) after tax	560 948	9.01	(413 321)	(7.07)

Rupees '000

2009		2008		2007		2006	
Rupees	%	Rupees	%	Rupees	%	Rupees	%
1 349 606	6.15	1 303 684	6.14	1 162 876	4.25	1 135 916	10.69
2 775	0.01	2 880	0.01	3 770	0.01	4 972	0.05
12 643 728	57.63	11 831 998	55.74	18 595 362	67.89	3 675 085	34.57
242 110	1.10	259 084	1.22	272 494	0.99	289 437	2.72
33 657	0.16	74 729	0.35	84 183	0.31	–	–
7 121 599	32.46	7 223 793	34.03	6 846 251	25.00	5 178 566	48.73
545 475	2.49	533 524	2.51	425 039	1.55	344 020	3.24
21 938 950	**100.00**	**21 229 692**	**100.00**	**27 389 975**	**100.00**	**10 627 996**	**100.00**
10 464 492	47.70	10 105 943	47.60	16 177 169	59.06	1 790 860	16.85
9 710 098	44.26	9 541 238	44.95	9 629 743	35.16	7 970 106	74.99
24 379	0.11	42 111	0.20	–	–	27 288	0.26
1 439 213	6.56	1 301 638	6.13	1 429 773	5.22	689 457	6.49
300 768	1.37	238 762	1.12	153 290	0.56	150 285	1.41
21 938 950	**100.00**	**21 229 692**	**100.00**	**27 389 975**	**100.00**	**10 627 996**	**100.00**
5 570 211	**100.00**	**6 136 944**	**100.00**	**6 110 504**	**100.00**	**5 417 952**	**100.00**
3 911 444	70.22	4 369 507	71.20	5 092 241	83.34	4 131 705	76.26
54 900	0.99	(32 308)	(0.53)	32 308	0.53	–	–
1 076 139	19.32	1 001 268	16.32	839 731	13.74	660 423	12.19
461 193	8.28	427 044	6.96	323 156	5.29	260 887	4.82
673 524	12.09	(5 299 619)	(86.36)	14 812 295	242.41	696 466	12.85
86 079	1.55	82 895	1.35	75 562	1.24	70 650	1.30
93 133	1.67	61 163	1.00	48 656	0.80	37 146	0.69
9 068	0.16	10 518	0.17	76 057	1.24	9 299	0.17
295 196	5.30	(188 525)	(3.07)	–	–	–	–
5 935	0.11	22 576	0.37	(99)	(0.00)	307	0.01
428 027	7.68	503 363	8.20	378 244	6.19	321 232	5.93
801 443	14.39	(5 442 922)	(88.69)	14 457 295	236.60	857 573	15.83
(69 144)	(1.24)	(28 304)	(0.46)	79 014	1.29	(95 595)	(1.76)
732 299	13.15	(5 471 226)	(89.15)	14 536 309	237.89	761 978	14.06

Horizontal Analysis of Financial Statements

	2011	2010	2009
Balance Sheet			
Cash and Bank Deposits	1 758 119	1 706 571	1 349 606
Loans to Employees	3 326	3 293	2 775
Investments	12 332 678	11 663 731	12 643 728
Investment Properties	219 408	235 703	242 110
Deferred Taxation	–	115 012	33 657
Other Assets	9 304 862	10 108 274	7 121 599
Fixed Assets	759 645	709 085	545 475
Total Assets	**24 378 038**	**24 541 669**	**21 938 950**
Total Equity	9 995 869	9 591 171	10 464 492
Underwriting Provisions	11 684 182	12 707 217	9 710 098
Deferred Liabilities	103 451	40 847	24 379
Creditors and Accruals	2 160 518	1 830 011	1 439 213
Other Liabilities	434 018	372 423	300 768
Total Equity and Liabilities	**24 378 038**	**24 541 669**	**21 938 950**
Profit and Loss Account			
Net Premium Revenue	**6 224 495**	**5 846 591**	**5 570 211**
Net Claims	3 707 552	3 941 583	3 911 444
Change in premium deficiency reserve	57 029	(2 129)	54 900
Manangement Expenses	1 193 858	1 134 685	1 076 139
Net Commission	686 766	656 319	461 193
Investment Income / (Loss)	185 101	(357 955)	673 524
Rental Income	86 846	83 513	86 079
Profit on Deposits	110 924	87 232	93 133
Other Income	23 017	38 778	9 068
Share of Profit / (Loss) of Associate	243 918	151 114	295 196
Exchange Gain / (Loss)	3 921	4 342	5 935
General and Admnistration Expenses	505 531	478 662	428 027
Profit / (Loss) before tax	841 544	(359 763)	801 443
Taxation - net	(280 596)	(53 558)	(69 144)
Profit / (Loss) after tax	560 948	(413 321)	732 299

			Rupees '000		% Increase / (decrease) over preceeding year			
	2008	2007	2006	2011	2010	2009	2008	2007
	1 303 684	1 162 876	1 135 916	3.02	26.45	3.52	12.11	2.37
	2 880	3 770	4 972	1.00	18.67	(3.65)	(23.61)	(24.18)
	11 831 998	18 595 362	3 675 085	5.74	(7.75)	6.86	(36.37)	405.98
	259 084	272 494	289 437	(6.91)	(2.65)	(6.55)	(4.92)	(5.85)
	74 729	84 183	–	(100.00)	241.72	(54.96)	(11.23)	–
	7 223 793	6 846 251	5 178 566	(7.95)	41.94	(1.41)	5.51	32.20
	533 524	425 039	344 020	7.13	29.99	2.24	25.52	23.55
	21 229 692	**27 389 975**	**10 627 996**	**(0.67)**	**11.86**	**3.34**	**(22.49)**	**157.72**
	10 105 943	16 177 169	1 790 860	4.22	(8.35)	3.55	(37.53)	803.32
	9 541 238	9 629 743	7 970 106	(8.05)	30.87	1.77	(0.92)	20.82
	42 111	–	27 288	153.26	67.55	(42.11)	–	(100.00)
	1 301 638	1 429 773	689 457	18.06	27.15	10.57	(8.96)	107.38
	238 762	153 290	150 285	16.54	23.82	25.97	55.76	2.00
	21 229 692	**27 389 975**	**10 627 996**	**(0.67)**	**11.86**	**3.34**	**(22.49)**	**157.72**
	6 136 944	**6 110 504**	**5 417 952**	**6.46**	**4.96**	**(9.23)**	**0.43**	**12.78**
	4 369 507	5 092 241	4 131 705	(5.94)	0.77	(10.48)	(14.19)	23.25
	(32 308)	32 308	–	2 778.68	(103.88)	269.93	(200.00)	–
	1 001 268	839 731	660 423	5.21	5.44	7.48	19.24	27.15
	427 044	323 156	260 887	4.64	42.31	8.00	32.15	23.87
	(5 299 619)	14 812 295	696 466	151.71	(153.15)	112.71	(135.78)	2 026.78
	82 895	75 562	70 650	3.99	(2.98)	3.84	9.70	6.95
	61 163	48 656	37 146	27.16	(6.34)	52.27	25.70	30.99
	10 518	76 057	9 299	(40.64)	327.64	(13.79)	(86.17)	717.91
	(188 525)	–	–	61.41	(48.81)	256.58	–	–
	22 576	(99)	307	(9.70)	(26.84)	(73.71)	22 904.04	(132.25)
	503 363	378 244	321 232	5.61	11.83	(14.97)	33.08	17.75
	(5 442 922)	14 457 295	857 573	333.92	(144.89)	114.72	(137.65)	1 585.84
	(28 304)	79 014	(95 595)	(423.91)	22.54	(144.29)	(135.82)	182.65
	(5 471 226)	14 536 309	761 978	235.72	(156.44)	113.38	(137.64)	1 907.71

Cash Flow Summary and Ratio Analysis

Rupees '000

Cash Flow Summary		**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Operating Activities		434 353	140 124	204 961	(507 154)	252 082	609 277
Investing Activities		(230 740)	665 075	212 343	1 228 271	(77 962)	(578 396)
Financing Activities		(152 064)	(448 234)	(371 382)	(580 309)	(147 160)	(87 871)
Cash and Cash Equivalents at year end		1 758 119	1 706 571	1 349 606	1 303 684	1 162 876	1 135 916
Ratios							
Return on Assets	%	2.30	(1.68)	3.34	(25.77)	53.07	7.17
Return on Equity	%	5.61	(4.31)	7.00	(54.14)	89.86	42.55
Return on Capital Employed	%	8.42	(3.75)	7.66	(53.86)	89.37	807.28
Earnings Per Share	Rs.	4.49	(3.31)	5.86	(43.77)	116.29	6.10
Price to Earnings Ratio	Times	8.50	(13.32)	16.66	(3.04)	3.52	36.42
Cash Dividend	%	27.50	12.50	40.00	32.50	60.00	30.00
Bonus	%	Nil	Nil	8.70	Nil	15.00	100.00
Dividend Yield	%	7.21	2.84	4.10	2.44	1.47	1.35
Payout Ratio	%	61.28	(37.76)	68.28	(7.43)	5.16	49.21
Breakup Value	Rs.	79.97	76.73	91.00	87.88	161.77	35.82
Market Price per share at the end of the year	Rs.	38.15	44.04	97.60	133.01	409.40	222.00
Market Price per share - Highest during the year	Rs.	45.00	102.85	144.75	816.90	445.00	289.00
Market Price per share - Lowest during the year	Rs.	29.01	34.76	60.83	133.01	138.75	135.00

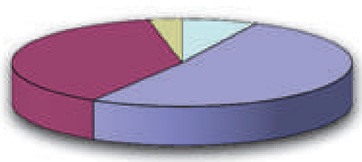
Statement of Value Added

Rupees '000

	2011	2010
Wealth generated		
Net premium revenue	6 224 495	5 846 591
Investment income / (loss)	429 019	(206 841)
Rental income	86 846	83 513
Profit on deposit	110 924	87 232
Other income	26 938	43 120
	6 878 222	5 853 615
Less: claims, commission & expenses (excluding employees remuneration, depreciation and donations)	(4 810 151)	(5 056 134)
Net wealth generated	2 068 071	797 481
Wealth distribution		
Employees remuneration	1 036 069	996 812
Taxation	297 427	53 558
Contribution to society / donations	5 161	5 937
Distribution		
Dividend	343 750	156 250
Retained in / (used from) business		
Depreciation	168 466	154 495
Retained earnings	217 198	(569 571)
	385 664	(415 076)
	2 068 071	797 481

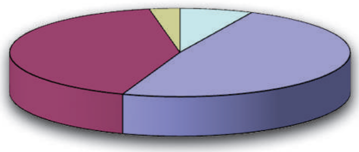
Analysis of Financial Statements

Assets - 2011



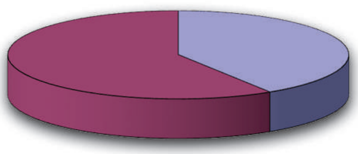
Cash and Bank Deposits	7%
Investment and Property	52%
Other Assets including Reinsurance Recoveries	38%
Fixed Assets	3%

Assets - 2010



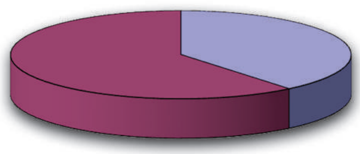
Cash and Bank Deposits	7%
Investment and Property	48%
Other Assets including Reinsurance Recoveries	42%
Fixed Assets	3%

Equity and Liabilities - 2011



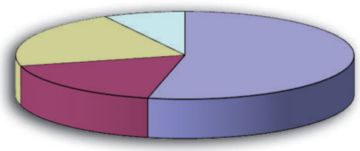
Equity	41%
Liabilities	59%

Equity and Liabilities - 2010



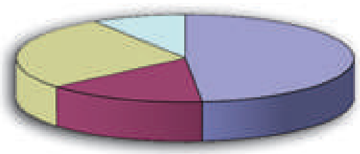
Equity	39%
Liabilities	61%

Gross
Premium - 2011



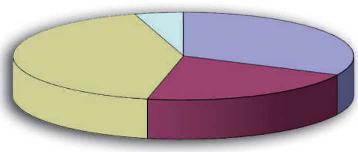
Fire and Property	53%
Marine, Aviation and Transport	18%
Motor	21%
Others	8%

Gross
Premium - 2010



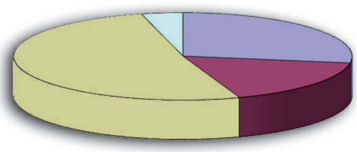
Fire and Property	49%
Marine, Aviation and Transport	15%
Motor	27%
Others	9%

Net Premium
Revenue - 2011



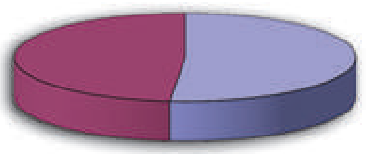
Fire and Property	32%
Marine, Aviation and Transport	21%
Motor	42%
Others	5%

Net Premium
Revenue - 2010



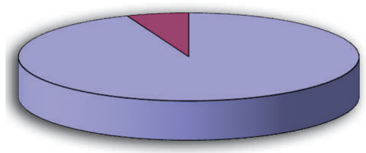
Fire and Property	28%
Marine, Aviation and Transport	17%
Motor	51%
Others	4%

Analysis of
Income - 2011



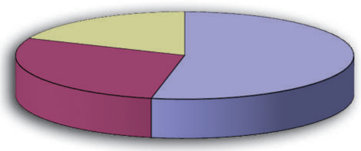
Underwriting Profit	51%
Investment and Other Income	49%

Analysis of
Income - 2010



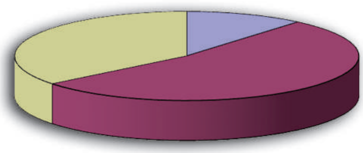
Underwriting Profit	94%
Investment and Other Income	6%

Cash Flow
Analysis - 2011



Operating Activities	53%
Investing Activities	28%
Financing Activities	19%

Cash Flow
Analysis - 2010



Operating Activities	11%
Investing Activities	53%
Financing Activities	36%

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of non-executive Directors on its Board. At present the Board includes seven non-executive Directors. The number of Directors on the Board was reduced from nine (9) to eight (8) and accordingly all eight (8) were elected on July 9, 2011.

   The following changes occurred on the Board of the Company:

   i. Mr. Saifuddin N. Zoomkawala completed his term as Managing Director / Chief Executive in July 2011 and was elected as Chairman.

   ii. Mr. Hasanali Abdullah was appointed as Managing Director / Chief Executive of the Company in July 2011.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment and determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management of the Company has submitted a paper to the Board of Directors on 27 August 2011 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. During the year a new Head of Internal Audit Deptt. was appointed to replace the previous Head of Internal Audit Deptt. while there was no new appointment of CFO and or Company Secretary. The Board had approved the remuneration and terms and condition of the Head of Internal Audit Deptt. on the recommendation of Audit Committee.
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 financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three non-executive Directors including the Chairman of the Committee.
16. The meeting of underwriting, claims settlement, reinsurance and coinsurance committees were held at least once every quarter, while two meetings of Investment Committee were held during the year.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Company has an effective team for internal audit. The team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on full time basis.
19. 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.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of EFU General Insurance Limited ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

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

Further sub-regulation (xiii a) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. 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 alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

KPMG TASEER HADI & CO.
Chartered Accountants

HYDER BHIMJI & CO.
Chartered Accountants

Karachi 10 March 2012

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of EFU General Insurance 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's affairs as at 31 December 2011 and of its 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KPMG TASEER HADI & CO.
Chartered Accountants
Muhammad Taufiq

HYDER BHIMJI & CO.
Chartered Accountants
Hyder Ali Bhimji

Karachi 10 March 2012

Balance Sheet

as at 31 December 2011

	Note	2011	2010
Share capital and reserves			
Authorised capital			
150 000 000 (2010: 150 000 000) ordinary shares of Rs. 10 each		1 500 000	1 500 000
Issued, subscribed and paid-up share capital	4	1 250 000	1 250 000
Reserves and retained earnings	5	8 745 869	8 341 171
		9 995 869	9 591 171
Underwriting provisions			
Provision for outstanding claims (including IBNR)		6 303 174	7 950 208
Provision for unearned premium		5 147 264	4 537 413
Premium deficiency reserve		–	57 029
Commission income unearned		233 744	162 567
Total underwriting provisions		11 684 182	12 707 217
Deferred liabilities			
Staff retirement benefits	6	44 805	40 847
Deferred taxation	7	58 646	–
		103 451	40 847
Creditors and accruals			
Premiums received in advance		5 475	10 310
Amounts due to other insurers / reinsurers		1 355 014	1 131 657
Accrued expenses		163 413	156 505
Agent balances		425 252	387 485
Unearned rentals		49 417	42 912
Other creditors and accruals	8	161 947	101 142
		2 160 518	1 830 011
Other liabilities			
Other deposits		377 536	320 126
Unclaimed dividends		56 482	52 297
		434 018	372 423
Total liabilities		14 382 169	14 950 498
Total equity and liabilities		24 378 038	24 541 669
Contingencies	9		

Rupees '000

	Note	2011	2010
Cash and bank deposits			
Cash and other equivalents	10	3 974	2 396
Current and other accounts	11	806 822	870 872
Deposits maturing within 12 months		947 323	833 303
		1 758 119	1 706 571
Loans - secured considered good			
To employees		3 326	3 293
Investments	12	12 332 678	11 663 731
Investment properties	13	219 408	235 703
Deferred taxation	7	–	115 012
Other assets			
Premiums due but unpaid - net	14	2 098 992	1 937 676
Amounts due from other insurers / reinsurers		55 716	150 143
Salvage recoveries accrued		11 321	19 703
Accrued investment income	15	36 691	31 296
Reinsurance recoveries against outstanding claims		4 043 075	5 626 075
Taxation - payments less provision		76 027	105 125
Deferred commission expense		489 131	432 111
Prepayments	16	2 456 531	1 754 648
Security deposits		4 164	5 243
Other receivables	17	33 214	46 254
		9 304 862	10 108 274
Fixed assets - tangible and intangible	18		
Land and buildings		249 180	214 528
Furniture, fixtures and office equipments		355 949	215 966
Vehicles		121 052	131 785
Computer softwares		22 241	42 948
Capital work-in-progress	18.3	11 223	103 858
		759 645	709 085
Total assets		24 378 038	24 541 669

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Profit and Loss Account

for the year ended 31 December 2011

Rupees '000

	Note	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate 2011	Aggregate 2010
Revenue account								
Net premium revenue	19	2 000 364	1 323 523	2 611 631	288 960	17	6 224 495	5 846 591
Net claims		(1 094 910)	(812 577)	(1 695 331)	(105 638)	904	(3 707 552)	(3 941 583)
Change in premium deficiency reserve		57 029	–	–	–	–	57 029	(2 129)
Management expenses	20	(351 032)	(232 257)	(552 319)	(58 250)	–	(1 193 858)	(1 134 685)
Net commission		(347 500)	(210 920)	(191 136)	62 792	(2)	(686 766)	(656 319)
Underwriting result		263 951	67 769	172 845	187 864	919	693 348	111 875
Investment income / (loss)							185 101	(357 955)
Rental income							86 846	83 513
Profit on deposits							110 924	87 232
Other income	21						23 017	38 778
Share of profit of an associate	12.1.2						243 918	151 114
Exchange gain							3 921	4 342
General and administration expenses	22						(505 531)	(478 662)
							148 196	(471 638)
Profit / (loss) before tax							841 544	(359 763)
Provision for taxation	23						(280 596)	(53 558)
Profit / (loss) after tax							560 948	(413 321)
Profit and loss appropriation account								
Balance at commencement of the year							(321 731)	801 590
Profit / (loss) after tax for the year							560 948	(413 321)
							239 217	388 269
Dividend 2010 @ 12.5 % (2009 @ 40 %)							(156 250)	(460 000)
Issue of bonus shares							–	(100 000)
Transfer from / (to) general reserve							500 000	(150 000)
							343 750	(710 000)
Balance unappropriated profit / (loss) at end of the year							582 967	(321 731)
Earnings / (loss) per share - basic and diluted	24				(Rupees)		4.49	(3.31)

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Statement of Comprehensive Income
for the year ended 31 December 2011

Rupees '000

	2011	2010
Profit / (loss) for the year	560 948	(413 321)
Other comprehensive income	–	–
Total comprehensive income / (loss) for the year	560 948	(413 321)

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Statement of Changes in Equity

for the year ended 31 December 2011

Rupees '000

	Share capital	General reserve	Reserve for exceptional losses	Unappropriated profit / (loss)	Total
Balance as at 1 January 2010	1 150 000	8 500 000	12 902	801 590	10 464 492
Total comprehensive income for the year ended 31 December 2010					
Loss for the year				(413 321)	(413 321)
Transactions with owners, recorded directly in equity					
Dividend for the year ended 31 December 2009 @ 40%				(460 000)	(460 000)
Issue of bonus shares	100 000			(100 000)	–
Transfer to general reserve in respect of 2009 and approved in 2010		150 000		(150 000)	–
Balance as at 31 December 2010	1 250 000	8 650 000	12 902	(321 731)	9 591 171
Balance as at 1 January 2011	1 250 000	8 650 000	12 902	(321 731)	9 591 171
Total comprehensive income for the year ended 31 December 2011					
Profit for the year				560 948	560 948
Transactions with owners, recorded directly in equity					
Dividend for the year ended 31 December 2010 @ 12.5%				(156 250)	(156 250)
Transfer from general reserve in respect of 2010 and approved in 2011		(500 000)		500 000	–
Balance as at 31 December 2011	1 250 000	8 150 000	12 902	582 967	9 995 869

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Statement of Cash Flows

for the year ended 31 December 2011

Rupees '000

	2011	2010
Operating activities		
a) Underwriting activities		
Premiums received	11 881 334	10 084 393
Reinsurance premiums paid	(5 690 157)	(3 973 983)
Claims paid	(6 456 603)	(5 733 528)
Reinsurance and other recoveries received	2 779 461	1 827 872
Commissions paid	(1 126 176)	(967 562)
Commissions received	491 334	329 045
Management expenses paid	(1 103 887)	(1 043 580)
Net cash inflow from underwriting activities	775 306	522 657
b) Other operating activities		
Income tax paid	(77 839)	(40 658)
Other operating payments	(380 383)	(395 470)
Other operating receipts	117 301	54 113
Loans advanced	(711)	(1 380)
Loan repayments received	678	862
Net cash flow used in other operating activities	(340 954)	(382 533)
Total cash inflow from all operating activities	434 352	140 124
Investment activities		
Profit / return received	173 529	153 591
Dividends received	368 863	321 144
Rentals received	93 351	78 282
Payments for investments	(2 394 662)	(600 778)
Proceeds from disposal of investments	1 725 615	1 010 092
Fixed capital expenditure	(217 010)	(319 966)
Proceeds from disposal of fixed assets	19 574	22 710
Total cash (outflow) / inflow from investing activities	(230 740)	665 075
Financing activities		
Dividends paid	(152 064)	(448 234)
Net cash inflow from all activities	51 548	356 965
Cash at the beginning of the year	1 706 571	1 349 606
Cash at the end of the year	1 758 119	1 706 571
Reconciliation to profit and loss account		
Operating cash flows	434 352	140 124
Depreciation expense	(168 466)	(154 495)
Rental and investment income / (loss)	271 947	(274 442)
Profit on deposits	110 924	87 232
Other Income	23 017	38 778
Share of profit of an associate	243 918	151 114
(Decrease) / increase in assets other than cash	(992 409)	3 067 871
Increase / (decrease) in liabilities other than running finance	637 665	(3 469 503)
Profit / (loss) after taxation	560 948	(413 321)
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	3 974	2 396
Current and other accounts	806 822	870 872
Deposits maturing within 12 months	947 323	833 303
	1 758 119	1 706 571

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Statement of Premiums

for the year ended 31 December 2011

Rupees '000

Class	Premiums: Written	Premiums: Unearned premium reserve Opening	Premiums: Unearned premium reserve Closing	Premiums: Earned	Reinsurance: Reinsurance ceded	Reinsurance: Prepaid reinsurance premium ceded Opening	Reinsurance: Prepaid reinsurance premium ceded Closing	Reinsurance: Reinsurance expense	Net premium revenue 2011	Net premium revenue 2010
Direct and facultative										
Fire and property damage	6 444 985	2 441 474	3 053 185	5 833 274	4 476 795	1 245 206	1 889 091	3 832 910	2 000 364	1 608 846
Marine, aviation and transport	2 111 208	384 018	490 635	2 004 591	763 267	174 940	257 139	681 068	1 323 523	999 111
Motor	2 539 407	1 264 942	1 180 811	2 623 538	11 984	85	162	11 907	2 611 631	3 006 534
Miscellaneous	947 050	446 979	422 633	971 396	661 468	315 047	294 079	682 436	288 960	234 248
Total	12 042 650	4 537 413	5 147 264	11 432 799	5 913 514	1 735 278	2 440 471	5 208 321	6 224 478	5 848 739
Treaty - proportional	17	–	–	17	–	–	–	–	17	(2 148)
Grand Total	12 042 667	4 537 413	5 147 264	11 432 816	5 913 514	1 735 278	2 440 471	5 208 321	6 224 495	5 846 591

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 10 March 2012

Statement of Claims

for the year ended 31 December 2011

Rupees '000

Class	Claims: Paid	Claims: Outstanding Opening	Claims: Outstanding Closing	Claims expense	Reinsurance: Reinsurance and other recoveries received	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance: Reinsurance and other recoveries revenue	Net claims expense 2011	Net claims expense 2010
Direct and facultative										
Fire and property damage	2 955 950	4 888 635	3 614 205	1 681 520	1 811 822	4 001 319	2 776 107	586 610	1 094 910	1 340 680
Marine, aviation and transport	1 333 354	1 676 375	1 417 303	1 074 282	604 695	1 312 563	969 573	261 705	812 577	567 545
Motor	1 782 488	1 003 088	914 796	1 694 196	319	6 099	4 645	(1 135)	1 695 331	1 896 797
Miscellaneous	384 811	378 514	354 356	360 653	268 359	306 094	292 750	255 015	105 638	141 649
Total	6 456 603	7 946 612	6 300 660	4 810 651	2 685 195	5 626 075	4 043 075	1 102 195	3 708 456	3 946 671
Treaty - proportional	178	3 596	2 514	(904)	–	–	–	–	(904)	(5 088)
Grand Total	6 456 781	7 950 208	6 303 174	4 809 747	2 685 195	5 626 075	4 043 075	1 102 195	3 707 552	3 941 583

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Statement of Expenses

for the year ended 31 December 2011

Rupees '000

Class	Commission: Paid or payable	Commission: Deferred Opening	Commission: Deferred Closing	Commission: Net expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense 2011	Net underwriting expense 2010
Direct and facultative									
Fire and property damage	632 784	246 332	311 329	567 787	351 032	918 819	220 287	698 532	604 894
Marine, aviation and transport	252 803	42 731	45 680	249 854	232 257	482 111	38 934	443 177	336 549
Motor	196 521	86 659	91 970	191 210	552 319	743 529	74	743 455	846 777
Miscellaneous	81 833	56 389	40 152	98 070	58 250	156 320	160 862	(4 542)	3 218
Total	1 163 941	432 111	489 131	1 106 921	1 193 858	2 300 779	420 157	1 880 622	1 791 438
Treaty - proportional	2	–	–	2	–	2	–	2	(434)
Grand Total	1 163 943	432 111	489 131	1 106 923	1 193 858	2 300 781	420 157	1 880 624	1 791 004

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

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 10 March 2012

Statement of Investment Income

for the year ended 31 December 2011

Rupees '000

	2011	2010
Income from non-trading investments		
Return on government securities	18 534	14 485
Return on other fixed income securities and deposits	42 620	34 031
Amortisation of premium relative to par	(3 296)	(4 087)
Dividend income	193 120	149 730
Gain on sale of non-trading investments	115 401	27 231
	366 379	221 390
Provision for impairment - available for sale - net	(180 566)	(577 860)
Investment related expenses	(712)	(1 485)
Net investment income / (loss)	185 101	(357 955)

The annexed notes 1 to 31 form an integral part of these financial statements.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

1. Status and nature of business

EFU General Insurance Limited (the Company) was incorporated as a public limited company on 2 September 1932. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in non-life insurance business comprising of fire & property, marine, motor, etc.

The registered office of the Company is situated in Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Company operates through 54 (2010: 56) branches in Pakistan including one each in Export Processing Zone (EPZ) and Jeddah, Saudi Arabia.

2. Basis of preparation

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 comprises 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.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except held for trading investments which have been measured at fair value and obligation under certain employee retirement benefits which are measured at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

2.4 Use of judgments and estimates

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

The 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 results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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

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:

- Provision for unearned premiums (note 3.3)
- Premium deficiency reserve (note 3.4)
- Provision for outstanding claims (including IBNR) (note 3.6)
- Employees' retirement benefits (note 3.10)
- Taxation (note 3.11)

– Impairment in value of investments	(note 3.13)
– Useful lives of fixed assets	(note 3.16)
– Premium due but unpaid	(note 3.21 & 14)

2.5 Standards, amendments and interpretations to the published standards that are not yet effective

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

- Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments may impact the financial statements of the Company which has not yet been determined.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments may impact the financial statements of the Company which has not yet been determined.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Disclosures - Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments may impact the financial statements of the Company which has not yet been determined.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments may affect the disclosures in the financial statements of the Company.

– IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3. Summary of significant accounting policies

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

3.1 Insurance contracts

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

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

The Company underwrites non-life insurance contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Motor, Miscellaneous and Treaty contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and Property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, bonds, workers compensation etc. are included under Miscellaneous.

3.2 Premium

For all the insurance contracts, premiums including administrative surcharge received/ receivable under a policy are recognised as written at the time of issuance of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognised as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.3 Provision for unearned premiums

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge which relates to business in force at the balance sheet date. Unearned premiums have been calculated by applying 1/24th method as specified in the SEC (Insurance) Rules, 2002.

3.4 Premium deficiency reserve (liability adequacy test)

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class is performed by actuary. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated by reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognised as an expense or income in the profit and loss account for the year.

The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

– Fire and property damage	55%
– Marine, aviation and transport	57%
– Motor	65%
– Others	48%

3.5 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

3.6 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

3.6.1 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.6.2 Claims incurred but not reported

The provision for claims incurred but not reported at balance sheet date (IBNR) is based on an analysis of the past claims reporting pattern experienced by the Company. The provision for IBNR has been accounted for on the basis whereby all claims incurred before 31 December 2010 but reported up to 31 December 2011 were aggregated and the ratio of such claims to outstanding claims at 31 December 2010 has been applied to outstanding claims except exceptional losses at 31 December 2011 to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

3.7 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance premium is recognised as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognised in accordance with the policy of recognising premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognised at the same time when reinsurance premiums are recognised as an expense.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

An impairment review of reinsurance assets is performed at each balance sheet date. If there is an objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

3.8 Commission

3.8.1 Commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.8.2 Commission income

Commission from reinsurers is deferred and recognised as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognised when the Company's right to receive the same is established.

3.9 Revenue recognition

3.9.1 Premium

The revenue recognition policy for premiums is given under note 3.2.

3.9.2 Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognised using effective interest rate method.

Profit or loss on sale of investments is recognised at the time of sale.

Dividend income is recognised when right to receive such dividend is established.

3.9.3 Rental income

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

3.9.4 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.8.

3.10 Employees' retirement benefits

3.10.1 Defined benefit plans

The Company operates the following employee defined benefit plans:

- Funded gratuity scheme

  The Company operates an approved gratuity fund for all employees who complete qualifying period of service.

- Funded pension scheme

  Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly. The latest actuarial valuation, at 31 December 2011, uses a discount rate of 13% (2010: 14.25%) for defined benefit obligation and plan assets. Basic salary and pension increases to average 10.75% and 4.50% (2010: 12% and 5.75%) respectively per annum in the long term.

Actuarial gains and losses are recognised in profit and loss account in the year in which they arise.

3.10.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

3.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.

3.11.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

3.11.2 Deferred

Deferred tax is recognised using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.12 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 recognised when the Company has a legal or constructive obligation as a result of a 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. However, the provisions are reviewed at balance sheet date and adjusted to reflect current best estimates.

3.13 Investments

All investments are initially recognised at the fair value of the consideration given and include transaction costs except for held for trading in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

3.13.1 Fair value through profit or loss - held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognised directly in the profit and loss account. 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 period in which it arises.

Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established.

3.13.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. After initial recognition, these are stated at lower of cost or market value (if the fall in market value is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

A fall in market value is treated as other than temporary if there is a significant or prolonged decline in fair value of security below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share prices.

In case of fixed income securities where the cost is different from the redemption value, such difference is amortised uniformly between the date of acquisition and the date of maturity in determining “cost”.

3.13.3 Investment in associates

Entities in which the Company has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting.

Under equity method of accounting, the investments are initially recognised at cost; thereafter its carrying amount is increased or decreased for the Company's share of post acquisition changes in the net assets of the associate and dividend distributions. Goodwill relating to an associate is included in carrying amount of the investment and is not amortised. The Company's share of the profit and loss of the associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates' profit and loss account are recognised directly in the other comprehensive income of the Company.

After application of equity method, the carrying amount of investment in associate is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit and loss account.

3.13.4 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently remeasured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the profit and loss account.

3.14 Investment properties

The investment properties are accounted for under the cost model in accordance with International Accounting Standard (IAS) 40, Investment Property, where;

– Leasehold land is stated at cost.

– Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life at the rate of 5%.

– Installations forming a part of building on leasehold land but having separate useful lives are depreciated to their estimated salvage values on straight line basis over their useful lives at the rate of 10%.

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

3.15 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognised when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

3.16 Fixed assets

3.16.1 Tangibles

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis using the following rates:

– Buildings	5%
– Furniture, fixtures and office equipments	10%
– Vehicles	20%
– Computers	30%

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed assets is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is possible that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of fixed assets are included in profit & loss account currently.

3.16.2 Intangibles

Material computer software licenses acquired are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortisation on additions to intangibles is charged from the month in which an asset is available for use, while no amortisation is charged for the month in which the asset is disposed off.

Cost associated with maintaining computer software programmes are recognised as an expense when incurred.

The assets' residual values, useful lives and method for amortisation are reviewed at each financial year end and adjusted if impact on amortisation is significant.

3.16.3 Capital work in progress

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

3.17 Expenses of management

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

3.18 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.19 Cash and cash equivalents

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

3.20 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Exchange gains or losses, if any, are taken into profit and loss account.

3.21 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 there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognised as income or expense.

3.22 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company looses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities are taken to income directly.

3.23 Offsetting of financial assets and financial liabilities

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

3.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 all dilutive potential ordinary shares.

3.25 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

The Company has four primary business segments for reporting purposes namely, fire & property, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.1.

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

3.26 Dividend and bonus shares

Dividend to shareholders is recognised as liability in the period in which it is approved. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is approved.

4. Issued, subscribed and paid-up share capital

Number of Shares '000			Rupees '000	
2011	2010		2011	2010
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
		Ordinary shares of Rs. 10 each, issued as fully paid bonus shares		
124 750	114 750	- Opening balance	1 247 500	1 147 500
–	10 000	- Issued during the year	–	100 000
124 750	124 750		1 247 500	1 247 500
125 000	125 000		1 250 000	1 250 000

4.1 As at 31 December 2011, EFU Life Assurance Limited, an associated undertaking, held 8 515 316 (31 December 2010: 8 515 316) ordinary shares of Rs.10 each.

5. Reserves and retained earnings

Rupees '000

	Note	2011	2010
General reserve		8 150 000	8 650 000
Reserve for exceptional losses	5.1	12 902	12 902
Retained earnings		582 967	(321 731)
		8 745 869	8 341 171

5.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

6. Staff retirement benefits

Rupees '000

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
Obligation				
Obligation at beginning of the year	154 301	220 958	144 769	209 772
Service cost	1 422	11 985	1 291	11 848
Interest cost	21 307	29 473	17 971	24 970
Benefits paid	(9 888)	(29 240)	(7 876)	(28 720)
Change in assumptions	–	–	(5 776)	2 802
Actuarial (gain) / loss	(561)	7 154	3 922	286
Obligation at end of the year	166 581	240 330	154 301	220 958
Plan assets				
Fair value at beginning of the year	145 542	188 870	150 002	185 393
Expected return	19 819	26 159	19 730	23 097
Company contributions	333	32 088	345	24 379
Employee contributions	1 327	–	1 381	–
Benefits paid	(9 888)	(29 240)	(7 876)	(28 720)
Actuarial loss	(7 619)	(5 285)	(18 040)	(15 279)
Fair value at end of the year	149 514	212 592	145 542	188 870
Actual return on plan assets	12 200	20 874	1 690	7 818
Reconciliation				
Plan assets	149 514	212 592	145 542	188 870
Obligation	(166 581)	(240 330)	(154 301)	(220 958)
Liability	(17 067)	(27 738)	(8 759)	(32 088)
Expenses				
Service cost	1 422	11 985	1 291	11 848
Interest cost	21 307	29 473	17 971	24 970
Expected return on plan assets	(19 819)	(26 159)	(19 730)	(23 097)
Net loss	7 058	12 439	16 186	18 367
Employee contributions	(1 327)	–	(1 381)	–
Expense	8 641	27 738	14 337	32 088
(Liability) / asset				
Balance at beginning of the year	(8 759)	(32 088)	5 233	(24 379)
Expense	(8 641)	(27 738)	(14 337)	(32 088)
Company contributions	333	32 088	345	24 379
Balance at end of the year	(17 067)	(27 738)	(8 759)	(32 088)

Rupees '000

Fund Investments	Pension 2011		Pension 2010		Gratuity 2011		Gratuity 2010	
Debt	62%	92 394	55%	80 035	79%	169 351	70%	132 550
Equity	37%	55 796	44%	63 430	20%	41 894	24%	44 901
Cash	1%	1 324	1%	2 077	1%	1 347	6%	11 419
	100%	149 514	100%	145 542	100%	212 592	100%	188 870

The expected charge to pension and gratuity fund for the year 2012 amounts to Rs. 22 million. The Company recognises its gains and losses in the year in which they arise. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion resulting from experience gain during the year.

	Rupees '000				
Year	Obligation	Plan assets	(Deficit) / surplus	Loss / (gain) on obligation	(Loss) / gain on plan assets
2011	406 911	362 106	(44 805)	2%	(4%)
2010	375 259	334 412	(40 847)	1%	(10%)
2009	354 541	335 395	(19 146)	(9%)	(5%)
2008	340 400	311 075	(29 325)	(11%)	(37%)
2007	345 705	399 678	53 973	7%	27%

Rupees '000

	2011	2010
7. Deferred taxation		
Deferred tax (liability) / assets arising in respect of:		
– accelerated tax depreciation	(51 800)	(32 000)
– unutilised tax losses carried forward	4 173	151 525
– share of profit from associate	(11 019)	(4 513)
	(58 646)	115 012
8. Other creditors and accruals		
Federal insurance fee payable	4 837	6 744
Federal excise duty payable	88 550	86 522
Workers' welfare fund payable	16 831	–
Sundry creditors	51 729	7 876
	161 947	101 142

9. Contingencies

The income tax assessments of the Company have been finalised upto and including Tax Year 2007 (Financial year ending 31 December 2006), Tax year 2009 (Financial year ended 31 December 2008), Tax year 2010 (Financial year ended 31 December 2009) and Tax year 2011 (Financial year ended 31 December 2010).

For the Tax year 2008 the Additional Commissioner Audit Division II, Karachi had issued notice under section 122(9) of the Ordinance for passing an amended order on certain issues. However, company has filed a writ petition before the Honourable High Court of Sindh challenging the validity of the notice.

The Company has filed appeal for the Tax year 2009 and 2010 with Commissioner of Income Tax (appeals) in respect of disallowances for management expenses, provision for IBNR and proration of expenses. There could arise a contingent tax liability of Rs. 109 million if the matters are decided against the Company.

The Company has filed appeals with Income Tax Appellate Tribunal (ITAT) in respect of assessment years 1999-2000 and 2000-01 in respect of disallowance of management expenses, provision for gratuity and bonus. There could arise a contingent tax liability of Rs. 13 million if the matters are decided against the Company.

The department has filed an appeal for the Tax years 2005 to 2007 before Honourable Supreme Court against the decision of the Honourable High Court and there could arise a contingent tax liability of Rs. 37 million if the matters are decided against the Company.

No provision has been made in these financial statements for the above contingency as the management, based on tax adviser's opinion, is confident that the decision in this respect will be received in the favour of the Company.

Rupees '000

	2011	2010
10. Cash and other equivalents		
Cash in hand	3	–
Policy stamps in hand	3 971	2 396
	3 974	2 396
11. Current and other accounts		
Current accounts	137 776	306 314
Saving accounts	669 046	564 558
	806 822	870 872

11.1 The balances in saving accounts carry mark-up at the rates ranging from 5% to 12% per annum (2010: 5% to 11% per annum).

Rupees '000

	Note	2011	2010
12. Investments			
Investment in associate	12.1	8 795 997	8 693 131
Available for sale	12.2	3 536 681	2 970 600
		12 332 678	11 663 731
12.1 Investment in associate			
Carrying amount	12.1.2	10 782 997	10 680 131
Provision for impairment		(1 987 000)	(1 987 000)
		8 795 997	8 693 131

12.1.1 Investment in associate comprises of investment in 35 918 640 (2010: 35 364 915) ordinary shares of EFU Life Assurance Limited. Market value of investment and the percentage of holding as at 31 December 2011 is Rs. 2 687 million and 42.26% (2010: Rs. 2 668 million and 41.61%) respectively.

Rupees '000

12.1.2 Movement of investment in associate	2011	2010
Opening balance	10 680 131	10 690 884
Purchases during the year	37 802	9 301
Share in profit of associate	243 918	151 114
Dividend received	(178 854)	(171 168)
Closing balance	10 782 997	10 680 131

12.1.3 Summarised financial information in respect of associate based on its financial statement as at 31 December 2011 (2010: 31 December 2010) is set out below:

Rupees '000

	2011	2010
Total assets	1 771 113	1 620 689
Total liabilities	(38 473)	(41 414)
Net assets	1 732 640	1 579 275
Profit after tax	578 365	363 235
Company's share of net assets of its associate	732 214	657 070

12.1.4 The carrying amount of the investment in EFU Life Assurance Limited was tested for impairment based on value in use, in accordance with IAS 36 - Impairment of Assets. The value in use calculations were carried out by an independent actuary and are based on cash flow projections, based on the budget and forecasts approved by the management up to ten years. These are then extrapolated till perpetuity using a steady long term expected growth rate of insurance business of 15% (2010: 15%) and value in use is determined by discounting cash flows using a discount rate of 18.5%. (2010: 19.5%).

Rupees '000

12.2 Available for sale	Note	2011	2010
In related parties			
Equity securities	12.2.1	2 150 237	2 542 816
Provision for impairment – net of reversals	12.2.2	(2 029 676)	(2 024 420)
		120 561	518 396
Fixed income securities	12.2.3	30 451	30 463
Others			
Equity securities *	12.2.1	3 242 219	2 487 299
Provision for impairment – net of reversals	12.2.2	(612 421)	(437 110)
		2 629 798	2 050 189
Fixed income securities	12.2.3	755 871	371 552
		3 536 681	2 970 600

** including preference shares of Rs. 20 million (2010: Rs. 20 million)*

12.2.1 The market value of available for sale - equity securities as at 31 December 2011 is Rs. 2 663 million (2010: Rs. 2 796 million).

12.2.2 The impairment balance includes a further charge of Rs. 181 million which the Company has provided during the year on its available for sale - equity securities which are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary).

12.2.3 Fixed income securities

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	2011	2010
Government Securities					
10 Years Pakistan Investment Bonds	2012 - 2017	4.42–13.42	Half yearly	156 193	131 389
06 Months Treasury Bills	2012	11.84	On maturity	382 042	9 376
Market value of Government Securities amounted to Rs. 535 million (2010: Rs. 131 million).					
The amount of Pakistan Investment Bonds includes Rs. 131 million (2010: Rs. 125 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.					
Commercial Paper					
Pak Electron Ltd.	2011	15.78	On maturity	–	8 935
Term Finance Certificates (TFCs) – quoted					
In related parties					
Jahangir Siddiqui & Co. Ltd. – 5th Issue	2013	15.50	Half yearly	30 451	30 463
Others					
New Allied Electronics Ltd.	2012	17.03	Quarterly	4 481	4 481
Pakistan Mobile Comm. Ltd. - 3rd Issue	2013	14.67	Half yearly	12 480	20 800
Pakistan Mobile Comm. Ltd. - 6th Issue	2013	22.40	Half yearly	5 398	5 150
Askari Commercial Bank Ltd. - 2nd Issue	2013	13.31	Half yearly	35 957	35 990
United Bank Ltd. - 3rd Issue	2014	15.08	Half yearly	39 261	39 277
Allied Bank Ltd.	2014	13.55	Half yearly	30 108	30 184
Financial Receivable Securitization Co. Ltd.	2014	15.80	Half yearly	4 165	5 831
Engro Corporation Ltd.	2016	16.17	Half yearly	45 149	45 167
Agritech Ltd. - 3rd Issue (B)	2017	11.00	Half yearly	5 665	–
Agritech Ltd. - 3rd Issue (A)	2019	15.02	Quarterly	34 972	34 972
				217 636	221 852
Market value of TFCs amounted to Rs. 249 million (2010: Rs. 251 million).					
				786 322	402 015

12.2.4 As per the Company's accounting policy, available for sale investments are stated at lower of cost or market value. However, IAS 39 - Financial Instruments: Recognition and Measurement, requires that these instruments should be measured at their fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 31 December 2011 would have been lower by Rs. 90 million (2010: higher by Rs. 216 million).

13. Investment properties

Rupees '000

2011

	Cost			Depreciation				Written down value
	As at 01 January	Addition	As at 31 December	Rate %	As at 01 January	For the year	As at 31 December	As at 31 December
Leasehold land	47 468	–	47 468		–	–	–	47 468
Buildings	356 388	212	356 600	5	171 990	17 828	189 818	166 783
Lifts and other installations	7 835	1 858	9 693	10	3 998	537	4 535	5 157
	411 691	2 070	413 761		175 988	18 365	194 353	219 408

2010

	Cost			Depreciation				Written down value
	As at 01 January	Addition	As at 31 December	Rate %	As at 01 January	For the year	As at 31 December	As at 31 December
Leasehold land	47 468	–	47 468		–	–	–	47 468
Buildings	345 370	11 018	356 388	5	154 409	17 581	171 990	184 398
Lifts and other installations	6 934	901	7 835	10	3 253	745	3 998	3 837
	399 772	11 919	411 691		157 662	18 326	175 988	235 703

13.1 The market value of land and buildings is estimated at Rs. 1 303 million (2010: Rs. 1 242 million). The valuations have been carried out by independent valuers.

Rupees '000

	2011	2010
14. Premiums due but unpaid – net – unsecured		
Considered good	2 098 992	1 937 676
Considered doubtful	1 093	1 093
	2 100 085	1 938 769
Provision for doubtful balances	(1 093)	(1 093)
	2 098 992	1 937 676

Rupees '000

	2011	2010
15. Accrued investment income		
Return accrued on fixed income securities	13 394	9 602
Dividend income	3 615	504
Return on bank deposits	19 682	21 190
	36 691	31 296
16. Prepayments		
Prepaid reinsurance premium ceded	2 440 471	1 735 278
Prepaid rent	11 006	12 517
Others	5 054	6 853
	2 456 531	1 754 648
17. Other receivables		
Advances to employees	1 902	2 464
Advances to suppliers and contractors	9 755	22 220
Others	21 557	21 570
	33 214	46 254

18. Fixed assets – tangibles and intangibles

Rupees '000

	2011									
	Cost					Depreciation / Amortisation				Written down value
	As at 01 January	Additions	Disposals/ Adjustments	As at 31 December	Rate %	As at 01 January	For the year	Disposals/ Adjustments	As at 31 December	As at 31 December
Tangibles										
Leasehold land	5 580	–	–	5 580	–	–	–	–	–	5 580
Buildings	283 925	50 098	–	334 023	5	74 977	15 446	–	90 423	243 600
Furniture and fixtures	320 979	67 548	21 948	366 579	10	173 122	27 165	10 595	189 692	176 887
Office equipments	64 558	129 345	142	193 761	10	25 317	13 971	97	39 191	154 570
Computers	99 857	11 441	467	110 831	30	70 989	15 817	467	86 339	24 492
Vehicles	350 557	48 435	24 455	374 537	20	218 772	56 287	21 574	253 485	121 052
Intangibles										
Computer softwares	73 468	708	–	74 176	33	30 520	21 415	–	51 935	22 241
	1 198 924	307 575	47 012	1 459 487		593 697	150 101	32 733	711 065	748 422

Rupees '000

	2010									
	Cost					Depreciation / Amortisation				Written down value
	As at 01 January	Additions	Disposals/ Adjustments	As at 31 December	Rate %	As at 01 January	For the year	Disposals/ Adjustments	As at 31 December	As at 31 December
Tangibles										
Leasehold land	5 580	–	–	5 580	–	–	–	–	–	5 580
Buildings	231 120	52 805	–	283 925	5	62 185	12 792	–	74 977	208 948
Furniture and fixtures	294 026	27 139	186	320 979	10	150 348	22 848	74	173 122	147 857
Office equipments	56 029	8 728	199	64 558	10	19 862	5 520	65	25 317	39 241
Computers	69 793	30 285	221	99 857	30	52 120	19 090	221	70 989	28 868
Vehicles	330 457	55 845	35 745	350 557	20	192 127	54 367	27 722	218 772	131 785
Intangibles										
Computer softwares	13 037	60 431	–	73 468	33	8 969	21 551	–	30 520	42 948
	1 000 042	235 233	36 351	1 198 924		485 611	136 168	28 082	593 697	605 227

18.1 The market value of land and buildings is estimated at Rs. 1 007 million (2010: Rs. 896 million). The valuations have been carried out by independent valuers.

18.2 Details of tangible assets disposed off during the year are as follows:

Mode of disposal	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Furniture & fixtures (Negotiation)	791	455	336	400	Abdul Khalid Akhtar, Karachi
	720	342	378	400	Abdul Khalid Akhtar, Karachi
	715	262	453	47	Akram, Karachi
Written down value below Rs. 50,000	1 940	1734	206	358	Various
	4 166	2 793	1 373	1 205	
Office equipments (Negotiation)					
Written down value below Rs. 50,000	142	97	45	41	Various
	142	97	45	41	
Computers (Negotiation)					
Written down value below Rs. 50,000	467	467	–	63	Various
	467	467	–	63	

Mode of disposal	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Vehicles					
(Negotiation)	1 102	110	992	870	Junaid Aslam, Lahore
	1 427	1 022	405	700	Asif Arif (employee), Karachi
	218	98	120	700	Austen B. Freitas (employee), Karachi
	155	93	62	500	D. H. Sidwa (employee), Karachi
	129	75	54	500	Khan M. Anwar Pasha (employee), Karachi
	124	66	58	450	Syed Ahmed A. Haq (employee), Karachi
	704	528	176	400	Shama Parveen, Karachi
	119	61	58	400	Iftikhar Ahmed Khan (employee), Karachi
	116	60	56	400	Muhammad Atif, Karachi
	122	67	55	400	Zahid Hussain, Karachi
	250	96	154	300	Adeel Ahmed (employee), Karachi
	383	319	64	215	Atif Anwar (employee), Karachi
	383	319	64	215	Danish, Karachi
	175	41	134	150	Nadeem Sheikh (employee), Karachi
	383	319	64	30	Masood Bin Shamsheer, Karachi
Written down value below Rs. 50,000	18 665	18 300	365	12 034	Various
	24 455	21 574	2 881	18 264	

Rupees '000

		Note	2011	2010
18.3	**Capital work-in-progress**			
	Buildings – improvements		11 223	68 108
	Advances to suppliers		–	35 750
			11 223	103 858

19. Net premium revenue

	2011	2010
Premium revenue (net of reinsurance)	5 955 013	5 566 506
Administrative surcharge	269 482	280 085
	6 224 495	5 846 591

20. Management expenses

	Note	2011	2010
Salaries, wages and benefits	20.1	749 920	692 696
Bonus to staff		70 619	67 130
Rent, rates and taxes		31 168	39 252
Telephone		12 732	12 641
Postage		6 747	6 965
Gas and electricity		31 471	26 416
Printing and stationery		24 253	24 634
Travelling and entertainment		53 648	45 679
Depreciation		78 106	71 584
Repairs and maintenance		15 927	10 345
Other expenses		119 267	137 343
		1 193 858	1 134 685

20.1 These include Rs.14.41 million (2010: Rs.13.60 million) being contribution for employees' provident fund.

Rupees '000

		Note	2011	2010
21.	**Other income**			
	Gain on sale of fixed assets		15 274	14 442
	Interest on loan to employees		130	130
	Others		7 613	24 206
			23 017	38 778
22.	**General and administration expenses**			
	Salaries, wages and benefits	22.1	168 238	187 410
	Bonus to staff		19 554	17 488
	Gratuity	6	27 738	32 088
	Rent, rates and taxes		3 437	1 709
	Telephone		2 557	1 844
	Postage		1 069	1 307
	Gas and electricity		9 464	7 772
	Printing and stationery		5 000	4 414
	Travelling and entertainment		20 093	11 568
	Depreciation		90 360	82 911
	Repairs and maintenance		18 298	4 928
	Auditors' remuneration	22.2	1 766	1 699
	Legal and professional charges		6 335	5 813
	Publicity		29 488	32 670
	Property management expenses		40 241	47 896
	Donations	22.3	5 161	5 937
	Workers' welfare fund		16 831	–
	Other expenses		39 901	31 208
			505 531	478 662

22.1 These Include Rs. 3.47 million (2010: Rs. 3.52 million) being contribution for employees' provident fund.

22.2 Auditors' remuneration

	2011	2010
Audit fee and other certifications (KPMG Taseer Hadi & Co.)	1 050	950
Audit fee (Hyder Bhimji & Co.)	475	475
Audit of financial statements of provident, gratuity and pension funds (Hyder Bhimji & Co.)	75	75
Out of pocket expenses	166	199
	1 766	1 699

22.3 Donations

Donations include the following in whom a director is interested:

Name of director	Interest in donee	Name of donee	2011	2010
Saifuddin N. Zoomkawala	President	Pakistan German Business Forum	–	30
	Board member	Shaukat Khanum Memorial Trust	250	250
	Board member	Sindh Institute of Urology and Transplantation	550	250
	Member Executive Committee	Saarc Chamber of Commerce & Industries	173	–
	Member	Institute of Business Administration	100	–

Rupees '000

Name of director	Interest in donee	Name of donee	2011	2010
Saifuddin N. Zoomkawala and Jahangir Siddiqui	Board member	Fakhr-e-Imdad Foundation	–	350
Hasanali Abdullah	Board Member	Aga Khan Hospital and Medical College Foundation	60	–
	Chairman	The Insurance Association of Pakistan	–	40

23. Provision for taxation

	2011	2010
For the year		
Current	106 937	95 227
Prior year	–	39 686
Deferred	173 659	(81 355)
	280 596	53 558

23.1 Reconciliation of tax charge	%	%
Applicable tax rate	35.00	35.00
Tax effects of amounts that are:		
– minimum tax	7.73	16.96
– deductions not allowed	0.21	(0.58)
– taxed at reduced rates exempt from tax	(9.60)	(25.46)
– effect of prior period tax charge	–	(11.03)
Average effective tax rate charged on income	33.34	14.89

24. Earnings / (loss) per share

24.1 Basic earnings / (loss) per share

		2011	2010
Profit / (loss) for the year	(Rupees '000)	560 948	(413 321)
Weighted average number of ordinary shares	(Numbers '000)	125 000	125 000
Earnings / (loss) per share	(Rupees)	4.49	(3.31)

24.2 Diluted earnings per share

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.

25. Remuneration of Chief Executive, Directors and Executives

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

Rupees '000

	2011				2010			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration - including bonus	17 077	7 697	147 886	172 660	19 173	10 653	137 387	167 213
Retirement benefits	1 682	479	9 357	11 518	1 800	959	8 325	11 084
Utilities	234	305	9 598	10 137	198	444	10 508	11 150
Medical expenses	1 897	688	4 058	6 643	902	1 305	4 185	6 392
Leave passage	–	470	1 499	1 969	797	–	1 243	2 040
Total	20 890	9 639	172 398	202 927	22 870	13 361	161 648	197 879
Number of persons	1	3	90	94	1	3	87	91

25.1 In addition, the Chairman, Chief Executive, certain Directors and certain Executives are provided with free use of Company cars and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation.

26. Segment reporting

Rupees '000

	Fire and property damage		Marine, aviation and transport		Motor		Others		Treaty		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Corporate segment assets	5 842 469	6 458 038	1 658 914	1 934 409	368 150	380 850	1 269 173	1 127 689	–	–	9 138 706	9 900 986
Corporate unallocated assets											15 239 332	14 640 683
Total assets											24 378 038	24 541 669
Corporate segment liabilities	8 025 752	8 442 658	2 194 365	2 289 162	2 133 920	2 306 239	1 490 908	1 515 140	2 514	3 596	13 847 459	14 556 795
Corporate unallocated liabilities											534 710	393 703
Total liabilities											14 382 169	14 950 498
Capital expenditures											217 010	319 966
Segment depreciation	–	–	–	–	–	–	–	–	–	–	–	–
Unallocated depreciation											168 466	154 494
Total depreciation											168 466	154 494

Location	External premium less reinsurance by geographical segments		Carrying amount of assets by geographical segments		Carrying amount of liabilities excluding branch account by geographical segments		Capital expenditure	
	2011	2010	2011	2010	2011	2010	2011	2010
Pakistan	6 208 953	5 834 984	24 262 812	24 407 978	14 303 004	14 800 184	217 010	319 966
EPZ *	14 542	11 607	85 812	102 757	61 387	132 463	–	–
Saudi Arabia **	–	–	29 414	30 934	17 778	17 851	–	–
Total	6 223 495	5 846 591	24 378 038	24 541 669	14 382 169	14 950 498	217 010	319 966

* This repersents US Dollar Equivalent in Pak Rupees

** This repersents US Dollar and Saudi Riyal equivalent in Pak Rupees

27. Management of insurance and financial risk

27.1 Insurance risk

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

27.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

	2011				2010			
Class	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	57	37	59	43	62	38	54	43
Marine, aviation & transport	22	20	10	9	21	16	8	7
Motor	15	40	23	44	13	43	28	45
Others	6	3	8	4	4	3	10	5
	100	100	100	100	100	100	100	100

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

Rupees '000

Class	2011	2010
Fire and property damage	85 846 000	26 711 000
Marine, aviation and transport	73 960 000	72 670 000
Motor	35 000	29 000
Others	18 000 000	12 880 000

Since the Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

27.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extend to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 3.6.2.

27.1.3 Process used to decide on assumptions

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

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

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

27.1.4 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2011	2010	2011	2010
Impact of change in claim liabilities by + 10				
Fire and property damage	(83 810)	(88 732)	(54 477)	(57 676)
Marine, aviation and transport	(44 773)	(36 381)	(29 102)	(23 648)
Motor	(91 015)	(99 699)	(59 160)	(64 804)
Others	(6 161)	(7 242)	(4 005)	(4 707)
	(225 759)	(232 054)	(146 744)	(150 835)

	Profit before tax		Shareholders' equity	
	2011	2010	2011	2010
Impact of change in claim liabilities by -10				
Fire and property damage	83 810	88 732	54 477	57 676
Marine, aviation and transport	44 773	36 381	29 102	23 648
Motor	91 015	99 699	59 160	64 804
Others	6 161	7 242	4 005	4 707
	225 759	232 054	146 744	150 835

27.1.5 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of Marine cargo, general average adjustments take longer for the final amounts to be determined. In addition, for the accident year 2010 we have also included losses on account of floods exceeding one year. Also, the passenger liability settlements on the Air Blue crash have been included for accident year 2010 as the passenger liability claims are continuing to be settled but still there are pending cases which have exceeded one year. All amounts are presented in gross numbers before re-insurance. Claims of last five years are given below:

Rupees '000

Accident year	2007	2008	2009	2010	2011
Estimate of ultimate claims costs:					
- At end of accident year	10 348	89 740	42 228	284 637	84 819
- One year later	8 072	80 696	59 667	2 737 321	–
- Two years later	8 072	29 982	58 685	–	–
- Three years later	9 724	247 594	–	–	–
- Four years later	11 132	–	–	–	–
Current estimate of cumulative claims	11 132	247 594	58 685	2 737 321	84 819
Cumulative payments to date	6 374	33 651	4 305	978 283	–
Liability recognised in the balance sheet	4 758	213 943	54 380	1 759 038	84 819

27.2 Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

27.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Company's maximum exposure to credit risk:

Rupees '000

Financial assets	2011	2010
Bank balances and deposits	1 754 145	1 704 175
Loan to employees	3 326	3 293
Investments (Term Finance Certificates)	248 087	252 315
Premiums due but unpaid - net - unsecured	2 098 992	1 937 676
Amount due from other insurers / reinsurers	55 716	150 143
Accrued investment income	36 691	31 296
Reinsurance recoveries against outstanding claims	4 043 075	5 626 075
Security deposits	4 164	5 243
Other receivables	33 214	46 254
	8 277 410	9 756 470

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

Rupees '000

Rating	2011	2010
AAA	40 584	346 274
AA	1 430 444	1 211 860
A	282 724	146 042
BBB	393	–
	1 754 145	1 704 176

The credit quality of Company's investment in term finance certificates and commercial paper can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	Short Term	Rating Agency	2011	2010
Term Finance Certificates				
Engro Corporation Limited	AA	PACRA	45 149	45 167
United Bank Limited - 3rd Issue	AA	JCR-VIS	39 261	39 277
Askari Bank Limited - 2nd Issue	AA-	PACRA	35 957	35 989
Agritech Limited - 3rd Issue (A)	D	PACRA	34 972	34 972
Jahangir Siddiqui & Co. Limited - 5th Issue	AA	PACRA	30 451	30 463
Allied Bank Limited	AA-	JCR-VIS	30 108	30 184
Pakistan Mobile Communications Limited - TFC III	A+	PACRA	12 480	20 800
Agritech Ltd. - 3rd Issue (B)	D	PACRA	5 665	–
Pakistan Mobile Communications Limited - TFC VI	A+	PACRA	5 398	5 151
New Allied Electronics Limited	D	JCR-VIS	4 481	4 481
Financial Receivable Securitization Co. Limited	A+	PACRA	4 165	5 831
			248 087	252 315
Commercial Paper				
Pak Electron Limited	A	PACRA	–	8 935
			248 087	261 250

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2011, the premium due but unpaid includes amount receivable within one year and above one year amounting to Rs. 1 808 million (2010: 1 649 million) and Rs. 292 million (2010: 289 million) respectively.

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

Rating	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	2011	2010
A or above (including Pakistan Reinsurance Company Limited)	22 371	3 889 165	3 911 536	5 561 434
BBB	11 406	80 096	91 502	92 823
Others	21 939	73 814	95 753	121 961
	55 716	4 043 075	4 098 791	5 776 218

As at 31 December 2011, the amount due from insurers / reinsurers includes amount receivable within one year and above one year amounting to Rs. 36 million (2010: 130 million) and Rs. 20 million (2010: 21 million) respectively.

27.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-insurance recoveries.

The objective of the Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Company's liabilities as at balance sheet date. All liabilities are presented on a contractual cash flow basis except for the provision of outstanding claims (including IBNR), which are presented with their expected cash flows.

Rupees '000

	31 December 2011		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Provision for outstanding claims (including IBNR)	6 303 174	6 303 174	–
Amounts due to other insurers / reinsurers	1 355 014	1 355 014	–
Accrued expenses	163 413	163 413	–
Agent balances	425 252	425 252	–
Other creditors and accruals	51 729	51 729	–
Other deposits	377 536	377 536	–
Unclaimed dividends	56 482	56 482	–
	8 732 600	8 732 600	–

Rupees '000

	31 December 2010		
	Carrying amount	Up to one year	Greater than one year
Financial liabilities			
Provision for outstanding claims (including IBNR)	7 950 208	7 950 208	–
Amounts due to other insurers / reinsurers	1 131 657	1 131 657	–
Accrued expenses	156 505	156 505	–
Agent balances	387 485	387 485	–
Other creditors and accruals	7 876	7 876	–
Other deposits	320 126	320 126	–
Unclaimed dividends	52 297	52 297	–
	10 006 154	10 006 154	–

27.2.3 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 prices such as interest rates, foreign exchange rates and equity prices.

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

27.2.3.1 Interest rate risk

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

The information about Company's exposure to interest rate risk based on contractual reprising or maturity dates whichever is earlier is as follows:

Rupees '000

	2011						
	Interest / mark-up bearing						
	Effective yield %	Upto one year	Over one year to five years	Over five years	Sub total	Non-interest / mark-up bearing	Total
Financial assets							
Cash and other equivalent	5.0-12.0	1 754 145	–	–	1 754 145	3 974	1 758 119
Loans to employees	4.20	866	1 933	516	3 315	11	3 326
Investments	12.30	456 800	288 026	41 496	786 322	11 546 356	12 332 678
Premiums due but unpaid-net-unsecured		–	–	–	–	2 098 992	2 098 992
Premiums due from other insurers / reinsurers		–	–	–	–	55 716	55 716
Accrued investment income		–	–	–	–	36 691	36 691
Reinsurance recoveries against outstanding claims		–	–	–	–	4 043 075	4 043 075
Security deposits		–	–	–	–	4 164	4 164
Other receivables		–	–	–	–	33 215	33 215
		2 211 811	289 959	42 012	2 543 782	17 822 194	20 365 976
Financial liabilities							
Provision for outstanding claims (including IBNR)		–	–	–	–	6 303 174	6 303 174
Amount due to other insurers / reinsurers		–	–	–	–	1 355 014	1 355 014
Accrued expenses		–	–	–	–	163 413	163 413
Agent balances		–	–	–	–	425 252	425 252
Other creditors and accruals		–	–	–	–	51 729	51 729
Other deposits		–	–	–	–	377 536	377 536
Unclaimed dividends		–	–	–	–	56 482	56 482
		–	–	–	–	8 732 600	8 732 600
On-balance sheet sensitivity gap		2 211 811	289 959	42 012	2 543 782		
Total yield / mark-up rate risk sensitivity gap		2 211 811	289 959	42 012	2 543 782		

Rupees '000

	2010						
	Interest / mark-up bearing						
	Effective yield %	Upto one year	Over one year to five years	Over five years	Sub total	Non-interest / mark-up bearing	Total
Financial assets							
Cash and other equivalent	4.0 -14.0	1 704 175	–	–	1 704 175	2 396	1 706 571
Loans to employees	4.28	749	2 533	–	3 282	11	3 293
Investments	12.93	91 345	268 027	42 643	402 015	11 261 716	11 663 731
Premiums due but unpaid-net		–	–	–	–	1 937 676	1 937 676
Premiums due from other insurers / reinsurers		–	–	–	–	150 143	150 143
Accrued investment income		–	–	–	–	31 296	31 296
Reinsurance recoveries against outstanding claims		–	–	–	–	5 626 075	5 626 075
Security deposits		–	–	–	–	5 243	5 243
Other receivables		–	–	–	–	46 254	46 254
		1 796 269	270 560	42 643	2 109 472	19 060 810	21 170 282
Financial liabilities							
Provision for outstanding claims (including IBNR)		–	–	–	–	7 950 208	7 950 208
Amount due to other insurers / reinsurers		–	–	–	–	1 131 657	1 131 657
Accrued expenses		–	–	–	–	156 505	156 505
Agent balances		–	–	–	–	387 485	387 485
Other creditors and accruals		–	–	–	–	7 876	7 876
Other deposits		–	–	–	–	320 126	320 126
Unclaimed dividends		–	–	–	–	52 297	52 297
		–	–	–	–	10 006 154	10 006 154
On-balance sheet sensitivity gap		1 796 269	270 560	42 643	2 109 472		
Total yield / mark-up rate risk sensitivity gap		1 796 269	270 560	42 643	2 109 472		

Sensitivity analysis

As on 31 December 2011, the Company had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2011	100	9 171	5 961
	(100)	(9 171)	(5 961)
31 December 2010	100	8 169	5 310
	(100)	(8 169)	(5 310)

27.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of 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 Pakistani Rupees.

27.2.3.3 Other price risk

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

The Company's equity investments amounting to Rs. 2 750 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The Company also has strategic equity investments in its associate amounting to Rs. 8 796 million which is held for long term. The management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business and economic characteristic of the investee remain favourable.

The table below summarises Company's market price risk as of 31 December 2011 and 2010. It shows the effect of a 10% increase and 10% decrease in the market prices of equity investments as on those dates on Company's profit and equity.

Had all equity investments, other than associates, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2011	2 662 542	10% increase	2 928 796	–	266 254
		10% decrease	2 396 288	–	(266 254)
31 December 2010	2 795 880	10% increase	3 075 468	–	279 588
		10% decrease	2 516 292	–	(279 588)

27.3 Fair value

The fair value of all major financial assets are estimated to be not significantly different from their carrying values except for quoted investments, details of which are given in note no. 12 to these financial statements.

27.4 Capital risk management

The Company's objective when managing capital is 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 in its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Company currently meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

28. Non-adjusting event after the balance sheet date

The Board of Directors in its meeting held on 10 March 2012 have announced a cash dividend in respect of the year ended 31 December 2011 of Rs. 2.75 per share, 27.5% (2010: Rs. 1.25 per share, 12.5%). In addition, the Board of Directors have also approved the transfer from un-appropriated profit to general reserve amounting to Rs. 200 million (2010: Rs. 500 million transfers to un-appropriated profit from general reserve). These financial statements for the year ended 31 December 2011 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

29. Related party transactions

Related parties comprise of directors, major shareholders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Rupees in '000

	2011	2010
Transactions		
Associated company		
Premiums written	9 143	8 141
Premiums paid	–	7 948
Claims paid	5 726	4 096
Claims lodged	2 367	4 681
Investments made	37 802	9 301
Bonus shares received	–	41 495
Dividends received	178 854	171 168
Bonus shares issued	–	6 812
Dividends paid	10 644	31 336
Expenses recovered	1 400	–
Key management personnel		
Premiums written	816	682
Claims paid	55	62
Bonus shares issued	–	17 901
Dividends paid	27 197	82 345
Compensation	115 754	115 519
Others		
Premiums written	44 739	157 883
Premiums paid	6 642	4 620
Claims paid	16 864	193 030
Claims lodged	5 313	3 963
Commissions paid	494	159
Investments made	150 000	11 606
Investments sold	205 115	38 181
Bonus shares issued	–	32 658
Bonus shares received	–	2 039
Dividends paid	44 347	130 558
Dividends received	–	21 821
Bank deposits	145	25 000
Expenses paid	–	63
Brokerage paid	1 313	1 062
Donations paid	–	880
Profit on TFC	4 691	4 916

Rupees in '000

	2011	2010
Employees' funds		
Contribution to provident fund	17 874	17 115
Contribution to gratuity fund	32 088	24 379
Contribution to pension fund	333	345
Bonus shares issued	–	514
Dividend paid	805	2 366
Balances		
Associated company		
Balances receivable	–	3
Others		
Balances receivable	1 184	23 329
Balances payable	(390)	(93)
Deposits maturing within 12 months	215 500	70 500
Bank balances	5 525	13 945
Employees' funds payable		
EFU gratuity fund	(27 738)	(32 088)
EFU pension fund	(17 067)	(8 759)

The transactions and balances in the current year are disclosed as per IAS-24 (revised).

30. Number of employees

Number of employees as at 31 December 2011 was 1 236 (2010: 1 294).

31. Date of authorisation for issue of financial statements

These financial statements were authorised for issue by the Board of Directors in their meeting held on 10 March 2012.

MUNEER R. BHIMJEE	RAFIQUE R. BHIMJEE	HASANALI ABDULLAH	SAIFUDDIN N. ZOOMKAWALA
Director	Director	Managing Director & Chief Executive	Chairman

Karachi 10 March 2012

Pattern of Shareholding

as at 31 December 2011

Number of shareholders	Shareholdings From	Shareholdings To	Shares held
401	1	100	15 347
600	101	500	156 943
328	501	1 000	233 370
558	1 001	5 000	1 280 998
173	5 001	10 000	1 277 587
70	10 001	15 000	855 817
38	15 001	20 000	658 831
29	20 001	25 000	661 359
21	25 001	30 000	591 635
16	30 001	35 000	523 875
10	35 001	40 000	372 148
11	40 001	45 000	473 676
16	45 001	50 000	791 386
4	50 001	55 000	214 623
5	55 001	60 000	292 860
7	60 001	65 000	438 102
3	65 001	70 000	205 812
7	70 001	75 000	523 420
1	75 001	80 000	75 796
1	80 001	85 000	81 269
4	85 001	90 000	346 037
4	90 001	95 000	375 347
3	95 001	100 000	290 983
2	100 001	105 000	202 521
2	105 001	110 000	215 789
2	110 001	115 000	220 684
3	125 001	130 000	381 896
4	140 001	145 000	567 674
1	145 001	150 000	150 000
1	165 001	170 000	166 006
1	175 001	180 000	175 500
2	215 001	220 000	434 388
2	220 001	225 000	443 933
1	225 001	230 000	226 000
1	230 001	235 000	232 177
1	235 001	240 000	236 494
1	240 001	245 000	244 836
6	245 001	250 000	1 500 000
1	290 001	295 000	293 128
1	330 001	335 000	330 467
1	375 001	380 000	378 121
1	390 001	395 000	392 121
1	415 001	420 000	417 586
1	455 001	460 000	457 128
2	495 001	500 000	995 114
1	545 001	550 000	550 000
1	550 001	555 000	553 594
1	600 001	605 000	600 592
1	635 001	640 000	638 506
1	650 001	655 000	652 110
1	690 001	695 000	691 456
1	795 001	800 000	797 311
1	835 001	840 000	839 983
1	995 001	1 000 000	1 000 000
1	1 570 001	1 575 000	1 573 014
1	2 175 001	2 180 000	2 175 901
1	2 695 001	2 700 000	2 697 298
1	2 725 001	2 730 000	2 725 789
1	4 285 001	4 290 000	4 289 987
1	5 455 001	5 460 000	5 457 325
1	7 510 001	7 515 000	7 511 994
1	8 510 001	8 515 000	8 512 035
1	8 515 001	8 520 000	8 515 316
1	9 975 001	9 980 000	9 978 590
1	10 360 001	10 365 000	10 362 460
1	15 175 001	15 180 000	15 178 500
1	20 295 001	20 300 000	20 299 455
2 370			**125 000 000**

Categories of shareholders	Shareholders	Shares held	Percentage
Associated companies, undertakings and related parties	7	36 474 832	29.18
NIT & ICP	–	–	–
CEO, Directors, their spouses and minor children	11	22 115 525	17.69
Executives	17	314 855	0.25
Public sector companies & corporations	1	2 697 298	2.16
Joint Stock companies	58	1 819 149	1.46
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Co., Modaraba and Mutual Funds	17	1 127 308	0.90
Foreign Investors (repatriable basis)	10	8 928 839	7.14
Charitable Institutions	3	15 330 875	12.26
Administrator of Abandoned Properties	1	5 457 325	4.37
Individuals / Others	2 245	30 733 994	24.59
Total	2 370	125 000 000	100.00

Information as required under the Code of Corporate Governance

Categories of shareholders	Shareholders	Shares held
Associated companies, undertakings and related parties		
EFU Life Assurance Limited	1	8 515 316
Trustees EFU General Insurance Ltd. Staff Provident Fund	1	378 121
Trustees EFU General Insurance Ltd. Emp. Gratuity Fund	1	140 164
Trustees EFU General Insurance Ltd. Officers Pension Fund	1	126 000
Jahangir Siddiqui & Co. Ltd.	1	20 299 455
Jahangir Siddiqui & Sons Limited	1	2 725 789
Jahangir Siddiqui Securities Services Limited	1	4 289 987
NIT & ICP	–	–
CEO, Directors, their spouses and minor children		
Saifuddin N. Zoomkawala	1	222 667
Hasanali Abdullah	1	110 270
Rafique R. Bhimjee	1	10 362 460
Jahangir Siddiqui	1	10 956
Muneer R. Bhimjee	1	9 978 590
Sultan Ahmad	1	1 250
Taher G. Sachak	1	1 280
Abdul Rehman Haji Habib	1	5 256
Mrs. Naila Bhimjee W/o. Rafique R. Bhimjee	1	839 983
Mrs. Lulua Saifuddin W/o. Saifuddin N. Zoomkawala	1	553 594
Mrs. Onaiza Ahmad W/o. Sultan Ahmad	1	29 219
Shareholders holding 10% or more voting interest		
Managing Committee of Ebrahim Alibhai Foundation	1	15 178 500
Jahangir Siddiqui & Co. Ltd.	1	20 299 455

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Amanullah Khan
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Kaleem Imtiaz
Vice President

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32312238 - 32313854-55
32314783-84 - 32312328
32200495. Fax: 32311668

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Executive Vice President

Abdul Bari
Vice President

Asadullah Khan
Vice President

Irshad Zamir Hashmi
Vice President

Muhammad Mujtaba
Vice President

Zia-ur-Rahman
Vice President

Mazhar Ali
Asstt. Vice President

Muhammad Saleem
Asstt. Vice President

Muhammad Ahmad
Asstt. Vice President

Musarrat Zaman Shah
Asstt. Vice President

Aamir Ali Khan
Senior Executive Vice President (Development)

Mohammad Hussain
Senior Executive Vice President (Development)

Muhammad Sheeraz
Senior Executive Vice President (Development)

Ramesh Mulraj Bherwani
Senior Vice President (Development)

Pheroo Mal
Vice President (Development)

Abdul Ghani
Asstt. Vice President (Development)

Javed Aslam Awan
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Haseeb Khan
Chief Manager (Development)

Jalaluddin Ahmed
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Syed Athar Ali
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Muhammad Aamir Hanif
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Muhammad Arfeen
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Syed Nisar Ahmed
Dy. Chief Manager (Development)

Hashmatullah Khan
Dy. Chief Manager (Development)

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Dy. Chief Manager (Development)

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Manager (Development)

Muhammad Iqbal Nini
Manager (Development)

Muhammad Naseem Qureshi
Manager (Development)

Muhammad Navid Farooqui
Manager (Development)

Muhammad Qadir
Manager (Development)

Pardeep Kumar
Manager (Development)

Shahid Naqvi
Manager (Development)

Shah Sultan
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Fakhruddin Saifee
Senior Vice President

Shahzad Zakaria
Senior Vice President

Shahid A. Godil
Senior Vice President

Altaf Kothawala
Senior Executive Director (Development)

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Akhtar Kothawala
Assistant Executive Director (Development)

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Abootalib Dada
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(Development)

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Asghar Ali
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Habib Ali
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Senior Executive Vice President
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M. Younus Khadeli
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Abul Nasar
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Assistant Executive Director
(Auto Leasing Unit)

Syed Asim Iqbal
Assistant Executive Director
(Auto Leasing Unit)

Khalid Ashfaq Ahmed
Senior Executive Vice President

Liaquat Imran
Vice President (Auto Leasing Unit)

Mohammad Idrees Abbasi
Vice President

Muhammad Naseem
Vice President

Shah Asghar Abbas
Vice President (Auto Leasing Unit)

Shaista Batool, B.E.
Vice President

S. Ferozuddin Haider
Assistant Vice President

S. Khaliluddin
Assistant Vice President

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Asstt. Vice President (Development)

Muhammad Owais Jagirani
Asstt. Vice President (Development)

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Syed Mojiz Hassan
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(Auto Leasing Unit)

Zain Tharia
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Chief Manager (Development)

Muhammad Tariq
Dy. Chief Manager (Development)
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4580773 - 4510317
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Executive Vice President

Mansoor Ahmed
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Muhammad Usman
Assistant Vice President

Muhammad Sarwar
Assistant Vice President

Tariq Mahmood
Assistant Vice President

Rashid Habib
Executive Vice President
(Development)

Shahid Younus
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Asstt. Vice President (Development)

Khadim Hussain
Asstt. Vice President (Development)

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Abdul Rauf Qureshi
Manager (Development)

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Manager (Development)

Muhammad Zubair
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Amjad Ali
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Martin Yaqoob

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Deputy Managing Director/
Zonal Head

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Saleemullah Tahir
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Naseer Ahmad
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Mian Sikander Sheraz
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(Development)

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Rao Abdul Hafeez Khan
Senior Vice President

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Senior Vice President

Nausherwan Haji
Asstt. Vice President

Ms. Fauzia Khawaja
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Muhammad Tayyab Nazir
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(Development)

Amer Saleem Khan
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Asif Ikram Bhatti
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Naseeruddin Ahmed
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Zaka Ullah Khan
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Qazi Altaf Hussain
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Chief Manager (Development)

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Imran Aslam
Vice President

Saifullah
Vice President

Muhammad Siddique Khan
Asstt. Vice President

Akhtar Ali
Chief Manager (Development)

ABBOTTABAD

116 Iqbal Shopping Complex
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Kamran Sami Khan
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Goth Machi Branch

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Altaf Hussain
Branch Manager

PESHAWAR REGION

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5278476 - 5284384
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Dy. Executive Director & Regional Head

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Vice President

S. M. Aamir Kazmi
Vice President

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Senior Vice President

Naeem Ullah Jan
Senior Vice President (Development)

MARDAN
Mardan Branch

Dr. Zawar Hussain Building
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Inayatullah Khalil
Vice President

Arshad Iqbal
Asstt. Vice President (Development)

Khizer Hayat
Manager (Development)

ABBOTTABAD (Sub-Office)

Al-Asif Plaza, Mansehra Road
334186

Ijaz Ali
Manager (Development)

E F U GENERAL INSURANCE LIMITED

Form Of Proxy

I / We ______________________________

of ______________________________

being a member of E F U GENERAL INSURANCE LIMITED hereby appoint

Mr. ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 79th Annual General Meeting of the Company to be held on Saturday 14 April 2012 at 9:30 a.m. and at any adjournment thereof.

Signed this ____________ day of ______ 2012.

WITNESSES:

1. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   CNIC Or Passport No: ______________

Revenue Stamp

Signature of Member(s)

2. Signature: ______________
   Name: ______________
   Address: ______________
   ____
   CNIC Or Passport No: ______________

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

Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Dodhy Building, 2nd Floor, 52-E, Jinnah Avenue, (Blue Area) Islamabad, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

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