



Annual Report 2013

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Company Information

Board of Directors	Mr. Yameen Kerai (Chairman) Mr. Rizwan Abbas Mr. Mohammed Basheer Janmohammed Mr. A. Fawad Hashmi Mr. Tariq Iqbal Khan Mr. Tufail Jawed Ahmad Mr. Ghulam Muhammad Mr. Muhammad Riaz
Managing Director & Chief Executive Officer	Mr. Ahmed Salahuddin
Board Audit Committee	Mr. A. Fawad Hashmi (Chairman) Mr. Rizwan Abbas Mr. Ghulam Muhammad Mr. Muhammad Riaz
Board Human Resources & Remuneration Committee	Mr. Tariq Iqbal Khan (Chairman) Mr. Tufail Javed Ahmad Mr. Ahmed Salahuddin
CFO & Company Secretary	Mr. Afroz Quraishi
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisor	Syed Ali Hyder
Bankers	NIB Bank Limited Habib Metropolitan Bank Limited
Shares Registrar	FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery Block - 6, P.E.C.H.S. Shakra-e-Faisal Karachi
Credit Rating	Triple B Plus "BBB +" by JCR-VIS
Registered & Head Office	8th Floor, Shaheen Complex, M. R. Kayani Road Karachi Tel # (92-213) 2219555-60 Fax # (92-213) 2219561 Email: info@picicinsurance.com Website: www.picicinsurance.com

Vision Statement

PICIC Insurance shall emerge as the leading insurance and risk management services organization in Pakistan. We are in the business of providing solutions to mitigate insurable risk exposure of our clients. We shall do this on the basis of thorough risk evaluation and product knowledge.

Mission Statement

PICIC Insurance shall fully satisfy the needs and expectations of all its stakeholders:

- We shall put the interest of our clients first and ensure that they make informed decisions with respect to the products and services that we offer them.
- We shall give our employees a congenial work environment and shall give them opportunities for personal growth and development strictly on the basis of merit.
- We shall strive to continually provide above average returns to our shareholders.
- We shall support the development of the communities in which we live and work.

Code of Conduct

1. It is the responsibility of all directors, officers and employees of the company to carry out their assigned duties in compliance with all applicable legal requirements and company policies. Beyond compliance with strictly legal aspects involved, all directors, officers and employees are expected to conduct themselves with honesty, integrity and professionalism in the discharge of their assigned responsibilities. Except as otherwise permitted by company policies, all assets of the company shall be used for legitimate business purposes. All directors, officers and employees shall protect the company assets and ensure their efficient use.

Each director, officer and employee of the company must avoid any activities that could involve, or lead to involvement in any unlawful practice, as well as any actions that may jeopardize or impair the confidence or respect in which the company are held by their customers, regulators and the general public. All directors, officers and employees must comply completely with all applicable law, rules, and regulations.

2. The company policy statement regarding conflicts of interest requires all directors, officers and employees to avoid situations in which their personal interests conflict with the interests of the company. Prior to engaging in any conduct or activity that may result in a conflict of interest, the facts and circumstances of the proposed conduct or activity must be disclosed to the company.
3. Directors, officers, and employees shall not take for themselves personal opportunities that are discovered through the use of the corporate property, information, or position; shall not use corporate property, information or position for personal gain; and shall not compete with the company. All directors, officer, and employees owe a duty to the company to advance the legitimate business interests of the company.
4. Directors, officers, and employees shall endeavor to deal fairly with the company customers, suppliers, competitors, and employees. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.
5. Directors, officers, and employees frequently have access to confidential information concerning the company, business and the businesses of customers, agents, policyholders and other employees. Safeguarding confidential information is absolutely essential. Confidential information includes, but is not limited to all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed. Directors, officers, and employees shall not disclose confidential information except when disclosure is authorized or legally mandated. Directors, officers, and employees shall not access, or use, confidential information unless it is relevant to the performance of their job and they have proper authorization. Except for information routinely provided to industry bureaus and agencies, vendors or other representatives of the company, in accordance with the company policies and procedures, no director, officer, or employee may disclose confidential information of any type to anyone, except person within the company who has a clear business need to know.
6. Accuracy and reliability in the preparation and maintenance of all books and records is not only mandated by law, it is of critical importance to the company decision making process and to the proper discharge of the company legal, financial and reporting obligations. All business records, expenses accounts, vouchers, bills, payroll and services records and other reports must be prepared with care and honesty, and maintained in accordance with the company policy.
7. The company is an equal opportunity employer, and does not discriminate against employees or applicants for employment on the basis of race, color, religion, sex, sexual orientation, national origin, age, physical or mental disability. The company complies with all applicable laws and regulations in the hiring, treatment and termination of all employees, and endeavors to maintain a working environment that is conducive to professional growth accomplishment and satisfaction, and free from any type of hostility or harassment.

Notice of Annual General Meeting

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi on Monday April 07, 2014 at 11.00 AM to transact the following business:

Ordinary Business

1. To confirm the Minutes of the Nineth Annual General Meeting held on April 29, 2013;
2. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2013 together with Directors' Report and Auditors' Report thereon;
3. To appoint Auditors for the year ending December 31, 2014 and fix their remuneration. The present auditors M/s. A.F.Ferguson & Co. Chartered Accountants being eligible offer themselves for reappointment;
4. To elect Directors of the Company for a period of three years under Section 178 of the Companies Ordinance, 1984. The number of elected Directors of the Company fixed by the Board of Directors is eight (8). Following are the names of the retiring directors:
 1. Mr. Yameen Kerai
 2. Mr. Rizwan Abbas
 3. Mr. Mohammed Basheer Janmohammed
 4. Mr. A. Fawad Hashmi
 5. Mr. Tariq Iqbal Khan
 6. Mr. Tufail Jawed Ahmad
 7. Mr. Ghulam Muhammad
 8. Mr. Muhammad Riaz

The retiring Directors are eligible for re-election.

5. Any other matter with the permission of Chair.

By Order of the Board

Afroz Quraishi
Company Secretary

Karachi: March 17, 2014

Notes:

1. The share transfer books of the company will remain closed from March 31, 2014 to April 7, 2014 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another person as his / her proxy to attend, speak and vote instead of him / her behalf at the meeting. Proxies, in order to be valid, must be received at the Registered Office of the Company situated at 8th floor, Shaheen Complex, M.R. Kayani Road, Karachi not later than 48 hours before the meeting. A member shall not be entitled to appoint more than one proxy.
3. CDC shareholders are requested to bring their Computerized National Identity Cards, Accounts / Sub-Accounts Number and Participant's ID Number in the Central Depository Company (CDC) for identification purpose when attending the meeting. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

4. The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the corporate members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the company are once again requested to send the same with the Folio / CDC Account Number at the earliest directly to our Registrar, FAMCO Associates (Pvt) Limited, 8-F, next to Hotel Faran, Nursery Block - 6, P.E.C.H.S Shakra-e-Faisal, Karachi, Pakistan.
5. Shareholders are requested to notify our Registrar immediately of any change in their addresses.
6. A member who wishes to be elected as director (as per eligibility criteria for directors of listed companies) shall submit to the Company at its Registered Office not later than fourteen days before the date of the meeting, his / her intention to offer himself / herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with:
 - a) Consent to act as a director on Form 28 duly filled and signed by him.
 - b) A declaration to the effect that:
 - He / she is not serving as a director of more than seven other listed companies;
 - His / her name is borne in the register of national tax payers (except where he / she is a non - resident);
 - He / she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non - banking financial institution;
 - He / she and his / her spouse are not engaged in the business of stock brokerage; and
 - He / she is aware of duties and powers of directors under the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Memorandum and Articles of Association of the Company and the Listing Regulations of the Stock Exchanges in Pakistan and has read the provisions contained therein.

Directors' Report

The Directors are pleased to present the annual report together with the audited financial statements for the year ended December 31, 2013.

Message from the Chairman

In 2013 we are pleased to report growth in premiums written and improvement in underwriting results as compared to the previous year.

The Company has continued to acquire and deepen relationships only with customers who met our risk criteria and where the relationship was for the mutual benefit of both parties. This approach has enabled the Company to show bottom line growth while avoiding high risk unprofitable or marginally profitable relationships.

Economy and Regulatory changes

2013 saw a successful transition from one democratically elected government to another. The new government immediately addressed the circular debt problem to abate energy crisis, however, it is clear that fundamental reforms are needed to address Pakistan's chronic energy crisis. While the IMF programme, the recent strengthening of the rupee and the easing in inflation has provided temporary relief, the government still faces major challenges in controlling the fiscal deficit and building sustainable foreign currency inflows.

Financial Highlights

The comparative financial highlights of your Company for the year ended December 31, 2013 are as follows:

	2013	2012
	--- (Rupees in thousand) ---	
Gross Premium Written	657,294	594,296
Net Premium Revenue	322,505	322,840
Net Claims including IBNR	(177,558)	(211,887)
Profit from underwriting business	37,187	(11,755)
Investment Income	25,144	39,428
Profit / (loss) after Taxation	9,424	(26,479)
Earnings / (loss) per share (Rupees)	0.27	(0.76)

Performance Review

The gross premium written for the year was Rs.657M as compared to Rs.594M for the corresponding period last year being 11% higher. The net premium revenue for the year was almost the same as last year. This was mainly due to increase of gross premium written during the year in fire, motor and accident & health business.

The underwriting profit of the Company was Rs.37M against a loss of Rs.12M in the corresponding period last year. This is mainly due to improved loss ratios in all classes of business. The Company also saw a decrease in the incidence of Motor theft claims during the year ended December 31, 2013 as a consequence of better customer selection and the slight improvement in the law and order situation compared to the previous year. Underwriting guidelines have been tightened and rates increased on selected high risk vehicles.

The net commission income has increased to Rs.7.8M as compared to Rs.2.2M for the corresponding year. The Company discontinued allocating certain expenses to deferred acquisition cost as per directives of SECP resulting in an increase in the current charge. However, the total expenses are lower in the current year, i.e., Rs.174M as against Rs.178M last year, despite the increase in gross premium written.

Your Company is pleased to report a profit after tax of Rs.9.4M for the year ended December 31, 2013 compared to a loss after tax of Rs.26.5M in the corresponding period. The management of your Company will continuously endeavor to show improving performance in the future.

The Company's management team is highly motivated, the marketing staff is given challenging and aggressive targets and underwriting processes continue to be strengthened.

Comparative Insurance portfolio mix, in terms of gross premium written in the year 2013 was as follows:

Line of Business	2013		2012	
	Amount (Rupees in M)	Portfolio Mix (%)	Amount (Rupees in M)	Portfolio Mix (%)
	----- (Rupees in thousand) -----			
Fire and property	165.9	25.2	100.2	16.9
Marine, aviation & transport	56.4	8.6	134.9	22.7
Motor	161.7	24.6	79.9	13.4
Accident & health	157.7	24.0	90.8	15.3
Miscellaneous	115.6	17.6	188.5	31.7
Total	657.3	100.0	594.3	100.0

Claim Settlement

Prompt settlement of claims and customer satisfaction is management's top priority. The Company endeavors to indemnify the losses of the insured promptly. This is the most important element which builds the image of an insurance company in the eyes of its valued clients and consolidates goodwill which is critical for an insurance business.

Reinsurance Treaties

The Company has strong reinsurance arrangements with some of the world's best "A" rated companies. As risk underwriting capacities for traditional lines of business have increased further in 2013, the Company will now be able to underwrite larger risks. We are thankful to all our reinsurers for their unwavering support and continued cooperation.

Insurer Financial Strength Rating

JCR VIS has given the Insurer Financial Strength Rating to the Company of 'BBB+' (Triple B Plus) with stable outlook.

External Audit

The auditors M/s A.F.Ferguson & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed their re-appointment.

Internal Audit

The Company's Board follows closely the activities of the Internal Audit Department as a service to all levels of Management. The main objective of the independent Internal Audit Department is to provide reasonable assurance to the Board and Management that the existing systems of internal control are adequate and operating satisfactorily. Internal Audit Department adds value to the Company's operations by acting as internal consultant in making suggestions and recommendations for improved operational performance.

Statement of Corporate and Financial Reporting Framework

The corporate laws, rules and regulations framed thereunder spell out the overall function of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges for all listed companies, and is pleased to certify that:

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
3. The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment
4. Approved Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The process used by the Board to review the effectiveness of the system of internal control include, inter-alia, the following:
 - A Board Audit Committee (BAC) is in place. It reviews the approach adopted by the Company's internal audit department and the scope of and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material weaknesses that have been identified. Further, the BAC discusses the actions to be taken in areas of concern with the relevant executives. The BAC consists of four members. All the members including the Chairman of the BAC are non-executive directors. During the year 2013, 4 meetings of BAC were held with one in each quarter and attendance was as follows:

Name of member	No. of meetings attended
A. Fawad Hashmi (Chairman)	2
Yameen Kerai (Ex-Chairman)	2
Ghulam Muhammad	2
Rizwan Abbas	1
Muhammad Riaz	3

Leave of absence was granted to the members unable to attend the meeting.

- An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
 - There is an annual budgeting and strategic planning process. Financial forecasts are prepared and these strategies are reviewed during the year to reflect significant changes in the business environment.
6. There is no doubt upon the Company's ability to continue as a going concern.
 7. The Directors of your Company feel that preservation of capital for future growth is very important, therefore no dividend is declared for the current year.

8. The Company has followed the best practices of the Code of Corporate Governance as laid down in the listing regulations of the stock exchanges and there is no material departure there from.
9. Key operating and financial data for last six years is annexed with the report.
10. The value of investments including accrued income of provident fund on the basis of audited financial statements as at December 31, 2012 is Rs.35.5M and the value of investments including accrued income of gratuity fund on the basis of unaudited financial statements as at December 31, 2013 is Rs.30M.
11. The related parties transactions are approved or ratified by the Board Audit Committee and the Board of Directors.
12. All major decisions relating to the investments / disinvestments of funds, change in the policy of underwriting, are taken by the Board of directors.
13. Decisions regarding appointment of CEO, CFO & Company Secretary and Head of Internal Audit, and fixing or changing of remuneration are taken and approved by the Board.
14. Outstanding taxes and duties are given in the financial statements.

Board of Directors

The Board of Directors comprises of one Executive and seven Non-Executive Directors. During the year under review 8 meetings were held and attended as follows:

Name	No. of meetings eligible to attend during the tenure	No. of meetings attended
Mr. Yameen Kerai (Chairman)	8	6
Mr. Rizwan Abbas	8	2
Mr. Mohammed Basheer Janmohammed	8	4
Mr. A. Fawad Hashmi (appointed on April 25, 2013)	4	4
Mr. Tariq Iqbal Khan	8	6
Mr. Tufail Jawed Ahmad	8	5
Mr. Ghulam Muhammad	8	6
Mr. Muhammad Riaz	8	7
Mr. Ahmed Salahuddin (MD & Chief Executive Officer)	8	7

The Board accepted the resignation of Mr. Shahid Sattar and to fill the casual vacancy thus caused appointed Mr. A. Fawad Hashmi.

During the year 2013 Mr. Tariq Iqbal Khan has completed the Directors training program as required by the Code of Corporate Governance.

Leave of absence was granted to the directors unable to attend the meeting.

Pattern of Shareholding

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

Trading of Company's Share

No trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and Executives (employees with basic salary of Rs.0.5M or above) or their spouses or minor children, if any.

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2013, have been duly complied with. A statement to this effect is annexed with this report.

Code of Conduct

The Board has adopted a statement of Code of Conduct for directors and employees. Acknowledgment for compliance are obtained and held by the Company.

Certificate of the Directors and Principal Officer under Section 46(6) of the Insurance Ordinance, 2000

We certify that:

- (a) in our opinion the annual statutory accounts of the Company set out in the forms attached to the statements have been drawn up in accordance with the Ordinance and rules made there under;
- (b) the Company has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- (c) as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up-capital, solvency and reinsurance arrangements.

Future growth

Our success in winning new business and therefore creating growth gives us great confidence that the areas of activity in which we have chosen to operate are the right ones for the Company. The prevailing economic and political situation around the country and the soft insurance markets will of course present challenges. We have, however, taken clear and decisive action to develop and grow each of our activities.

Substantial acquisition of voting shares

KM Enterprises (Private) Limited has executed a share procurement agreement with NIB Bank Limited (30% owners of the Company) and an individual representing the interests of shareholders holding approximately another 30%. After the completion of the Tender Offer and such other approvals required to be obtained the new owners will acquire control of the Company.

Acknowledgement

The Board of Directors would like to express its sincere appreciation to the Company's valued clients, reinsurers, brokers, business partners and other stakeholders. The Board would also like to thank the Securities and Exchange Commission of Pakistan, the Stock Exchanges and the Central Depository Company for their continued guidance and support. The Company's accomplishments would not have been possible without the dedication and commitment of the Company's employees; therefore they deserve special recognition on behalf of the Board.

Yameen Kerai
Chairman

Ahmed Salahuddin
MD & Chief Executive Officer

Karachi: March 12, 2014

Key Financial Highlights

	2013	2012	2011	2010	2009	2008
	----- (Rupees in thousand) -----					
Paid up share Capital	350,000	350,000	350,000	350,000	350,000	350,000
Accumulated Loss	(121,395)	(126,373)	(99,302)	(119,163)	(124,190)	(141,044)
Investment Income / (loss)	12,014	13,529	3,441	6,221	7,901	(3,296)
Return on bank balances	13,130	25,899	24,836	20,454	19,435	11,243
Total Assets	925,748	972,350	1,071,579	919,922	731,089	704,236
Gross Premiums Written	657,294	594,296	694,665	549,629	493,968	443,110
Net Premium Revenue	322,505	322,840	224,914	166,770	199,656	227,853
Profit / (loss) from underwriting business	37,187	(11,755)	19,981	4,890	10,942	(18,738)
Net Claims	177,558	211,887	143,668	91,135	106,295	154,262
Profit / (loss) before Taxation	9,908	(25,819)	8,424	5,090	16,854	(50,417)
Provision for Taxation	(484)	(660)	3,346	(63)	-	(2,835)
Profit / (loss) after Taxation	9,424	(26,479)	11,770	5,027	16,854	(53,252)
Earning / (loss) per share (in Rupees)	0.27	(0.76)	0.34	0.14	0.48	(1.79)

Pattern of Shareholding

As at December 31, 2013

Number of Shareholders	Size of Holding Rs. 10 Shares		Number of Shares
2,037	1	100	52,468
644	101	500	160,380
188	501	1,000	148,991
259	1,001	5,000	539,206
50	5,001	10,000	375,125
20	10,001	15,000	250,551
8	15,001	20,000	139,574
7	20,001	25,000	159,112
2	25,001	30,000	55,005
5	30,001	35,000	162,604
2	35,001	40,000	76,732
1	40,001	45,000	45,000
1	45,001	50,000	50,000
1	50,001	55,000	52,600
2	60,001	65,000	123,722
1	85,001	90,000	87,701
1	105,001	110,000	106,379
1	165,001	170,000	165,565
1	205,001	210,000	209,711
2	275,001	280,000	555,253
1	425,001	430,000	428,305
1	650,001	655,000	653,810
1	710,001	715,000	711,646
1	855,001	860,000	855,790
1	1,230,001	1,235,000	1,232,332
1	1,305,001	1,310,000	1,309,420
1	2,520,001	2,525,000	2,520,246
1	2,655,001	2,660,000	2,656,012
1	3,895,001	3,900,000	3,895,970
1	6,720,001	6,725,000	6,720,797
1	10,495,001	10,500,000	10,499,993
3,244			35,000,000

Pattern of Shareholding

Information as required under Code of Corporate Governance

As at December 31, 2013

Shareholder's Category	Number of shareholder	Number of share held
i. Associated Companies, Undertakings and Related Parties		
Excel Insurance Company Limited	1	6,720,797
NIB Bank Limited	1	10,499,993
PICIC Benevolent Fund-2	1	44
ii. Mutual Funds		
Golden Arrow Selected Stocks Fund Limited	1	22
Asian Stock Fund Limited	1	6
Safeway Mutual Fund Limited	1	19
Prudential Stock Fund Limited	1	57
Prudential Stocks Funds Limited	1	35
iii. Directors and their spouse(s) and minor children		
Mr. Mohammed Basheer Janmohammed	1	165,566
Mr. Ahmed Salahuddin	1	385
Mr. Ghulam Muhammad	1	279,490
Mr. Mohammed Riaz	1	1,018
Mr. Rizwan Abbas	1	875
Mr. Tariq Iqbal Khan	1	1,000
Mrs. Zohra Basheer (w/o. Mr. Mohammed Basheer Janmohammed)	1	1,309,420
iv. Executives		
Mr. Shehzad Ali Shivjani	1	13,217
Ms. Aisha Baig	1	1,000
v. Public Sector Companies and Corporations	2	4,751,760
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	27	27,397
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company		
NIB Bank Limited	1	10,499,993
Excel Insurance Company Limited	1	6,720,797
State Life Insurance Corporation of Pakistan	1	3,895,970
Bulk Management Pakistan (Pvt) Limited	1	2,656,012
Cumberland (Pvt) Limited	1	2,520,246

Pattern of Shareholding Additional Information

As at December 31, 2013

Shareholder's Category	Number of Shareholder	Number of Shares	Percentage
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Directors, Chief Executive Officer, and their spouse and minor children.

Mr. Mohammed Basheer Janmohammed	Director	1	165,566	0.47
Mr. Ghulam Muhammad	Director	1	279,490	0.80
Mr. Mohammed Riaz Moosani	Director	1	1,018	0.00
Mr. Rizwan Abbas	Director	1	875	0.00
Mr. Tariq Iqbal Khan	Director	1	1,000	0.00
Mr. Ahmed Salahuddin	CEO	1	385	0.00
Mrs. Zohra Basheer (w/o. Mr. Mohammed Basheer Janmohammed)		1	1,309,420	3.74

Associated Companies, undertakings and related parties.

Excel Insurance Company Limited		1	6,720,797	19.20
NIB Bank Limited		1	10,499,993	30.00
PICIC Benovelent Fund-2		1	44	0.00

Banks Development Financial Institutions, Non Banking Financial Institutions.

		16	22,489	0.06
Insurance Companies		8	4,756,429	13.59
Modarabas and Mutual Funds		10	378	0.00
Individual		3,089	4,854,799	13.87
Others		111	6,387,317	18.25
Total		<u>3,244</u>	<u>35,000,000</u>	<u>100.00</u>

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation No. 35 of Chapter XI of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance 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	Name of Directors
Executive Director	Mr. Tariq Iqbal Khan Mr. Ahmed Salahuddin (CEO)
Non-Executive Directors	Mr. Yameen Kerai Mr. Rizwan Abbas Mr. Mohammed Basheer Janmohammed Mr. A. Fawad Hashmi Mr. Tufail Jawed Ahmad Mr. Ghulam Muhammad Mr. Mohammad Riaz

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 occurred on the Board and was duly filled 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.
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 the agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged a training program for a director during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors.
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 Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises of three members, of whom one is a non-executive director, CEO, and the chairman of the committee is an executive director. Measures are being taken to ensure that majority of members of the committee are non-executive directors.
18. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder - Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board has also appointed a Head of Internal Audit who is not suitably qualified as required by the Code. Measures are being taken to ensure compliance with the requirement of the Code.
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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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 the company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.
24. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
25. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed. The minutes of the meetings of the committees were not circulated to the members, directors, and the CFO. Measures are being taken to ensure compliance with the requirement of the Code.
26. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

Ahmed Salahuddin
MD & Chief Executive Officer
Dated: March 12, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of PICIC Insurance Limited for the year ended December 31, 2013 to comply with the requirements of Listing Regulation No. 35 of Chapter XI of the Karachi, Lahore and Islamabad 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 of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 arms' length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

	Paragraph Reference	Description
i.	17	The HR Committee does not have majority of non-executive directors.
ii.	18	The Head of Internal Audit is not suitably qualified as required by the Code.
iii.	25	The minutes of the meetings of the committees were not circulated to the members, directors, and the CFO.

Auditors' Report to the Members of PICIC Insurance 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 **PICIC Insurance Limited** as at **December 31, 2013** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change as stated in note 5.1.1 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2013, and of the profit, its 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 (XVIII of 1980).

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: March 14, 2014
Karachi

Balance Sheet

As at December 31, 2013

	Note	2013	2012	2011
		----- (Rupees in thousand) -----		
			Restated	Restated
Share capital and reserves				
Authorised share capital [50,000,000 (December 31, 2012: 50,000,000) Ordinary shares of Rs.10 each]		500,000	500,000	500,000
Paid-up share capital [35,000,000 (December 31, 2012: 35,000,000) Ordinary shares of Rs.10 each]	7	350,000	350,000	350,000
Accumulated losses		(121,395)	(126,373)	(99,302)
		228,605	223,627	250,698
Underwriting provisions				
Provision for outstanding claims (including IBNR)		123,548	158,994	115,046
Provision for unearned premium		387,447	338,163	348,802
Provision for premium deficiency		-	2,134	812
Commission income unearned		15,002	23,108	28,723
		525,997	522,399	493,383
Creditors and accruals				
Amounts due to other insurers / reinsurers		112,320	164,438	223,073
Other creditors and accruals	8	50,046	53,786	91,957
Accrued expenses		7,029	5,500	6,165
Unclaimed dividend		195	195	195
		169,590	223,919	321,390
Borrowings				
Obligation under musharakah agreement	9	1,556	2,405	6,108
TOTAL LIABILITIES		697,143	748,723	820,881
TOTAL EQUITY AND LIABILITIES		925,748	972,350	1,071,579
Contingencies	10			

The annexed notes 1 to 34 form an integral part of these financial statements.

	Note	2013	2012	2011
----- (Rupees in thousand) -----				
			Restated	Restated
Cash and bank deposits	11			
Cash and other equivalents		268	184	410
Current and other accounts		66,894	65,351	65,863
Deposits maturing within 12 months		35,000	180,000	170,000
		102,162	245,535	236,273
Investments	12	73,623	66,034	54,182
Deferred Taxation	13	2,619	2,979	3,430
Current Assets - Others				
Premiums due but unpaid	14	255,563	187,165	347,096
Amounts due from other insurers / reinsurers		120,613	112,313	111,521
Accrued profit		175	2,150	2,051
Reinsurance recoveries against outstanding claims		55,122	55,439	44,464
Taxation - payments less provision		23,630	21,596	18,557
Deferred commission expense		26,282	30,170	31,199
Deferred acquisition costs	15	42,301	36,689	50,613
Prepayments	16	214,331	203,003	159,562
Sundry and other receivables		5,739	4,630	4,099
		743,756	653,155	769,162
Fixed assets	17			
Tangible				
Furniture and fixture		12	78	142
Office equipment		1,042	1,014	756
Computer equipment		1,084	1,060	1,529
Motor vehicles		1,020	2,281	5,893
Intangible				
Computer software		430	214	212
		3,588	4,647	8,532
TOTAL ASSETS		925,748	972,350	1,071,579

Profit and Loss Account

For the year ended December 31, 2013

	Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	Aggregate	
							2013	2012
----- (Rupees in thousand) -----								
Revenue account								
Net premium revenue		15,971	16,817	151,008	109,520	29,189	322,505	322,840
Net claims		(380)	(4,511)	(59,898)	(110,214)	(2,555)	(177,558)	(211,887)
Reversal of premium deficiency expense / (premium deficiency expense)		-	2,134	-	-	-	2,134	(1,322)
Management expenses	18	(26,078)	(13,811)	(31,098)	(24,338)	(22,416)	(117,741)	(123,571)
Net commission		16,693	5,906	(12,491)	(5,648)	3,387	7,847	2,185
Underwriting results		6,206	6,535	47,521	(30,680)	7,605	37,187	(11,755)
Net investment income							12,014	13,529
Return on bank balances							13,130	25,899
Gain on disposal of fixed assets							1,021	488
Other income	22						3,047	1,435
							66,399	29,596
General and administrative expenses	19						(55,625)	(54,306)
Financial charges							(357)	(905)
Other charges	20						(509)	(204)
Profit / (loss) before tax							9,908	(25,819)
Taxation	21							
- Current							(124)	(103)
- Prior years							-	(106)
- Deferred							(360)	(451)
							(484)	(660)
Profit / (loss) after taxation							9,424	(26,479)
Profit and loss appropriation account								
Balance at the commencement of year							(126,373)	(99,302)
Total comprehensive income for the year							4,978	(27,071)
Closing profit and loss appropriation account							(121,395)	(126,373)
Earnings per share - basic and diluted (Rupee)	23						0.27	(0.76)

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2013

	2013	2012
	--- (Rupees in thousand) --- Restated	
Net Profit / (loss) for the year	9,424	(26,479)
Items that will not be reclassified to profit or loss		
Remeasurement of post retirement benefits obligations	(4,446)	(592)
Total comprehensive income for the year	4,978	(27,071)

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Changes In Equity

For the year ended December 31, 2013

	Paid-up share capital	Accumulated loss	Total
	----- (Rupees in thousand) -----		
Balance as at January 01, 2012	350,000	(107,393)	242,607
Effect of change in accounting policy with respect to accounting for actuarial gains and losses applied retrospectively referred in note 5.1.1	-	8,091	8,091
Balance as at January 01, 2012 - restated	350,000	(99,302)	250,698
Total comprehensive income for the year			
Net loss for the year ended December 31, 2012 before restatement	-	(25,321)	(25,321)
Other comprehensive income for the year			
- Re-measurement of post employment benefit obligations	-	(1,158)	(1,158)
- Share of other comprehensive income	-	(592)	(592)
	-	(1,750)	(1,750)
Balance as at December 31, 2012 - restated	350,000	(126,373)	223,627
Total comprehensive income for the year			
Net profit for the year ended December 31, 2013	-	9,424	9,424
Other comprehensive income for the year			
- Re-measurement of post employment benefit obligations	-	(4,446)	(4,446)
Balance as at December 31, 2013	<u>350,000</u>	<u>(121,395)</u>	<u>228,605</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2013

	2013	2012
	--- (Rupees in thousand) ---	
		Restated
OPERATING ACTIVITIES		
a) Underwriting activities		
Premiums received	531,143	696,242
Reinsurance premiums paid	(334,942)	(347,586)
Claims paid	(290,133)	(312,745)
Reinsurance and other recoveries received	77,446	133,831
Commissions paid	(57,953)	(58,634)
Commission received	71,722	91,988
Net cash (used) / inflow from underwriting activities	(2,717)	203,096
b) Other operating activities		
Income tax paid	(2,158)	(3,248)
General management expenses paid	(167,382)	(180,823)
Other operating payments	11,283	(33,787)
Other operating receipts	-	-
Other charges	(307)	(204)
Net cash used in other operating activities	(158,564)	(218,062)
Total cash used in operating activities	(161,281)	(14,966)
INVESTMENT ACTIVITIES		
Profit / return received	15,107	25,803
Dividend received	1,241	1,023
Payments for investments	(41,781)	(40,349)
Proceeds from redemption of investments	44,963	41,000
Proceeds from disposal of fixed assets	1,289	3,075
Fixed capital expenditure	(1,705)	(1,716)
Total cash generated from investing activities	19,114	28,836
FINANCING ACTIVITIES		
Payments under musharakah agreement	(1,206)	(4,608)
Total cash used in financing activities	(1,206)	(4,608)
Net cash inflow from all activities	(143,373)	9,262
Cash at the beginning of the year	245,535	236,273
Cash at the end of the year	102,162	245,535
Reconciliation to profit and loss account		
Operating cash flows	(161,281)	(14,966)
Provision for Workers' Welfare Fund	(202)	-
Depreciation / amortisation	(2,496)	(3,014)
Gain on disposal of fixed assets	1,021	488
Financial charges	(357)	(905)
Investment income	12,014	13,529
Return on bank balances	13,130	25,899
Increase / (decrease) in assets other than cash	68,728	(149,437)
Decrease in liabilities	100,117	63,499
(Increase) / decrease in unearned premium	(20,890)	38,879
(Decrease) in deferred tax assets	(360)	(451)
Profit / (loss) after taxation	9,424	(26,479)
Definition of cash		
Cash comprises of cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purpose of statement of cash flows consists of:		
Cash and other equivalents		
- cash in hand	-	-
- stamps in hand	268	184
	268	184
Current and other accounts		
- current accounts	9,430	12,826
- saving accounts	57,464	52,525
	66,894	65,351
Deposits maturing within 12 months	35,000	180,000
	102,162	245,535

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The annexed notes 1 to 34 form an integral part of these financial statements.

Yameen Kerai
Chairman

Tariq Iqbal Khan
Director

A. Fawad Hashmi
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Statement of Premiums

For the year ended December 31, 2013

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2013	2012
----- (Rupees in thousand) -----										
Direct and facultative										
1. Fire and property	165,878	50,105	96,056	119,927	148,009	42,134	86,187	103,956	15,971	22,584
2. Marine, aviation and transport	56,447	40,627	10,900	86,174	41,025	36,790	8,458	69,357	16,817	32,195
3. Motor	161,675	78,142	70,718	169,099	18,381	7,983	8,273	18,091	151,008	160,071
4. Accident and health	157,670	49,094	96,885	109,879	535	154	330	359	109,520	65,177
5. Miscellaneous	115,624	120,195	112,888	122,931	103,815	91,886	101,959	93,742	29,189	42,813
Total	<u>657,294</u>	<u>338,163</u>	<u>387,447</u>	<u>608,010</u>	<u>311,765</u>	<u>178,947</u>	<u>205,207</u>	<u>285,505</u>	<u>322,505</u>	<u>322,840</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Claims

For the year ended December 31, 2013

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 expense	
		Opening	Closing			Opening	Closing		2013	2012
(Rupees in thousand)										
Direct and facultative										
1. Fire and property	18,341	17,942	14,584	14,983	15,799	14,883	13,687	14,603	380	11,765
2. Marine, aviation and transport	36,340	35,425	27,138	28,053	23,662	23,701	23,581	23,542	4,511	17,549
3. Motor	82,781	65,121	44,006	61,666	913	944	1,799	1,768	59,898	99,230
4. Accident and health	109,808	18,057	18,400	110,151	-	63	-	(63)	110,214	73,801
5. Miscellaneous	42,863	22,449	19,420	39,834	37,072	15,848	16,055	37,279	2,555	9,542
Total	290,133	158,994	123,548	254,687	77,446	55,439	55,122	77,129	177,558	211,887

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Expenses

For the year ended December 31, 2013

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers*	Net underwriting expense	
		Opening	Closing					2013	2012
----- (Rupees in thousand) -----									
Direct and facultative									
1. Fire and property	14,070	7,863	7,789	14,144	26,078	40,222	30,837	9,385	12,539
2. Marine, aviation and transport	5,150	3,820	843	8,127	13,811	21,938	14,033	7,905	20,759
3. Motor	13,435	6,418	6,059	13,794	31,098	44,892	1,303	43,589	44,065
4. Accident and health	9,538	2,089	5,877	5,750	24,338	30,088	102	29,986	16,532
5. Miscellaneous	2,723	9,980	5,714	6,989	22,416	29,405	10,376	19,029	27,491
Total	<u>44,916</u>	<u>30,170</u>	<u>26,282</u>	<u>48,804</u>	<u>117,741</u>	<u>166,545</u>	<u>56,651</u>	<u>109,894</u>	<u>121,386</u>

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

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement of Investment Income

For the year ended December 31, 2013

	2013	2012
	--- (Rupees in thousand) ---	
Income from non trading investments		
Held to maturity		
Return on government securities	2,596	-
Net unrealised gain on revaluation of investments	1,486	-
	4,082	-
At fair value through profit or loss		
Return on government securities	-	4,746
Net unrealised gain on revaluation of investments	6,714	7,769
Dividend income	1,243	1,026
	7,957	13,541
	12,039	13,541
Investment related expenses	(25)	(12)
Net investment income	12,014	13,529

The annexed notes 1 to 34 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

PICIC Insurance Limited (the Company) was incorporated on April 23, 2004 under the Companies Ordinance, 1984 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. It is engaged in providing all classes of non-life insurance business. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 8th floor, Shaheen Complex, M.R. Kayani Road, Karachi. The Company operates with 6 (2012: 6) branches in Pakistan.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format issued by the SECP through SEC (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002.

3. STATEMENT OF COMPLIANCE

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard (IAS) -39 "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. However, the Company has no investments in available-for-sale category as of the balance sheet date.

4. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for investments and certain staff retirement benefits which are carried at fair value and at present value respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1.1 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss, subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

IAS 19 (revised) 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected only by the 'remeasurements' relating to prior years. The effects have been summarised below:

	December 31, 2012	December 31, 2011
	--- (Rupees in thousand) ---	
Impact on Balance Sheet		
(Decrease) / increase in other liabilities	(6,341)	(8,091)
Decrease / (increase) in unappropriated profit	(6,341)	(8,091)
Impact on Profit and Loss Account		
(Decrease) / increase in profit and loss account		
- Impact for the year ended December 31, 2011		(917)
- Impact for the year ended December 31, 2012	(1,158)	
Impact on Other Comprehensive Income		
(Decrease) / increase in unappropriated profit		
- Impact for the year ended December 31, 2011		9,008
- Impact for the year ended December 31, 2012	(592)	
Impact on Statement of Changes in Equity		
(Decrease) / increase in unappropriated profit		
- Cumulative effect from prior years		8,091
- Impact for the year ended December 31, 2012	(1,750)	
Decrease in earning per share (Rupees)	(0.04)	(0.03)

The company has a consistent practice to conduct the actuarial valuation annually at the year end.

5.1.2 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

5.1.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2014, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

5.2 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance as a difference between the total premium written and provision for unearned premium as mentioned in note 5.4.2 to the financial statements.

Premium income also 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 restricted to a maximum of Rs. 2,000 per policy.

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

5.3 Reinsurance ceded

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

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

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

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

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

5.4 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

5.4.1 Provision for outstanding claims

The liability in respect of outstanding claims is based on the estimates of the claims intimated or assessed before the end of the accounting year. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have been incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

5.4.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:

- For marine cargo business as a ratio of unexpired period to the total period of policy applied on the gross premium of the individual policies; and
- For other classes / line of business, by applying 1/24th method as allowed by the SEC (Insurance) Rules, 2002.

5.4.3 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability for claims and other expenses expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business at the balance sheet date. The premium deficiency, if any, is recognised as an expense in the profit and loss account.

5.4.4 Unearned commission income

Commission income and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of related insurance premiums.

5.5 Other creditors and accruals

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

5.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are regularly reviewed and adjusted to reflect the current estimate.

5.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term investments.

5.8 Financial assets

5.8.1 Classification

The Company classifies its financial assets into the following categories: 'at fair value through profit or loss', 'available for sale', 'held to maturity' and 'loans and receivables'. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

At fair value through profit or loss

A financial asset is classified in the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management.

Available for sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.

Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

5.8.2 Initial recognition and measurement

Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the settlement date.

5.8.3 Subsequent measurement

Investments classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Available for sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. However, in case of Government securities the market value is determined using rates announced by the Financial Market Association. Investments classified as held to maturity are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

5.8.4 Impairment against financial assets

The Company assesses at each balance sheet date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, as the case may be, is taken to the profit and loss account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

5.8.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

5.9 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which gives rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

5.10 Deferred commission expense and deferred acquisition costs

Commission and other acquisition costs incurred in obtaining and recording policies of insurance and reinsurance are deferred and recognised as an asset on acquisition of the related policies. Accordingly, these costs are charged to the profit and loss account as an expense based on the pattern of recognition of related premium revenue.

5.11 Prepaid reinsurance

Reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance contribution not recognised as an expense is shown as a prepayment.

5.12 Sundry receivables

These are recognised at cost, which is the fair value of the consideration receivable less impairment, if any.

5.13 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the date the asset is available for use and depreciation on disposals is charged till the date of disposal.

During the current period, the company has changed its estimate of fixed assets depreciation. Depreciation is charged on additions from the date the asset is available for use on disposals till the date of disposal. Earlier, depreciation on additions was charged for the full year in which an asset was available for use and no depreciation was charged on the assets disposed off or retired during the year. Had there been no change the depreciation charge for the year would have been higher by Rs. 200,845.

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

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

Assets subject to finance lease

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

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

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Amortisation is charged on additions from the date the asset is available for use and amortisation on disposals is charged till the date of disposal.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Amortisation is charged on additions from the date the asset is available for use on disposals till the date of disposal. Earlier, amortisation on additions was charged for the full year in which an asset was available for use and no amortisation was charged on the assets disposed off or retired during the year. Had there been no change the amortisation charge for the year would have been higher by Rs. 30,948.

Impairment

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

5.14 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5.15 Financial instruments

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

5.16 Off-setting of financial assets and financial liabilities

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

5.17 Revenue recognition

- Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till its expiry in case of marine cargo business whereas for all other cases of premium income is recognised as a difference between total premium written and provision for unearned premium using 1/24th method as mentioned in note 5.4.2 to these financial statements.
- Commission income is being taken to the profit and loss account, on a time proportionate basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.

- Administrative surcharge recovered by the Company from policy holders is included in income currently.
- Return on bank balances and government securities is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Gain / loss on sale / redemption of investments is included in the profit and loss account in the period of sale / redemption.
- Income from held to maturity investment is recognised on time proportion basis taking into account the effective yield on the investment. The difference between the redemption and the purchase price of the held to maturity investment is amortised and taken to the profit and loss account over the term of the investment.

5.18 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any.

Deferred

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

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

5.19 Staff benefits

5.19.1 Defined contribution plan

The Company operates an approved provident fund scheme for its permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions to the fund are made both by the Company and employees at the rate of 10% of the basic salary.

5.19.2 Defined benefit plan

The Company operates an approved funded gratuity scheme for all permanent employees who have completed minimum qualifying period of service. The contributions to the scheme are made in accordance with the independent actuarial valuation using the Projected Unit Method.

As more fully explained in note 5.1.1, effective from January 1, 2013 all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the average future service of the employees.

5.19.3 Compensated absences

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

5.20 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

5.21 Amount due from / to other insurers / to reinsurers

Amounts due from / to other insurers / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

5.22 Management expenses

These are allocated to various classes of business in proportion to the respective gross premium written for the year.

5.23 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

5.24 Foreign currencies transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

5.25 Earnings per share

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

6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

	Note
Underwriting provisions	5.4
Classification of investments	5.8 & 12
Reinsurance recoveries against outstanding claims	5.9
Deferred acquisition costs	5.10 & 18
Useful lives of assets and methods of depreciation	5.13 & 17
Deferred taxation	5.18 & 13
Defined benefit plan	5.19 & 8.1

7. SHARE CAPITAL

Authorised share capital

2013	2012		2013	2012
(Number of shares)			--- (Rupees in thousand) ---	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>500,000</u>	<u>500,000</u>

Paid-up share capital

Issued, subscribed and fully paid-up:

2013	2012		2013	2012
(Number of shares)			--- (Rupees in thousand) ---	
<u>35,000,000</u>	<u>35,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>350,000</u>	<u>350,000</u>

8 OTHER CREDITORS AND ACCRUALS

Note	2013	2012	2011
	----- (Rupees in thousand) -----		
		Restated	Restated
	32,043	39,378	58,217
	3,541	1,954	22,345
	789	195	1,460
	4,714	4,561	4,087
	1,984	1,687	1,577
8.1	1,588	-	-
	5,387	6,011	4,271
	50,046	53,786	91,957

8.1 Gratuity fund

8.1.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Company faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

The benefits under the gratuity scheme are payable on retirement at the age of sixty years , resignation , or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service. The minimum qualifying period for eligibility under the plan is five years of continuous service.

The information provided below has been obtained from the actuarial valuation carried out as at December 31, 2013. The following significant assumptions have been used for valuation of this scheme:

8.1.2 Valuation results

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2013. The information provided in notes 8.1.3 to 8.1.13 has been obtained from the actuarial valuation carried out as at December 31, 2013. The following significant assumptions have been used for valuation of this scheme:

	2013	2012	2011
	----- (%) -----		
Valuation discount rate	13	11.5	12.5
Salary increase rate	12	11.5	11.5
Expected return on plan assets	13	11.5	12.5

8.1.3 Reconciliation of payable to / (receivable from) gratuity fund

	2013	2012	2011
	----- (Rupees in thousand) -----		
		Restated	Restated
Present value of defined benefit obligation	30,410	22,064	18,176
Fair value of plan assets	(28,822)	(27,641)	(23,023)
	<u>1,588</u>	<u>(5,577)</u>	<u>(4,847)</u>

8.1.4 Movement in (asset) / liability during the year

	2013	2012	2011
Opening balance	(5,577)	(4,847)	15,053
Charge for the year	3,353	3,678	3,191
Other comprehensive income	4,446	592	(8,091)
Contributions	(634)	(5,000)	(15,000)
Closing balance	<u>1,588</u>	<u>(5,577)</u>	<u>(4,847)</u>

8.1.5 Movement in present value of defined benefit obligations

	2013	2012
	--- (Rupees in thousand) ---	
Opening balance	22,064	18,176
Current service cost	4,189	4,419
Interest cost	2,453	2,095
Benefits paid	(1,460)	(2,836)
Actuarial loss	3,164	210
Closing balance	<u>30,410</u>	<u>22,064</u>

8.1.6 Movement in fair value of plan assets

Opening balance	27,641	23,023
Expected return on plan assets	3,289	2,836
Contributions	634	5,000
Benefits paid	(1,460)	(2,836)
Actuarial loss	(1,282)	(382)
Closing balance	<u>28,822</u>	<u>27,641</u>

8.1.7 Amounts recognised in the profit and loss account:

Current service cost	4,189	4,419
Interest cost	(836)	2,095
Expected return on plan assets	-	(2,836)
	<u>3,353</u>	<u>3,678</u>

8.1.8 Actual return on plan assets

Expected return on assets	3,289	2,836
Actuarial loss	(1,282)	(382)
	<u>2,007</u>	<u>2,454</u>

8.1.9 Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
	---- (Rupees in thousand) ----		
Discount rate	1%	27,584	33,750
Expected rate of increase in salaries	1%	33,750	27,538

b) The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs 30.264 million.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

8.1.10 Plan assets comprise the following:

	2013		2012		2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%	(Rupees in thousand)	%
Term deposit receipts	21,635	75.07	20,087	72.67	20,188	87.69
Bank deposits	2,794	9.69	7,554	27.33	2,835	12.31
Member's Loan (receivable)	4,393	15.24	-	-	-	-
Total	28,822	100.00	27,641	100.00	23,023	100.00

8.1.11 Based on actuarial advice, the Company intends to charge an amount of Rs 5.630 million in the financial statements for the year ending December 31, 2014.

8.1.12 5 year data on deficit of the plan (before actuarial gains and losses) is as follows:

	2013	2012	2011	2010	2009
	----- (Rupees in thousand) -----				
Historical information					
Present value of defined benefit obligations	(30,410)	(22,064)	(18,176)	(12,719)	(11,598)
Fair value of plan assets	28,822	27,641	23,023	7,192	6,365
Surplus / (deficit)	(1,588)	5,577	4,847	(5,527)	(5,233)

8.1.13 5 year data on experience adjustments is as follows:

	2013	2012	2011	2010	2009
	----- (Rupees in thousand) -----				
Experience (loss) / gain on obligations	(3,164)	(210)	(770)	3,619	2,437
Experience gain / (loss) on plan assets	(1,282)	(382)	252	(20)	(245)
	(4,446)	(592)	(518)	3,599	2,192

9. OBLIGATION UNDER MUSHARAKAH AGREEMENT

	2013	2012
	--- (Rupees in thousand) ---	
Opening balance	2,405	6,108
Obtained during the year	-	-
	2,405	6,108
Repaid during the year	(849)	(3,703)
Closing balance	1,556	2,405

	2013		2012	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	----- (Rupees in thousand) -----			
Not later than one year	1,053	849	1,201	849
Later than one year and not later than five years	764	707	1,817	1,556
	1,817	1,556	3,018	2,405
Less: Amount representing future finance charges	261	-	613	-
	1,556	1,556	2,405	2,405
Less: Current portion	1,053	1,053	1,201	1,201
	503	503	1,204	1,204

9.1 This represents obligation under Musharakah Agreement with a Modaraba for purchase of vehicles. The share of the Modaraba in the musharakah asset is payable in monthly installments and mark up rate on this arrangement is 17.50% per annum (December 31, 2012: Ranges between 17.00% to 17.50% per annum).

10. CONTINGENCIES

The tax assessment of the Company has been finalised upto and including the tax year 2013. The tax returns filed are to be taken as deemed assessment in terms of Section 120 of the Income Tax Ordinance, 2001. However, while finalising the tax audit for the tax year 2007, the Taxation Officer had disallowed certain expenses claimed by the Company and increased the tax charge by Rs. 3.175 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which has been decided whereby substantial relief has been allowed. However, a second appeal has been filed before the Appellate Tribunal Inland Revenue for the remaining disallowed amount which is pending adjudication. Further, while finalising the tax audit for the tax year 2008, the Taxation Officer has charged minimum taxation on gross receipts of the Company and increased the tax charge by Rs. 1.61 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The management, based on the advice of its tax advisor, is confident of a favourable outcome in both cases and, accordingly, no provision in this respect has been made in these financial statements.

During the year ended 2009, the Taxation Officer had passed an order along with notice of demand under section 161/205 of the Income Tax Ordinance, 2001, on alleged default of non-deduction of withholding tax on payments of insurance premium to non-resident reinsurer for the tax year 2009. The tax authorities had filed a writ petition against the Company along with other insurance companies in the High Court of Sindh. The petition has been dismissed by the Court and favorable outcome has been given in favor of the Company along with other insurance companies. The Company had also filed an appeal with the Commissioner Income Tax Appeals which is pending adjudication, to date. The tax impact of the above amounts to Rs 5.48 million against which no provision has been made in these financial statements, as the Company is confident of a favorable outcome.

11. CASH AND BANK DEPOSITS

	Note	2013	2012
--- (Rupees in thousand) ---			
Cash and other equivalents			
- cash in hand		-	-
- stamps in hand		268	184
		268	184
Current and other accounts			
- current accounts	11.1	9,430	12,826
- saving accounts	11.2	57,464	52,525
		66,894	65,351
Deposits maturing within 12 months - Term deposit receipts	11.3	35,000	180,000
		102,162	245,535

11.1 This includes balance of Rs 9.322 million (2012: Rs 12.695 million) with NIB Bank Limited (related party).

11.2 These carry interest rate of 8% (2012: 9% to 11%) per annum and include balance of Rs. 57.447 million (2012: Rs 52.509 million) with NIB Bank Limited (related party).

11.3 This represents term deposits with a commercial bank carrying interest rate of 8.2% to 9.2% (2012: 9.1% to 9.2%) per annum and will mature by January 2014.

12. INVESTMENTS

Note	2013	2012
	--- (Rupees in thousand) ---	
	Designated at fair value through profit and loss account	
	Mutual funds	
12.1	3,740	3,351
12.2	26,616	17,709
12.3	-	44,974
	Held to maturity	
	Government Securities	
12.3	43,267	-
	73,623	66,034

12.1 Mutual funds

2013	2012	Name of Entity	2013	2012
----- (No. of Units) -----			--- (Rupees in thousand) ---	
65,587	65,587	Golden Arrow Selected Stocks Fund Limited- closed end fund	553	400
31,663	29,384	PICIC Cash Fund - open end fund	3,187	2,951
			3,740	3,351

12.2 Listed shares

(No. of shares)			2013	2012
11,343	11,343	Arif Habib Corporation Limited	363	350
35,000	35,000	Azgard Nine Limited	250	283
2,812	2,812	Fatima Fertilizer Company Limited	80	74
20,872	18,975	Glaxo SmithKline Limited	2,844	1,391
14,641	13,310	Habib Bank Limited	2,439	1,568
6,655	6,050	MCB Bank Limited	1,871	1,269
15,812	13,750	National Bank of Pakistan	918	679
10,000	10,000	Nishat Mills Limited	1,272	639
10,000	10,000	Oil and Gas Development Company Limited	2,764	1,926
62,310	51,925	Pakistan Petroleum Limited	13,331	9,180
2,500	2,500	Shell Pakistan Limited	476	340
1,031	1,031	Aisha Steel Mills Limited	8	10
			26,616	17,709

12.3 Government Securities - Market treasury bills

These securities have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000. These carry rate of return of 9.10% (December 31, 2012: 11.59%) per annum and will mature in June 2014.

13. DEFERRED TAXATION

The Company has an aggregate amount of Rs 130.834 million (2012: Rs 143.713 million) in respect of tax losses as at December 31, 2013 on which deferred tax assets amounting to Rs 45.792 million is available to the Company. The management carries out periodic assessment to assess the benefit of these losses whether the Company would be able to set off the profit earned in future years against these losses. Based on this assessment the management has recognised deferred tax asset amounting to Rs 2.619 million (2012: Rs 2.979 million). The amount of this benefit has been determined based on the financial projections for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as gross premium written, reinsurance ceded, net claim expenses, investment returns, net commission expense and related expenses. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14. PREMIUMS DUE BUT UNPAID - UNSECURED

Note	2013	2012
	--- (Rupees in thousand) ---	
	255,563	187,165
	15,960	18,502
	271,523	205,667
	(15,960)	(18,502)
	255,563	187,165

14.1 This includes an amount of Rs 7.764 million (2012: Rs 3.731 million) due from related parties.

14.2 The movement for provision of doubtful recovery is as follow:

	2013	2012
	--- (Rupees in thousand) ---	
Opening balance	18,502	18,502
Charge for year	-	-
Reversal	(2,542)	-
Closing balance	15,960	18,502

15. DEFERRED ACQUISITION COSTS

The Company followed a policy of apportioning management expenses between the earned and unearned portion of premium written by charging as expense the portion relating to the earned portion and carrying forward as deferred acquisition costs the portion relating to the unearned portion of premium written.

In accordance with the directives of the SECP, the management of the Company carried out an exercise to identify expenses which need to be charged to the profit and loss account and those which can be deferred. Based on the results of this exercise the company discontinued allocating certain expenses to deferred acquisition cost. The Company has also obtained the consent of the Securities and Exchange Commission of Pakistan (SECP) for this revised methodology.

16. PREPAYMENTS

Note	2013	2012	2011
	----- (Rupees in thousand) -----		
		Restated	Restated
	205,207	178,947	149,385
	-	5,577	4,847
	9,124	18,479	5,330
	214,331	203,003	159,562

17. FIXED ASSETS

2013												
Description	Cost				Accumulated depreciation / amortization					Written down value	Rate	
	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year		At the end of the year
----- (Rupees in thousand) -----											%	
Tangible-Owned												
Furniture and fixture	6,161	-	(98)	-	6,063	6,083	66	(98)	-	6,051	12	20
Office equipment	4,164	368	(96)	-	4,436	3,150	340	(96)	-	3,394	1,042	20
Computer equipment	7,672	812	(141)	-	8,343	6,612	788	(141)	-	7,259	1,084	33.33
Motor vehicles	4,029	45	(1,426)	-	2,648	3,634	95	(1,158)	-	2,571	77	20
	22,026	1,225	(1,761)	-	21,490	19,479	1,289	(1,493)	-	19,275	2,215	
Tangible - Under Musharakah agreement												
Motor vehicles	4,715	-	-	-	4,715	2,829	943	-	-	3,772	943	20
	26,741	1,225	(1,761)	-	26,205	22,308	2,232	(1,493)	-	23,047	3,158	
Intangible												
Computer software	4,698	480	-	-	5,178	4,484	264	-	-	4,748	430	33.33
Total	31,439	1,705	(1,761)	-	31,383	26,792	2,496	(1,493)	-	27,795	3,588	

2012												
Description	Cost				Accumulated depreciation / amortization					Written down value	Rate	
	At the beginning of the year	Additions	Disposals	Transfer	At the end of the year	At the beginning of the year	Charge for the year	Disposals	Transfer	At the end of the year		At the end of the year
----- (Rupees in thousand) -----											%	
Tangible-Owned												
Furniture and fixture	7,378	15	(1,232)	-	6,161	7,236	79	(1,232)	-	6,083	78	20
Office equipment	4,969	590	(1,395)	-	4,164	4,213	327	(1,390)	-	3,150	1,014	20
Computer equipment	9,118	833	(2,279)	-	7,672	7,589	1,301	(2,278)	-	6,612	1,060	33.33
Motor vehicles	4,053	43	(3,756)	3,689	4,029	3,546	131	(1,175)	1,132	3,634	395	20
	25,518	1,481	(8,662)	3,689	22,026	22,584	1,838	(6,075)	1,132	19,479	2,547	
Tangible - Under Musharakah agreement												
Motor vehicles	8,404	-	-	(3,689)	4,715	3,018	943	-	(1,132)	2,829	1,886	20
	33,922	1,481	(8,662)	-	26,741	25,602	2,781	(6,075)	-	22,308	4,433	
Intangible												
Computer software	4,463	235	-	-	4,698	4,251	233	-	-	4,484	214	33.33
Total	38,385	1,716	(8,662)	-	31,439	29,853	3,014	(6,075)	-	26,792	4,647	

17.1 The depreciation / amortisation charge for the year has been allocated as follows:

	Note	2013	2012
		--- (Rupees in thousand) ---	
Management expenses	18	1,548	2,115
General and administrative expenses	19	948	899
		2,496	3,014

17.2 Cost of fully depreciated fixed assets that are still in the Company's use, as at December 31, 2013, amounted to Rs 20.355 million (2012: Rs 19.309 million).

17.3 Details of disposals of fixed assets during the year having written down value of more than Rs. 50,000 are as follows:

Asset description	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain / (loss) on sale of property and equipment	Mode of disposal	Particular of purchaser / insurer
Motor vehicle	575	307	268	625	357	Claim settlement	Habib Insurance Ltd
Total	575	307	268	625	357		

18. MANAGEMENT EXPENSES

	Note	2013	2012
		--- (Rupees in thousand) ---	
Salaries, wages and other benefits	18.1	64,784	73,217
Rent, rates and taxes		8,429	7,655
Depreciation / amortisation	17.1	1,548	2,115
Utilities		3,604	3,032
Travelling and conveyance		1,099	1,805
Printing and stationery		1,504	1,024
Vehicle running expenses		34,169	16,083
Communication		1,839	2,040
Survey Fee		227	655
Others		6,150	2,021
		123,353	109,647
Add: Opening deferred acquisition costs		36,689	50,613
		160,042	160,260
Less: Closing deferred acquisition costs		42,301	36,689
		117,741	123,571

18.1 This includes an amount of Rs. 1.352 million (2012: Rs. 4.562 million) in respect of staff retirement benefits.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2013	2012
		--- (Rupees in thousand) ---	
		Restated	
Salaries, wages and other benefits	19.1	36,419	35,042
Rent, rates and taxes		2,106	1,851
Depreciation / amortisation	17.1	948	899
Utilities		1,122	856
Repairs and maintenance		1,713	1,719
Travelling and conveyance		298	291
Printing and stationery		825	669
Entertainment		762	804
General office expenses		1,343	1,599
Vehicle running expenses		1,275	934
Advertisement		265	626
Computer charges		1,201	1,690
Communication		388	369
Books and periodicals		705	1,190
Auditors' remuneration	19.2	844	760
Legal and professional charges		4,746	4,990
Others		665	17
		55,625	54,306

19.1 This includes an amount of Rs. 2.132 million (2012: Rs. 1.555 million) in respect of staff retirement benefits.

19.2 Auditors' remuneration

	2013	2012
	--- (Rupees in thousand) ---	
Audit fee	500	400
Half yearly review	200	150
Regulatory return and CCG	100	100
Out of pocket expenses	44	110
	844	760

20. OTHER CHARGES

Contribution to Workers' Welfare Fund	202	-
Exchange loss	15	7
Bank charges	292	197
	509	204

21. TAXATION

21.1 Current tax charge has only been recorded in respect of dividend income which has been treated as a separate block of income. The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Company has profit during the year but has accumulated losses in respect of prior periods.

21.2 Under section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Company has filed the returns of income for the tax years from 2005 to 2013 on due dates. These returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years except as explained in note 10 to these financial statements.

22. OTHER INCOME

Service income from co-insurer arrangements
Reversal of excess provision against premium due but unpaid

	2013	2012
	--- (Rupees in thousand) ---	
	505	1,435
	2,542	-
	<u>3,047</u>	<u>1,435</u>

23. EARNINGS PER SHARE - basic and diluted

Basic earnings per share are calculated by dividing the net profit / (loss) for the year by the weighted average number of shares as at the year end as follows:

Profit / (loss) after tax for the year

Weighted average number of shares of Rs 10 each

Basic earnings per share of Rs 10 each

	2013	2012
	--- (Rupees in thousand) ---	
		Restated
	9,424	(26,479)
	--- (Number in thousand) ---	
	35,000	35,000
	----- (Rupee) -----	
	0.27	Restated (0.76)

23.1 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.

24. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

24.1 Aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief Executive Officer, Directors, and Executives of the Company are as follows:

	2013			2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in thousand) -----			----- (Rupees in thousand) -----		
Managerial remuneration	10,844	8,700	29,207	9,056	3,999	28,392
Leave Fare Assistance	2,054	-	-	1,962	-	-
Utilities	102	195	-	112	86	-
Medical expenses	100	40	580	107	99	454
Others	384	101	131	252	30	146
	<u>13,484</u>	<u>9,036</u>	<u>29,918</u>	<u>11,489</u>	<u>4,214</u>	<u>28,992</u>
Number of persons	1	1	15	1	1	15

24.2 The Chief Executive Officer and one other executive director is also provided with Company maintained cars.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated entities having directors in common, major shareholders, directors and key management personnel. The transactions with related parties, other than remuneration of key management personnel (which is disclosed in note 24.1) are as follows:

	2013	2012
Transactions	--- (Rupees in thousand) ---	
Premium written	20,637	10,926
Claims paid	5,254	574
Return on bank balances	4,830	5,081
Bank charges	292	197
Contribution for staff provident fund	3,488	3,597
Contribution to gratuity fund	634	5,000
Charge in respect of gratuity fund	3,353	3,678
Balances outstanding at year end		
Bank deposits	66,769	65,204
Investments	3,187	2,951
Receivable from gratuity fund	-	18,479
Payable to gratuity fund	(1,588)	-
Premiums due but unpaid	7,764	3,731

26. SEGMENT REPORTING

26.1 The Company's business is organised and managed separately according to the nature of services provided with the following segments:

- Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverage.
- Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.
- Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel, credit and suretyship insurance and other coverage.

26.2 Segment results

	-----2013-----					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	------(Rupees in thousand)-----					
Net premium revenue	15,971	16,817	151,008	109,520	29,189	322,505
Net claims	(380)	(4,511)	(59,898)	(110,214)	(2,555)	(177,558)
Reversal of premium deficiency expense / premium deficiency expense	-	2,134	-	-	-	2,134
Management expenses	(26,078)	(13,811)	(31,098)	(24,338)	(22,416)	(117,741)
Net commission	16,693	5,906	(12,491)	(5,648)	3,387	7,847
Segment results	<u>6,206</u>	<u>6,535</u>	<u>47,521</u>	<u>(30,680)</u>	<u>7,605</u>	<u>37,187</u>
Net investment income						12,014
Return on bank balances						13,130
Gain on disposal of fixed assets						1,021
Other income						3,047
						<u>66,399</u>
General and administrative expenses						(55,625)
Financial charges						(357)
Other charges						(509)
Profit before taxation						<u><u>9,908</u></u>

	-----2012-----					
	Fire and property damage	Marine, aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	------(Rupees in thousand)-----					
Net premium revenue	22,584	32,195	160,071	65,177	42,813	322,840
Net claims	(11,765)	(17,549)	(99,230)	(73,801)	(9,542)	(211,887)
Reversal of premium deficiency expense / (premium deficiency expense) expense	-	(1,668)	-	-	346	(1,322)
Management expenses	(23,913)	(26,022)	(30,416)	(15,017)	(28,203)	(123,571)
Net commission	11,374	5,263	(13,649)	(1,515)	712	2,185
Segment results	<u>(1,720)</u>	<u>(7,781)</u>	<u>16,776</u>	<u>(25,156)</u>	<u>6,126</u>	<u>(11,755)</u>
Net investment income						13,529
Return on bank balances						25,899
Gain on disposal of fixed assets						488
Other income						1,435
						<u>29,596</u>
General and administrative expenses						(54,306)
Financial charges						(905)
Other charges						(204)
Loss before taxation						<u><u>(25,819)</u></u>

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. The fair values of all the financial assets and liabilities are estimated to be not significantly different from their carrying values.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

	----- 2013 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Financial assets designated at fair value through profit or loss				
- Equity securities	30,356	-	-	30,356
	----- 2012 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Financial assets designated at fair value through profit or loss				
- Equity securities	21,060	-	-	21,060
- Government treasury bills	-	44,974	-	44,974

29. RISK MANAGEMENT

29.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Board of Directors of the Company supervises the overall risk management approach within the Company. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to Executive Management Committees and senior managers.

29.2 Insurance risks

The Company mainly issues the following types of insurance contracts:

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

These contracts are normally one year insurance contracts except marine contracts which are generally for a period of 3 to 6 months.

29.2.1 Frequency and severity of claims

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

29.2.2 Reinsurance Arrangements

Such risk exposure is mitigated by diversification across a large portfolio of insurance contracts and careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Strict claim review policies to assess all new and ongoing claims and regular detailed review of claims handling procedures are also put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future development.

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

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	2013		
	Maximum sum insured	Reinsurance cover	Highest net liability
	----- (Rupees in thousand) -----		
Fire and property	9,592,430	9,544,468	47,962
Marine, aviation and transport	5,460,000	5,405,400	54,600
Motor	18,000	9,330	8,670
Accident and health	1,000	-	1,000
Miscellaneous	12,712,242	12,537,925	174,317
	<u>27,783,672</u>	<u>27,497,123</u>	<u>286,549</u>
	----- (Rupees in thousand) -----		
	2012		
	Maximum sum insured	Reinsurance cover	Highest net liability
	----- (Rupees in thousand) -----		
Fire and property	3,315,350	3,291,350	24,000
Marine, aviation and transport	3,420,000	3,377,250	42,750
Motor	18,000	7,230	10,770
Accident and health	1,000	-	1,000
Miscellaneous	12,616,780	12,537,925	78,855
	<u>19,371,130</u>	<u>19,213,755</u>	<u>157,375</u>

The table below sets out the concentration of insurance contract liabilities by type of contract:

	2013		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	----- (Rupees in thousand) -----		
Fire and property	200,443	227,968	(27,525)
Marine, aviation and transport	83,314	79,429	3,885
Motor	126,667	83,499	43,168
Accident and health	122,837	117,382	5,455
Miscellaneous	137,099	196,810	(59,711)
	<u>670,360</u>	<u>705,088</u>	<u>(34,728)</u>
	----- (Rupees in thousand) -----		
	2012		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	----- (Rupees in thousand) -----		
Fire and property	179,337	172,250	7,087
Marine, aviation and transport	103,337	92,574	10,763
Motor	143,771	101,916	41,855
Accident and health	67,195	31,402	35,793
Miscellaneous	195,496	168,367	27,129
	<u>689,136</u>	<u>566,509</u>	<u>122,627</u>

29.2.3 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognized amounts.

29.2.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

29.2.5 Sensitivities

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:

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss account	Equity	Profit and Loss account	Equity
	----- (Rupees in thousand) -----			
Fire and property	(38)	(38)	38	38
Marine, aviation and transport	(451)	(451)	451	451
Motor	(5,990)	(5,990)	5,990	5,990
Accident and health	(11,021)	(11,021)	11,021	11,021
Miscellaneous	(256)	(256)	256	256
	<u>(17,756)</u>	<u>(17,756)</u>	<u>17,756</u>	<u>17,756</u>

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

29.3 Financial risk

(i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

		-----2013-----							
Interest Rates		Interest / mark-up bearing			Non-interest / mark-up bearing			Total	
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
		----- (Rupees in thousand) -----							
Financial assets									
	Cash and bank deposits	8% - 9.2%	92,464	-	92,464	9,698	-	9,698	102,162
	Investments	9.10%	43,267	-	43,267	30,356	-	30,356	73,623
	Premium due but unpaid		-	-	-	255,563	-	255,563	255,563
	Amount due from other insurers / reinsurers		-	-	-	120,613	-	120,613	120,613
	Accrued interest		-	-	-	175	-	175	175
	Sundry and other receivables		-	-	-	-	5,534	5,534	5,534
	Reinsurance recoveries against outstanding claims		-	-	-	55,122	-	55,122	55,122
			<u>135,731</u>	<u>-</u>	<u>135,731</u>	<u>471,527</u>	<u>5,534</u>	<u>477,061</u>	<u>612,792</u>
Financial liabilities									
	Provision for outstanding claims (including IBNR)		-	-	-	123,548	-	123,548	123,548
	Amounts due to other insurers / reinsurers		-	-	-	112,320	-	112,320	112,320
	Other creditors and accruals		-	-	-	44,895	-	44,895	44,895
	Accrued expenses		-	-	-	7,029	-	7,029	7,029
	Unclaimed dividend		-	-	-	195	-	195	195
	Obligation under musharakah agreement	17.50%	849	707	1,556	-	-	-	1,556
			<u>849</u>	<u>707</u>	<u>1,556</u>	<u>287,987</u>	<u>-</u>	<u>287,987</u>	<u>289,543</u>
			<u>134,882</u>	<u>(707)</u>	<u>134,175</u>	<u>183,540</u>	<u>5,534</u>	<u>189,074</u>	<u>323,249</u>

		----- 2 0 1 2 -----						
Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
----- (Rupees in thousand) -----								
Financial assets								
Cash and bank deposits	9% - 11%	232,525	-	232,525	13,010	-	13,010	245,535
Investments	11.59%	44,974	-	44,974	21,060	-	21,060	66,034
Premium due but unpaid		-	-	-	187,165	-	187,165	187,165
Amount due from other insurers / reinsurers		-	-	-	112,313	-	112,313	112,313
Accrued interest		-	-	-	2,150	-	2,150	2,150
Sundry and other receivables		-	-	-	-	4,463	4,463	4,463
Reinsurance recoveries against outstanding claims		-	-	-	55,439	-	55,439	55,439
		277,499	-	277,499	391,137	4,463	395,600	673,099
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	158,994	-	158,994	158,994
Amounts due to other insurers / reinsurers		-	-	-	164,438	-	164,438	164,438
Other creditors and accruals		-	-	-	51,018	-	51,018	51,018
Accrued expenses		-	-	-	5,500	-	5,500	5,500
Unclaimed dividend		-	-	-	195	-	195	195
Obligation under musharakah agreement	17.00%-17.50%	849	1,556	2,405	-	-	-	2,405
		849	1,556	2,405	380,145	-	380,145	382,550
		<u>276,650</u>	<u>(1,556)</u>	<u>275,094</u>	<u>10,992</u>	<u>4,463</u>	<u>15,455</u>	<u>290,549</u>

Sensitivity analysis

The Company is exposed to interest risk in respect of saving bank deposits, borrowings under musharakah agreement, investments in term deposit receipts. For cash flow sensitivity analysis of variable and fixed 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 variables remain constant.

		Profit and Loss	
		Increase	Decrease
--- (Rupees in thousand) ---			
As at December 31, 2013			
Cash flow sensitivity - financial assets		1,522	(1,522)
Cash flow sensitivity - financial liabilities		21	(21)
As at December 31, 2012			
Cash flow sensitivity - financial assets		1,864	(1,864)
Cash flow sensitivity - financial liabilities		52	(52)

(b) Foreign currency risk

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

(c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company manages its exposure to such risks by maintaining a diversified portfolio of investments.

The Company has investments in quoted equity securities amounting to Rs. 30.356 million (2012: Rs. 21.060 million) as at December 31, 2013 which have been carried at fair value. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

On quoted securities a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased unrealised gain / loss of investment recognised in profit and loss account by Rs 3.036 million.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the Company are short term in nature.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date on an undiscounted cash flow basis.

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	----- (Rupees in thousand) -----			
Provision for outstanding claims	123,548	123,548	123,548	-
Amounts due to other insurers / reinsurers	112,320	112,320	112,320	-
Other creditors and accruals	44,895	44,895	44,895	-
Accrued expenses	7,029	7,029	7,029	-
Unclaimed dividend	195	195	195	-
Obligation under musharakah agreement	1,556	1,556	849	707
	<u>289,543</u>	<u>289,543</u>	<u>288,836</u>	<u>707</u>

	2012			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
----- (Rupees in thousand) -----				
Provision for outstanding claims	158,994	158,994	158,994	-
Amounts due to other insurers / reinsurers	164,438	164,438	164,438	-
Other creditors and accruals	51,018	51,018	51,018	-
Accrued expenses	5,500	5,500	5,500	-
Unclaimed dividend	195	195	195	-
Obligation under musharakah agreement	2,405	2,405	849	1,556
	<u>382,550</u>	<u>382,550</u>	<u>380,994</u>	<u>1,556</u>

(iii) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk also arises in respect of reinsurance contracts as reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims ceded to the extent that the reinsurance operator fails to meet the obligation under the reinsurance arrangements. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the credit worthiness of counterparties. The table below analyses the Company's maximum exposure to credit risk:

	2013	2012
--- (Rupees in thousand) ---		
- Bank deposits*	101,894	245,351
- Premiums due but unpaid**	255,563	187,165
- Amounts due from other insurers / reinsurers***	120,613	112,313
- Accrued interest*	175	2,150
- Reinsurance recoveries against outstanding claims***	55,122	55,439
- Sundry and other receivables	5,739	4,630
	<u>539,106</u>	<u>607,048</u>

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

	Rating		Rating Agency	2013	2012
	Short Term	Long Term		--- (Rupees in thousand) ---	
Bank deposits					
NIB Bank Limited	A1+	AA-	PACRA	66,769	65,204
Habib Metropolitan Bank Limited (including Term Deposit Receipts)	A1+	AA+	PACRA	35,018	180,017
Silk Bank Limited	A-2	A-	JCR VIS	107	130
				<u>101,894</u>	<u>245,351</u>
Accrued interest					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	175	2,150

** The age analysis of premiums due but unpaid is as follows:

	2013	2012
	--- (Rupees in thousand) ---	
Upto 1 year	190,278	173,863
1 - 2 years	56,631	17,082
Over 2 years	24,614	14,722
	<u>271,523</u>	<u>205,667</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

*** An analysis of all reinsurance assets recognised by the rating of the entity from which it is due is as follows:

Rating	2013		
	Amount due from reinsurers	Amount due from Co-insurers	Reinsurance recoveries against outstanding claims
	----- (Rupees in thousand) -----		
A or above	11,526	98,572	53,822
BBB	3,053	1,112	52
Other	6,350	-	1,248
	<u>20,929</u>	<u>99,684</u>	<u>55,122</u>

Rating	2012		
	Amount due from reinsurers	Amount due from Co-insurers	Reinsurance recoveries against outstanding claims
	----- (Rupees in thousand) -----		
A or above	5,054	96,925	54,557
BBB	1,787	3,527	178
Other	5,020	-	704
	<u>11,861</u>	<u>100,452</u>	<u>55,439</u>

29.4 Capital management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient paid up capital and solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. Currently, the Company has a paid-up capital of Rs 350 million against the minimum required paid-up capital of Rs 300 million set by the SECP for non-life insurance companies through issue of Circular No. 3 dated April 10, 2007 for the year ended December 31, 2013.

30 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest financial statements of the Fund for the year ended December 31:

	2013	2012
	--- (Rupees in thousand) --- Unaudited	Audited
Size of the fund - Total assets	29,998	35,516
Cost of investments made	23,132	16,272
Percentage of investments made	77%	46%
Fair value of investments	23,132	16,272

30.1 The break-up of fair value of investments is as follows:

	2013		2012	
	(Rupees in thousand)	%	(Rupees in thousand)	%
TDR certificates	23,132	100%	16,272	100%

30.2 The management is in compliance with the regulation of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31 Number of employees

The total average number of employees during the year and as at December 31, 2013 and 2012 respectively are as follows:

	2013	2012
	(No of employees)	
Average number of employees during the year	86	93
Number of employees as at December 31,	87	89

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on March 12, 2014 by the Board of Directors of the Company.

33. GENERAL

33.1 Figures in these financial statements have been rounded off to the nearest thousand rupee.

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant reclassifications were made during the current year except as explained in note 5.1.1.

Branch Network

Branch	Branch Head / Incharge	Details
Karachi Corporate Branch	Mr. Bilal Aftab	Suit No. E- 1, Executive Floor, Glass Tower, Main Clifton Road, Karachi. Tel: 021-3565 3394-5, 3565 5612-3 & 3563 9712-13 Fax: 021-3565 4764
Lahore Branch	Mr. Mannan Pervaiz Malik	House # 13/C, Block K Main Boulevard, Gulberg-II, Lahore Tel : 042-3575 4154 - 4155 & 4166 Fax : 042-3575 4167
Islamabad Branch	Mr. Muhammed Iftikhar Awan	Office # 16, 4th Floor Malik Complex, 80-West Jinnah Avenue, Blue Area, Islamabad Tel : 051-287 0613-14, 227 1974, 287 6452 & 287 7020 Fax: 051-287 0621
Multan Branch	Mr. Muhammed Waheed Zafar	1st Floor Al-Razzak Plaza, Opp. Children Complex Hospital Abdali Road, Multan Tel : 061-458 9398 - 99 & 458 6665 Fax : 061-458 5896
Faisalabad Branch	Mr. Sajjad Ali	Ahmed Plaza, 4th Floor, Civil Line, Bilal Road, Faisalabad Tel : 041-254 0420-22 Fax : 041-554 0423
Sukkur Branch	Mr. Muhammed Jamshed	Bunder Road, Upper Utility Store, Chacher House, Sukkur Tel : 071-562 7263 Fax : 071-562 7283

Proxy Form

Annual General Meeting

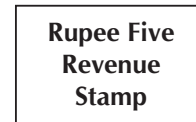
I / We _____
of _____ being a member of PICIC Insurance Limited and
holder of _____ Ordinary shares as per Registered
Folio No _____ and / or CDC Participant
I.D. No _____ Sub-Account No _____
CNIC No _____ or Passport No _____
Hereby appoint _____ of _____
who is also a member of the company, Folio No _____ or failing
him / her _____ of _____ as my / our Proxy
in my / our absence to attend, speak and vote for me / us and on my / our behalf at the Annual General Meeting
of the company to be held on Monday, April 7, 2014 at 11:00 AM at the Institute of Chartered Accountants of
Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Near Teen Talwar, Clifton, Karachi and at any
adjournment thereof.

Signed this _____ day of _____ 2014

1. Witness:

Signature _____
Name _____
Address _____

CNIC or Passport No _____



Signature of Shareholder

2. Witness:

Signature _____
Name _____
Address _____

CNIC or Passport No _____

Notes:

1. Proxies in order to be effective must be received at the Registered Office of the company at 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi not later than 48 hour before the meeting.
2. 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.
3. The Shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.



HEAD OFFICE:

8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi-74200

Tel: (021) 3221 9555-60, Fax: (021) 3221 9561

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Website: www.picicinsurance.com

