



Annual Report | for the financial year ended December 31, 2012

pursuing  
responsible  
growth



*The* UNITED INSURANCE  
COMPANY OF PAKISTAN LTD.  
A Member Company of United International Group

53 Years of  
Excellence



A commitment to

# Pursuing Responsible Growth

The Cover theme for this year's annual report is to express our strong determination to work as a group in order to achieve this aim.

**The UNITED INSURANCE COMPANY OF PAKISTAN LIMITED** has always lived up to its name by being one step ahead of the insurance industry, finding new and affordable insurance solutions. We have refocused our strategy to better utilization of our resources and expertise in order to safeguard the interest of our valued customers. We are trying to manage our business professionally and reduce volatility, improve returns and accelerate growth through prudent management and hard working. We will Insha Allah capture a profitable share of the market and opportunities available, we see around the country- helping customers to achieve lifetime financial security and creating long lasting value for our shareholders.





# INSURING PROGRESS

We take on the responsibility of risk so that our clients can take on the responsibility of making things happen.

We call this *Insuring Progress*.



# Contents

4	Rating
6	Financial Performance at a Glance
8	The United Group
9	Corporate Calendar
10	Our Network
14	Core Beliefs
16	Vision / Mission Statement
18	Board of Directors
20	Corporate Information
24	Management Information
29	Community Activities
32	United Insurance at a Glance
33	Six Years at a Glance
34	Vertical Analysis
36	Horizontal Analysis
40	Segment wise Outline
52	53 Years of Excellence
54	Group Head's Message
56	Chairman's Message
58	Chief Executive's Message
60	Directors Report to the members
67	Report on Corporate and Financial Reporting Framework
70	Code of Conduct
71	Statement of Compliance with the Code of Corporate Governance
73	Review Report to the members on Statement of Compliance with the Code of Corporate Governance
74	Pattern of Shareholding
79	Financial Statement
81	Auditor's Report to the Members
93	Notes to the Financial Statements
137	Notice of Annual General Meeting
139	Form of Proxy

## COMPANY INFORMATION

Page 4

## INVESTOR INFORMATION

Page 18

## CORPORATE GOVERNANCE

Page 60

## FINANCIAL STATEMENTS

Page 79

## ANNUAL GENERAL MEETING

Page 137

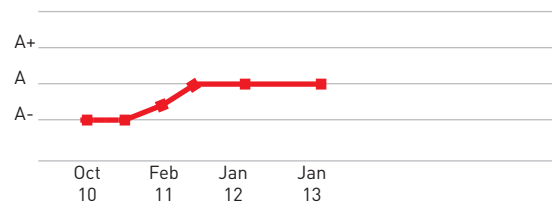








Rating by: PACRA



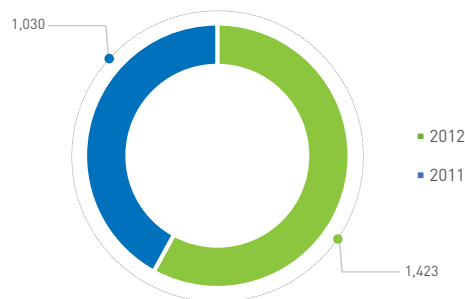
“In 2012 *The* **UNITED INSURANCE COMPANY OF PAKISTAN LIMITED (UIC)**, made good progress on its journey towards top quartile performance, Thanks to the strengthened team spirit whereby management and front line leaders worked hand in hand in decision making and facing challenges.”

# Financial Performance at a Glance

## Gross Premiums written

	(Million)
2012	1,422.915
2011	1,030.438

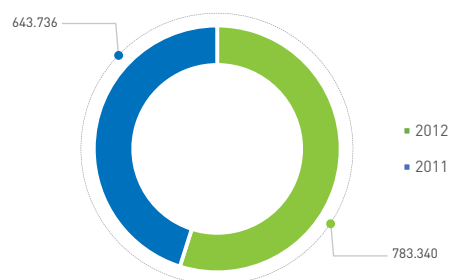
Percentage **38** ↑



## Net Premium

	(Million)
2012	783.340
2011	643.736

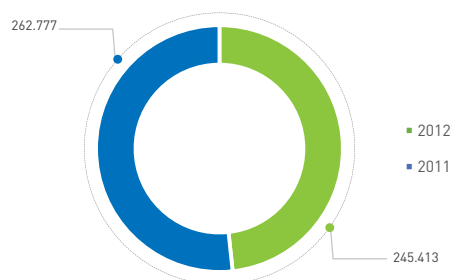
Percentage **22** ↑



## Net Claims Expenses

	(Million)
2012	245.413
2011	262.777

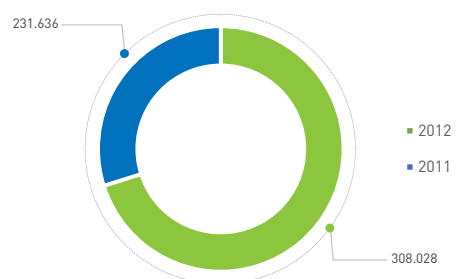
Percentage **07** ↓



## Underwriting Profit

	(Million)
2012	308.028
2011	231.626

Percentage **33** ↑





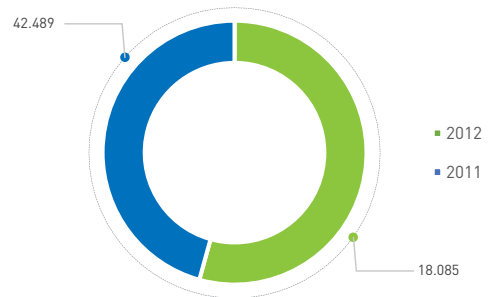
“ We have inherited a great legacy and We are really excited about the future. In the end of course, we know it’s all about performance; that’s what matters and that’s what we aim to deliver. ”



### Investment Income

	(Million)
2012	42.489
2011	18.085

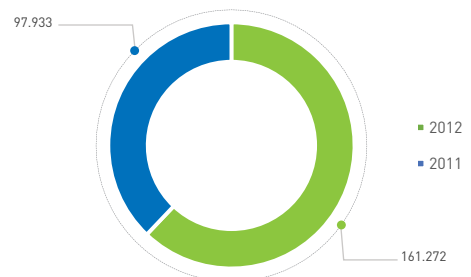
Percentage **135** ↑



### Profit After Tax

	(Million)
2012	161.272
2011	97.933

Percentage **65** ↑



# United International Group

1. The United Insurance Company of Pakistan Ltd.
2. APNA Micro Finance Bank Ltd.
3. United Track System (Pvt.) Ltd.
4. United Software & Technologies International (Pvt.) Ltd.
5. United International Farms (Pvt.) Ltd.
6. Tawasul Insurance Services LLC, Abu Dhabi.
7. Tawasul Risk Management Services Ltd.
8. UIG Global Services Ltd. UK.





# CORPORATE CALENDER 2012

**4th April 2012**

**Audit Committee and Board of Directors meeting to consider annual accounts of the Company for the year ended December 31, 2011**

**28th April 2012**

**Annual General Meeting of Shareholders to consider annual accounts of the Company December 31, 2011 and dividend announcement.**

**30th April 2012**

**Audit Committee and Board of Directors meeting to consider quarterly accounts of the Company for the quarter ended March 31, 2012**

**27th August 2012**

**Audit Committee and Board of Directors meeting to consider quarterly accounts of the Company for the quarter ended June 30, 2012**

**24th October 2012**

**Audit Committee and Board of Directors meeting to consider quarterly accounts of the company for the quarter ended September 30, 2012**

## Our Network



### North Region

Islamabad  
Rawalpindi  
Peshawar  
Azad Kashmir



### South Region

Karachi  
Hyderabad  
Quetta



### Central Region

Lahore  
Sahiwal  
Faisalabad  
Gujranwala







# EMBRACING CHANGE

*"The United Insurance Company of Pakistan Limited"* is committed to delivering innovative insuring products that provide greater financial stability in an ever-changing marketplace.

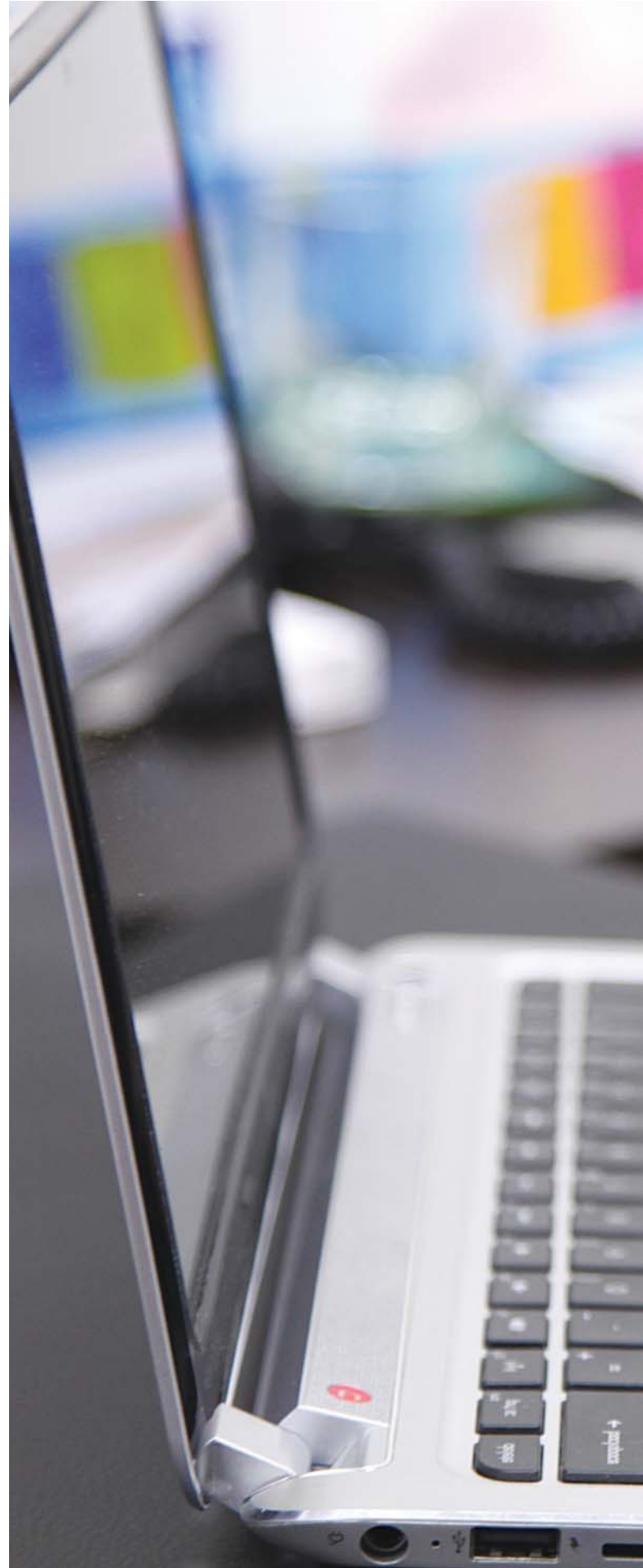




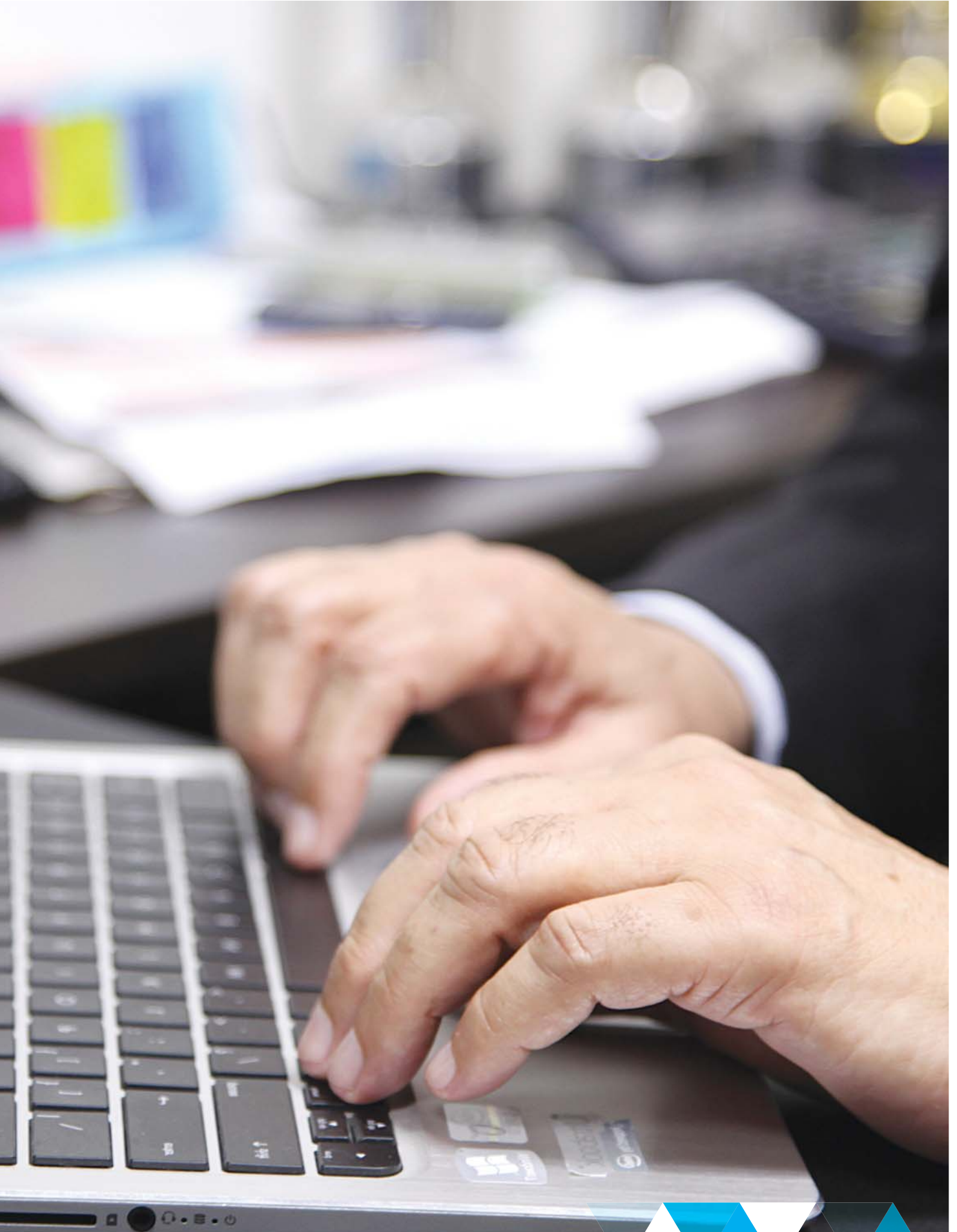
## Core Beliefs

UIC believes in providing high quality solution to risk exposure to the fulfilment of its customers through:

- Surpassing the values throughout the entire organization. These principles will guide us to succeed in our business, and will serve us well ahead into the future from day-to-day business operation to product development and customer services.
- Building the team that takes responsibility for the delivery of our services. By developing our technical & marketing staff, who may deliver services competently. Also give them a sense of pride in the Company.
- Believing that by being pro-active and meeting the changing needs of our clients through value – added products and services, meeting the aspirations of all our stakeholders.
- Also believing that quality of work is the key factor in an organization. So, continuous quality improvements shall be the key drivers in our management processes.









## Vision Statement

A first class Insurance Company to provide cost effective risk management solutions to its policyholders through highest level of quality.

## Mission Statement

### For our customers

- To provide superior services through high quality business solutions and health protection, based on expert advice and financial management and adding value to the all corporate and non corporate customers.

### For our Members

- To maximize the members' value by optimum utilization of resources.

### For our Employees

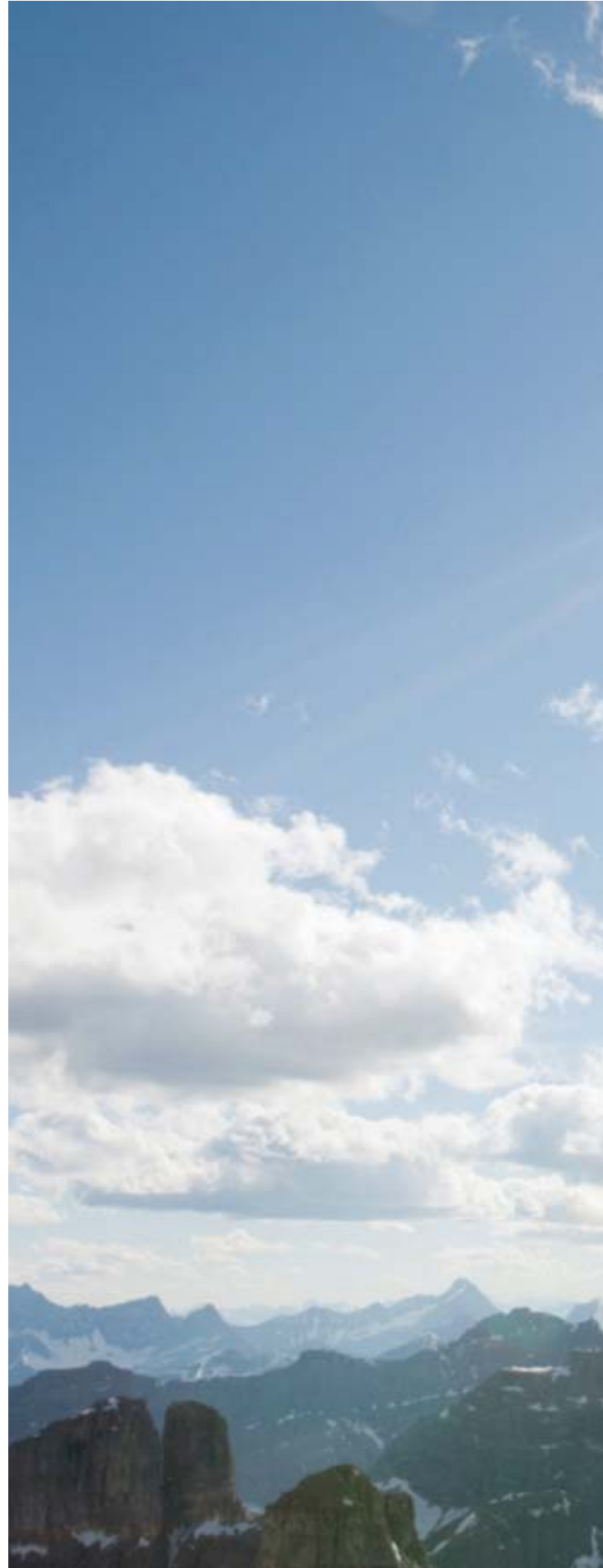
- To provide opportunities for self development in a highly challenging performance oriented work environment.

### For the Society

- To ensure good governance by maintaining high ethical standards and risk coverage.

### For the Government

- Prompt and timely liquidation of liabilities and adherence to the policies established.







## Board of Directors



▲ **Mian M.A Shahid**  
Group Chairman /Advisor to Board



▲ **Khawas Khan Niazi**  
Chairman



▲ **Mohammed Rahat Sadiq**  
Chief Executive Officer



▲ Ch. Habib-ur-Rehman  
Director/President



▲ Huma Waheed  
Director



▲ Ch. Maqsood Ahmed  
Director



▲ Ch. Aziz-ur-Rehman  
Director



▲ Ch. Najeeb-ur-Rehman  
Director

# Corporate Information

## CHAIRMAN

Khawas Khan Niazi

## CHIEF EXECUTIVE OFFICER

Mohammed Rahat Sadiq

## DIRECTOR/PRESIDENT

Chaudhary Habib-Ur-Rehman

## DIRECTORS

Huma Waheed

Chaudhary Najeeb-ur-Rehman

Chaudhary Aziz-ur Rehman

Chaudhary Maqsood Ahmed

## ADVISOR TO BOARD

Mian M.A. Shahid

(Chairman UIG)

## DEPUTY MANAGING DIRECTOR/ COMPANY SECRETARY

Zia Hassan Zuberi

## CHIEF FINANCIAL OFFICER

Maqbool Ahmad

## CHIEF INTERNAL AUDITOR

Abdul Mannan Munir

## AUDITORS

M/S. Ilyas Saeed & Co.

Chartered Accountants

M/S. Sarwars

Chartered Accountants

## LEGAL ADVISORS

M. A. Hamdani (Advocate)

Muhammad Farooq Sheikh (Advocate)

## INCOME TAX ADVISOR

M/S. Sarwars

Chartered Accountants

## RATING AGENCY PACRA

Insurer Financial Strength: A

## COMPANY'S SHARE REGISTRAR

M/S. Shares Corporate Services (Pvt.) Ltd.

Mehersons Estate, Block-E,

Talpur Road-Karachi

## WEB PRESENCE

[www.theunitedinsurance.com](http://www.theunitedinsurance.com)

## REGISTERED OFFICE

204, 2nd Floor, Madina City Mall,

Abdullah Haroon Road, Saddar Karachi.

Tel: 021-35621460-2, 021-35221803-4

Fax: 021-35621459

Telegram: UNITINSURE

Email: [info@theunitedinsurance.com](mailto:info@theunitedinsurance.com)

## HEAD OFFICE

UIG House, 6-D, Upper Mall, Lahore.

UAN: (92-42) 111-000-014

T: (92-42) 35776475-94

F: (92-42) 35776492-93

E: [uicp@theunitedinsurance.com](mailto:uicp@theunitedinsurance.com)

## Audit Committee

Ch. Maqsood Ahmed

Chairman

Ch. Aziz-ur-Rehman

Member

Ch. Najeeb-ur-Rehman

Member

## Human Resource & Remuneration Committee

Ch. Najeeb-ur-Rehman

Chairman

Ch. Habib-ur-Rehman

Member

Ch. Maqsood Ahmed

Member

Mohammed Rahat Sadiq

Member

# Key Management Personnel

## CHIEF EXECUTIVE OFFICER

Mohammed Rahat Sadiq

## ADVISORS

Naseer Ahmed

(Former Member Revenue FBR)

(Additional Secretary Military Finance)

(Additional Secretary Finance)

Sardar Khan

(Former M.D Universal Insurance)

Maj.Gen.(R) Asif Duraiz Akhtar

## DEPUTY MANAGING DIRECTOR

Aziz Ullah Memon

(Former President UBL,KASB & My Bank)

## EXECUTIVE DIRECTOR

### UNDERWRITING

S.M. Qaiser Imam

## GENERAL MANAGER FINANCE

Tajammal Iqbal

## GENERAL MANAGER ADMINISTRATION

Jamil Ahmed

## GENERAL MANAGER (I.T)

Munir Ahmed

## DEPUTY GENERAL MANAGER

### CLAIMS

Muhammad Yasin Khan

## DEPUTY GENERAL MANAGER

### UNDERWRITING

Manzoor Hussain Mirza

## A.G.M. FINANCE

Wakeel Ahmad Mirza

## CHIEF MANAGER CLAIMS

Fayyaz-ud-Din Mirza

## MANAGER RE-INSURANCE

Naeem Ahmed Babar

## MANAGER HEALTH / TRAVEL

Kashif Shafique

## MANAGER AGRICULTURAL

Zulfiqar Ahmad

## MANAGER CO-ORDINATION

Mrs.Tahira Ashar

## EXECUTIVE DIRECTORS

Qamar-uz-zaman

Mian M.A Zahid

Zarar Ahmed Butt

Mian Kashif Rasheed

Ch. Aslam Feroz

Shakeel Ahmed

Muhammad Siddique Sheikh

Rizwan-ul-Haq

Inam-ul-Haq khan

## JOINT DIRECTORS

Muhammed Naseem Butt

Salman-ul-Haq

Khurram Mansoor

Malik Zafar Yousaf

Mian Muhammed Rafi

Muhammad Mazhar Shah

Riaz Hussain Shah



# Company Information

## Bankers

State Bank of Pakistan  
APNA Micro Finance Bank Limited  
National Bank of Pakistan  
Bank Al-Habib Limited  
Soneri Bank Limited  
Bank Al-Falah Limited  
KASB Bank Limited  
Meezan Bank Limited  
NIB Bank Limited  
SME Bank Limited  
The Bank of Khyber  
Escorts Investment Bank Limited  
The First Micro Finance Bank Limited  
Jahangir Siddiqui Investment Bank Limited  
Security Investment Bank Limited  
Industrial Development Bank of Pakistan  
Zarai Tarqati Bank Limited  
Al Baraka Islamic Bank Limited  
American Express Bank Limited  
SME Leasing  
The Bank of Tokyo Mitsubishi Limited  
Orix Leasing Company Limited  
First Women Bank Limited  
Rupali Bank Limited  
MCB Bank Limited  
United Bank Limited  
Faysal Bank Limited  
The Bank of Punjab  
Askari Bank Limited  
Samba Bank Limited  
First Fidelity Leasing Modarba  
Silk Bank Limited  
Allied Bank Limited

Khushhali Bank Limited  
Atlas Investment Bank Limited  
First International Investment Bank Limited  
Orix Investment Bank of Pakistan Limited  
Summit Bank Limited  
The Punjab Provincial Cooperative Bank Limited  
National Investment Trust Limited  
Habib Metropolitan Bank Limited  
Citibank N.A.  
Oman International Bank S.A.O.G  
Standard Chartered Bank Limited  
The Hong Kong & Shanghai Banking Corp. Limited  
Trust Investment Bank Limited





Mian M.A. Shahid



Khawas Khan Niazi



M. Rahat Sadiq



S.M. Qaiser Imam





M. Yasin Khan

Tajammal Iqbal

Maqbool Ahmad

Jamil Ahmed



We are committed to our clients.  
We strive to understand their risks.  
We make promises, and we keep them.



# Telented and Motivated Personnel



▲ **Mohammed Rahat Sadiq**  
Chief Executive Officer



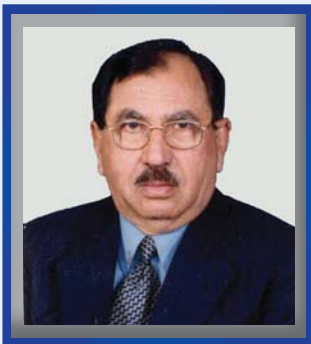
▲ **Azizullah Memon**  
Deputy Managing Director



▲ **Zia Hassan Zuberi**  
Deputy Managing Director /  
Company Secretary



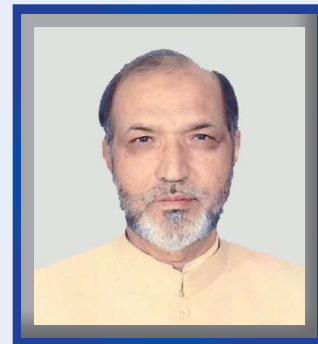
▲ **Muhammad Saleem Sheikh**  
Senior Executive Director



▲ **Sardar Khan**  
Advisor



▲ **Maj. Gen. (R) Asif Duraiz Akhter**  
Advisor



▲ **Naseer Ahmed**  
Advisor



## Our Identity, Our Prospect!



▲ **Tajammal Iqbal**  
General Manager Finance



▲ **Maqbool Ahmad**  
Chief Financial Officer



▲ **S.M. Qaiser Imam**  
Executive Director Underwriting



▲ **Jamil Ahmed**  
General Manager Administration



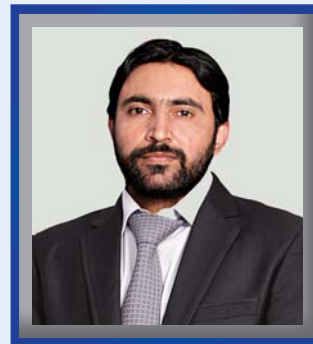
▲ **Muhammad Yasin Khan**  
Deputy General Manager Claims



▲ **Munir Ahmed**  
General Manager (IT)

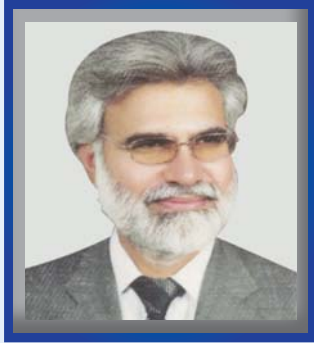


▲ **Abdul Mannan Munir**  
Chief Internal Auditor



▲ **Wakeel Ahmad Mirza**  
A.G.M. Finance

# Executive Directors



▲ Qamar-uz-Zaman



▲ Mian M.A Zahid



▲ Ch. Aslam Feroz



▲ Zarar Ahmad Butt



▲ Mian Kashif Rasheed



▲ Inam-ul-Haq Khan



▲ Shakeel Ahmad



▲ Sh. Mohammed Sheikh



▲ Rizwan-ul-Haq



# Community Activities







Our 'Caring for Mankind' mission is more than a statement of belief it is our very heart and soul; a value we imbued in whatever that we do.





This dedication is reflected in our wide product offerings and quality services to improve the lives of our customer as well as our commitment to care for the community.





# United Insurance at a Glance



- United Insurance is a member Company of “United International Group”.
- Operating Since 1959, dealing in all classes of General Insurance business.
- UIC is one of the premier general insurance companies of Pakistan.
- Rated “A” by PACRA which acknowledges our High Financial Capacity to meet Policy holders' interest and our contractual obligations.
- Very strong Reinsurance treaty arrangements with world's renowned reinsurers.
- Focused on prompt settlement of claims
- Extending success into new challenges

## Six Years at a Glance

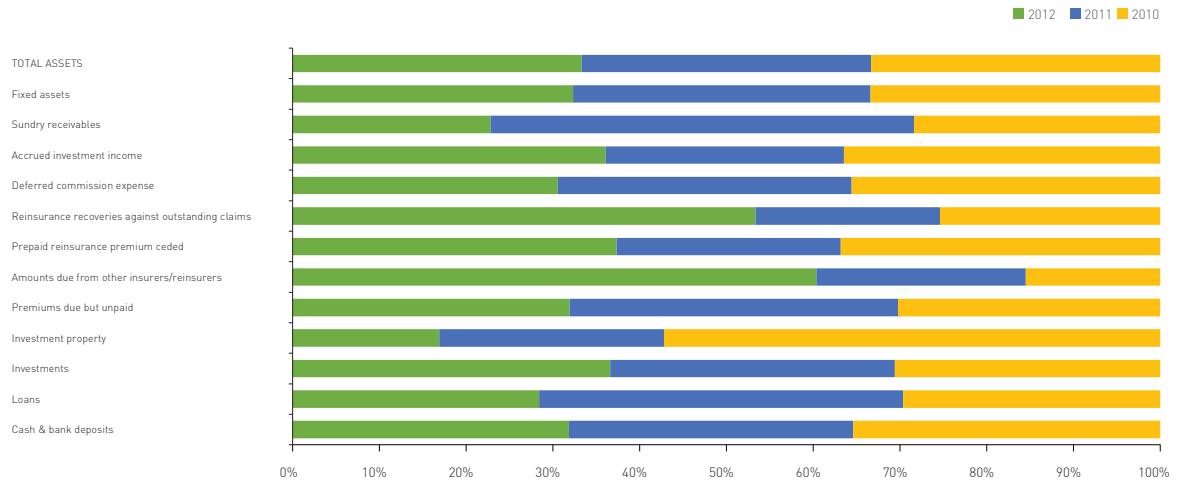
SIX YEARS AT A GLANCE	(RUPEES IN MILLION)					
	2012	2011	2010	2009	2008	2007
<b>Financial Data</b>						
Paid up Capital	570.685	496.248	400.200	345.000	302.407	252.006
General & Capital Reserves	419.960	269.896	268.011	204.824	181.439	175.845
Equity	926.646	764.809	666.805	548.344	485.402	429.489
Underwriting Provisions	886.506	502.906	383.991	301.262	220.888	211.289
Investment at Cost	187.753	115.398	93.945	52.491	40.380	13.263
Total Assets book value	2,106.01	1,444.772	1,238.126	1,018.322	844.653	782.261
Fixed Assets net	602.037	444.335	394.930	351.490	267.602	260.748
Cash & Bank Deposits	385.220	271.519	251.676	218.843	205.902	191.199
* Advance, Deposits & Prepayments	931.002	613.139	497.575	395.498	329.901	110.369
<b>Operating Data</b>						
Gross Premium	1,422.915	1,030.438	845.547	715.031	571.285	501.348
Net Premium	783.340	643.736	550.559	423.731	356.523	312.658
Net Claims expenses	245.413	262.777	175.550	121.560	102.975	83.271
* Underwriting Profit	308.028	231.626	277.226	205.472	168.587	178.532
Investment Income	42.489	18.085	21.023	10.824	1.662	4.137
Profit Before Tax	187.522	114.473	133.537	72.792	58.223	108.080
Income Tax	26.251	16.540	15.150	8.370	2.310	7.733
Profit After Tax	161.272	97.933	118.387	64.421	55.913	100.346
* Management Expenses	196.730	116.919	75.826	59.936	58.412	28.667
<b>Financial Ratios</b>						
Profit Before Tax / Gross Premium (%)	13.179	11.109	15.793	10.180	10.192	21.558
Profit Before Tax / Net Premium (%)	23.939	17.783	24.255	17.179	16.331	34.568
Profit After Tax / Gross Premium (%)	11.334	9.504	14.001	9.010	9.787	20.015
Profit After Tax / Net Premium (%)	20.588	15.213	21.503	15.203	15.683	32.094
* Management Exp. / Gross Premium (%)	13.826	11.347	8.968	8.382	10.225	5.718
* Management Exp. / Net Premium (%)	25.114	18.163	13.773	14.145	16.384	90.169
* Underwriting Profit / Net Premium (%)	39.322	35.981	50.354	48.491	47.286	57.101
Net Claims / Net Premium (%)	31.329	40.821	31.886	28.688	28.883	26.633
Return on Assets (%)	7.658	6.778	9.562	6.326	6.620	13.816
<b>Return To Members</b>						
Return on Equity - PBT (%)	20.237	14.968	20.033	13.275	11.995	25.165
Return on Equity - PAT (%)	17.404	12.805	17.760	11.748	11.519	23.364
Earning Per Share (Rs.)	2.826	1.72	2.390	1.610	1.850	3.982
Price Earning Ratio (times)	4.600	2.407	2.845	5.902	8.649	7.534
Market Value at end of Year (Rs.)	13.000	4.750	6.800	9.500	16.000	30.000
Highest Value during the Year (Rs.)	16.200	8.490	11.890	15.930	26.000	38.000
Lowest Value during the year (Rs.)	4.600	3.600	4.020	5.360	11.000	29.000
Stock Dividend Per Share (Rs.)	1.500	1.500	2.400	1.600	1.400	2.000
Net Assets Per Share (times)	36.903	29.114	30.938	29.517	27.931	17.051
<b>Liquidity / Leverage Ratio</b>						
Current Ratio (times)	1.294	1.515	1.622	1.638	1.586	1.481
Total Assets Turnover (times)	1.480	1.402	1.464	1.424	0.676	0.128
Fixed Assets Turnover (times)	0.423	0.431	0.467	0.492	2.135	0.385
Total Liability / Equity (times)	1.204	0.887	0.855	0.460	0.740	0.815
Return on Capital Employed (%)	20.237	14.968	20.033	13.275	18.489	39.819
Paid up Capital / Total Assets (%)	27.098	34.348	32.323	33.879	35.802	32.215
Equity / Total Assets (%)	44.000	52.936	53.839	53.848	57.468	54.904
<b>Distribution</b>						
Bonus Share (Rs.)	2.300	1.500	2.400	1.600	1.400	2.000
Bonus Share (%)	23%	15%	24%	16%	14%	20%
Total Distributions (%)	23%	15%	24%	16%	14%	20%

\* Comparative Rearrange for better presentation.

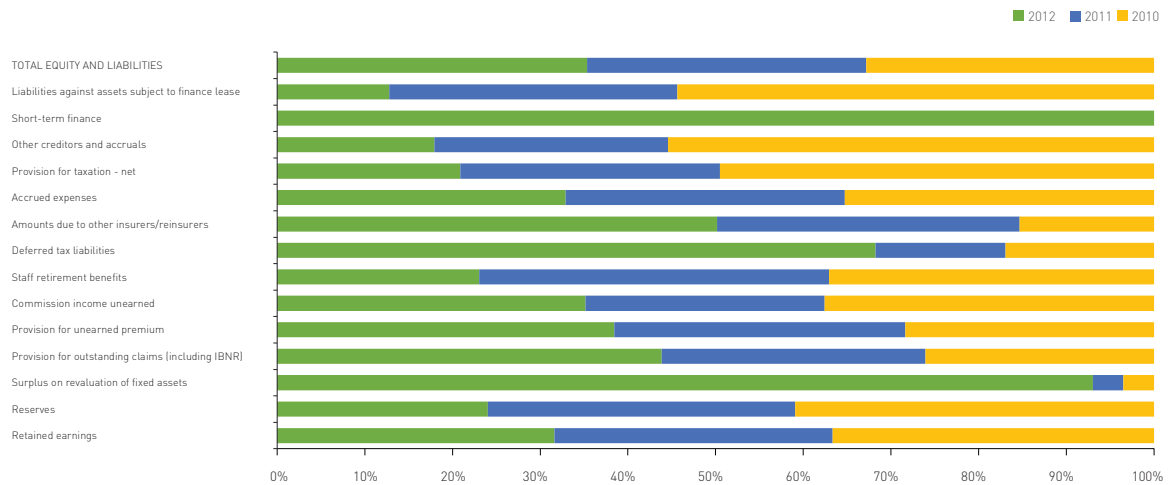
## Vertical Analysis

	YEARS		
	2012	2011	2010
<b>Balance Sheet Items</b>			
Cash & bank deposits	18.3%	18.8%	20.3%
Loans	0.3%	0.4%	0.3%
Investments	8.9%	8.0%	7.5%
Investment property	1.0%	1.5%	3.4%
Premiums due but unpaid	17.6%	20.9%	16.6%
Amounts due from other insurers/reinsurers	1.6%	0.6%	0.4%
Prepaid reinsurance premium ceded	12.4%	8.6%	12.2%
Reinsurance recoveries against outstanding claims	5.4%	2.1%	2.6%
Deferred commission expense	3.7%	4.1%	4.3%
Accrued investment income	1.0%	0.7%	1.0%
Sundry receivables	2.3%	5.0%	2.9%
Fixed assets	27.6%	29.2%	28.5%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Paid-up share capital	27.1%	34.3%	32.3%
Retained earnings	13.3%	13.4%	15.4%
Reserves	3.6%	5.2%	6.1%
Surplus on revaluation of fixed assets	3.0%	0.1%	0.1%
Provision for outstanding claims (including IBNR)	7.2%	4.9%	4.3%
Provision for unearned premium	31.9%	27.5%	23.5%
Commission income unearned	3.0%	2.4%	3.3%
Staff retirement benefits	1.6%	2.7%	2.5%
Deferred tax liabilities	1.6%	0.3%	0.4%
Amounts due to other insurers/reinsurers	4.1%	2.9%	1.3%
Accrued expenses	0.5%	0.5%	0.5%
Provision for taxation - net	0.4%	0.5%	0.9%
Other creditors and accruals	1.2%	1.8%	3.7%
Short-term finance	0.2%	0.0%	0.0%
Liabilities against assets subject to finance lease	1.4%	3.5%	5.7%
<b>Total Equity And Liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Profit And Loss Account</b>			
Net premium revenue	100%	100%	100%
Net claims	-31.3%	-40.8%	-31.9%
Management expenses	-25.1%	-13.9%	-13.8%
Net commission	-4.2%	-5.0%	-4.0%
Investment income	5.4%	2.8%	3.8%
Rental income	0.1%	0.1%	0.1%
Other income	0.85%	0.83%	0.34%
General & admin expenses	-21.2%	-25.1%	-28.6%
Finance charge on lease rentals	-0.6%	-1.1%	-1.8%
Provision for taxation	-3.4%	-2.6%	-2.8%
(Profit)/ loss after Tax	-20.6%	-15.2%	-21.5%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

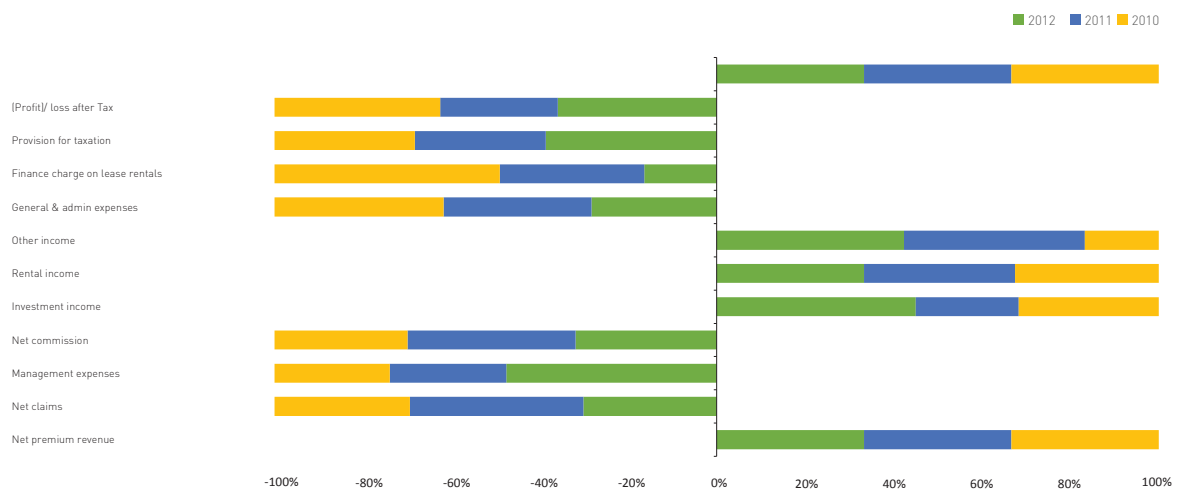
**Balance Sheet Analysis - Assets**  
Vertical



**Balance Sheet Analysis - Liabilities & Equity**  
Vertical



**Profit & Loss Account**  
Vertical

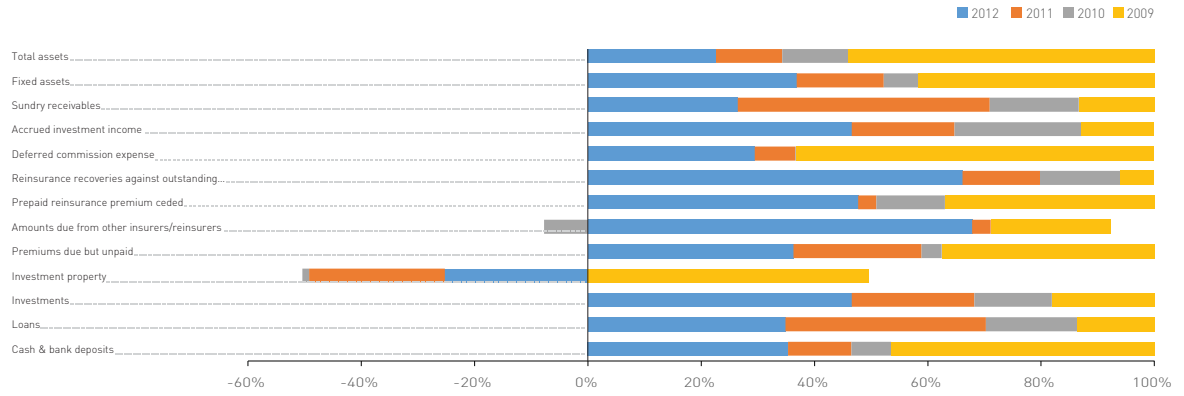


# Horizontal Analysis

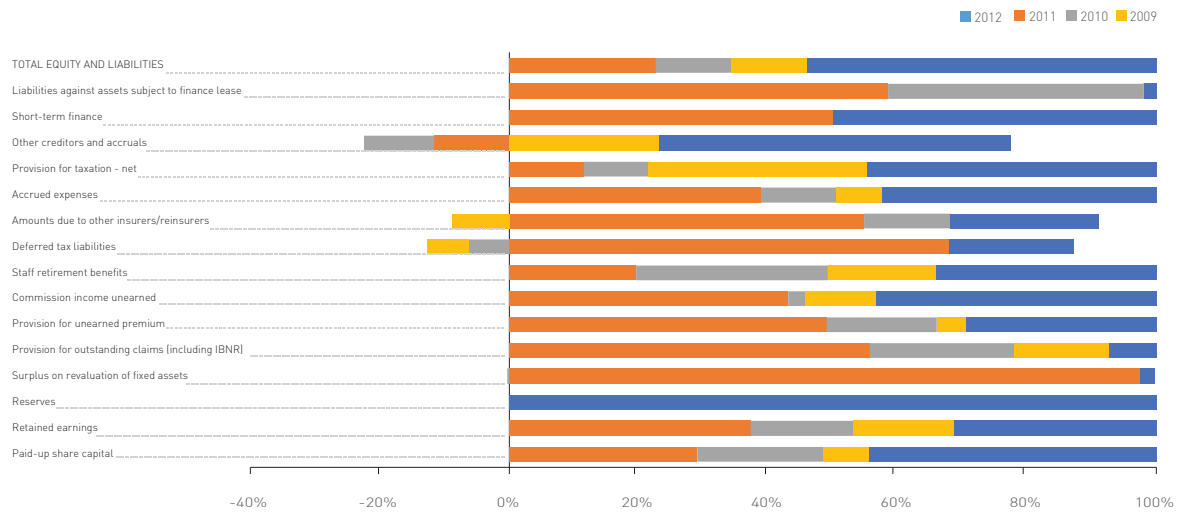
	YEARS			
	2009	2010	2011	2012
<b>Balance Sheet Items</b>				
Cash & bank deposits	100	15.00	24.07	76.03
Loans	100	117.67	259.20	255.09
Investments	100	75.76	119.84	257.69
Investment property	100	(2.31)	(48.33)	(50.92)
Premiums due but unpaid	100	9.47	60.26	96.66
Amounts due from other insurers/reinsurers	100	(36.51)	15.38	320.36
Prepaid reinsurance premium ceded	100	32.82	8.72	129.06
Reinsurance recoveries against outstanding claims	100	235.84	228.50	1100.79
Deferred commission expense	100	0.27	11.38	46.59
Accrued investment income	100	174.28	140.92	362.13
Sundry receivables	100	118.15	333.49	198.40
Fixed assets	100	14.41	36.85	88.34
<b>Total Assets</b>	<b>100</b>	<b>21.61</b>	<b>41.85</b>	<b>106.88</b>
<b>Equity and Liabilities</b>				
Paid-up share capital	100	16.00	43.84	65.42
Retained earnings	100	49.33	50.86	119.02
Reserves	100	0.00	0.00	0.00
Surplus on revaluation of fixed assets	100	(5.00)	(9.75)	4226.66
Provision for outstanding claims (including IBNR)	100	201.57	306.40	763.54
Provision for unearned premium	100	15.62	58.02	166.73
Commission income unearned	100	25.13	6.09	99.22
Staff retirement benefits	100	48.69	86.74	57.37
Deferred tax liabilities	100	(33.86)	(32.58)	353.23
Amounts due to other insurers/reinsurers	100	(39.06)	58.78	239.50
Accrued expenses	100	16.89	27.44	91.83
Provision for taxation - net	100	75.21	22.45	25.75
Other creditors and accruals	100	42.71	(19.91)	(21.41)
Short-term finance	100	0.00	0.00	100.00
Liabilities against assets subject to finance lease	100	2.49	1981.68	2935.23
<b>Total Equity And Liabilities</b>	<b>100</b>	<b>21.61</b>	<b>41.85</b>	<b>106.88</b>
<b>Profit And Loss Account</b>				
Net premium revenue	100	29.93	51.92	84.87
Net claims	100	44.41	116.17	101.89
Management expenses	100	26.51	95.07	228.23
Net commission	100	(40.28)	(11.83)	(9.78)
Investment income	100	94.22	67.08	292.54
Rental income	100	(42.14)	(28.91)	(15.69)
Other income	100	1000.46	3046.81	3860.50
General & admin expenses	100	15.84	-1.45	22.14
Finance charges on lease rentals	100	12.53	(15.78)	(48.51)
Provision for taxation	100	80.99	97.60	213.61



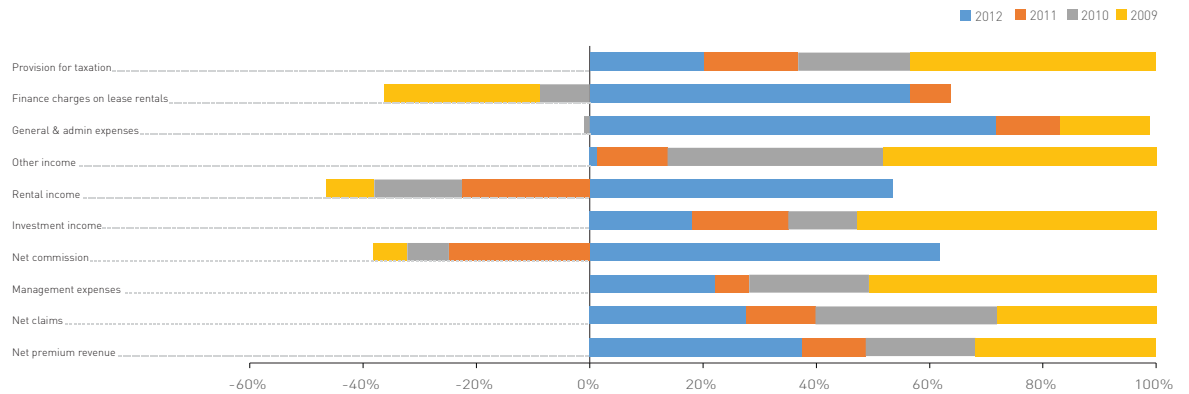
**Balance Sheet Analysis - Assets**  
Horizontal

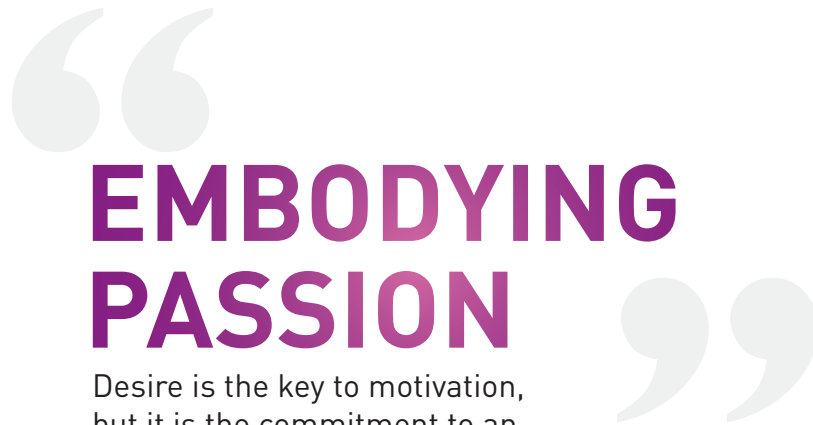


**Balance Sheet Analysis - Equity & Liabilities**  
Horizontal



**Profit & Loss Account**  
Horizontal



A large, light gray quotation mark graphic is positioned behind the main title. The opening quote is on the left, and the closing quote is on the right, framing the text.

# EMBODYING PASSION

Desire is the key to motivation,  
but it is the commitment to an  
unrelenting pursuit of our goal that  
enables us to attain the success we  
seek.





# Segmentwise Outline **Fire**









# Segmentwise Outline **Fire** Continue

## Riot and Strike Damage

This policy provides coverage against loss or damage caused due to riot & strike or civil commotion or malicious damage due to any persons who are members of an organization whose aim is to over-throw any legal or defacto Government by terrorism or violence.

## Allied Perils

This is the most important and basic form of insurance and is essential for all types of business concerns. Fire and Allied Perils Insurance



provides comprehensive cover in respect of loss of or damage to your property against fire and lightning. To further safeguard the interest of our valued clients the policy can be extended to cover riot and strike damage, malicious damage, atmospheric disturbance, earthquake (fire and shock), explosion, impact damage, aircraft damage etc.

## Home Insurance Plan

To live in one's own home is



cherished by every one of us.

In these tough times, it is very hard to retain a house, which is exposed to several risks such as riot and strike damage, malicious damage, atmospheric disturbance, earthquake (fire and shock), explosion, impact damage and aircraft damage. The United Insurance provides a policy to cover the interest of homeowners. The plan provides coverage on building as well as contents against the risks the property may be exposed to. The coverage for buildings includes the risks of fire and all dry/wet perils. Contents



(including jewelery and cash) are similarly covered including the risks of burglary and dacoity.

Besides material damage, UIC's Home Insurance also provides for loss or rent, legal liability to public and domestic servants.

## Hotel Owner All Risk

As the name of policy signifies, it is specially designed to cater to all the insurance needs of a hotel owner. This



policy has been adapted

from the wording prevalent in international markets, as such coverage provided by it meets the requirements of management agreements, which owners usually enter with international chains of hotels. This policy is divided into 8 sections covering fire and supplemental Perils Insurance. Business interruption following Fire and Supplemental Perils, Comprehensive Plate Glass Insurance, Boiler and Machinery Breakdown Insurance, Business Interruption following



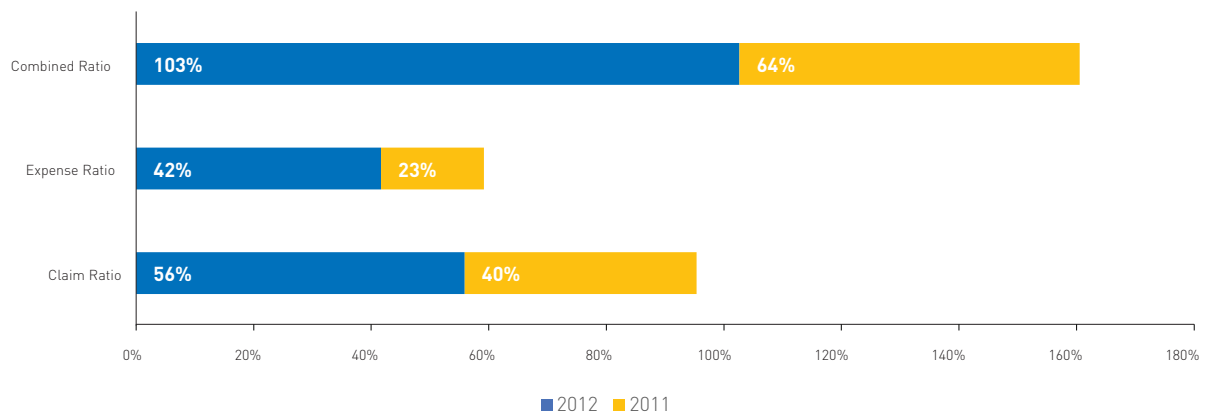
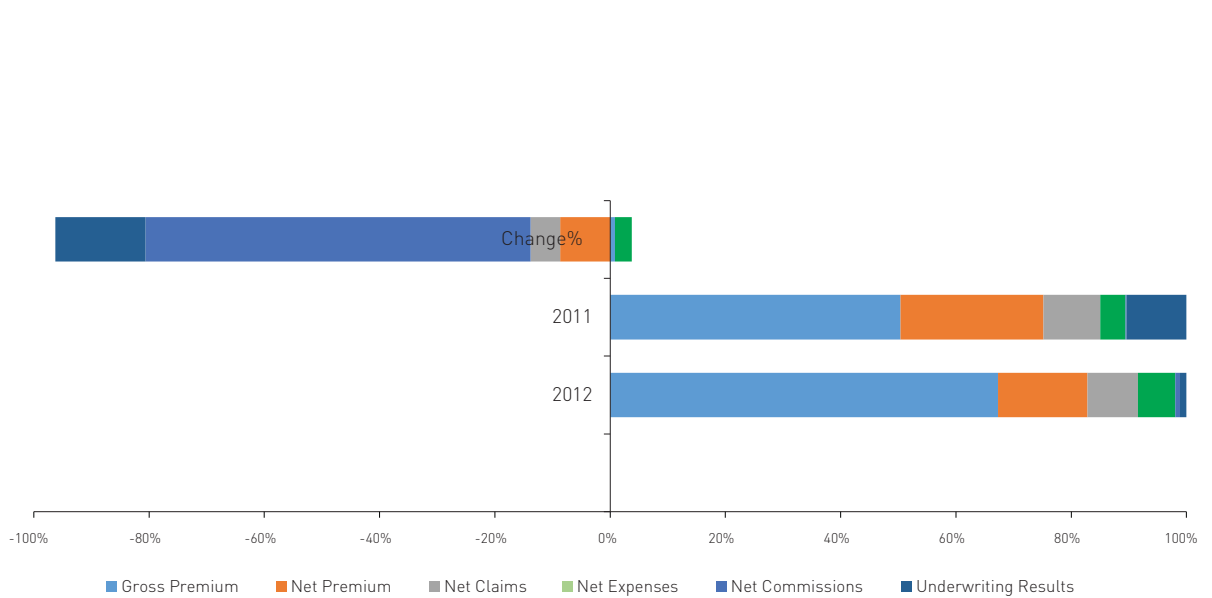
Machinery Breakdown, Comprehensive General Liability, Comprehensive 3D Bond Insurance and Workmen's Compensation Insurance.

## Terrorism Cover

We live in an altogether different world after September 11, 2001. Post 9/11 scenario resulted in removal of terrorism cover globally, leaving the insured and the insurer at a difficult juncture. We, at The United Insurance Company of Pakistan Ltd. Created niche for our valued clients by designing a policy exclusively for the risk of Terrorism. This policy is issued in conjunction with Fire and Allied Perils Policy protecting the interest of insured up to a specified limit.

## Fire

	2012	2011	Change %
	Rupees		
Gross Premium	297,161,754	282,939,821	5.03
Net Premium	68,600,853	139,284,159	(50.75)
Net Claims	38,499,185	55,226,073	(30.29)
Net Expenses	28,683,431	32,103,741	(10.65)
Net Commissions	3,562,893	1,223,184	(391.28)
<b>Underwriting Results</b>	<b>4,981,130</b>	<b>50,731,161</b>	<b>(90.18)</b>
Claim Ratio	56%	40%	
Expense Ratio	42%	23%	
Combined Ratio	103%	64%	



# Segmentwise Outline Marine



## Marine Cargo

Marine Cargo insurance protects all goods while in transit depending upon the needs of client. Three broad types of cover are available i.e. Institute Cargo Clauses "A", "B" & "C". The cover takes care of risks associated with different modes of transportation.

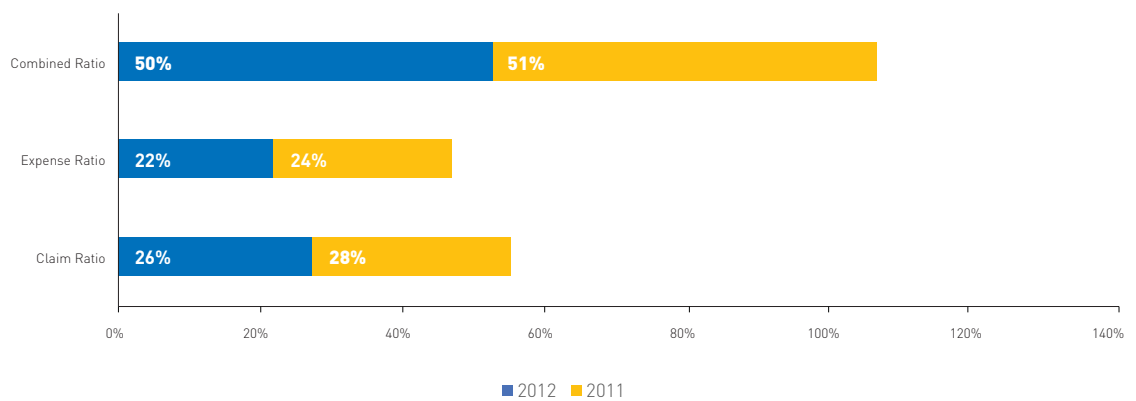
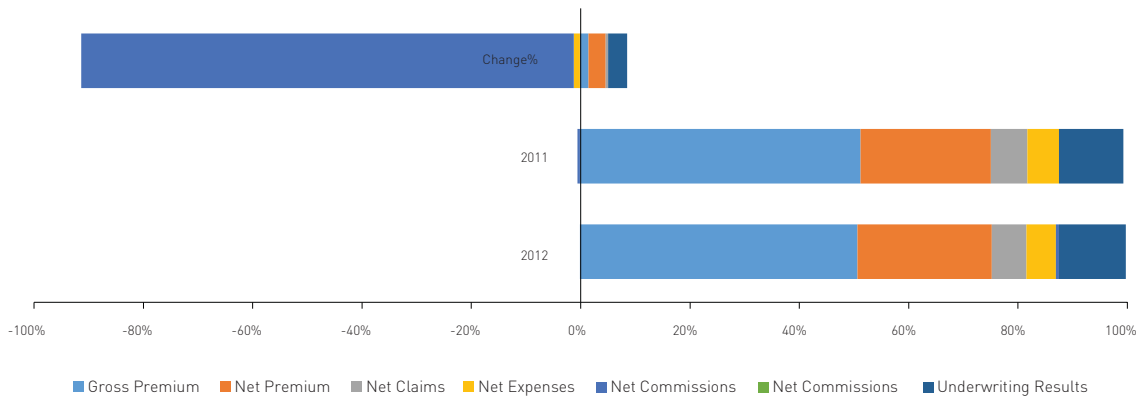
## Marine Hull Insurance

This cover is available for ocean going vessels, barges, tugs, dredgers, fishing trawlers, yachts, wooden dhows, pleasure/speed boats etc., under Institute Time Clauses Hulls. Cover is also provided for last breakup voyages from Karachi anchorage to Gadani.



## Marine

	2012	2011	Change %
	Rupees		
Gross Premium	112,991,155	108,398,510	4.24
Net Premium	54,534,815	50,294,588	8.43
Net Claims	14,208,292	14,046,509	1.15
Net Expenses	11,938,284	12,299,427	(2.94)
Net Commissions	1,247,892	(887,479)	241
<b>Underwriting Results</b>	<b>27,140,347</b>	<b>24,836,131</b>	<b>9.28</b>
Claim Ratio	26%	28%	
Expense Ratio	22%	24%	
Combined Ratio	50%	51%	





# Segmentwise Outline **Motor** Continue

## Auto Sure Plan - Auto Insurance with free Tracker

### Risks Covered:

- Accidental External means.
- Riots, Strikes & Malicious Damages
- Theft.
- Fire, External explosion, self-ignition or lightning or frost.
- Third Party Liability.

### Value Added Features:

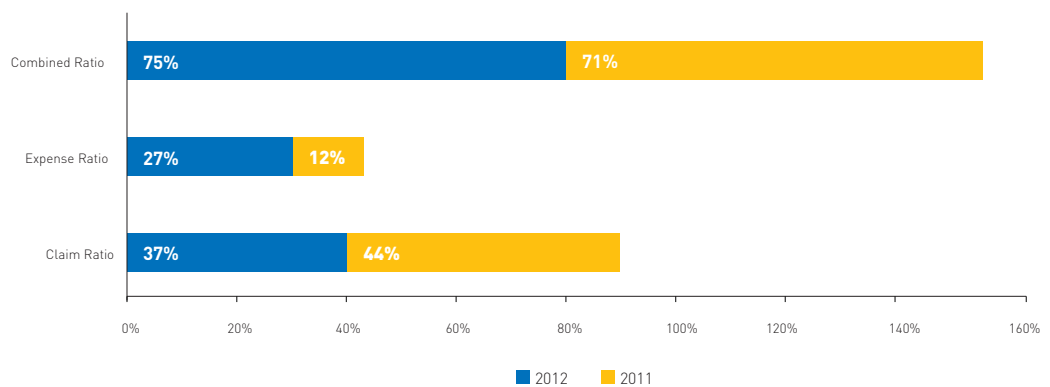
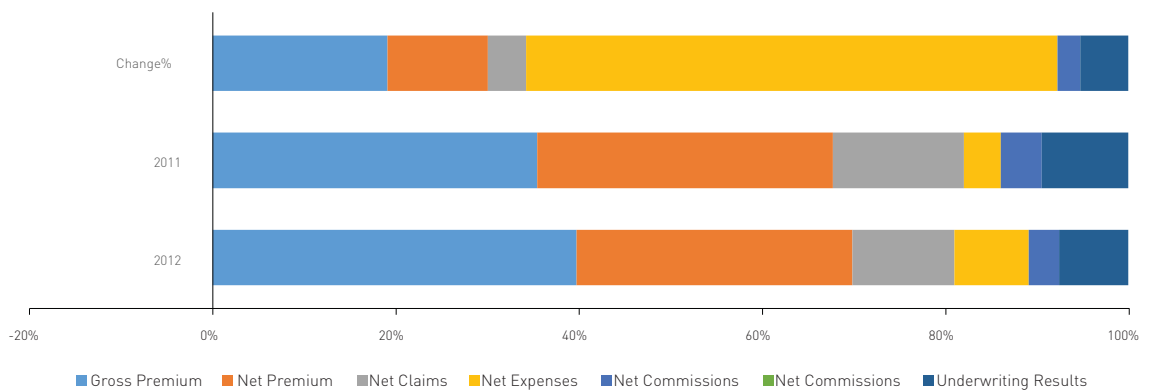
- Free towing to the nearest workshop.

- Get your car repaired from the workshop of your own choice.
- UIC claims experts will help in getting the final police Investigation Report.
- Free death repatriation of the driver within Pakistan.
- Funeral expenses & arrangements for the said person will be borne by UIC.
- No hidden taxes & charges.
- We commit to settle all theft and total loss Claims within 30 days after reporting/submission of requisite documents.



## Motor

	2012	2011	Change %
	Rupees		
Gross Premium	358,868,671	217,783,924	64.78
Net Premium	271,915,276	198,174,978	37.21
Net Claims	100,474,270	88,006,322	14.17
Net Expenses	73,346,460	24,710,833	196.82
Net Commissions	29,805,802	27,480,679	8.46
<b>Underwriting Results</b>	<b>68,288,744</b>	<b>57,977,145</b>	<b>17.79</b>
Claim Ratio	37%	44%	
Expense Ratio	27%	12%	
Combined Ratio	75%	71%	





# Segmentwise Outline **Miscellaneous**



## Workmen's Compensation

Employees are the most precious assets and result in the growth and prosperity for any organization. To protect the rights of this invaluable asset Workmen Compensation /Employer Liability Insurance provides coverage for any legal liabilities of the employers arising out of and in the course of employment as per Workmen Compensation Act, Fatal Accident Act, or at Common Law.

## Accident Coverage

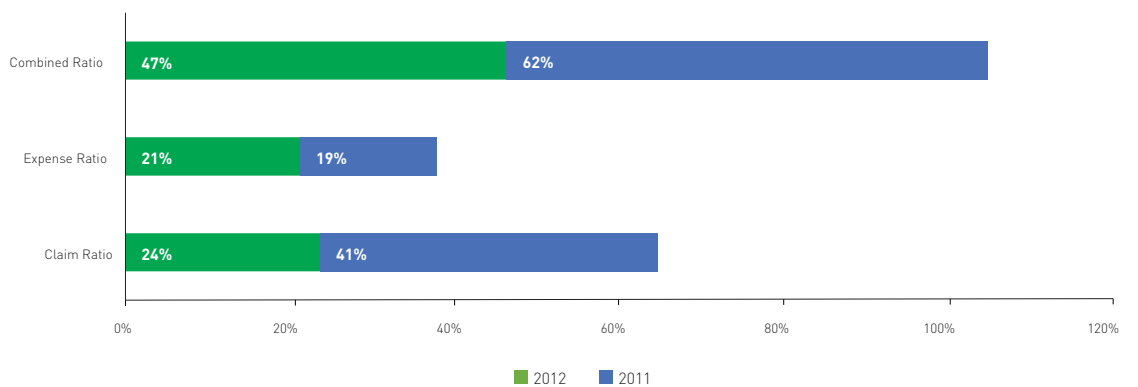
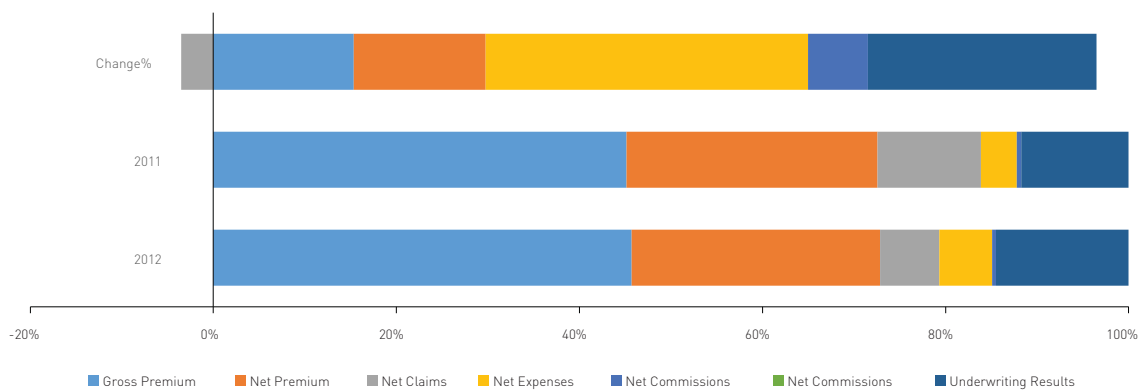
This cover operates 24 hours and on worldwide basis. It Provides for payment of specified capital benefits following accidental death, bodily injury, permanent total disablement, permanent partial disablement, temporary total and temporary partial disablement caused by an accident. In addition the covered also provide reimbursement of emergency transportation to the nearest Hospital and expense incurred for preparation and transportation of the mortal remains of the insured person from the place of death to home and can also be extended to cover medical expenses.

## Cash in Transit Insurance

This policy provides coverage against loss of money whilst in transit due to forcible, violent, external and visible means.

## Miscellaneous

	2012	2011	Change %
	Rupees		
Gross Premium	653,893,262	421,316,077	55.20
Net Premium	388,288,644	255,982,686	51.69
Net Claims	92,230,794	105,498,492	(12.58)
Net Expenses	82,761,973	47,804,590	73.13
Net Commissions	5,678,308	4,597,575	23.51
<b>UNDERWRITING RESULTS</b>	<b>207,617,569</b>	<b>98,082,029</b>	<b>111.68</b>
Claim Ratio	24%	41%	
Expense Ratio	21%	19%	
Combined Ratio	47%	62%	





# Segmentwise Outline Overall



## Fire Insurance:

- Fire & allied perils
- Property all risk
- Industrial all risk
- Burglary
- Contractors all risk
- Machinery breakdown

## Marine Insurance

- Marine Cargo Export
- Marine Cargo Import
- Marine Cargo inland transit
- Marine hull

## Motor Insurance

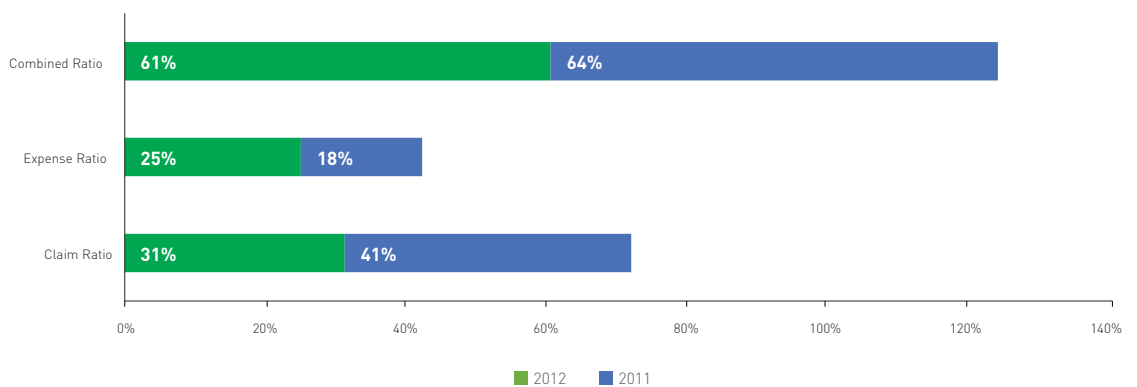
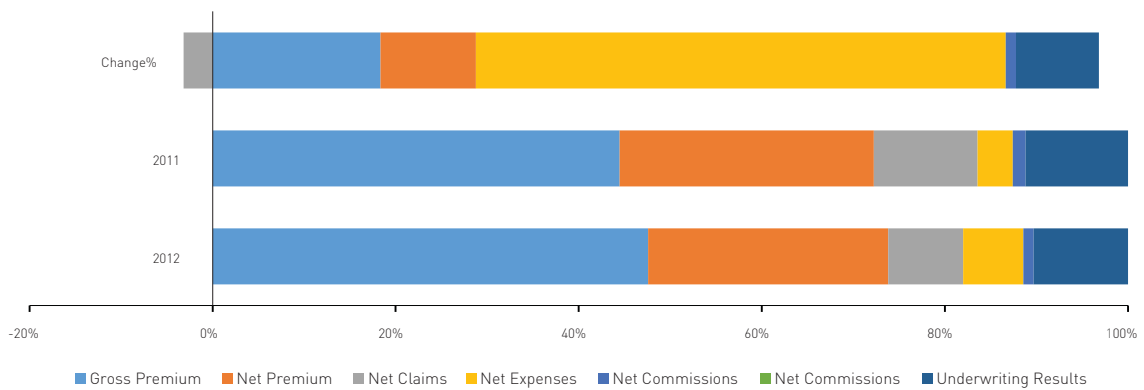
- Commercial vehicle comprehensive
- Private vehicle comprehensive
- Motor Cycle comprehensive
- Motor third party liability

## Miscellaneous Insurance

- Performance bond
- Maintenance bond
- Cash in safe
- Cash in transit
- Workmen's compensation
- Travel
- Aviation
- Health
- Live Stock
- Crop

## Overall

	2012	2011	Change %
	Rupees		
Gross Premium	1,422,914,842	1,030,438,332	38.09
Net Premium	783,339,588	643,736,411	21.69
Net Claims	245,412,541	262,777,397	(6.61)
Net Expenses	196,730,148	116,918,591	68.26
Net Commissions	33,169,109	32,413,958	2.33
<b>UNDERWRITING RESULTS</b>	<b>308,027,790</b>	<b>231,626,466</b>	<b>32.98</b>
Claim Ratio	31%	41%	
Expense Ratio	25%	18%	
Combined Ratio	61%	64%	



# ABOUT UIC PAKISTAN

Company was established in the year 1959 and commenced General Insurance business from January, 1960. United Insurance is leading Insurance Company of Pakistan doing Crop Insurance and Livestock Insurance. (Which have the reinsurance arrangement also)

## Type of Company

It is a public limited company listed in Karachi Stock Exchange Limited. Its directors hail from various vocations & professions.

## Treaty

Treaty arrangement can easily assume any single risk up to the value of Pak Rs.710.000 Million and it is certified by the Securities & Exchange Commission of Pakistan.

## Credit Rating by PACRA

The Pakistan Credit Rating Agency (PACRA) has maintained the IFS rating of The United Insurance Company (UIC) of Pakistan Limited at "A" (Single A).

## Company's Reinsurers

- M/s. Mitsui Sumitomo Reinsurance Limited Kuala Lumpur, Malaysia.
- M/s. Sompo Japan Reinsurance, Hong Kong.
- M/s. Pakistan Reinsurance

- Company Limited, Pakistan.
- M/s. Malaysian Reinsurance Company, Kuala Lumpur, Malaysia.
- M/s. Labuan Reinsurance Company, Kuala Lumpur, Malaysia.
- M/s. Best Reinsurance Co., Kuala Lumpur, Malaysia.
- M/s. Trust International Insurance Co (BSC), Bahrain.
- M/s. MAPFRE ASSISTENCIA, Kingdom of Bahrain.
- M/s. Gramercy Insurance



### Company, Dallas, Texas, USA Central Depository Company (CDC) Issuer

Enlisted with number of Institutions  
Company registered as approved Insurance Company with Schedule Banks, DFI's Leasing Companies and Large Institutions

#### Trade Membership

- Karachi Chamber of Commerce & Industry (KCCI)
- Company is a member of

Insurance Association of Pakistan (IAP)

- Company is also a member of Lahore Chamber of Commerce & Industry (LCCI)

#### Rules and Regulations

- Companies Ordinance 1984
- Insurance Ordinance 2000
- Fire, Marine & Motor Tariff (IAP)

#### Business Tariff

Insurance Association of Pakistan has made various

tariffs and the Company. As a member follows them in respect of insurance policy, wording, premium rating and rules and regulations.

#### Company's Offices

Its Registered Office is situated in Karachi and Head Office at Lahore with branches and representatives all over Pakistan.



# Group Chairman's Message

“Go confidently in the  
direction of your dreams.  
Live the life you have  
imagined.”

## PROMISE

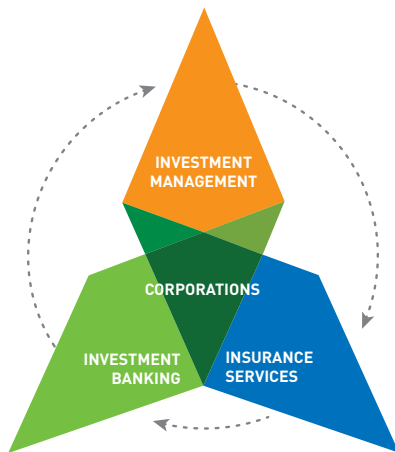
We run our business – and serve our clients – with the highest integrity. We work hard to win our clients' trust, and to keep it.

How do we do that? What do we promise? Here are just some things: careful listening, thoughtful reflection, rigorous analysis, superior products, diligent management, honest assessments, frequent communication and a fierce resolve to represent your best interests.

Our promises aren't hollow words, nor are they pulled from the air. They're based on decades of experience, on sound business principles and on exacting standards, delivered by talented professionals.

We think ahead and plan for contingencies to help you reach your financial goals.

We stand by our promises. And we won't promise more than we can deliver.



“We have the resources to do everything we need to serve our clients.”

**MIAN M. A. SHAHID**, GROUP CHAIRMAN/DVISOR TO BOARD

# Chairman's Message

“We are successful because we live and work by our mission statement: providing the highest levels of integrity, service and performance.”

## DELIVER

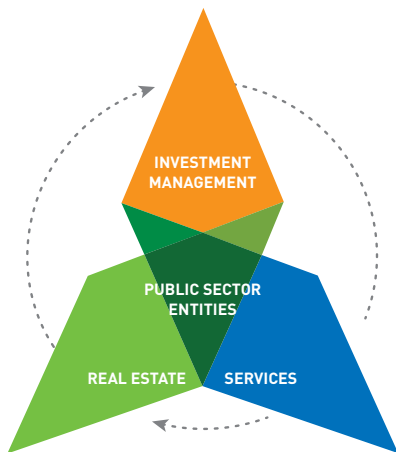
We deliver on our word.

What, exactly, do we mean by that? We offer access to abundant, top-rated resources – both within and outside our firm. We pay close attention to plan execution.

Agile and adaptable, we act swiftly to seize opportunities for our clients – be they opportunities in investment management, investment services, insurance services, investment banking or real estate. We place a lot of

stock in teamwork and in sharing our best ideas with colleagues. We have plenty of experience, and we know the territory.

We're entrepreneurs at heart, in part because we're employee-owned and independent. We know that only by delivering on our promises, by pleasing our clients and by executing superbly will we see our client relationships, and our business, grow.



“We Do What We Say. No Idle Promises, No Bluster. Just Great Service And Great Results.”

*Khawas Khan Niazi*

**KHAWAS KHAN NIAZI, CHAIRMAN**



# Chief Executive's Message

“The reward for work well done is the opportunity to do more.”

## RETURN

Anyone can promise. Many can deliver. But the real test of business success is how many clients come back for your services – not just once but again and again.

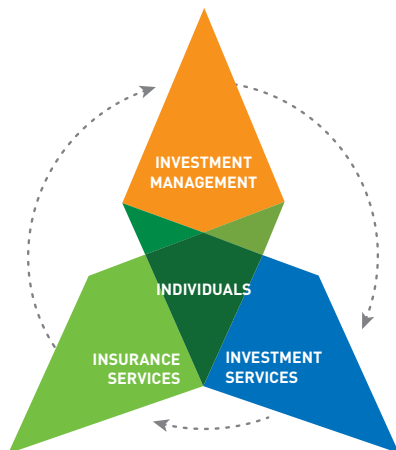
We're pleased and grateful that so many of our clients do come back to us again and again. And we're especially gratified that so many individual, corporate, institutional and public sector clients turn to us for help in meeting many of their needs.

We attribute our long and strong client relationships to

many things. Chief among them are our people's accessibility, professionalism and performance.

Yet we know that business relationships can never be taken for granted. We're always looking for ways to improve, to enhance, to fortify our relationships.

Longstanding affiliations. Enduring partnerships. As we see it, imitation isn't the sincerest form of flattery. Repeat business is.



We Anticipate. We Keep A Step Ahead Of Others, With The Latest Market Requirements And Technology.

A handwritten signature in black ink, appearing to read 'Mohammed Rahat Sadiq'.

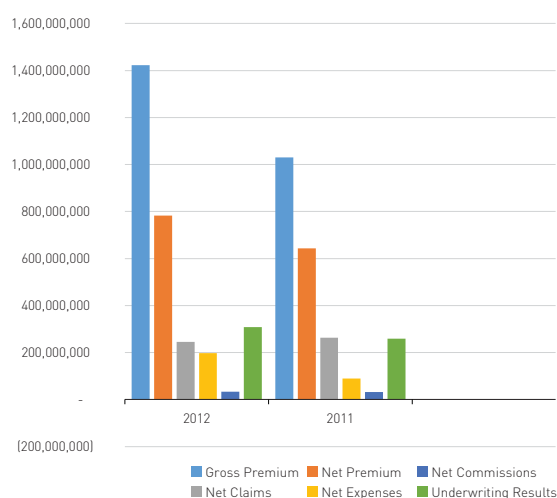
MOHAMMED RAHAT SADIQ, CHIEF EXECUTIVE OFFICER

# Directors Report to the Members

## Dear Fellow Members!

The Directors of “The United Insurance Company of Pakistan Limited” take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2012.

### Overall Performance

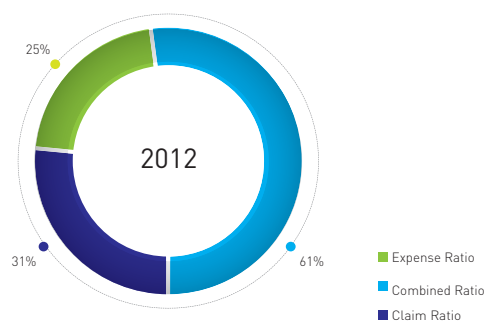


## The Economy Review - General

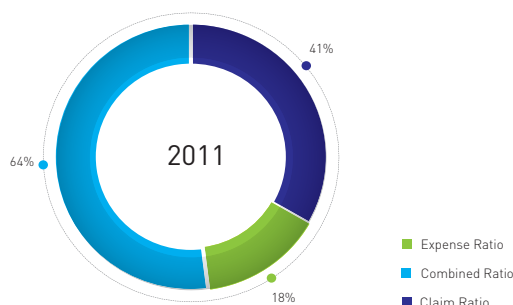
Pakistan’s economy continued to suffer, rupees lost over 36 percent of its value, poverty and unemployment increased, foreign exchange reserves continuously declined and stood at \$8.6 billion, where are we today (2012): Shedding light on present state of affairs, economic growth is 3.7 percent per annum, investment as percentage of GDP at 12.4 percent is the lowest in the last 50 years, large-scale manufacturing grew by 1.8 percent, inflation remained at double digit (11 percent), budget deficit as percentage of GDP attained a new height, reaching to 8.5 percent, public debt touched Rs 12.7 trillion or 61.5 percent of GDP, current account deficit was \$5 billion or 2.0 percent of Export registered a negative growth (-2.8 percent), import growth was 11.9 percent owing to surge in international price of oil and extraordinary increase in fertilizer import and exchange rate remained under pressure, external debt is likely to register a modest increase and touch \$62 billion owing to very low debt creating inflows.

GDP grew by 4.2% in 2011/12 (fiscal year ending June 30th). Growth will average 3.7% in 2012/13-2016/17.

### Ratio



### Ratio



## The Economy Review – Insurance Industry

As per IAIS report 2012 growth in general insurance business in the world of above 15%. The global negative loss position resulting due to atmospheric disturbance claims which are highest in the history is adversely affecting the profitability of insurers and combined ratio remain below 100% indicate profitability improvements of Insurance sector. Due to highest claim re-insurers are tightening the screws on the direct insurers. Pakistan has been a profitable market but due to adverse loss incurred by the re-insurers globally, we have to pay high price for our treaty arrangements. We have renewed our treaties but re-insurers have

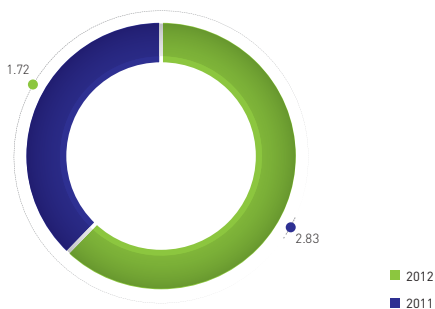
# Directors Report to the Members

given us very harsh stringent renewal terms plays a vital role in the service-based economy and its service are now integrated into wider financial industry grows substantially in the past year and we expect this to continue in 2012 as more and more people in the country begin to understand and recognize the importance of personal financial planning in their day to day lives.

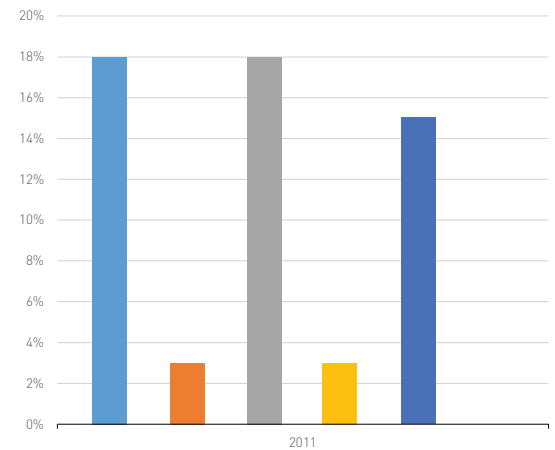
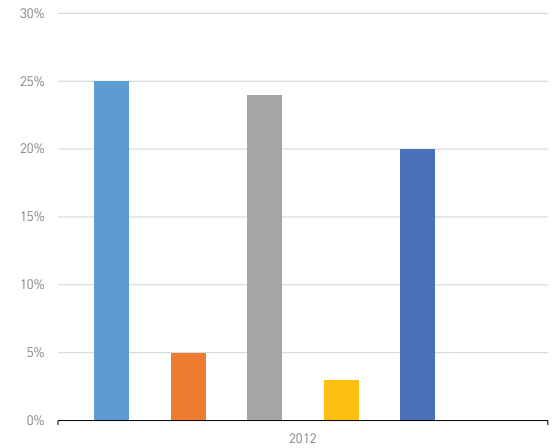
## Performance Review - 2012

Gross Written Premium (GWP) increased by 38.09%, from Rs. 1030.438 mn in 2011 to Rs. 1422.915 mn in 2012. Premium growth has been achieved once again mainly in new businesses with focus on crop, health, bond, live stock & travel businesses. The Company's net premium stands at 55.05% of GWP. The underwriting result increase by 32.98% from Rs. 231.626 mn in 2011 to Rs. 308.027 mn in 2012. General & administrative expenses were increased by 23.93 %, from Rs. Rs. 133.846 mn in 2011 to Rs. 165.883 mn in 2012. The Company placed investment income Rs. 42.489 mn in 2012 as against 18.085 mn in 2011. During the Year 2012, Profit before tax increased to Rs. 187.522 mn as against Rs. 114.473 mn in 2011. Further more during the year 2012, profit after tax increased to Rs. 161.272 mn as against Rs.97.933 mn in 2011. Earnings per share of the Company for the year 2012 comes to Rs. 2.83 per share as against to Rs.1.72 in 2011.

### Earning per Share



### Performance Review



Management Investment income profit before tax  
Income Tax profit after tax profit after tax

## SEGMENTS AT A GLANCE

### Fire And Property Damage

During the year 2012, company's gross premium income registered an increase of 5.03% over the year 2011. Whereas, net claims decreased by 30.29% in 2012. Company's net expense ratio also decreased by 10.65%.

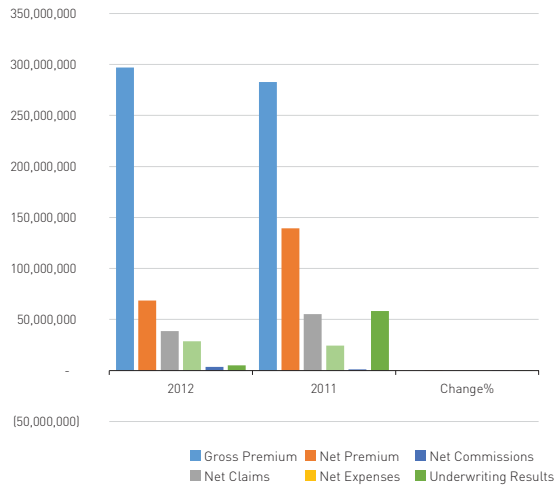
### Marine, Aviation and Transport

Gross premium income for the year 2012 was up by 4.24% from Rs. 108.399 mn in 2011 to Rs. 112.991 mn in 2012. Net premium registered an increase of 8.43% during the year 2012. Net claims although were up by 1.15%. Whereas, the net expenses decreased by 2.94% in 2012.

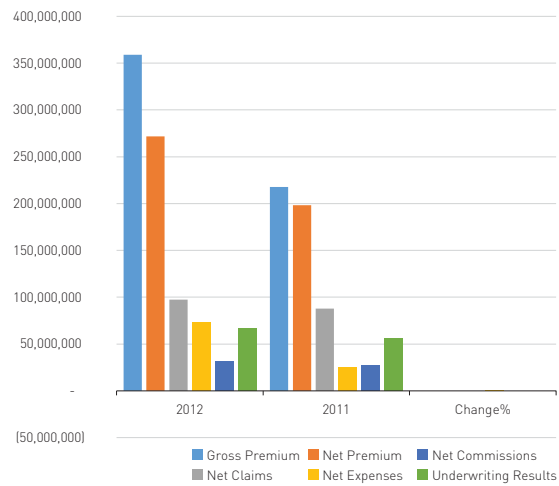


# Directors Report to the Members

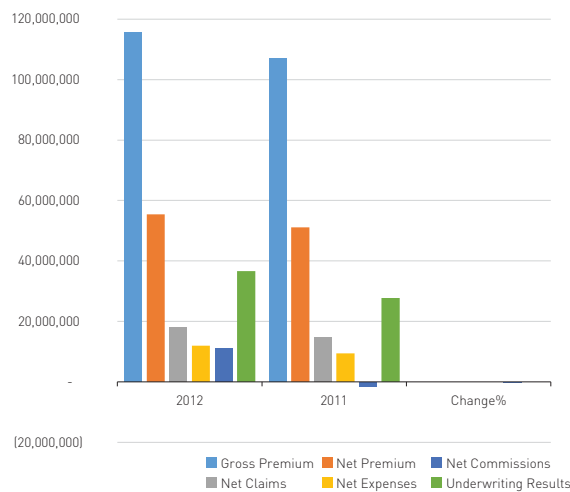
## Fire



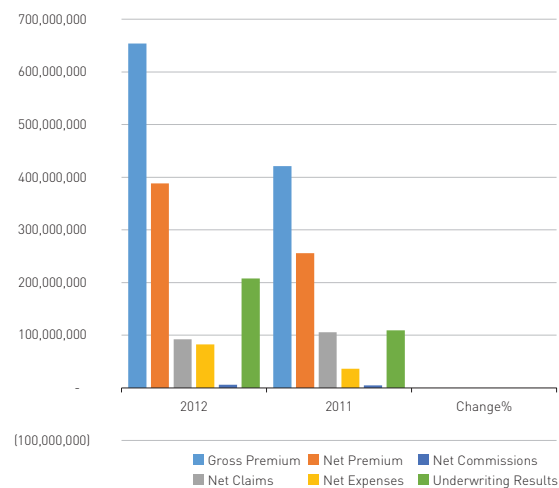
## Motor



## Marine



## Misc.



## Motor

Gross premium income registered an increase of 64.78% in 2012 and net premium income registered an increase of 37.21%. Further more net claims increased by 14.17%.

## Miscellaneous

Gross premium income registered an increase of 55.20% from Rs. 421.316 mn to Rs. 653.893 mn in 2012. Whereas, net premium income was up by 51.69% from Rs. 225.983 mn to Rs. 388.289 mn in 2012.

## Claims

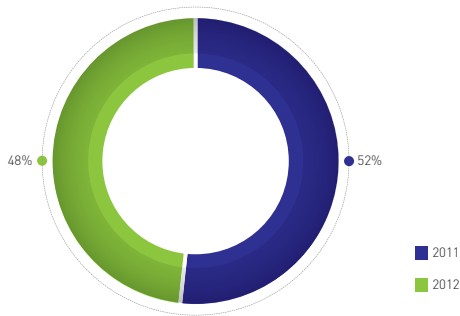
Prompt settlement of claims is the vital function at the UIC which builds the image in the eyes of its valued clients. Promptly payment of claim depends on submission of complete set of documents as per requirement of the class of insurance.

Natural Catastrophic claims not only unavoidable but complex in nature, under this type of claims total or partial loss of property or records required proper documentation to assess the actual claim amount in result such claims appears pending in the year and lying unsettled. Motor "own damage", crop and Health

# Directors Report to the Members

claims, which accounted for majority of the total number of claims, are promptly settled. During the year, the Company has settled most of the claims pertaining to 2012 & earlier.

Claims (Net Claims Expenses)



## Re-Insurance

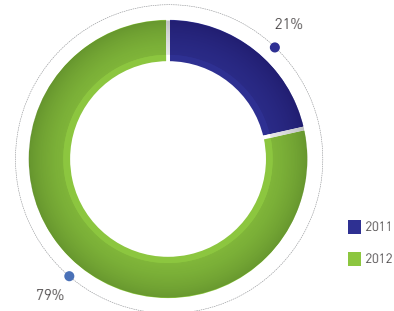
Your Company follows a policy of optimizing retention of risk through a carefully designed program of re-insurance of high quality. We have structured our re-insurance program to protect the value at risk by ensuring timely and quality protection for individual risks. An arrangement of the strong re-insurance cover and strategic disaster planning based tool is used for monitoring the Company's exposure to accumulation and concentration of risk at any location. Your Company has also increased capacities for traditional re-insurance arrangements as well as obtained capacity for specialized lines.

The re-insurance programmed finalized aims at:

- (a) Optimum retention within the country consistent with prudent risk retentions to reduce foreign exchange outgo;
- (b) Develop adequate automatic reinsurance capacity within the Pakistan Insurance market to maximize the market retention;
- (c) To secure the best possible protection at economical cost.

Further in order to alleviate the risk arising out of single large loss and affecting Company's

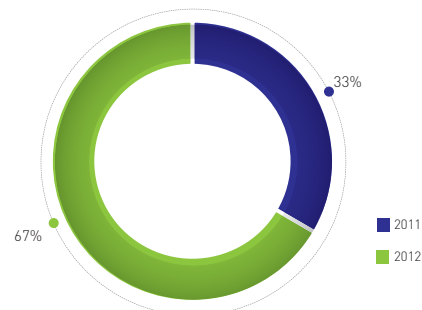
Re-Insurance (Re-insurance recoveries against outstanding claims)



net retentions, your Company has also taken Proportional & Excess of Loss covers.

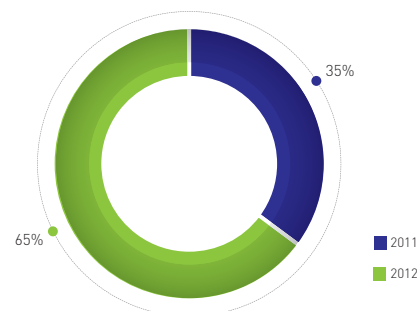
The global negative loss position resulting due to atmospheric disturbance claim is adversely affecting the profitability of re-insurers due to which they are tightening the screws on the direct insurers. Pakistan has been a profitable

Reinsurance Ceded



market but due to adverse loss incurred by the re-insurers globally, we have to pay high price for our treaty arrangements. We have renewed our

Re-insurance Ceded Commission



# Directors Report to the Members

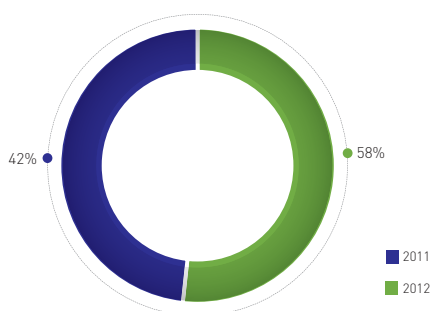
treaties but re-insurers have given us very harsh stringent renewal terms.

## Risk Management

Insurance being the business of transfer of risks from client to insurer is viable only if underwriter has the ability to precisely assess the risk. Your Company's Risk Management approach is proficient in qualitative evaluation of risk, providing safety consultancy for loss reduction and suggesting measures for risk alleviation to the client.

The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties. Your Company is striving to develop expertise in areas like risk identification, risk quantification, risk control and risk retention analysis which will help us in offering value added services to the clients.

### Risk Management (Financial Assets)



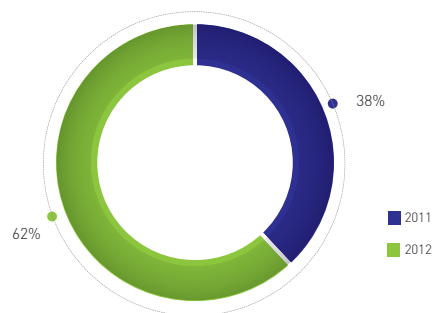
## Investments

Our investment objective is to achieve a superior total return on the investment portfolio adhering to our investment philosophy and the regulations as applicable from time to time. The investment committee implements and monitors investment strategies, guidelines and policies for Board to guides the asset allocation strategy to ensure

financial liquidity, security and diversification. Your Company's investment portfolio is invested with good sense while seeking a reasonable yield, in line with market conditions. The year 2012 established it as your Company benefited from high spreads available. The fair value of your Company's investments increased from Rs. 115.398mn in 2011 to Rs. 187.752 mn, i.e., by Rs. 72.354 mn during the year 2012.

The Company will continue to place special emphasis in generating a significant portion of its investment income from sustainable sources such as dividends and interest.

### Investments



## Information Technology

Your Directors recognize the importance of Technology in the conduct of business and the need for investing in new technology. As in all industries, adapting new technology has become absolute necessity in Insurance Industry to achieve the desired effect. With the ever increasing numbers of policies and claims, communication infrastructure has been strengthened by upgrading of Re-insurance Management System [RMS]. The system will be fully integrated with our existing MIS i.e. underwriting, claims and Accounts.

We are sure to achieve a high degree of efficiency in managing our Re-insurance operations. We will be going a step ahead with our forward thinking in improving overall management information system.

# Directors Report to the Members



## Human Resource

At UIC, a greater emphasis is being made on enhancing the productivity of the employees resulting in increased operational profitability. The Company believes in the positive relationship between the talent of its human resources and the creation of innovative processes.

The Company continues to provide challenging opportunities for growth to its employees and pushing for superior performance. The Company has created a culture that promotes teamwork, collaboration, openness and transparency of all processes and builds trust by being just and transparent in granting rewards and recognition.

## Corporate Social Responsibility

The Company's goal is to achieve zero accidents effecting people, property and the environment. At UIC risk prevention is everyone's responsibility therefore the year 2012 marked a significant advance of the company's safety culture with the definition and approval of a new set of procedures, evaluating the performance of its management systems for environment, quality and safety

is one of the requirements of the Company's established standards.

The UIC, as per its core commitments to creating shared value for the communities, continued its CSR activities. Facilitating access through our corporate social responsibility initiatives by Donating of Rs.0.943 million to the Shaukat Khaunum Memorial Hospital and Sir Ganga Ram Hospital to support charitable activities – particularly in the field of medical, enhancing patient assistance and by supporting a wide array of civil society organizations engaged in the direct delivery of health care services. The Company extended significant contributions in terms of employees' training, health & sports activities and also providing internship opportunities to the fresh graduates and postgraduate's candidates. We assure our stakeholders of our continued commitment to creating shared value and will continue to do more in the future as well.



## Major Initiatives During The Year

Your Company wishes to be continually recognized as a pioneering insurer and with this objective the following initiatives were undertaken during the year under review:

- Link up the branches through online net working.



# Directors Report to the Members

- Encouraging the employees' participation in social activities.
- Up gradation of Re-insurance Management System [RMS]
- On and off the job training seminars / programs were attended / conducted for specific training on client servicing.
- Formal orientation programs for new entrants ensure quick integration into the business.

bright in spite of the current turmoil, particularly in the country and around us.

The cost of maintaining re-insurance arrangements and management cost is on the up hill whereas; economic indicators are not only negative but very bleak.

Despite these adverse effects, if the conditions improve, there will be more Exports/Imports, rehabilitation of existing industry and addition to it will definitely have a positive impact on our Company too.

## Appropriations

Your Directors' are pleased to make the following recommendations for the year ended December 31, 2012.

Net Profit after Taxation / Provision	Rs. 161,271,504
Add: Incremental Depreciation	Rs. 565,720
Add: Last Year Unappropriated profit	Rs. 119,007,833
Profit available for appropriations	Rs. 280,845,057
Appropriated / appropriations:-	
23% Final Stock Dividend	Rs. 131,257,596
Transfer for General Reserve	Rs. -
Un-appropriated Profit	Rs. 149,587,461
	Rs. 280,845,057

## Acknowledgment

Nothing of what we have mentioned would have been possible with out the support of the regulatory bodies of our country and dedication of every employee. Therefore we would like to extend our thanks for everything you have done and the support and co-operation.

For and on behalf of the Board

**KHAWAS KHAN NIAZI**  
Chairman

Date: April 08, 2013

## Insurer's Financial Strength Rating

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of your Company to "A" (Single A). The rating denotes strong capacity to meet policyholder and contract obligations. Risk factors are considered moderate and the impact of adverse business and economic factors is expected to be limited.

## Future Outlook

In Pakistan where insurance penetration is mere 0.7% of GDP. Therefore there are many venues/ markets to be tapped for the fulfillment of the actual potential of insurance sector in Pakistan. The future of the insurance sector in Pakistan is

# Report on Corporate and financial reporting framework



1. The financial statements together with the notes forming an integral part of these statements have been prepared by the management of your Company in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000 and present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the listed company have been maintained;
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
5. The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuing process and any weaknesses will be removed and its effective implementation shall be ensured.
6. There is no doubt upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is enclosed with the annual report.
9. Outstanding taxes and duties amounting to Rs.16,224,648 which will be paid partially in the month of January 2013 and partially in with income tax return of 2013.
10. The related party transactions are approved or ratified by the audit committee and the Board of Directors;

# Report on Corporate and financial reporting framework

## 11. Interest of directors and their relatives in company's shareholding as at December 31, 2012.

S.No.	Name	Holdings
1	Khawas Khan Niazi	5,645
2	Ch. Habibur Rehman	13,998
3	Mrs. Mejabeen Habib-Spouse	1,743
4	Mohammad Rahat Sadiq	2,300
5	Miss Huma Waheed	4,444
6	Ch. Azizur Rehman	13,560
7	Ch. Maqsood Ahmed	85,550
8	Najeeb-ur-Rahman	13,102
9	Rehana Najeeb-Spouse	7,984

During the year 2012 the trade carried out by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children, if any, in the shares of the Company is mentioned below:

S.No.	Directors & Their Spouses	No. of Shares Purchased / Acquired	No. of Shares Sold
1	Khawas Khan Niazi	736	-
2	Ch. Habib ur Rehman	2,099	2,099
3	Mrs. Mejabeen Habib-Spouse	261	261
4	Mohammed Rahat Sadiq	2,300	-
5	Miss Huma Waheed	626	358
6	Najeeb-Ur-Rahman	1,965	1,965
7	Rehana Najeeb-Spouse	1,197	1,197
8	Ch. Maqsood Ahmed	12,832	12,832
9	Ch. Azizur Rehman	2,034	2,034

## 12. Board Meetings and Attendance

During the year, Ten (10) meetings of the Board of Directors were held and attendance by each Director is given below:

S.NO.	Name of Directors	Number of Meetings Attended
1	Khawas Khan Niazi	09
2	Mohammed Rahat Sadiq	05
3	Ch. Habib-ur-Rehman	10
4	Ch. Najib-ur-Rehman	10
5	Miss Huma Waheed	10
6	Ch. Aziz-ur-Rehman	10
7	Ch. Maqsood Ahmed	09

The board granted leave of absence to the Directors who could not attend the board meetings.

# Report on Corporate and financial reporting framework

13. All the major decisions relating to change in the policy of underwriting, if any, appointment, remuneration and terms & conditions of CEO are taken to the Board.

## Audit Committee

As required under the Code of Corporate Governance, the audit committee continued to perform as per its terms of reference duly approved by the Board. The Audit Committee review and recommend on related party matters. The committee composition is also attached with this report.

## HR Committee

As required under the Code of Corporate Governance, the company has developed HR Committee to perform as per its terms of reference duly approved by the Board. The HR Committee recommend to the Board selection evaluation, compensation of key management positions. The committee composition is also attached with this report.

## Material Changes

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2012.

## Auditors

To approve appointment of external auditor for financial



Year 2013 and to fix their remuneration. M/s. Ilayas Saeed & Company and M/s. Sarwars, Lahore have retired. In replacement of outgoing auditors company's Audit Committee has recommended appointment of one external auditor namely Avasi Hyder Liaquat Nauman, Chartered Accountants, Lahore to act as statutory auditors of the company for the year 2013.

## Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

## Insurance Ordinance, 2000

As required under the Insurance Ordinance and rules framed there under, the Directors confirm that:

- in their opinion and to the best of their belief the annual statutory accounts of

the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;

- the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and
- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

For and on behalf of the Board

*Khawas Khan Niazi*

**Khawas Khan Niazi**  
Chairman

Date: April 08, 2013



# Code of Conduct

The directors and employees at all levels of The United Insurance Company of Pakistan Limited hereinafter called UIC shall adopt this code of conduct.

## Relationship With Employees

The entity is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias, and is merit, and excellence oriented. It believes in providing its employees safe and healthy working conditions, and maintaining good channels of communications. The UIC expects its employees to abide by certain personal ethics, whereby UIC information and assets are not used for any personal advantage or gain. Any conflict of interests should be avoided, where it exists it should be disclosed, and guidance sought.

## Relationship With The Company

The UIC's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has relationship. The advancement in the business procedures and practices and upgrading of electronic technology shall be adopted for the well being of the company. The UIC does not support any political party nor contributes to the funds of groups whose activities promote party

interests.

## Relationship With The Clients

The UIC believes in fair competition, and supports appropriate competition laws. The UIC is committed to provide services, which consistently offer value in terms of price and quality and satisfy customer needs and expectations.

## Relationship With Socio-Economic Environment

The UIC is committed to run its business in an environment that is sound and sustainable. As a good corporate citizen, the UIC recognizes its social responsibilities, and will endeavor to contribute to community activities, for betterment of society as a whole.

## Relationship With Members

We are fully supported by our members to serve in the best interest of the company by achieving consistent growth and reputation of the company.

## Compliance Of Applicable Laws And Regulations

The UIC complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. If in doubt, employees are expected to seek advice. The UIC believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions. The rules and regulations formulated and practiced shall not super cede any Government or legislative body laws and regulations applicable to the company.

The Board to ensure that the above principles of Code of conduct are complied with, for which the Board has constituted the audit committee, to be supportive of compliance.



# Statement of Compliance

## with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Stock Exchange 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Chaudhary Maqsood Ahmed
Executive Directors	Mohammed Rahat Sadiq
	Miss Huma Waheed
Non-Executive Directors	Khawas Khan Niazi
	Chaudhary Habib-Ur- Rehman
	Chaudhary Najeeb-ur-Rehman
	Chaudhary Aziz-ur Rehman

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occur on the board on 06-01-2012 was filled up by the directors within 90 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged one Training program from Pakistan Institute of Corporate Governance for its Director Miss Huma Waheed during the year.
10. The board has approved new appointment of Head of Internal Audit including his remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

# Statement of Compliance

## with the Code of Corporate Governance



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 CCG.
15. The board has formed an Audit Committee. It comprises 3 members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non executive director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

**KHAWAS KHAN NIAZI**  
Chairman

Date: April 08, 2013

**Ilyas Saeed & Co.**  
(Chartered Accountants)  
A-4 Sea Breeze Homes, Shershah Block,  
New Garden Town,  
Lahore – Pakistan.  
Telephone: (92-42) 35861852 – 35868849  
Telefax: (92-42) 35856145  
E-mail: iscocal@wol.net.pk

**Sarwars**  
(Chartered Accountants)  
Office # 12, II-Floor Lahore Centre,  
77-D Main Boulevard, Gulberg-III,  
Lahore – Pakistan.  
Telephone: (92-42) 35782920-22  
Telefax: (92-42) 35773825  
E-mail: sarwars@wol.net.pk

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

We have reviewed the Statement of Compliance with the best practices (“the Statement”) contained in the Code of Corporate Governance (“the Code”) for the year ended 31 December 2012, prepared by the Board of Directors of The United Insurance Company of Pakistan Limited (“the Company”) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company’s compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

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

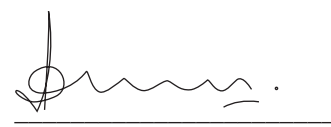
Further, Regulation No.35(x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and 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 under taken 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 as applicable to the Company for the year ended 31 December 2012.



**ILYAS SAEED & CO.**  
Chartered Accountants  
Audit Engagement Partner: Irfan Ilyas

Date: April 08, 2013  
Lahore



**SARWARS**  
Chartered Accountants  
Rashid Sarwar

Date: April 08, 2013  
Lahore



# Pattern of Shareholding

As at December 31, 2012

No. of Share Holders	Shareholdings From	To	Total Shares Held
105	1	100	2,728
75	101	500	16,900
37	501	1000	26,785
72	1001	5000	162,557
26	5001	10000	196,599
21	10001	15000	272,420
2	15001	20000	34,866
4	20001	25000	95,622
2	25001	30000	51,819
2	30001	35000	65,561
3	35001	40000	113,689
1	40001	45000	43,818
1	45001	50000	48,140
1	50001	55000	51,909
2	60001	65000	130,000
2	80001	85000	164,513
4	85001	90000	352,600
1	90001	95000	92,311
5	95001	100000	491,754
3	100001	105000	309,578
1	105001	110000	109,120
2	110001	115000	225,510
2	125001	130000	252,885
8	130001	135000	1,058,970
1	135001	140000	136,052
2	140001	145000	287,491
3	145001	150000	443,245
6	150001	155000	917,963
4	155001	160000	630,827
2	160001	165000	323,373
2	165001	170000	333,805
3	170001	175000	516,547
8	175001	180000	1,429,585
1	180001	185000	183,021
2	185001	190000	377,749
4	190001	195000	776,470
2	200001	205000	404,972
1	205001	210000	209,617
11	210001	215000	2,342,058
2	215001	220000	435,698
1	220001	225000	221,823
8	225001	230000	1,823,450
2	230001	235000	463,081
1	235001	240000	235,694
4	240001	245000	973,848

# Pattern of Shareholding

As at December 31, 2012

No. of Share Holders	Shareholdings From	To	Total Shares Held
1	250001	255000	250,511
2	255001	260000	516,180
2	260001	265000	521,775
2	265001	270000	533,536
2	270001	275000	543,409
2	275001	280000	554,193
2	285001	290000	576,642
3	290001	295000	874,331
3	295001	300000	890,079
1	300001	305000	304,265
2	305001	310000	617,001
1	310001	315000	311,227
1	315001	320000	319,047
1	320001	325000	324,191
2	335001	340000	677,819
1	340001	345000	342,220
1	345001	350000	349,294
4	350001	355000	1,407,708
2	355001	360000	716,386
1	360001	365000	360,295
2	365001	370000	733,482
1	375001	380000	376,842
3	385001	390000	1,164,036
1	390001	395000	394,434
1	400001	405000	402,997
2	405001	410000	818,975
3	415001	420000	1,253,568
1	435001	440000	436,587
2	440001	445000	886,365
1	450001	455000	453,074
1	465001	470000	466,721
1	470001	475000	471,945
1	490001	495000	492,563
1	495001	500000	498,356
1	520001	525000	524,890
1	540001	545000	541,582
1	545001	660000	658,147
1	660001	675000	673,205
1	675001	1000000	985,373
1	1000001	2100000	2,068,795
1	2100001	3000000	2,817,052
1	3000001	5000000	4,873,088
1	5000001	6,249,311	6,249,311
518			57,068,520

# Categories of Shareholding

As per Code of Corporate Governance As at December 31, 2012

Sr. No.	Categories of Shareholders	Number of Shareholders	Share held	Percentage
1	Associated Undertaking and Related Parties (List "A" Attached)	6	258,285	00.45
2	NIT AND ICP (List "B" Attached)	1	3,850	00.01
3	Director, CEO & SPOUSE (List "C" Attached)	9	148,326	00.26
4	Executives	NIL	NIL	NIL
5	Public Sector Corporation (List "D" Attached)	1	246,669	00.43
6	Banks, Insurance and Modaraba Companies (List "E" Attached)	3	2,500	00.01
7	Shareholding Five Percent or More Voting Interest in the Listed Companies (List "F" Attached)	2	11,122,399	19.49
8	Individuals	494	45,285,091	79.35
9	Other Corporate Shareholders	2	1,400	00.01
	<b>Total</b>	<b>518</b>	<b>57,068,520</b>	<b>100.00</b>

# Categories of Shareholding

As per Code of Corporate Governance As at December 31, 2012

<b>List A</b> Associated Companies, Undertaking & Related Parties		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Aziz Coal Mines (pvt) Ltd.	14,829
2	Indus Coal Mines (pvt) Ltd.	212,267
3	Shahab Coal Mines (Pvt.) Ltd.	11,661
4	Zahid Steel (Pvt.) Ltd.	6,300
5	Zahid Chemical (Pvt.) Ltd.	6,300
6	Mehr Dastgir Textile Mills Ltd.	6,928
		<b>258,285</b>

<b>List B</b> NIT AND ICP		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	National Bank of Pakistan Investor Account	3,850

<b>List C</b> Directors, C.E.O & Their Spouse and Minor Children		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Khawas Khan Niazi	5,645
2	Ch. Habibur Rehman	13,998
3	Mohammad Rahat Sadiq	2,300
4	Miss Huma Waheed	4,444
5	Ch. Azizur Rehman	13,560
6	Ch. Maqsood Ahmed	85,550
7	Najeeb-ur-Rahman	13,102
<b>Spouse</b>		
8	Mrs. Rehana Najeeb-Spouse	7,984
9	Mrs. Mejabeen Habib-Spouse	1,743
		<b>148,326</b>

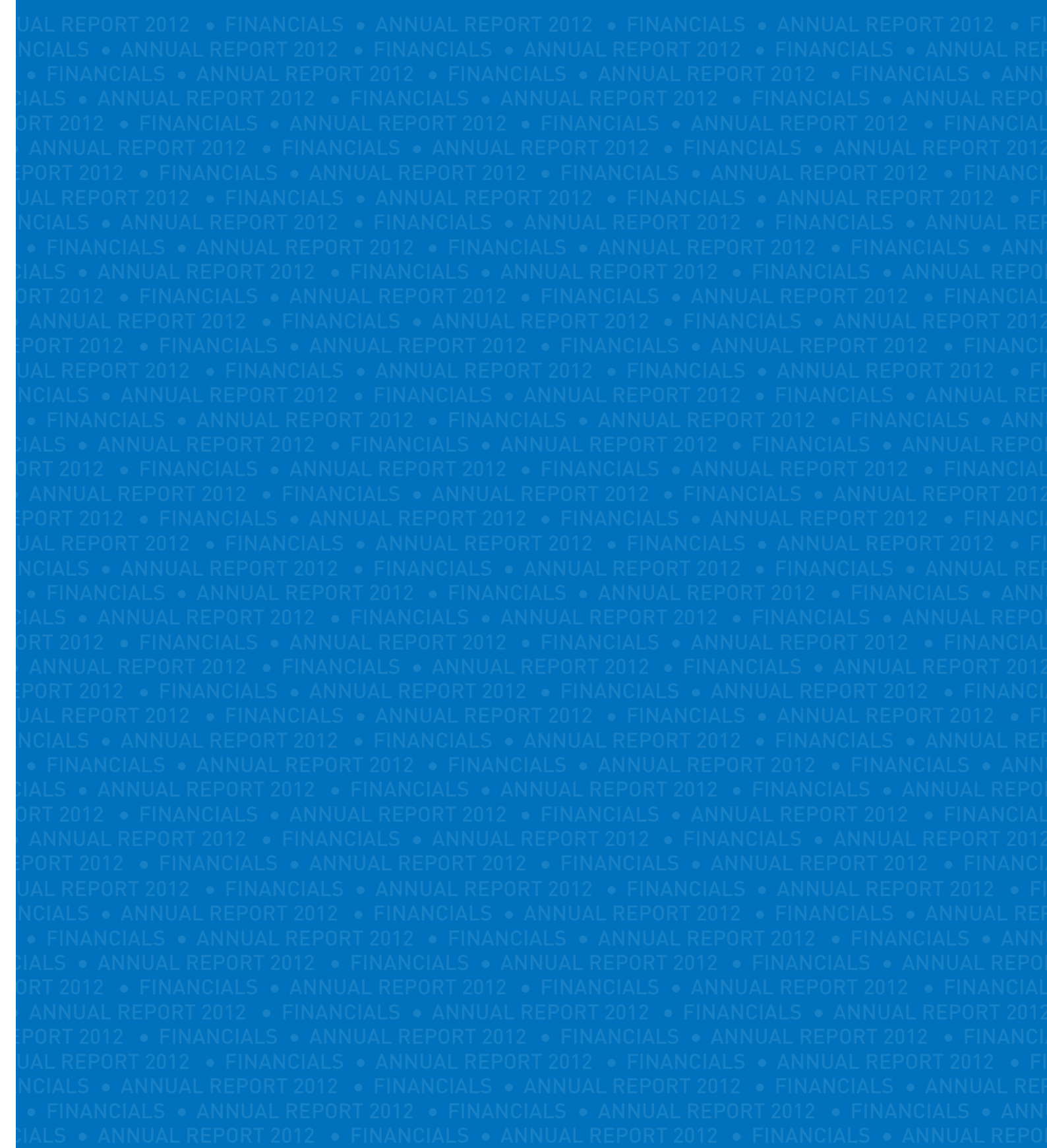
<b>List D</b> Public Sector Companies & Corporations		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Pakistan Re-Insurance Co. Ltd.	246,669
		<b>246,669</b>

<b>List E</b> Banks, Insurance and Modaraba Companies		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Habib Bank Limited	128
2	IDBP	31
3	Eastern federal unions Insurance Co. Ltd.	2,341
		<b>2,500</b>

<b>List F</b> Five percent or More Voting right in Listed Companies		
<b>Sr. No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Margalla News International	6,249,311
2	UIG Global Services Ltd.	4,873,088
		<b>11,122,399</b>



This page intentionally left blank.



# Financial Statements

For the financial year ended December 31, 2012

This page intentionally left blank.

**Ilyas Saeed & Co.**  
 (Chartered Accountants)  
 A-4 Sea Breeze Homes, Shershah Block,  
 New Garden Town,  
 Lahore – Pakistan.  
 Telephone: (92-42) 35861852 – 35868849  
 Telefax: (92-42) 35856145  
 E-mail: iscocaf@wol.net.pk

**Sarwars**  
 (Chartered Accountants)  
 Office # 12, II-Floor Lahore Centre,  
 77-D Main Boulevard, Gulberg-III,  
 Lahore – Pakistan.  
 Telephone: (92-42) 35782920-22  
 Telefax: (92-42) 35773825  
 E-mail: sarwars@wol.net.pk

## Auditors' Report to the Members of *The* United Insurance Company of Pakistan Limited

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

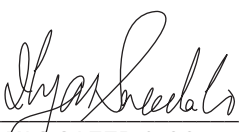
of **The United Insurance Company of Pakistan Limited** ("the Company") as at 31 December 2012 together with the notes forming part thereof, for the year then ended.

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

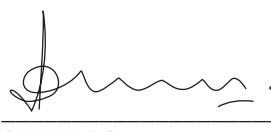
### In our opinion:

- (a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and 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 2012 and of the profits, its total comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



**ILYAS SAEED & CO.**  
 Chartered Accountants  
 Audit Engagement Partner: Irfan Ilyas

Date: April 08, 2013  
 Lahore



**SARWARS**  
 Chartered Accountants  
 Rashid Sarwar

Date: April 08, 2013  
 Lahore



# Balance Sheet

Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>Share capital and reserves</b>			
Authorized share capital	5	1,000,000,000	1,000,000,000
Paid-up share capital	5	570,685,200	496,248,000
Retained earnings		280,845,057	193,445,033
Reserves	6	75,115,917	75,115,917
		926,646,174	764,808,950
Surplus on revaluation of fixed assets	7	63,998,922	1,334,955
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		151,446,927	71,273,865
Provision for unearned premium		670,988,876	397,511,150
Commission income unearned		64,070,387	34,120,586
Total underwriting provisions		886,506,190	502,905,601
<b>Deferred liabilities</b>			
Staff retirement benefits	8	32,938,367	39,085,647
Deferred tax liabilities	9	33,648,230	5,005,161
		66,586,597	44,090,808
<b>Creditors and accruals</b>			
Amounts due to other insurers/reinsurers	10	87,244,326	40,802,348
Accrued expenses	11	10,290,631	6,836,387
Provision for taxation - net		7,745,574	7,542,602
Other creditors and accruals	12	25,364,000	25,847,004
		130,644,531	81,028,341
<b>Borrowings</b>			
Short-term finance	13	3,196,613	-
<b>Other liabilities</b>			
Liabilities against assets subject to finance lease	14	28,432,558	50,221,795
<b>Total liabilities</b>		<b>1,115,366,489</b>	<b>678,246,545</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,106,011,585</b>	<b>1,444,390,450</b>

## Contingencies & Commitments

15

The annexed notes 1 to 40 form an integral part of these financial statements.

	Note	2012 Rupees	2011 Rupees
<b>Cash &amp; bank deposits</b>			
Cash and other equivalents	16	76,370	78,068
Current and other accounts	17	150,129,767	115,945,896
Deposits maturing within 12 months	18	215,202,821	120,171,468
Deposits maturing after 12 months	19	19,811,050	35,323,600
		385,220,008	271,519,032
<b>Loans</b>			
<b>To employees &amp; agents</b>	20	5,906,860	5,975,240
<b>Investments</b>	21	187,752,586	115,397,608
<b>Investment property</b>	22	21,128,329	22,240,348
<b>Other assets</b>			
Premiums due but unpaid	23	370,172,611	301,663,590
Amounts due from other insurers/reinsurers	24	32,739,416	8,986,564
Prepaid reinsurance premium ceded		260,884,307	123,823,869
Reinsurance recoveries against outstanding claims		113,422,995	31,028,625
Deferred commission expense		78,657,848	59,761,638
Accrued investment income		20,028,749	10,441,173
Sundry receivables	25	49,189,330	71,458,545
		925,095,256	607,164,004
<b>Fixed assets - Tangible and intangibles</b>	26		
<b>Owned</b>			
Land freehold		102,665,500	79,028,210
Buildings		161,398,157	57,305,162
Furniture, fixtures, office & computer equipments		116,590,170	91,111,879
Motor vehicles		151,570,810	115,234,436
Motor Tracking Devices		12,759,507	-
Capital work-in-progress		2,406,600	20,077,288
		547,390,744	362,756,975
<b>Leased</b>			
Motor vehicles		33,517,802	59,337,243
<b>TOTAL ASSETS</b>		2,106,011,585	1,444,390,450



Mohammed Rahat Sadiq  
Chief Executive Officer



Huma Waheed  
Director



Ch. Habib-ur-Rehman  
Director/President



Khawas Khan Niazi  
Chairman

# Profit and Loss Account

## Financial Year Ended December 31, 2012

	Note	Fire & Property Damage	Marine, Aviation & Transport	Motor	Miscellaneous	2012 Aggregate	2011 Aggregate
----- Rupees -----							
<b>Revenue account</b>							
Net premium revenue		68,600,853	54,534,815	271,915,276	388,288,644	783,339,588	643,736,411
Net claims		(38,499,185)	(14,208,292)	(100,474,270)	(92,230,794)	(245,412,541)	(262,777,396)
Management expenses	28	(28,683,431)	(11,938,284)	(73,346,460)	(82,761,973)	(196,730,148)	(116,918,590)
Net commission		3,562,893	(1,247,892)	(29,805,802)	(5,678,308)	(33,169,109)	(32,413,959)
<b>Underwriting results</b>		<b>4,981,130</b>	<b>27,140,347</b>	<b>68,288,744</b>	<b>207,617,569</b>	<b>308,027,790</b>	<b>231,626,466</b>
Investment income						42,488,644	18,085,377
Rental income						612,000	516,000
Other income	29					6,695,862	5,320,193
General & admin expenses	30					(165,883,118)	(133,846,948)
Finance charge on lease rentals						(4,418,909)	(7,227,725)
						(120,505,521)	(117,153,103)
<b>Profit/ (loss) before tax</b>						<b>187,522,269</b>	<b>114,473,363</b>
Provision for taxation	31					(26,250,765)	(16,540,161)
<b>Profit/ (loss) after tax</b>						<b>161,271,504</b>	<b>97,933,202</b>
<b>Profit &amp; loss appropriation account</b>							
Balance at commencement of year						193,445,033	191,489,570
Incremental depreciation net of deferred tax						565,720	70,261
Profit / (loss) after tax for the year						161,271,504	97,933,202
Profit available for appropriation						355,282,257	289,493,033
Issuance of bonus shares for the year ended 2011: 15% (2010: 24% per share of Rs 10/- each)						(74,437,200)	(96,048,000)
<b>Balance un-appropriated profit at end of year</b>						<b>280,845,057</b>	<b>193,445,033</b>
<b>Earnings per share of Rs 10/- each - basic and diluted</b>					(Note 32)	<b>2.83</b>	<b>1.72</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



Mohammed Rahat Sadiq  
Chief Executive Officer



Huma Waheed  
Director



Ch. Habib-ur-Rehman  
Director/President



Khawas Khan Niazi  
Chairman

# Statement of Comprehensive Income

## Financial Year Ended December 31, 2012

	2012 Rupees	2011 Rupees
Profit for the year	161,271,504	97,933,202
Other comprehensive income for the year	-	-
Total comprehensive income for the year	161,271,504	97,933,202

The annexed notes 1 to 40 form an integral part of these financial statements.



**Mohammed Rahat Sadiq**  
Chief Executive Officer



**Huma Waheed**  
Director



**Ch. Habib-ur-Rehman**  
Director/President



**Khawas Khan Niazi**  
Chairman

# Statement of Changes in Equity

## Financial Year Ended December 31, 2012

DESCRIPTION	SHARE CAPITAL	RESERVE FOR ISSUE OF BONUS SHARES	GENERAL RESERVE	RETAINED EARNINGS	TOTAL
-----Rupees-----					
Balance as at January 01, 2011	400,200,000	-	75,115,917	191,489,570	666,805,487
Transfer to reserve for issue of bonus shares	-	96,048,000	-	(96,048,000)	-
Bonus Share reserve capitalized	96,048,000	(96,048,000)	-	-	-
Incremental depreciation net of deferred tax	-	-	-	70,261	70,261
					-
Net profit for the year	-	-	-	97,933,202	97,933,202
					-
Balance as at December 31, 2011	<b>496,248,000</b>	-	<b>75,115,917</b>	<b>193,445,033</b>	<b>764,808,950</b>
					-
Balance as at January 01, 2012	496,248,000	-	75,115,917	193,445,033	764,808,950
Transfer to reserve for issue of bonus shares	-	74,437,200	-	(74,437,200)	-
Bonus Share reserve capitalized	74,437,200	(74,437,200)	-	-	-
Incremental depreciation net of deferred tax	-	-	-	565,720	565,720
Net profit for the year	-	-	-	161,271,504	161,271,504
Balance as at December 31, 2012	<b>570,685,200</b>	-	<b>75,115,917</b>	<b>280,845,057</b>	<b>926,646,174</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



**Mohammed Rahat Sadiq**  
Chief Executive Officer



**Huma Waheed**  
Director



**Ch. Habib-ur-Rehman**  
Director/President



**Khawas Khan Niazi**  
Chairman



# Statement of Cash Flows

## Financial Year Ended December 31, 2012

	2012 Rupees	2011 Rupees
<b>Operating cash flows:</b>		
<b>a) Underwriting activities:</b>		
Premium received	1,346,851,278	935,175,397
Reinsurance premium paid	(456,715,988)	(227,071,877)
Claims paid	(476,270,214)	(394,884,012)
Reinsurance and other recoveries received	204,883,513	147,143,657
Commission paid	(149,337,712)	(113,314,811)
Commission received	126,957,922	68,817,271
<b>Net cash flow from underwriting activities</b>	<b>596,368,799</b>	<b>415,865,625</b>
<b>b) Other operating activities:</b>		
Income tax paid	(19,129,651)	(19,694,870)
General management expenses paid	(303,107,272)	(183,609,529)
Other operating receipts/(payments)	22,269,215	(36,233,263)
Loan to employees and agents	68,380	(2,354,240)
<b>Net cash flow from other operating activities</b>	<b>(299,899,328)</b>	<b>(241,891,902)</b>
<b>Total cash flow from all operating activities</b>	<b>296,469,471</b>	<b>173,973,723</b>
<b>Investment activities:</b>		
Investment income received	30,207,556	18,081,315
Rental income received	612,000	516,000
Sale/(Purchase) of investment	(162,220,318)	(22,904,794)
Fixed capital expenditure	(110,186,836)	(94,023,998)
Proceeds from disposal of fixed assets	15,904,833	3,562,500
<b>Net cash flow from investing activities</b>	<b>(225,682,765)</b>	<b>(94,768,977)</b>
<b>Financing activities:</b>		
Lease liability paid	(39,801,146)	(37,685,553)
Short term finance	3,196,613	-
<b>Net cash flow from financing activities</b>	<b>(36,604,533)</b>	<b>(37,685,553)</b>
<b>Net cash inflow from all activities</b>	<b>34,182,173</b>	<b>41,519,193</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>116,023,964</b>	<b>74,504,771</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>150,206,137</b>	<b>116,023,964</b>

# Statement of Cash Flows

## Financial Year Ended December 31, 2012

	2012 Rupees	2011 Rupees
<b>Reconciliation of profit and loss account</b>		
Net cash flow from operating activities	296,469,471	173,973,723
Depreciation	(62,826,778)	(52,067,370)
Lease finance charges	(4,418,909)	(72,27,725)
Gain on disposal of fixed assets	3,832,592	1,442,810
Increase/(Decrease) in Assets other than cash	309,138,767	96,484,166
(Increase)/Decrease in Liabilities	(423,412,283)	(132,757,779)
Provision for impairment in value of investments	2,693,512	(3,752,040)
<b>Others</b>		
- Dividend income	1,624,460	235,735
- Dividend and other investment income	38,170,672	21,601,682
Profit after Taxation	161,271,504	97,933,202

### Definition of cash

Cash for the purpose of the statement of cash flows comprises of cash in hand, bank balances and other assets which are readily convertible to cash and used for cash management for day to day business operations.

### Cash for the purpose of cash flows comprises of:

<b>Cash and other equivalents</b>		
- cash in hand	76,370	78,068
<b>Current and other accounts</b>		
- bank balances	150,129,767	115,945,896
	150,206,137	116,023,964

The annexed notes 1 to 40 form an integral part of these financial statements.



**Mohammed Rahat Sadiq**  
Chief Executive Officer



**Huma Waheed**  
Director



**Ch. Habib-ur-Rehman**  
Director/President



**Khawas Khan Niazi**  
Chairman

# Statement of Premiums

## Financial Year Ended December 31, 2012

### BUSINESS UNDERWRITTEN INSIDE PAKISTAN


Class	Premiums written (Note 27)	Unearned premium reserve		Premiums earned	Reinsurance ceded		Prepaid reinsurance premium ceded		Reinsurance expenses	Net premium revenue	
		Opening	Closing		Opening	Closing	Opening	Closing		2012	2011
-----Rupees-----											
<b>Direct &amp; facultative</b>											
1. Fire and property damage	297,161,754	70,651,356	143,144,369	224,668,741	186,541,878	67,890,258	98,364,248	156,067,888	68,600,853	139,284,159	
2. Marine, aviation and transport	112,991,155	37,575,136	55,025,461	95,540,830	45,623,677	14,965,267	19,582,929	41,006,015	54,534,815	50,274,588	
3. Motor	358,868,671	92,937,464	164,897,581	286,908,554	17,198,663	5,986,161	8,191,546	14,993,278	271,915,276	198,174,978	
4. Miscellaneous	653,893,262	196,347,194	307,921,465	542,318,991	253,793,748	34,982,183	134,745,584	154,030,347	388,288,644	255,982,686	
<b>GRAND TOTAL</b>	<b>1,422,914,842</b>	<b>397,511,150</b>	<b>670,988,876</b>	<b>1,149,437,116</b>	<b>503,157,966</b>	<b>123,823,869</b>	<b>260,884,307</b>	<b>366,097,528</b>	<b>783,339,588</b>	<b>643,736,411</b>	

The annexed notes 1 to 40 form an integral part of these financial statements.

  
**Mohammed Rahat Sadiq**  
 Chief Executive Officer

  
**Huma Waheed**  
 Director

  
**Ch. Habib-ur-Rehman**  
 Director/President

  
**Khawas Khan Niazi**  
 Chairman

# Statement of Claims

## Financial Year Ended December 31, 2012

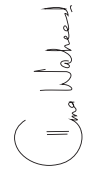
### BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expenses	
		Opening	Closing			Opening	Closing		2012	2011
-----Rupees-----										
<b>Direct &amp; facultative</b>										
1. Fire and property damage	178,762,783	15,185,770	64,668,980	228,245,993	136,694,167	5,456,668	58,509,309	189,746,808	38,499,185	55,226,073
2. Marine, aviation and transport	38,913,441	4,625,366	23,410,171	57,698,246	28,590,196	3,971,890	18,871,648	43,489,954	14,208,292	14,046,509
3. Motor	109,365,146	15,437,413	26,387,018	120,314,751	19,113,474	5,037,413	5,764,420	19,840,481	100,474,270	88,006,322
4. Miscellaneous	149,228,844	36,025,316	36,980,758	150,184,286	44,238,528	16,562,654	30,277,618	57,953,492	92,230,794	105,498,492
<b>GRAND TOTAL</b>	<b>476,270,214</b>	<b>71,273,865</b>	<b>151,446,927</b>	<b>556,443,276</b>	<b>228,636,365</b>	<b>31,028,625</b>	<b>113,422,995</b>	<b>311,030,735</b>	<b>245,412,541</b>	<b>262,777,396</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



**Mohammed Rahat Sadiq**  
Chief Executive Officer



**Huma Waheed**  
Director



**Ch. Habib-ur-Rehman**  
Director/President



**Khawas Khan Niazi**  
Chairman

# Statement of Expenses

## Financial Year Ended December 31, 2012

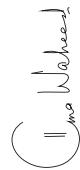
### BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable		Deferred commission		Net commission expense	Other management expenses (Note 28)	Underwriting expenses	Commission on reinsurance	Unearned commission		Net commission on reinsurance	Net underwriting expenses	
	Opening	Closing	Opening	Closing					Opening	Closing		2012	2011
-----Rupees-----													
Direct & facultative													
1. Fire and property damage	33,828,248	26,883,958	19,016,893	41,695,313	28,683,431	70,378,744	51,429,038	20,675,462	26,846,294	45,258,206	25,120,538	25,749,641	
2. Marine, aviation and transport	13,240,237	6,537,285	6,964,377	12,813,145	11,938,284	24,751,429	12,609,795	4,393,891	5,438,433	11,565,253	13,186,176	8,508,976	
3. Motor	37,727,802	11,550,225	19,472,225	29,805,802	73,346,460	103,152,262	-	-	-	-	103,152,262	46,359,138	
4. Miscellaneous	64,277,153	14,790,170	33,204,353	45,862,970	82,761,973	128,624,943	62,919,089	9,051,233	31,785,660	40,184,662	88,440,281	41,119,088	
GRAND TOTAL	149,073,440	59,761,638	78,657,848	130,177,230	196,730,148	326,907,378	126,957,922	34,120,586	64,070,387	97,008,121	229,899,257	121,736,843	

The annexed notes 1 to 40 form an integral part of these financial statements.



Mohammed Rahat Sadiq  
Chief Executive Officer



Huma Waheed  
Director



Ch. Habib-ur-Rehman  
Director/President



Khawas Khan Niazi  
Chairman



# Statement of Investment Income

Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>Income from non-trading investments:</b>			
<b>Available for sale</b>			
Dividend income		1,624,460	168,744
Gain / (loss) on sale of 'available for sale' investments		2,789,785	66,991
		4,414,245	235,735
<b>Held to maturity</b>			
Return on Government securities		17,359,139	11,121,194
Return on F.D.R		18,021,748	10,480,488
		39,795,132	21,837,417
<b>Provision for impairment in value of investment</b>			
(Provision) / reversal for the year	21.2	2,693,512	(3,752,040)
<b>Net Investment Income</b>		<b>42,488,644</b>	<b>18,085,377</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



**Mohammed Rahat Sadiq**  
Chief Executive Officer



**Huma Waheed**  
Director



**Ch. Habib-ur-Rehman**  
Director/President



**Khawas Khan Niazi**  
Chairman

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 1 STATUS AND NATURE OF BUSINESS

The United Insurance company of Pakistan Limited (hereinafter called “the company”) was incorporated on October 20, 1959, as a Public Limited company under Defunct Companies Act, 1913, now the Companies Ordinance, 1984, and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. The Registered Office of the company is situated at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, and its Head Office is located in Lahore. The principal activity of the company is General Insurance Business and qualifies as a domestic insurance company under Insurance Ordinance, 2000, and undertakes Fire, Marine, Motor and Miscellaneous General insurance. It has not transacted any insurance business outside Pakistan.

### 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format of financial statements prescribed under Securities and Exchange Commission (Insurance) Rules, 2002, [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 12, 2002.

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise 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, 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 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company’s financial statements covering annual periods, beginning on or after the dates given against each:

##### 2.2.1 The following standards, amendments and interpretations of approved accounting standards became effective during the year:

- IFRS7-Financial Instruments: Enhanced De-recognition disclosure requirements (Amendment)
- IAS 12- Income taxes: Recovery of underlying assets (Amendment)

The adoption of above amendments did not have any material effect on the financial statements.

##### 2.2.2 Standards, interpretations and amendments to published standards that are effective but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012, are considered not to be relevant or to have any significant impact on the company’s financial reporting and operations

##### 2.2.3 New Accounting standards and IRFIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

are either not relevant to the company's operations or not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases, unless stated otherwise.

- IFRS 1- First Time Adoption: Effective for financial years beginning on or after January 01, 2013
- IFRS 7- Financial instruments: Disclosure- (Amendments), Amendments enhancing disclosures about offsetting of financial assets and financial liabilities shall be effective for financial years beginning on or after January 1, 2013.
- International Accounting Standard-1 (IAS-1) (Revised) "Presentation of Financial Statement" was effective for financial years beginning on or after January 01, 2009. However, since the company has followed the format of financial statements as prescribed by the Securities and Exchange Commission of Pakistan through SEC (Insurance) Rules, 2002, vide its Circular No. 7 of 2003 dated August 27, 2003, therefore, changes introduced through IAS-1 (Revised) have not been taken into consideration in preparation of these financial statements. International Accounting Standard-1 (IAS-1) Presentation of Financial Statement-Presentation of items of other comprehensive income shall be effective for financial years beginning on or after July 1, 2012.
- IAS 19 - Employee Benefits: (effective for annual periods beginning on or after January 01, 2013). The company expects that the amendments to IAS 19 'Employee Benefits' will not materially affect the company's financial statements. Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:
  - For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
  - The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employees' entitlement to the benefits.
  - Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the company is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the company's accounting policy related to recognition of actuarial gains and losses (refer to note 4.10 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2012 is estimated as under. (Ref: Note no.8.5)

- |   |           |
|---|-----------|
| - Net increase in other comprehensive income  | 325,862   |
| - Net decrease in profit or loss for the year | (325,862) |
- IAS-16 Property, plant & equipment: Effective for financial years beginning on or after January 01, 2013
  - IAS 27- Separate Financial statements: Effective for financial years beginning on or after January 01, 2013

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

- IAS 27- Associates and Joint ventures: Effective for financial years beginning on or after January 01, 2013
- IAS 32- Financial Instruments: (Presentation) Effective for financial years beginning on or after January 01, 2013
- IAS 32- Offsetting of Financial Assets and Liabilities: Effective for financial years beginning on or after January 01, 2014
- IAS 34- Interim Financial Reporting: Effective for financial years beginning on or after January 01, 2013
- IFRIC 20- Stripping costs in production phase of surface mine

### 2.2.4 Improvements to IFRS

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The company expects that such improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

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

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

## 3 BASIS OF MEASUREMENT

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

### 3.1 Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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 outstanding claims including IBNR (Note no. 4.1.3)
- Provision for taxation and deferred tax (Note no. 4.3)
- Defined benefit plan (Note no. 4.10)
- Useful lives and residual values of fixed assets (Note no. 4.7)
- Premium deficiency reserve (Note no. 4.1.6)

## 3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee, unless otherwise stated.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Insurance contracts

Insurance contracts are those contracts where the company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders 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 liabilities are extinguished or expire.

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

- Fire and property
- Marine, aviation and transport
- Motor
- Miscellaneous

Fire and property insurance contracts mainly compensate the company's customers for damage suffered to their properties or for the value of property lost.

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

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

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



# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

The company does not issue any insurance contracts with discretionary participation features (DPF) or any investment contracts.

### 4.1.1 Premium

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the company from policy holders in respect of policies issued, at the rate of 5% of the premium written subject to a maximum of Rs. 2,000 per policy.

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

### 4.1.2 Reinsurance ceded

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

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

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

Reinsurance assets or liabilities are de-recognized when the contractual rights are extinguished or expire.

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

### 4.1.3 Claims expense

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

The company recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the un-discounted value of the expected future payments. The claims are

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

considered to be incurred at the time of incident giving rise to the claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provisions for liability in respect of unpaid reported claims are made on the basis of individual case estimates. Provisions for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

#### 4.1.4 Reinsurance recoveries against outstanding claims

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

#### 4.1.5 Commission expenses and other acquisition costs

Commission expenses and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates, profit commission, if any, which the company may be entitled to under the terms of reinsurance is recognized on accrual basis.

#### 4.1.6 Premium Deficiency Reserve

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

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

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

#### 4.2 Creditors, accruals and provisions

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

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 4.3 Taxation

#### *Current*

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

#### *Deferred*

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

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

### 4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, pay orders, demand drafts and balances with banks.

### 4.5 Investments

4.5.1 All investments are initially recognized at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the profit and loss account. These are classified into the following categories:

- Held to maturity
- Available for sale

#### 4.5.1.1 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortization is immaterial to the financial statements.

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of investment.

### 4.5.1.2 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale .

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002. The company uses latest stock exchange quotation to determine the market value of its quoted investments.

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

Gain / (loss) on sale of available for sale investments is recognized in profit and loss account.

Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

### 4.6 Rental and Other income

Rental and other incomes are recognized as and when accrued.

### 4.7 Fixed assets

#### *Owned*

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost, and certain buildings which are stated at revalued amount so as to keep the carrying value equal to the fair market value of the asset.

Depreciation on all fixed assets is charged to profit and loss account on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 26. Depreciation on additions to fixed assets is charged on "number of day's basis".

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The company's estimate of the residual value of its fixed assets as at 31 December 2010 did not require any adjustment as its impact is considered insignificant.

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

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### Capital Work- In- Progress

Capital work in progress is stated at cost less any identified impairment loss.

#### *Leased*

##### - *Finance Lease*

Assets held under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and their fair value. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets acquired are depreciated over their expected useful life on reducing balance method on the basis of number of days, at the rates mentioned in the relevant note.

##### - *Operating lease*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In case lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

### 4.8 Surplus on Revaluation of Fixed Assets

In accordance with the provisions of section 235 of the Companies Ordinance, 1984 and SRO 45(1) 2003, the company has the policy to charge surplus account for incremental depreciation of related revalued assets by transferring the amounts to retained earnings.

### 4.9 Investment property

Investment properties are accounted for under the cost where building is depreciated at 5% using the reducing balance method.

### 4.10 Staff retirement benefits

#### *Defined Benefit Plan*

The company's retirement benefits plan comprises of gratuity scheme for all the eligible employees, who have completed the minimum qualified period of service.

The actuarial valuation of gratuity scheme is carried out by an independent valuer as at December 31, 2011 using the projected unit credit method. The basic assumptions used for actuarial valuation are disclosed in note 8.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains or losses and unrecognized transitional liability. Actuarial gains and losses are recognized on the basis of "minimum 10% corridor" approach.



# Notes to the Financial Statements

Financial Year Ended December 31, 2012

## 4.11 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank deposits, investments, premium due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves detained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 4.11.1 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 4.12 Segment reporting

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

Based on its classification of insurance contracts issued, the company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the Financial Statements.

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

## 4.13 Impairment

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

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 4.13.1 Available for sale

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

### 4.13.2 Reinsurance Assets

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

### 4.14 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

### 4.15 Management and Administrative Expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

### 4.16 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & Ushr Ordinance, 1980.

### 4.17 Related party transactions

Party is said to be related if they are able to influence the operating and financial decisions of the company and vice versa. The company in the normal course of business carries out transactions with such party. Transactions with related party are priced at comparable uncontrolled market price and are carried out at arm's length prices.

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

			Note	2012 Rupees	2011 Rupees
5	<b>SHARE CAPITAL</b>				
5.1	<b>Authorized share capital</b>				
	2012	2011			
	<b>Number of shares</b>				
	100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000	1,000,000,000
	Reconciliation of authorized share capital				
	2012	2011			
	<b>Number of shares</b>				
	100,000,000	100,000,000	At the beginning of the year	1,000,000,000	1,000,000,000
	-	-	Increase during the year	-	-
	100,000,000	100,000,000	At the end of the year	1,000,000,000	1,000,000,000

## 5.2 Paid-up share capital

Issued subscribed and paid up share capital

	2012	2011	Note	2012 Rupees	2011 Rupees
	<b>Number of shares</b>				
	10,963,475	10,963,475	Ordinary shares of Rs. 10/- each	109,634,750	109,634,750
			fully paid in cash		
	46,105,045	38,661,325	Ordinary shares of Rs. 10/- each	461,050,450	386,613,250
			issued as fully paid bonus shares		
	57,068,520	49,624,800		570,685,200	496,248,000

Reconciliation of issued subscribed and paid up share capital

	2012	2011	Note	2012 Rupees	2011 Rupees
	<b>Number of shares</b>				
	49,624,800	40,020,000	At the beginning of the year	496,248,000	400,200,000
	7,443,720	9,604,800	Bonus shares issued during	74,437,200	96,048,000
			the year		
	57,068,520	49,624,800	At the end of the year	570,685,200	496,248,000

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
		<b>Number of shares</b>	
<b>5.3</b>	<b>Ordinary shares of the company held by associated undertakings are as follows:</b>		
	Aziz Coal Mines Ltd.	14,829	14,829
	Indus Coal Mines Ltd.	212,267	212,267
	Shahab Coal Mines (Pvt.) Ltd.	11,661	11,661
	Zahid Steel (Pvt.) Ltd.	6,300	6,300
	Zahid Chemical (Pvt.) Ltd.	6,300	6,300
	Margala News International	-	438,267
	Mehr Dastgir Textile mills Limited	6,928	6,510
	UIG Global Services Limited	-	4,237,468
		258,285	4,933,602
<b>6</b>	<b>RESERVES</b>		
	Reserve for bonus shares	6.1	-
	Revenue reserve	6.2	75,115,917
			75,115,917
<b>6.1</b>	<b>Reserve for bonus shares</b>		
	Balance at the beginning of the year	-	-
	Transfer from unappropriated profit	74,437,200	96,048,000
	Transfer from general reserve	-	-
	Bonus share issued	(74,437,200)	(96,048,000)
	Balance at the end of the year	-	-
<b>6.2</b>	<b>Revenue reserve</b>		
	General reserve		
	Balance at the beginning of the year	75,115,917	75,115,917
	Transfer from profit and loss appropriation account	-	-
	Transferred to reserve for issue of bonus shares	-	-
	Balance at the end of the year	75,115,917	75,115,917

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

## 7 SURPLUS ON REVALUATION OF FIXED ASSETS

7.1 The land and buildings of company has been revalued by independent Valuer by using market value basis method on September 30, 2012 resulting in a further surplus of Rs.23,637,290/- on land and Rs.60,911,380/- on building. Fair values are determined by using observable prices in an active market on arm's length terms. All the revaluation surplus of Rs.87,202,881/- is charged to Surplus on Revaluation of Fixed Assets Account as per requirements of Section 235 of The Companies Ordinance 1984. Revaluation surplus is carried at the amount after adjustments of deferred taxation and incremental depreciation. The building of the company was previously revalued by the independent valuer as on December 31, 2006 resulting in surplus of Rs. 2,654,211.

	Note	2012 Rupees	2011 Rupees
<b>7.2 Movement in revaluation surplus</b>			
<u>Surplus on building</u>			
Opening Balance		2,654,211	2,654,211
Add: Revaluation made during the year		60,911,380	-
Total Revaluation surplus on buildings		63,565,591	2,554,211
Less:			
Incremental depreciation charged in previous years		(600,434)	(492,340)
Incremental depreciation charged in current year	7.3	(870,339)	(108,094)
		(1,470,773)	(600,434)
Revaluation surplus on buildings net off incremental depreciation		62,094,818	2,053,777
Related deferred tax liability		(22,037,805)	(756,655)
Less: Related deferred tax liability on incremental depreciation transferred to retained earnings	7.3	304,619	37,833
		(21,733,186)	(718,822)
Net Revaluation surplus on buildings		40,361,632	1,334,955
<u>Surplus on Land</u>			
Opening Balance		-	-
Add: Addition made during the year		23,637,290	-
Total surplus on land		23,637,290	-
Closing balance		63,998,922	1,334,955

7.3 Incremental depreciation is the difference between the actual depreciation expense and depreciation at the historical cost values.



# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 8 STAFF RETIREMENT BENEFITS

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

- Discount rate : 11 % ( 2011: 12.5%) per annum
- Expected rate of increase in the salaries of the employees: 10% (2011:11.5%) per annum
- Expected service length of employees: 6 years (2011: 6 years)

	2012 Rupees	2011 Rupees
<b>8.1 Balance sheet liability</b>		
Present value of defined benefits obligations as at the end of the year	45,121,946	48,152,180
Unrecognized actuarial gains /(loss)	(7,561,757)	(6,770,390)
Fair value of Plan Assets	(4,621,822)	(2,296,143)
Total liability at the end of the year	32,938,367	39,085,647
<b>8.2 Reconciliation of present value of defined benefits obligations</b>		
Present value of defined benefits obligations as at the beginning of the year	48,152,180	36,006,397
Current service cost	9,211,553	8,417,421
Interest cost	6,019,023	4,680,832
Benefits paid	(19,378,000)	(2,933,925)
Actuarial (gain)/ loss on present value of defined its benefits obligations	1,117,190	1,981,455
Present value of defined benefits obligations as at the end of the year	45,121,946	48,152,180

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

	2012 Rupees	2011 Rupees
<b>8.3 Reconciliation of actuarial gain/(loss)</b>		
Unrecognized actuarial gains /(loss) as at the beginning of the year	(6,770,390)	(4,885,078)
Actuarial gains /(loss) arising during the year	(1,117,229)	(1,885,312)
Actuarial gains /(loss) charged to P&L during the year	325,862	-
Unrecognized actuarial gains /(loss) as at the end of the year	(7,561,757)	(6,770,390)
<b>8.4 Changes in Fair value of Plan Assets</b>		
Fair value of Plan Assets as at December 31, 2011	2,296,143	-
Expected return on plan assets	287,018	-
Contributions during the year	21,416,700	5,133,925
Benefits paid during the year	(19,378,000)	(2,933,925)
Actuarial gain / (loss) on plan assets	(39)	96,143
Fair value of plan assets as at December 31, 2012	4,621,822	2,296,143

## 8.5 Charged to profit and loss account

Management expenses include retirement benefits in respect of gratuity, amounting to Rs.15,269,420/- (2011: Rs.13,098,253)

Current service cost	9,211,553	8,417,421
Interest cost	6,019,023	4,680,832
Expected return on plan assets	(287,018)	-
Actuarial gains /(loss) charged to P&L during the year	325,862	-
Total amount charged to profit and loss account	15,269,420	13,098,253

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

	2012 Rupees	2011 Rupees
<b>9 DEFERRED TAXATION</b>		
Deferred tax liabilities/(assets) arising in respect of:		
Accelerated depreciation on property, plant and equipment	31,818,605	22,286,788
Liability against assets subject to finance lease	1,779,835	3,190,405
Premium due but unpaid	(10,154,968)	(7,510,878)
Provision for gratuity	(11,528,428)	(13,679,976)
Liability relating to revaluation surplus on building	21,733,186	718,822
	<u>33,648,230</u>	<u>5,005,161</u>
<b>10 AMOUNT DUE TO OTHER INSURERS / REINSURERS</b>		
Foreign reinsurers	62,434,770	11,268,532
Local reinsurers	11,564,332	8,435,382
Coinsurers	13,245,224	21,098,434
	<u>87,244,326</u>	<u>40,802,348</u>
<b>11 ACCRUED EXPENSES</b>		
Utilities	144,079	116,603
Salaries/ wages	7,232,774	5,386,576
Finance charge payable	46,735	-
Auditors remuneration	1,150,000	1,170,000
General expenses	1,717,043	163,208
	<u>10,290,631</u>	<u>6,836,387</u>
<b>12 OTHER CREDITORS AND ACCRUALS</b>		
Provision for Government levies	8,479,074	8,524,640
Miscellaneous	16,884,926	17,322,364
	<u>25,364,000</u>	<u>25,847,004</u>

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>13 SHORT TERM FINANCE - SECURED</b>			
Bank borrowings	131	3,196,613	-
		3,196,613	-

**13.1** The renewable finances are, at times during the year, obtained from Habib Bank Limited against sanctioned limit of Rs. 4.50 million (2011: 4.50 million from Habib Bank Limited). These finances were secured against Munafa Plus Deposits (MPD) with minimum 25% margin. The markup rate on above facility is 1.5% (2011: 1.5%) spread over deposit rate on MPD # MPD-1252/2010/005 & MPD-2006/005 of the company. The mark up was payable on quarterly basis on the balance outstanding during the period.

## 14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE-SECURED

Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

	2012		2011	
	Minimum lease payments (MLP)	Present value of MLP	Minimum lease payments (MLP)	Present value of MLP
	----- Rupees -----			
Due within one year	18,215,139	16,202,071	26,110,700	22,101,939
Due after one year but not later than five year	13,058,846	12,230,487	29,550,161	28,119,856
Total minimum lease payments	31,273,985	28,432,558	55,660,861	50,221,795
<b>Less:</b> Lease finance charges allocable to future periods	(2,841,427)	-	(5,439,066)	-
Present value of MLP	28,432,558	28,432,558	50,221,795	50,221,795
<b>Less :</b> Current maturity under finance lease	(16,202,071)	(16,202,071)	(22,101,939)	(22,101,939)
Long term liability	12,230,487	12,230,487	28,119,856	28,119,856

The company intends to exercise its option to acquire leased vehicles upon completion if lease period. The average rate of interest implicit in the lease ranges from 14.54% to 22% per annum (2011 :20% to 25%). These are secured against personal guarantees of directors and chief executive of the company, demand promissory note for full lease rental plus residual value, security deposit and title of ownership of leased vehicles. These rentals are payable in equal monthly installments and there is no financial restriction in the lease agreements.

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 15 CONTINGENCIES & COMMITMENTS

#### 15.1 Contingencies

The provisions and estimates in arriving at the financial statements are adequate. There are no known unreported contingencies as at December 31, 2012. (2011: Nil)

#### 15.2 Commitments

Commitments for rentals of assets under operating lease agreements as at **December 31, 2012 amounting to Rs.460,184/-** (2011: Rs.2,445,248/-).

	Note	2012 Rupees	2011 Rupees
Due within one year		460,184	1,833,936
Due after one year but not later than five year		-	611,312
		460,184	2,445,248
<b>16 CASH AND OTHER EQUIVALENTS</b>			
Cash in hand		76,370	78,068
		76,370	78,068
<b>17 CURRENT AND OTHER ACCOUNTS</b>			
Current accounts		97,736,708	115,945,896
Saving Accounts		52,393,059	-
		150,129,767	115,945,896
<b>18 DEPOSITS MATURING WITHIN 12 MONTHS</b>			
Fixed and term deposits	18.1	134,369,793	105,950,000
Lease security deposits		2,834,075	11,561,570
Miscellaneous Security Deposits		77,998,953	2,659,898
		215,202,821	120,171,468

**18.1** The rate of return on Term Deposit Certificates issued by various banking companies ranging from 6% to 14.5% (2011: 7.45% to 14.50%) per annum. These Term Deposit Certificates have maturity up to year 2013.



# Notes to the Financial Statements

Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>19 DEPOSITS MATURING AFTER 12 MONTHS</b>			
Fixed and term deposits	19.1	9,000,000	23,300,000
Lease security deposits		10,811,050	12,023,600
		19,811,050	35,323,600

19.1 The rate of return on Term Deposit Certificates issued by Habib Metropolitan Bank ranging from 17.00% to 20.00% (2011: 12.25% to 17.00%) per annum. These Term Deposit Certificates have maturity up to year 2015.

## 20 LOAN TO EMPLOYEES AND AGENTS-UNSECURED

Employees and agents	20.1	5,906,860	5,975,240
		5,906,860	5,975,240

20.1 These are considered good, further these are unsecured and interest free loans.

## 21 INVESTMENTS

Available for sale investments			
Marketable securities - cost	21.1	28,820,145	17,591,113
Less: Provision for impairment in value in investment	21.2	(1,918,287)	(4,611,799)
		26,901,858	12,979,314
Held to maturity	21.3	160,850,728	102,418,294
		187,752,586	115,397,608
<b>21.1 Marketable securities available for sale</b>			
- Listed shares	21.1.1	28,814,012	17,084,980
- Unlisted / delisted shares	21.1.3	6,133	6,133
- Mutual fund certificates	21.1.5	-	500,000
		28,820,145	17,591,113

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 21.1.1 Shares in quoted companies

2012	2011	Percentage	Face	Quoted companies/ Listed companies	2012	2011
No. of Shares	No. of Shares	equity held	Value		(Rs)	(Rs)
			(Rs)			
				<b>Commercial Banks</b>		
-	10,000	0.0006%	10	National Bank Of Pakistan	-	641,226
1,155,200	1,777,912	3.8500%	10	APNA Micro Finance Bank Limited	11,605,456	12,000,000
				<b>Textile Spinning</b>		
232	232	0.0030%	10	Sunshine Cotton Mills Limited	1,834	1,834
170,500	-	0.4077%		Treet Corporation	12,431,215	
				<b>Woolen</b>		
530	530	0.0530%	10	Valika Woolen Mills Limited	1,980	1,980
				<b>Oil and Gas Exploration Companies</b>		
-	603	0.0000%		National Refinery	-	224,919
				<b>Engineering</b>		
1,008	1,008	0.0569%	10	Quality Steel Mills Limited	5,530	5,530
-	2,400	0.0000%	10	Climax Engineering	-	88,896
				<b>Technology and Communication</b>		
-	120,000	0.0000%	10	Wateen Telecom	-	1,200,000
				<b>Chemicals</b>		
5	50	0.0000%	10	ICI Pakistan	1,377	1,377
				<b>Insurance</b>		
-	25,000	0.0000%	10	Pakistan Reinsurance	-	455,049
-	18,873	0.0000%	10	E.F.U General Insurance	-	759,169
-	94	0.0000%	10	Silver Star Insurance Company Limited	-	-
-	-	0.0000%	10	Universal Insurance Company Limited	-	-
				<b>Leasing</b>		
155,000	155,000	0.4844%	10	SME Leasing Company limited	1,705,000	1,705,000
				<b>Securities</b>		
378,000	-	0.3780%		Jahangir Siddqui Investment Limited	3,061,620	-
1,860,475	2,111,702				28,814,012	17,084,980

### 21.1.2 Market value of available for sale investments is Rs.30,649,011/- (December 31,2011: Rs.12,780,490/-)

Shares in Un-listed Companies						
206	206		10	Kakakhail Pakistan Limited	3,380	3,380
172	172		10	Adamjee Industries Limited	1,818	1,818
640	640		10	Pakistan Paper Sack Limited	206	206
33	33		10	Valika Usman Textile Mills Limited	729	729
1,051	1,051				6,133	6,133

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

21.1.4 Due to non-availability of break up value of investment in unquoted shares of the companies, the cost and break up value of unquoted shares are considered to be same.

	Note	2012 Rupees	2011 Rupees
<b>21.1.5 Mutual fund certificates ( Open Ended )</b>			
2012	2011	Mutual fund certificates	
---No. of Units---			
-	597	-	250,000
-	894	-	250,000
-	1,491	-	500,000
		Atlas Income Fund	
		Atlas Stock Market Fund	

21.1.6 Market value of mutual funds certificates is Rs.Nil (December 31, 2011 : Rs.576,288/-)

## 21.2 Provision for impairment in value of investment

Balance at the beginning of the year	4,611,799	859,759
<b>Add: Provision / (reversal) for the year</b>	<b>(2,693,512)</b>	<b>3,752,040</b>
	1,918,287	4,611,799

## 21.3 Held to maturity

Government securities	21.3.1	159,850,728	98,339,803
Term finance certificates	21.3.2	-	578,491
Investment in Musharika	21.3.3	1,000,000	3,500,000
		160,850,728	102,418,294

### 21.3.1 Government securities Particulars

	Maturity year	Effective yield %	Profit payment	2012 Rupees	2011 Rupees
Pakistan investment bonds	2018-2021	12.29 -14.86	Half yearly	159,850,728	98,339,803

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

Market value of Pakistan Investment Bonds as at December 31, 2012 is Rs.161,840,000/- (2011: Rs.96,729,816/- )

The Pakistan Investment Bonds amounting to Rs.91,774,323/- (2011: Rs. 83,026,309/-) are placed as statutory deposit with the State Bank of Pakistan in accordance with the requirements of clause (a) of the sub-section 2 of section 29 of the Insurance Ordinance 2000.

### 21.3.2 Term finance certificates

	Rating	Maturity year	Effective yield %	Profit payment	2012 Rupees	2011 Rupees
<b>Name of the investee company</b>						
Bank Al-Habib Ltd.	AA	2012	9.95%	Half yearly	-	578,491
					-	578,491

### 21.3.3 Investments in Musharika

	Maturity year	Effective yield %	Profit payment	2012 Rupees	2011 Rupees
<b>Name of the investee company</b>					
First Punjab Mudaraba	2013	12.20%	Quarterly	1,000,000	1,000,000
B.R.R Guardian Mudaraba	2012	9.50%	Maturity	-	2,500,000
				1,000,000	3,500,000

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 22 INVESTMENT PROPERTY

2012										
	Cost				Rate %	Depreciation			Written Down Value	
	As at 01 January 2012	Transfer	As at 31 December 2012			As at 01 January 2012	Transfer	For the year	As at 31 December 2012	As at 31 December 2012
	----- Rupees -----					----- Rupees -----				
Free Hold Land	-	-	-	-	-	-	-	-	-	-
Buildings	29,586,460	-	29,586,460	5	7,346,112	-	1,112,019	8,458,131	21,128,329	
Total 2012	29,586,460	-	29,586,460		7,346,112	-	1,112,019	8,458,131	21,128,329	

2011									
	Cost				Rate %	Depreciation			Written Down Value
	As at 01 January 2011	Transfer	As at 31 December 2011			As at 01 January 2011	Transfer	For the year	As at 31 December 2011
	----- Rupees -----					----- Rupees -----			
Free Hold Land	23,128,210	(23,128,210)	-	-	-	-	-	-	-
Buildings	24,336,460	5,250,000	29,586,460	5	5,414,322	876,341	1,055,449	7,346,112	22,240,348
Total 2011	47,464,670	(17,878,210)	29,586,460		5,414,322	876,341	1,055,449	7,346,112	22,240,348

22.1 Market value of building as at December 31, 2012 is Rs.31,500,000/- (2011: Rs.30,250,000/-).

22.2 No property is transferred during the year from investment property. In 2011 freehold land worth Rs.23,128,210/- were transferred from investment property to owned free hold land.



# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>23 PREMIUM DUE BUT UNPAID</b>			
<b>Unsecured</b>			
- Considered good		370,172,611	301,663,590
- Considered doubtful		29,014,195	21,459,652
		399,186,806	323,123,242
<b>Less : Provision for doubtful receivables</b>	<b>23.1</b>	(29,014,195)	(21,459,652)
		370,172,611	301,663,590
<b>23.1 Provision for doubtful receivables</b>			
Balance at the beginning of the year		(21,459,652)	(21,459,652)
Provision made during the year		(7,554,543)	-
		(29,014,195)	(21,459,652)
<b>24 AMOUNT DUE FROM OTHER INSURERS/ REINSURERS</b>			
<b>Unsecured</b>			
- Considered good		32,739,416	8,986,564
- Considered doubtful		-	-
		32,739,416	8,986,564
<b>Less : Provision for doubtful receivables</b>	<b>24.1</b>	-	-
		32,739,416	8,986,564
<b>24.1 Provision for doubtful receivables</b>			
Balance at the beginning of the year		-	4,403,925
Provision made / (Reversed) during the year		-	(4,403,925)
		-	-
<b>25 SUNDRY RECEIVABLES</b>			
Rent deposits		8,178,300	7,256,300
Advance against auctioned property		7,451,368	12,400,000
Others		1,737,838	15,850,140
Branch Balances		31,821,824	35,952,105
		49,189,330	71,458,545

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 26 SCHEDULE OF FIXED ASSETS TANGIBLE

	Owned Assets							Leased Assets			Grand Total	
	Freehold Land	Building	Furniture and fixture	Office equipment	Computer equipment	Vehicles	Cycles	Motor Tracking Devices	Total	Vehicles		Total
<b>COST</b>												
Balance as at January 01, 2011	55,900,000	76,729,889	78,414,867	16,266,661	7,351,855	188,883,596	98,038		423,644,906	107,373,800	107,373,800	531,018,706
Additions during the year	1,250,000	24,258,743	6,770,931	6,770,931	2,243,126	41,162,058	12,500		75,697,360	9,568,000	9,568,000	85,265,360
Disposals		(3,783,602)	(1,606,033)	(41,404)	(41,404)	(4,124,896)	(31,763)		(9,587,698)	-	-	(9,587,698)
Transfers/Adjustments	23,128,210	(5,250,000)	-	-	-	25,833,300	-		43,711,510	(25,833,300)	(25,833,300)	17,878,210
<b>Balance as at December 31, 2011</b>	<b>79,028,210</b>	<b>72,729,889</b>	<b>98,890,008</b>	<b>21,431,559</b>	<b>9,553,577</b>	<b>251,754,058</b>	<b>78,775</b>		<b>533,466,078</b>	<b>91,108,500</b>	<b>91,108,500</b>	<b>624,574,578</b>
Balance as at January 01, 2012	79,028,210	72,729,889	98,890,008	21,431,559	9,553,577	251,754,058	78,775		533,466,078	91,108,500	91,108,500	624,574,578
Additions during the year	-	10,048,000	30,116,325	11,074,229	2,843,715	40,654,067	7,500	15,443,000	110,186,836	13,593,000	13,593,000	123,779,836
Disposals	-	(6,400,000)	(7,627,234)	(1,624,350)	(186,397)	(8,241,520)	-	-	(24,079,501)	-	-	(24,079,501)
Transfers/Adjustments	-	41,943,510	-	-	-	54,188,500	-	-	96,132,010	(54,188,500)	(54,188,500)	41,943,510
Revaluation	23,637,290	60,911,380	-	-	-	-	-	-	84,548,670	-	-	84,548,670
<b>Balance as at December 31, 2012</b>	<b>102,665,500</b>	<b>179,232,779</b>	<b>121,379,099</b>	<b>30,881,438</b>	<b>12,210,895</b>	<b>338,355,105</b>	<b>86,275</b>	<b>15,443,000</b>	<b>800,254,093</b>	<b>50,513,000</b>	<b>50,513,000</b>	<b>850,767,093</b>
<b>DEPRECIATION</b>												
Balance as at January 01, 2011	-	13,338,881	25,110,500	4,594,308	4,153,816	104,167,256	57,283		151,422,044	28,468,032	28,468,032	179,890,076
Charge for the year	-	2,962,188	6,012,516	1,437,553	1,455,985	23,497,180	9,994		35,375,416	15,636,506	15,636,506	51,011,921
Disposals	-	-	(2,741,385)	(1,221,018)	(39,009)	(3,439,006)	(27,591)		(7,468,009)	-	-	(7,468,009)
Transfers/Adjustments	-	(876,341)	-	-	-	12,333,280	-		11,456,939	(12,333,280)	(12,333,280)	(876,341)
<b>Balance as at December 31, 2011</b>	<b>-</b>	<b>15,424,727</b>	<b>28,381,630</b>	<b>4,810,843</b>	<b>5,570,793</b>	<b>136,558,711</b>	<b>39,687</b>		<b>190,786,390</b>	<b>31,771,257</b>	<b>31,771,257</b>	<b>222,557,647</b>
Balance as at January 01, 2012	-	15,424,727	28,381,630	4,810,843	5,570,793	136,558,711	39,687		190,786,391	31,771,257	31,771,257	222,557,648
Charge for the year	-	4,392,857	9,060,923	2,398,347	1,888,639	30,791,699	8,385	2,683,493	51,224,343	10,490,416	10,490,416	61,714,759
Disposals	-	(1,982,962)	(3,753,736)	(326,922)	(149,254)	(5,794,386)	-	-	(12,007,260)	-	-	(12,007,260)
Transfers/Adjustments	-	-	-	-	-	25,266,475	-	-	25,266,475	(25,266,475)	(25,266,475)	-
<b>Balance as at December 31, 2012</b>	<b>-</b>	<b>17,834,622</b>	<b>33,688,817</b>	<b>6,882,268</b>	<b>7,310,178</b>	<b>186,822,499</b>	<b>48,072</b>	<b>2,683,493</b>	<b>255,269,949</b>	<b>16,995,198</b>	<b>16,995,198</b>	<b>272,265,147</b>
Written down values as at December 31, 2011	79,028,210	57,305,162	70,508,378	16,620,717	3,982,785	115,195,347	39,088		342,679,687	59,337,243	59,337,243	402,016,930
Written down values as at December 31, 2012	102,665,500	161,398,157	87,690,282	23,999,170	4,900,717	151,532,607	38,203	12,759,507	544,984,142	33,517,802	33,517,802	578,501,946
Rate of depreciation in %	0	5	10	10	33.33	20	20	33.33	20	20	20	20

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

26.1 The revaluation of fixed assets was carried out by an independent valuer M/S Minhas Associates on September 30, 2012 resulting in surplus of Rs. 84,548,670/- which was credited to surplus on revaluation of fixed assets in order to comply with the requirements of section 235 of the Companies Ordinance, 1984.

26.2 Had there been no revaluation, the cost, accumulated depreciation and book value of revalued assets as at December 31, 2012 would have been as follows:

Description	COST				Rate %	DEPRECIATION				Written Down Value
	January 01, 2012	Additions	Deletions	December 31, 2012		January 01, 2012	For the Year	Adjustment	December 31, 2012	
Building	1,517,673	45,591,510	-	47,109,183	5	402,043	630,359	-	1,032,403	46,076,780
Land	79,028,210	-	-	79,028,210	-	-	-	-	-	79,028,210
<b>2012</b>	<b>80,545,883</b>	<b>45,591,510</b>	<b>-</b>	<b>126,137,393</b>		<b>402,043</b>	<b>630,359</b>	<b>-</b>	<b>1,032,403</b>	<b>125,104,990</b>
Building	1,517,673	-	-	1,517,673	5	343,326	58,717	-	402,043	1,115,630
Land	79,028,210	-	-	79,028,210	-	-	-	-	-	79,028,210
<b>2011</b>	<b>80,545,883</b>	<b>-</b>	<b>-</b>	<b>80,545,883</b>		<b>343,326</b>	<b>58,717</b>	<b>-</b>	<b>402,043</b>	<b>80,143,840</b>

### 26.3 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Disposal
<b>Vehicles</b>						
LEF-07-7541	1,475,000	900,539	574,461	1,000,000	425,539	Negotiation
LEF-08-6961	1,199,000	601,804	597,196	875,000	277,804	Negotiation
LRL-1206	904,000	745,124	158,876	366,000	207,124	Negotiation
LRL-3854	455,880	394,333	61,547	262,000	200,453	Negotiation
LRW-2857	774,000	655,401	118,599	300,000	181,401	Negotiation
LXZ-2842	699,000	646,194	52,806	300,000	247,194	Negotiation
LZC-8732	790,500	665,443	125,057	615,000	489,943	Negotiation
LES-10-6463	499,000	205,698	293,302	311,000	17,698	Negotiation
<b>Sub-Total</b>	<b>6,796,380</b>	<b>4,814,536</b>	<b>1,981,844</b>	<b>4,029,000</b>	<b>2,047,156</b>	
<b>Buildings</b>						
Situated at Multan	6,400,000	1,982,549	4,417,038	7,500,000	3,082,962	Negotiation
<b>Sub-Total</b>	<b>6,400,000</b>	<b>1,982,549</b>	<b>4,417,038</b>	<b>7,500,001</b>	<b>3,082,962</b>	
<b>The following assets with book value below Rs. 50,000/- were disposed off during the year.</b>						
Vehicles	1,445,140	979,850	465,290	892,109	426,819	Negotiation
Computers	186,397	149,254	37,143	17,000	(20,143)	Negotiation
Office Equipments	1,624,350	326,922	1,297,428	1,047,385	(250,043)	Negotiation
Furniture & Fixtures	7,627,234	3,753,736	3,873,498	2,419,339	(1,454,159)	Negotiation
<b>Sub-Total</b>	<b>10,883,121</b>	<b>5,209,762</b>	<b>5,673,359</b>	<b>4,375,833</b>	<b>(1,297,526)</b>	
<b>TOTAL</b>	<b>24,079,501</b>	<b>12,007,260</b>	<b>12,072,241</b>	<b>15,904,833</b>	<b>3,832,592</b>	

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>27 ADMINISTRATIVE SURCHARGE</b>			
Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:			
Fire and property damage		7,937,536	8,111,049
Marine, aviation and transport		4,051,373	3,733,990
Motor		12,655,894	10,473,476
Miscellaneous		9,727,405	4,996,586
		<b>34,372,208</b>	<b>27,315,101</b>
<b>28 MANAGEMENT EXPENSES</b>			
Vehicle expense & workshop bills		10,324,365	7,626,882
Advertisement & selling expenses		18,573,308	9,819,316
Fire service charges		29,592	76,187
Marine service charges		65,692	1,023
Accident service charges		48,021	-
Misc service charges		34,142	-
Salaries, allowances and benefits		98,947,181	71,034,058
Miscellaneous expenses		1,351,866	765,418
Motor tracking device charges		24,480,189	-
Tracker monitoring charges		9,577,600	-
Depreciation	<b>30.2</b>	33,298,192	27,595,706
		<b>196,730,148</b>	<b>116,918,590</b>
<b>29 OTHER INCOME</b>			
<b>Income / (Loss) from financial assets / liabilities</b>			
Bad debts recovered		-	4,403,925
Creditors no longer considered payable written back		-	19,279
Others income / (Loss)		137,261	(620,950)
Profit on PLS accounts		2,517,245	-
Profit on redemption of investment		200,764	-
		<b>2,855,270</b>	<b>3,802,254</b>
<b>Income from non financial assets</b>			
Gain on sale of fixed assets		3,832,592	1,442,810
Discount income		8,000	75,129
		<b>3,840,592</b>	<b>1,517,939</b>
		<b>6,695,862</b>	<b>5,320,193</b>

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>30</b>	<b>GENERAL AND ADMINISTRATION EXPENSES</b>		
Salaries, allowances and benefits		43,910,036	41,835,104
Travelling, conveyance and vehicle charges		10,919,169	10,387,436
Printing & stationery		6,306,864	2,498,889
Repair & renewal		3,121,334	1,827,398
Electricity charges		7,691,179	4,678,563
Telephone charges		6,622,697	4,822,112
Office rent		21,379,833	19,326,430
Charity & donation		942,510	183,888
Bank Charges		2,414,680	2,438,191
Levy charges		1,305,000	926,211
Interest charges		194,700	24,540
General expenses		240,702	126,249
Legal & professional fee	30.1	7,930,732	7,103,609
Depreciation	30.2	29,528,586	24,471,664
Zakat		551,133	98,411
Gratuity		15,269,420	13,098,253
Bad debts expense	23.1	7,554,543	-
		165,883,118	133,846,948

### 30.1 AUDITORS' REMUNERATION

Legal and professional fee includes following in respect of Auditor's Remuneration

	ILYAS SAEED & COMPANY	SARWARS	Total 2012 Rupees	Total 2011 Rupees
Annual audit fee	400,000	400,000	800,000	750,000
Half yearly review	125,000	125,000	250,000	210,000
Other certifications	135,000	135,000	270,000	230,000
Out of pocket expenses	40,000	40,000	80,000	60,000
Taxation Services	-	130,000	130,000	130,000
	700,000	830,000	1,530,000	1,380,000



# Notes to the Financial Statements

Financial Year Ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
<b>30.2 Depreciation</b>			
Investment property	22	1,112,019	1,055,449
Fixed assets	26	61,714,759	51,011,921
		62,826,778	52,067,370
<b>31 PROVISION FOR TAXATION</b>			
Current		17,529,887	15,101,014
Prior		1,396,792	1,344,422
Deferred		7,324,086	94,725
		26,250,765	16,540,161

## 31.1 Reconciliation between effective and applicable tax rate

	Percentage %	Percentage %
Applicable tax rate	35.00	35.00
- Effect of income charged at different rates	(8.04)	(5.69)
- Effect of tax on amounts deductible for tax purposes	(12.02)	(13.36)
- Effect of opening deferred tax	(0.93)	(1.50)
Effective tax rate	14.01	14.45

## 32 BASIC EARNING PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average no of shares as at the year end as follows:

	2012 Rupees	2011 Rupees
Profit after tax for the year	161,271,504	97,933,202
Weighted average number of shares of Rs 10/- each	57,068,520	57,068,520
Earnings per share of Rs 10/- each - basic and diluted	2.83	1.72

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. Comparative figures have been restated.

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Legal and professional fee includes following in respect of Auditor's Remuneration

	Chief Executive	Directors	Executives	Total 2012 (Rs)	Total 2011 (Rs)
Managerial remuneration	1,248,750	4,116,500	42,904,104	48,269,354	39,511,435
Housing	291,375	894,800	15,295,788	16,481,963	16,012,440
Medical allowance	124,875	323,700	4,370,844	4,819,419	4,045,585
	1,665,000	5,335,000	62,570,736	69,570,736	59,569,460
<b>Number of persons</b>	<b>1</b>	<b>2</b>	<b>57</b>	<b>60</b>	<b>43</b>

The Chief Executive is also provided with free use of the Company's maintained car.

### 34 RELATED PARTY TRANSACTIONS

Related parties comprise 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 and compensation to key management personnel is on employment terms. The transaction and balances if any with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relation with undertaking	Nature and transaction	2012 (Rs)	2011 (Rs)
United Track system (pvt) ltd (Associate)	Purchase of track systems	-	69,279,311
	Rental Income	35,000	420,000
Saudi Pak Insurance Company Ltd. 34.1	Premium accepted	-	16,580,729
	Premium paid	-	10,137,074
	Premium ceded	-	45,705,277
	Rental income	-	96,000

**34.1** The relationship of associated concerns between the company and Saudi Pak Insurance Company Limited ceased as such from January, 2012 and during the period there had been no transaction between two concerns.

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

## 35 SEGMENT REPORTING

The company has four primary business segments for reporting purposes namely Fire, Marine, Motor, and Miscellaneous.

Assets and liabilities, wherever possible have been assigned to the following segments based on specific identification or allocated on the basis of premium written by each segment.

	FIRE		MARINE		MOTOR		MISCELLANEOUS		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>OTHER INFORMATION</b>										
Segment assets	260,034,660	185,432,914	89,921,335	58,116,624	122,537,460	88,155,351	383,383,723	193,206,457	855,877,178	524,911,346
Unallocated assets									1,250,134,407	919,479,104
<b>CONSOLIDATED TOTAL ASSETS</b>									2,106,011,585	1,444,390,450
Segment liabilities	252,879,761	117,821,043	93,778,830	50,926,833	210,311,356	117,079,200	416,780,568	258,262,779	973,750,515	544,089,856
Unallocated liabilities									141,615,974	134,156,689
<b>CONSOLIDATED TOTAL LIABILITIES</b>									1,115,366,489	678,246,545
Capital expenditure	25,850,200	23,412,333	9,829,138	8,969,618	31,218,105	18,020,898	56,882,393	34,862,510	123,779,836	85,265,360
Depreciation	13,120,754	14,296,763	4,988,964	5,477,305	15,845,335	11,004,478	28,871,725	21,288,824	62,826,778	52,067,370

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 36 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

#### 36.1 Credit risk and concentration of credit risk

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

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

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

	2012 Rupees	2011 Rupees
Bank deposits	150,129,767	115,945,896
Investments	-	578,491
Premium due but unpaid	370,172,611	301,663,590
Amounts due from other insurers / reinsurers	32,739,416	8,986,564
Accrued investment income	20,028,749	10,441,173
Reinsurance recoveries against outstanding claims	113,422,995	31,028,625
Sundry receivables	49,189,330	71,458,545
	<b>735,682,868</b>	<b>540,102,884</b>

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year no receivables were provided as the same are considered good. The movement in the provision for doubtful debt account is shown in notes 23.1 and 24.1. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers/reinsurers for whom there is no recent history of default.

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

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

	Rating Short Term	Rating Long Term	Rating Agency	2012 Rupees	2011 Rupees
Bank Alfalah Limited	A1+	AA	PACRA	5,165,907	6,084,684
Allied Bank Limited	A1+	AA+	PACRA	21,389,885	19,830,322
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,437,556	1,240,475
Habib Bank Limited	A-1+	AA+	JCR-VIS	7,974,154	11,009,599
Arif Habib Bank Limited		A	JCR-VIS	1,968	-
Bank Al-Habib Limited	A1+	AA+	PACRA	35,340,231	16,910,791
KASB Bank Limited	A3	BBB	PACRA	8,164,598	3,872,166
Soneri Bank Limited	A1+	AA-	PACRA	7,521,224	3,203,142
Albaraka Islamic Bank Limited	A1	A	PACRA	669,925	368,266
Askari Bank Limited	A1+	AA	PACRA	4,104,546	4,151,887
Zarai Tarqati Bank	A-1+	AAA	JCR-VIS	66,923	-
I.D.B.P	Rating not available			44,067	109,518
Bank of Khyber	A2	A-	PACRA	2,029,932	149,756
Bank of Punjab	A1+	AA-	PACRA	11,010,216	4,597,112
Faysal Bank Limited	A1+	AA	PACRA	6,813,532	6,983,167
First Women Bank	A2	A-	PACRA	926,491	453,947
Barclays Bank Limited	A-1	A+	Standard & Poor's	672,074	9,862,043
MCB Bank Limited	A1+	AA+	PACRA	2,452,259	965,979
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS	6,161,230	5,386,375
NIB Bank Limited	A1+	AA-	PACRA	4,465,936	4,022,987
Punjab Provincial Co-operative Bank Limited	CCC	CCC	JCR-VIS	543,193	534,343
Silk Bank Limited	A2	A-	JCR-VIS	2,304,836	2,981,033
SME Bank Limited	A3	BBB	JCR-VIS	19,428	619,678
Standard Chartered Bank Limited	A1+	AAA	PACRA	1,648,876	1,751,029
United Bank Limited	A1+	AA+	JCR-VIS	5,619,177	7,865,012
Summit Bank	A-2	A-	JCR-VIS	10,579,529	1,522,277
Burj/Dawood Islamic Bank Limited	A-1	A	JCR-VIS	432,739	937,821
Dubai Islamic Bank Limited	A-1	A	JCR-VIS	592,848	532,488
APNA Micro Finance Bank	A3	BBB	PACRA	795,705	-
Sindh Bank	A-1	AA-	JCR-VIS	93,879	-
Karakoram Co-Operative Bank	Rating not available			1,086,903	-
				150,129,767	115,945,896

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

Bank Al-Habib Limited	A1+	AA+	PACRA	-	578,491
-----------------------	-----	-----	-------	---	---------

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### 36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the balance sheet date the company has cash and bank balance and unutilized credit lines of Rs.150.206 million and Rs.1.3 million respectively. (2011:Rs.116.024 million & Rs.4.5 million).

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

2012				
	Carrying amount	Contractual cash flows	Up to one year	More than one year
-----Rupees-----				
<b>Financial liabilities</b>				
Short-term finance	3,196,613	3,564,223	3,564,223	
Provision for outstanding claims	151,446,927	151,446,927	151,446,927	-
Amount due to other insurers / reinsurers	87,244,326	87,244,326	87,244,326	-
Accrued expenses	10,290,631	10,290,631	10,290,631	-
Sundry creditors	25,364,000	25,364,000	25,364,000	-
Finance lease	28,432,558	31,273,985	18,215,139	13,058,846
	305,975,055	309,184,092	296,125,246	13,058,846
2011				
	Carrying amount	Contractual cash flows	Up to one year	More than one year
-----Rupees-----				
<b>Financial liabilities</b>				
Provision for outstanding claims	71,273,865	71,273,865	71,273,865	-
Amount due to other insurers / reinsurers	40,802,348	40,802,348	40,802,348	-
Accrued expenses	6,836,387	6,836,387	6,836,387	-
Sundry creditors	25,847,004	25,847,004	25,847,004	-
Finance lease	50,221,795	55,660,861	26,110,700	29,550,161
	194,981,399	200,420,465	170,870,304	29,550,161



# Notes to the Financial Statements

Financial Year Ended December 31, 2012

## 36.3 Market risk

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

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

### a) Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS AND LIABILITIES	2012									
	Effective Yield / Mark-up rate	Interest/mark-up bearing				Non interest/mark-up bearing				Total
		Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	Sub Total	Maturity within year	Maturity more than 1 year but less than 5 year	
	-----Rs-----									
	%									
<b>FINANCIAL ASSETS</b>										
Loan to employees and agents	-	-	-	-	5,906,860	-	-	5,906,860	-	5,906,860
Investments	10.79 - 14.86	1,000,000	159,850,728	160,850,728	26,901,858	-	26,901,858	187,752,586	-	187,752,586
Premium due but unpaid	-	-	-	-	370,172,611	-	-	370,172,611	-	370,172,611
Interest outstanding	20.028,749	-	-	20,028,749	-	-	-	-	-	20,028,749
Amount due from other insurers/reinsurers	-	-	-	-	32,739,416	-	-	32,739,416	-	32,739,416
Reinsurance recoveries against O/S claims	-	-	-	-	113,422,995	-	-	113,422,995	-	113,422,995
Sundry receivables	-	-	-	-	49,189,330	-	-	49,189,330	-	49,189,330
Cash & bank balances	6.25 - 14.5	186,762,852	9,000,000	195,762,852	133,302,456	10,811,050	144,113,506	339,876,358	-	339,876,358
		207,791,601	168,850,728	376,642,329	731,635,526	10,811,050	742,446,576	1,119,088,905	-	1,119,088,905
<b>FINANCIAL LIABILITIES</b>										
Claims outstanding	-	-	-	-	151,446,927	-	-	151,446,927	-	151,446,927
Amount due to other insurers/reinsurer	-	-	-	-	87,244,326	-	-	87,244,326	-	87,244,326
Other creditors & accruals	-	-	-	-	35,654,630	-	-	35,654,630	-	35,654,630
Short term bank borrowings	14.54 - 22	16,202,071	12,230,487	28,432,558	-	-	-	-	-	28,432,558
Liabilities against asset subject to finance lease	-	-	-	-	-	-	-	-	-	-
		16,202,071	15,427,100	31,629,171	274,345,883	-	274,345,883	305,975,054	-	305,975,054

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

FINANCIAL ASSETS AND LIABILITIES	2011		Interest/mark-up bearing		Non interest/mark-up bearing		Total
	Effective Yield / Mark-up rate	%	Maturity within year	Maturity more than 1 year but less than 5 year	Maturity within year	Maturity more than 1 year but less than 5 year	
			Sub Total	Sub Total	Sub Total	Sub Total	
<b>FINANCIAL ASSETS</b>							
Investment	12.29 - 14.86		4,078,491	98,339,803	102,418,294	12,979,314	115,397,608
Loan to employees and agents			-	-	-	5,975,240	5,975,240
Premium due but unpaid			-	-	-	301,663,590	301,663,590
Interest outstanding			10,441,173	-	10,441,173	-	10,441,173
Amount due from other insurers/reinsurers			-	-	-	8,986,564	8,986,564
Reinsurance recoveries against O/S claims			-	-	-	31,028,625	31,028,625
Sundry receivables			-	-	-	71,458,545	71,458,545
Cash & bank balances	7.45 - 17		105,950,000	23,300,000	129,250,000	130,245,431	271,519,031
			120,469,664	121,639,803	242,109,467	562,337,309	816,470,376
<b>FINANCIAL LIABILITIES</b>							
Claims outstanding			-	-	-	71,273,865	71,273,865
Amount due to other insurers/reinsurer			-	-	-	40,802,348	40,802,348
Other creditors & accruals			-	-	-	32,683,390	32,683,390
Short term bank borrowings			-	-	-	-	-
Liabilities against asset subject to finance lease	20 - 25		22,101,939	28,119,856	50,221,795	-	50,221,795
			22,101,939	28,119,856	50,221,795	144,759,603	194,981,398

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

### Sensitivity analysis

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

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
<b>As at December 31, 2012</b>			
Cash flow sensitivity - Variable rate financial liabilities	100	(316,292)	(205,590)
	(100)	316,292	205,590
Cash flow sensitivity - Variable rate financial assets	100	3,766,423	2,448,175
	(100)	(3,766,423)	(2,448,175)
<b>As at December 31, 2011</b>			
Cash flow sensitivity - Variable rate financial liabilities	100	(502,218)	(326,442)
	(100)	502,218	326,442
Cash flow sensitivity - Variable rate financial assets	100	2,421,095	1,573,712
	(100)	(2,421,095)	(1,573,712)

### b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.30.6 million (2011: Rs.12.780 million) at the balance sheet date.

Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

Available for sale equity instruments are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by relative quantity of the security being sold. The Company has no significant concentration of price risk.

## c) 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 of currency risk as majority of the transaction all carried out in Pakistani rupees.

### Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, indeed results could be worse in Company's equity investment portfolio because of the nature of equity markets.

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

	Fair Value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (Decrease) in shareholder's equity	Hypothetical increase / (Decrease) in profit/ (loss) before tax
December 31, 2012	30,649,011	10 % increase	33,713,912	3,064,901	-
		10 % decrease	(27,584,110)	(3,064,901)	-
December 31, 2011	12,780,490	10 % increase	14,058,539	1,278,049	-
		10 % decrease	(11,052,441)	(1,278,049)	-

## 36.4 Fair value of financial instruments

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

## 36.5 Reinsurance risk

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

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

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

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2012	2011
A or above (including PRCL)	32,739,416	113,422,995	260,884,307	407,046,718	163,812,213
BBB	-	-	-	-	26,845
<b>Total</b>	<b>32,739,416</b>	<b>113,422,995</b>	<b>260,884,307</b>	<b>407,046,718</b>	<b>187,943,555</b>

### 36.6 Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limit and criteria. Reinsurance is purchased to mitigate the risk of potential loss to the Company. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

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

#### Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial residential occupation of the insurers. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double



# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

### Reinsurance arrangements

Reinsurance arrangements are key components in the global economy as a means of supporting acceptance of risk by insurance organizations. Arrangements are the most effective ways of getting risks of all types, underwritten of the company. The company has prestigious reinsurance arrangements with the world wide acclaimed reinsurers.

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

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

	Gross sum insured		Reinsurance		Net	
	2012	2011	2012	2011	2012	2011
----- Rupees in '000' -----						
Fire	191,264,030	157,646,220	145,302,260	96,658,648	45,961,770	60,987,572
Marine	105,872,325	97,917,329	50,818,716	42,429,331	55,053,609	55,487,998
Motor	17,623,654	11,610,709	-	-	17,623,654	11,610,709
Miscellaneous	208,135,414	49,856,802	83,866,379	19,092,549	124,269,035	30,764,253
	522,895,423	317,031,060	279,987,355	158,180,528	242,908,068	158,850,532

### Sensitivity analysis

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

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

# Notes to the Financial Statements

## Financial Year Ended December 31, 2012

10% increase in loss	Profit before tax		Share holders' equity	
	2012	2011	2012	2011
	----- Rupees -----			
<b>Net</b>				
Fire	(3,849,919)	(5,522,607)	(2,502,447)	(3,589,695)
Marine	(1,718,514)	(1,404,651)	(1,117,034)	(913,023)
Motor	(9,749,743)	(8,800,633)	(6,337,333)	(5,720,411)
Miscellaneous	(9,223,080)	(10,549,850)	(5,995,002)	(6,857,402)
	(24,541,256)	(26,277,741)	(15,951,816)	(17,080,531)

10% decrease in loss	Profit before tax		Share holders' equity	
	2012	2011	2012	2011
	----- Rupees -----			
<b>Net</b>				
Fire	3,849,919	5,522,607	2,502,447	3,589,695
Marine	1,718,514	1,404,651	1,117,034	913,023
Motor	9,749,743	8,800,633	6,337,333	5,720,411
Miscellaneous	9,223,080	10,549,850	5,995,002	6,857,402
	24,541,256	26,277,741	15,951,816	17,080,531

### Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2012.

	2009	2010	2011	2012	Total
	----- Rupees -----				
Estimate of ultimate claims cost					
At the end of accident year	50,692,363	55,708,274	55,076,743	154,397,043	315,874,423
One year later	32,818,043	71,712,134	68,205,744	-	172,735,921
Two year later	6,646,360	17,879,491	-	-	24,525,851
Three year later	2,949,485	-	-	-	2,949,485
Estimate of cumulative claims	96,055,736	145,299,899	123,282,487	154,397,043	519,035,165
Cumulative payments to date	(96,055,736)	(144,124,888)	(100,272,527)	(142,803,694)	(483,256,845)
Liability recognized in the sheet date balance	-	1,175,011	23,009,960	11,593,349	35,778,320

# Notes to the Financial Statements

Financial Year Ended December 31, 2012

## 37 CAPITAL MANAGEMENT

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

## 38 EVENTS AFTER BALANCE SHEET DATE

The board of directors have proposed bonus shares for the year ended December 31, 2012 of Rs. 2.3 per share (2011 :1.5 per share), amounting to Rs.131,257,596/= (2011 : Rs. 74,437,200) at their meeting held on April 08, 2013 for the approval of the members at the annual general meeting to be held on April 29, 2013 .

## 39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 08,2013 by the Board of Directors of the company.

## 40 RECLASSIFICATION

Corresponding figures have been reclassified / re arranged, wherever necessary for better presentation. The impact of reclassification is not material.

Balance Sheet	Note	From	To	Amount (Rs.)
Other Assets	25 & 23	Other debtors	Premium due but unpaid	734,846
Creditors & Accruals	10 & 23	Amount due to reinsurers / other insurers	Premium due but unpaid	381,906
<b>Profit And Loss Account</b>				
Depreciation	28 & 30	General and administration expenses	Management expenses	27,595,706



Mohammed Rahat Sadiq  
Chief Executive Officer



Huma Waheed  
Director



Ch. Habib-ur-Rehman  
Director/President



Khawas Khan Niazi  
Chairman

# Notice of Annual General Meeting

## NOTICE OF 53RD ANNUAL GENERAL MEETING

Notice is hereby given that 53rd Annual General Meeting of the Company will be held at, UIG House, 6-D, Upper Mall, Lahore on Monday the April 29, 2013 at 11.00 a.m to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of 52nd Annual General Meeting held on April 28, 2012.
  2. To receive, consider and adopt Company's Audited Accounts for the year ended December 31, 2012 together with Directors' Report and Auditors' Report thereon.
  3. To consider and approve issue of bonus shares as recommended by the Board of Directors and the same shall be treated for all purposes as an increase in Company's Paid-up Capital.
  4. To approve appointment of external auditor for financial Year 2013 and to fix their remuneration. M/s. Ilayas Saeed & Company and M/s. Sarwars, Lahore have retired. In replacement of outgoing auditors company's Audit Committee has recommended appointment of one external auditor namely M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, Lahore to act as statutory auditors of the company for the year 2013.
  5. Any other business with the permission of the Chair.
- b) The Bonus shares shall rank pari passu in all respects with the existing shares.
  - c) The members entitled to fraction of their share(s) shall be given sale proceeds of their fractional entitlement, for which purpose the fraction(s) shall be consolidated into whole share and sold in the stock market.
  - d) The Company Secretary be and is hereby authorized and empowered to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of Bonus Shares.
7. To consider and if deem fit to pass the following resolutions, with or without modification, addition or deletion as a special resolutions:-

available for appropriation as at December 31, 2012 be capitalized and adopted to the issue of 13,125,759 ordinary shares of Rs.10 each allotted as fully paid Bonus Shares (B-18) @ 23% in the proportion of 11.5 share for every 50 shares held to Company's members whose names appear on the register of members as at close of business as on 22-04-2013.

### SPECIAL BUSINESS:

6. To approve capitalization of Rs.131,257,596/= for the issue of Bonus Shares (B-18) and to pass with or without modification the following resolutions as Ordinary Resolutions:-

### RESOLVED THAT:

- a) The sum of Rs.131,257,596/= out of the profits

**Resolved** unanimously that the management of the United Insurance Company of Pakistan Limited be and is hereby empowered and authorized to make long term investment in equity shares of Apna Microfinance Bank Limited up to the amount of Rs. 100,000,000/= by way of subscribing ordinary shares of Rs. 10/= each.

**Further** resolved that Chief Executive of the Company be and is hereby authorized to make investment in aforesaid shares of Apna Micro Finance Bank Ltd and to dispose-off through any mode at any time a part or all of this investment as he deems fit in the interest of the Company.

# Notice of Annual General Meeting

**Further resolved** that the Company be and is hereby empowered to appoint nominee director(s) on the Board of Apna Microfinance Bank Ltd.

## REMUNERATION OF COMPANY'S WORKING DIRECTORS

8. To consider and approve the remuneration payable to working directors including Chief Executive, a Director and to approve the fee for Chairman of the company during the year 2013 as recommended by the Board.

By Order of the Board

-SD/-

**(Z.H.Zuberi)**  
Company Secretary

Karachi: April 09, 2013

## NOTES:

1. The share transfer books of the Company will remain closed from April 23, 2013 to April 29, 2013 (both days inclusive). Transfers received in order at the Company's Registered office at Karachi by the close of business on April 22, 2013 will be treated as being in time for the purpose to determine entitlement to Bonus Shares and to attend the meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her. A corporation or a company being a member of the Company may appoint any of its officers, though not a member of the Company.
3. The instrument appointing a proxy must be received at the Registered Office of the Company at Karachi not less than 48 hours before the time appointed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a

member with Company, all such instruments of proxy shall be rendered invalid.

4. CDC shareholders are requested to bring with them their National Identity Card or original Passport along with the Participant's ID number and their account number at the time attending the Annual General Meeting in order to facilitate identification of the respective account holders.
5. **Attention to physical shareholders:** Comply with the SECP directives that all shareholders are requested to provide a copy of their CNIC or NTN within 15 days of publication of this notice.

**Statement under Section 160(1) (b & C) of the Companies Ordinance, 1984 in respect of Items 6 & 7.**

## Item 6

1. The Directors being satisfied that the reserves and profits of the Company as at December 31, 2012 have recommended issue of Bonus shares. The Directors have no interest directly or indirectly except that they are members of the Company.

## Item 7

2. The Directors have studied and are satisfied that by entering banking sector the United Insurance Company and its shareholders will be benefited through Insurance Premium Income, dividend, Bonus and capital gain.

# Proxy Form

**The** United Insurance Company Of Pakistan Limited  
 204, 2nd Floor, Madina City Mall, Abdullah Haroon Road, Saddar Karachi.

I / We \_\_\_\_\_ of \_\_\_\_\_  
 being a member of **The** United Insurance Company Of Pakistan Limited and a holder of \_\_\_\_\_  
 ordinary shares, as per Share Register Folio No. \_\_\_\_\_ and / or CDC  
 Participant I.D. No. \_\_\_\_\_ and sub Account No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
 (Name)  
 failing him \_\_\_\_\_ of \_\_\_\_\_  
 (Name)

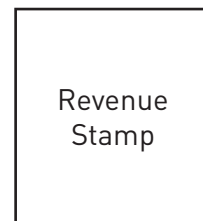
who are also members of **The** United Insurance Company Of Pakistan Limited, as my/our proxy to vote  
 for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on April 29,  
 2013 at 11:00 a.m and at any adjourment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

WITNESS: \_\_\_\_\_

1. Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC No: \_\_\_\_\_
2. Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 CNIC No: \_\_\_\_\_

Signature



- Note: 1. Signature should agree with the specimen signature registered with the company.  
 2. The Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.  
 3. No person shall act as proxy unless he/she is a member of the company.  
 4. CDC Shareholders and their proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



Second Fold

Affix Revenue  
Stamp

The Company Secretary

**The United Insurance Company of Pakistan Limited**  
204, 2nd Floor, Madina City Mall,  
Abdullah Haroon Road, Sadar Karachi.

First Fold

Third Fold and Tuck In





[www.theunitedinsurance.com](http://www.theunitedinsurance.com)

**United House:**

2nd Floor, 6-D, Upper Mall, Lahore.

UAN: (92-42) 111-000-014

T: (92-42) 35776475-94

F: (92-42) 35776492-93

E: [info@theunitedinsurance.com](mailto:info@theunitedinsurance.com)