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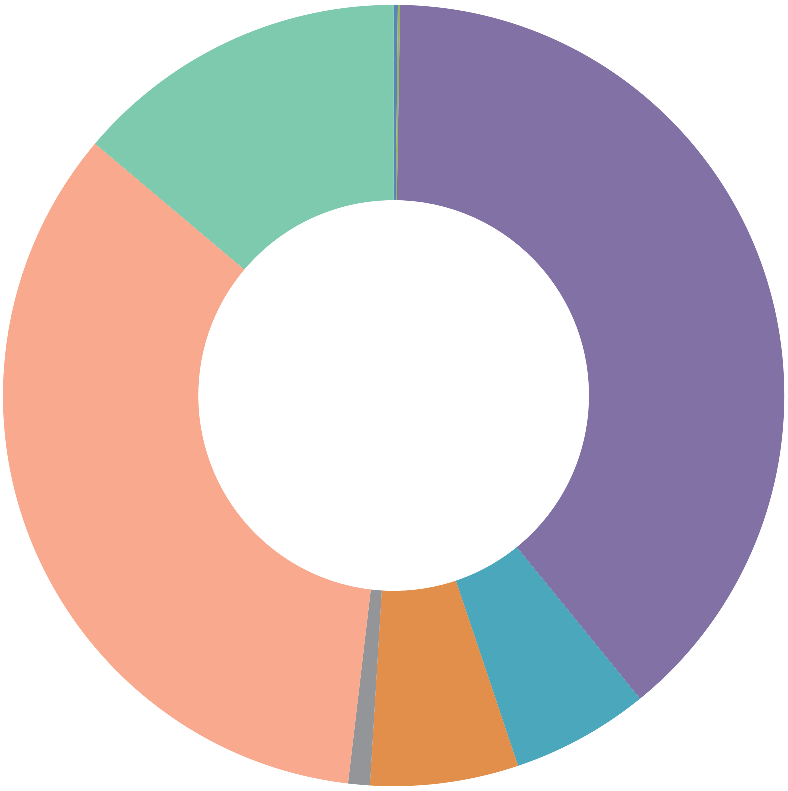
CATEGORIES OF SHAREHOLDERS AND FINANCIAL HIGHLIGHTS

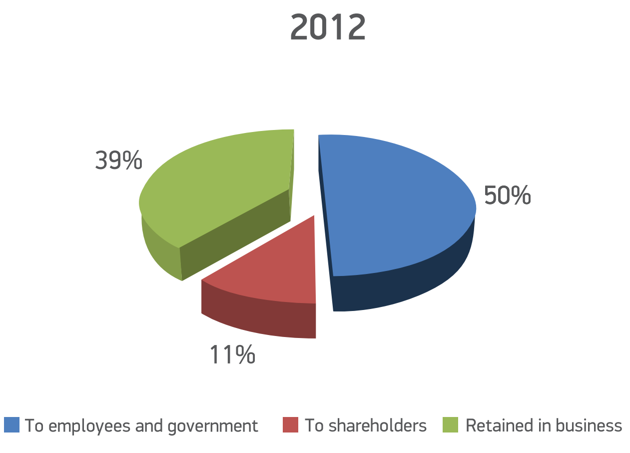


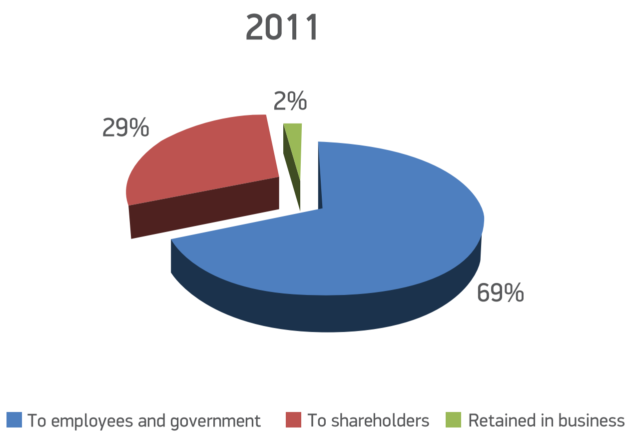
CATEGORIES OF SHAREHOLDERS	Number of Shares	Stake (%)
Directors	207,028	0.167
Chief Executive Officer	2,500	0.002
Executives / Executives' spouses	120,045	0.097
Associated companies, undertakings & related parties	48,084,396	38.870
Banks, DFIs and NBFIs	7,053,881	5.702
Insurance companies	7,581,764	6.129
Modaraba and Mutual Funds	1,106,390	0.894
General Public	42,417,855	34.290
Others	17,130,685	13.849
	123,704,544	100.000

STATEMENT OF VALUE ADDITION

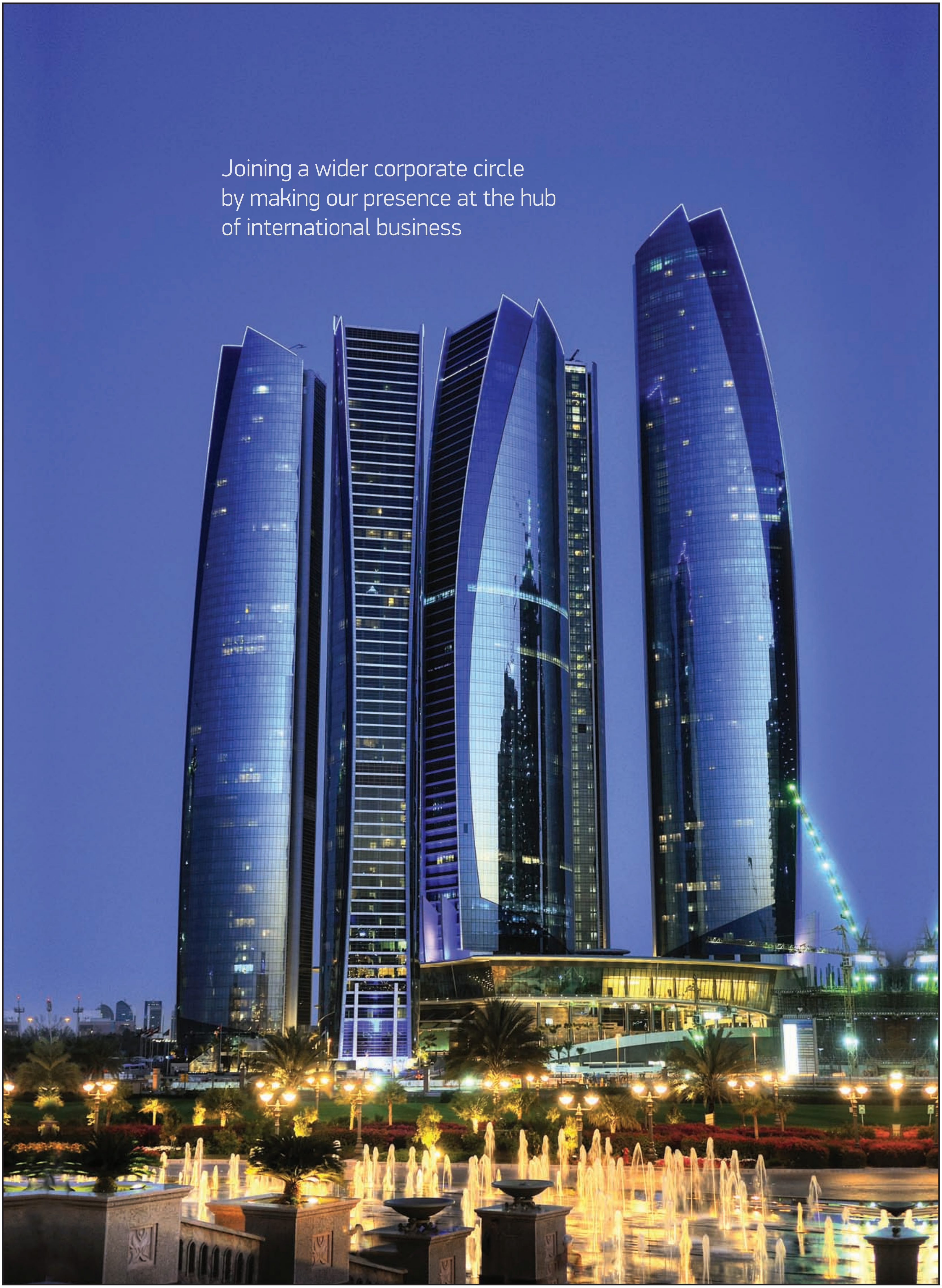
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2012		2011	
WEALTH GENERATED	(Rupees in '000')	%	(Rupees in '000')	%
Gross premium earned	10,425,926		11,753,401	
Investment and other income	1,496,822		1,009,590	
	11,922,748		12,762,991	
Management and other expenses	(10,300,750)		(11,709,639)	
	1,621,998	100.00	1,053,352	100.00
WEALTH DISTRIBUTED				
To employees	762,865	47.03	895,298	85.00
To government	42,365	2.61	(174,145)	(16.53)
	805,230	49.64	721,153	68.47
To shareholders				
Cash dividend	185,557	11.44	309,262	29.36
Bonus shares	-	-	-	-
	185,557	11.44	309,262	29.36
Retained in business				
Depreciation and amortization	192,575	11.87	200,022	18.99
Retained profit / loss	438,636	27.04	(177,085)	(16.81)
	631,211	38.91	22,937	2.18
	1,621,998	100.00	1,053,352	100.00





Joining a wider corporate circle
by making our presence at the hub
of international business



VISION

Our will is to Explore, Innovate and Differentiate.
Our passion is to provide leadership to the insurance industry.

CORE VALUES

- Integrity
- Humility
- Fun at workplace
- Corporate Social Responsibility

COMPANY INFORMATION

BOARD OF DIRECTORS

Umer Mansha	Chairman
Ahmed Ebrahim Hasham	Director
Ali Munir	Director
Fredrik Coenrard de Beer	Director
Kamran Rasool	Director
Ibrahim Shamsi	Director
Imran Maqbool	Director
Muhammad Umar Virk	Director
S. M. Jawed	Director
Shahid Malik	Director
Manzar Mushtaq	Managing Director & CEO

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Umer Mansha	Chairman
Ahmed Ebrahim Hasham	Member
Ali Munir	Member
Ibrahim Shamsi	Member
S. M. Jawed	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Umer Mansha	Chairman
Ibrahim Shamsi	Member
Kamran Rasool	Member
Manzar Mushtaq	Member

UNDERWRITING COMMITTEE

Umer Mansha	Chairman
Fredrik Coenrard de Beer	Member
Manzar Mushtaq	Member
Head of Technical	Member

CLAIM SETTLEMENT COMMITTEE

S. M. Jawed	Chairman
Ahmed Ebrahim Hasham	Member
Manzar Mushtaq	Member
Head of Claims	Member

RE-INSURANCE COMMITTEE AND CO-INSURANCE

Ali Munir	Chairman
Muhammad Umar Virk	Member
Manzar Mushtaq	Member
Head of Re-Insurance	Member
Head of Co-Insurance	Member

COMPANY SECRETARY
Tameez-ul-Haque,
F.C.A.

CHIEF FINANCIAL OFFICER
Rehan Ahmad Khan,
F.C.A., A.C.M.A.

EXECUTIVE MANAGEMENT TEAM

Manzar Mushtaq	Chief Executive
Jehangir Bashir Nawaz	Executive Director
Rehan Ahmad Khan	Chief Financial Officer
Absar Azim Burney	General Manager Sales
Adnan Ahmad Chaudhry	General Manager Operations
Najib Nasir Syed	General Manager Technical
Tameez-ul-Haque	Company Secretary

AUDITORS
M/s Riaz Ahmad & Co.
Chartered Accountants, Karachi

SHARES REGISTRAR
Technology Trade (Pvt.) Limited
Dagia House, 241-C, Block-2, P.E.C.H.S.,
Off Shahrah-e-Quaideen, Karachi
Phone: (92-21) 34391316-7, 34387960-1
Fax: (92-21) 34391318

BANKERS
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Habib Bank Limited
HSBC Bank Oman S.A.O.G.
HSBC Bank Middle East Limited
Industrial Development Bank of Pakistan
KASHF Microfinance Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Rozgar Microfinance Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Tameer Micro Finance Bank Limited
The Punjab Provincial Cooperative Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited

REGISTERED OFFICE
1st Floor, ISE Towers, 55-B, Jinnah Avenue,
Blue Area, Islamabad

NOTICE OF THE FIFTY SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the 52nd Annual General Meeting (AGM) of the Company will be held at Islamabad Hotel, Islamabad on Wednesday, April 24, 2013 at 11 a.m. to transact the following business:

ORDINARY:

1. To receive, consider and adopt the unconsolidated audited accounts of Adamjee Insurance Company Limited and consolidated audited accounts of Adamjee Insurance Company Limited and its Subsidiary Company for the year ended December 31, 2012 and the Directors' and Auditors' reports thereon.

2. To declare final cash dividend at Re 1.00 per share i.e. 10%.

3. To appoint auditors and fix their remuneration.

SPECIAL:

4. To consider and approve shifting of the Registered Office from Islamabad Capital Territory to Province of Punjab and pass the following special resolution.

   "RESOLVED that subject to the fulfillment of regulatory requirement the Registered Office of the Company be shifted to the Province of Punjab from the Islamabad Capital Territory."

   FURTHER RESOLVED that the Memorandum and Articles of Association of the Company be amended in the following manner.

   In clause 2 of the Memorandum of Association, "Province of the Punjab" be inserted in place of "Islamabad Capital Territory."

   "ALSO RESOLVED that the Secretary be and is hereby authorized to undertake all such actions on behalf of the Company including the completion of all regulatory requirements for an alteration in the Memorandum of Association so as to effectuate the change of Registered Office of the Company."

By Order of the Board

Tameez ul Haque
Secretary

Islamabad: April 3, 2013

NOTES

a) The share transfer books of the Company will remain closed from Thursday, April 18, 2013 to Wednesday, April 24, 2013 (both days inclusive). Transfers received in order at the office of our Registrar M/s Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block 2, PECHS, Off Shahrah-e-Quaideen, Karachi by the close of business (5.00 p.m.) on Wednesday, April 17, 2013 will be treated as being in time for the purpose to determine entitlement of final cash dividend, and to attend the meeting.

b) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him/her. A corporation or a company being a member of the Company may appoint any of its officers, though not a member of the Company.

c) The instrument appointing a proxy must be received at the Registered Office of the Company or Registrar Office not less than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and deposits more than one instrument of proxy, all such appointments and instruments of proxy shall be rendered invalid.

d) CDC shareholders are requested to bring with them their original National Identity Cards or original passports along with the Participant's ID and account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective account holders.

e) Members are requested to promptly notify M/s Technology Trade (Pvt.) Ltd. of any change in their addresses to ensure the delivery of mail.

f) A statement under Section 160(1) (b) of the Companies Ordinance,1984 relating to special business is being sent to the members along with a copy of the notice.

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

The Registered Office of the Company is presently located in Islamabad Capital Territory. It is proposed to shift the Registered Office to the Province of Punjab because the majority of the departments of the Company including Finance are now located at Lahore. The notices, letters from Tax Department, statutory guidelines and communications by Securities and Exchange Commission of Pakistan are sent to Registered Office Islamabad and then forwarded to Lahore Office resulting in a loss of time to attend and respond to the issues. The shifting of Registered Office to Lahore in the Province of Punjab shall facilitate in carrying on business more economically and efficiently as it is needed to be routed only through Registered Office.

The directors have no direct or indirect interest in the above said special business save their shareholding in the Company.

SIX

YEARS AT A GLANCE

06 YEARS SUMMARY

PARTICULARS	2012	2011	2010	2009	2008	2007
	Rupees in million					
BALANCE SHEET						
Paid-up capital	1,237	1,237	1,237	1,125	1,022	1,022
Reserves	1,442	1,242	1,164	1,137	1,078	955
Equity	11,540	10,901	11,000	10,781	8,559	7,643
Investments (book value)	9,948	9,452	9,407	9,658	7,577	8,132
Investments (market value)	13,189	9,557	10,003	10,152	6,735	11,709
Fixed assets	1,118	1,063	1,101	1,050	940	768
Cash & bank deposits	2,507	2,379	2,705	2,157	1,724	954
Other assets	11,034	11,188	14,674	8,747	8,763	8,911
Total assets	24,607	24,082	27,887	21,612	19,004	18,766
Total liabilities	13,067	13,181	16,887	10,831	10,444	11,123
OPERATING DATA						
Gross premium	10,059	11,064	11,564	10,321	10,205	9,379
Net premium	5,672	6,983	6,883	6,807	7,488	5,532
Net claims	4,143	4,626	4,868	4,453	5,173	3,915
Net commission	359	476	515	500	741	442
Underwriting result	(412)	166	246	679	367	119
Total expenses	2,004	2,932	1,909	1,897	1,718	1,454
Investment income	1,332	852	779	2,479	1,098	4,486
Profit / (loss) before tax	667	(42)	542	2,595	1,176	4,285
Profit after tax	624	132	484	2,434	1,099	4,201
SHARE INFORMATION						
Break up value per share (Rs.)	93.3	88.1	88.9	95.9	83.7	74.7
No. of shares	123.7	123.7	123.7	112.5	102.2	102.2
Share price at year end (Rs.)	68.1	46.5	87.5	123.3	101.8	358.4
Highest share price during year (Rs.)	81.6	96.4	135.2	130.4	416.9	417.0
Lowest share price during year (Rs.)	45.0	42.1	63.1	41.6	101.8	151.0
KSE 100 index	16,905	11,347	12,022	9,387	5,865	14,075
Market price to break up value	0.7	0.5	1.0	1.3	1.2	4.8
DISTRIBUTION						
(*)Dividend per share (Rs.)	1.5	2.5	3.3	3.3	3.0	3.3
(*)Total dividend - amount	185.6	309.3	404.9	373.2	306.7	337.4
Cash dividend %	15.0	25.0	23.6	24.1	30.0	33.0
Bonus shares %	-	-	9.1	9.1	-	-
Total dividend %	15.0	25.0	32.7	33.2	30.0	33.0

06 YEARS SUMMARY

PARTICULARS	2012	2011	2010	2009	2008	2007
	Rupees in million					
FINANCIAL RATIOS						
PROFITABILITY						
Profit / (loss) before tax / gross premium (%)	6.6	(0.4)	4.7	25.1	11.5	45.7
Profit / (loss) before tax / net premium (%)	11.8	(0.6)	7.9	38.1	15.7	77.5
Profit after tax / gross premium (%)	6.2	1.2	4.2	23.6	10.8	44.8
Profit after tax / net premium (%)	11.0	1.9	7.0	35.8	14.7	75.9
Combined ratio	107.3	97.6	96.4	90.0	95.1	97.8
Management expenses / gross premium (%)	19.9	26.5	16.5	18.4	16.8	15.5
Management expenses / net premium (%)	35.3	42.0	27.7	27.9	22.9	26.3
Underwriting result / net premium (%)	(7.3)	2.4	3.6	10.0	4.9	2.2
Net claims / net premium (%)	73.0	66.3	70.7	65.4	69.1	70.8
Investment income / net premium (%)	23.5	12.2	11.3	36.4	14.7	81.1
RETURN TO SHAREHOLDERS						
Return on average capital employed (%)	5.6	1.2	4.4	25.2	13.6	73.5
Return on equity - PBT (%)	5.8	(0.4)	4.9	24.1	13.7	56.1
Return on equity - PAT (%)	5.4	1.2	4.4	22.6	12.8	55.0
Earnings per share (Rs.)	5.0	1.1	3.9	21.6	9.8	41.1
P/E ratio	13.5	43.6	22.4	5.7	10.4	8.7
Dividend yield (%)	2.2	5.4	3.8	2.7	2.9	0.9
Dividend payout (%)	29.7	234.3	84.3	15.3	30.7	8.0
Return on total assets (%)	2.5	0.5	1.7	11.3	5.8	22.4
LIQUIDITY / LEVERAGE						
Total assets turnover (Times)	0.4	0.5	0.4	0.5	0.5	0.5
Fixed assets turnover (Times)	9.0	10.4	10.5	9.8	10.9	12.2
Total liabilities / equity (%)	113.2	120.9	153.5	100.5	122.0	145.5
Paid-up capital / total assets (%)	5.0	5.1	4.4	5.2	5.4	5.4
Equity / total assets (%)	46.9	45.3	39.4	49.9	45.0	40.7

(*) Including bonus dividend

DIRECTORS' REPORT TO THE MEMBERS ON UNCONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors, I am pleased to present the 52nd Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December 2012.

ECONOMIC OVERVIEW

In 2012, the economy continued to deteriorate in the absence of a clear vision as growing macroeconomic imbalances continued to create profound complications due to severe energy crises amid shrinking natural resources. The devaluation of Pak Rupee to the record levels, continuing reliance on external borrowings, high inflation, low productivity, meager savings coupled with worsening security situation pegged the economic growth. Extravagant government spending to alarmingly large fiscal and current account deficits did not help either.

However, the economy has recorded a GDP growth of 3.7%, where service sector continued to be the major contributor in GDP growth.

Pakistan's equity market showed recovery from previous year, as KSE 100 index gained 49.3% over 2011 index, to close at 16,905.

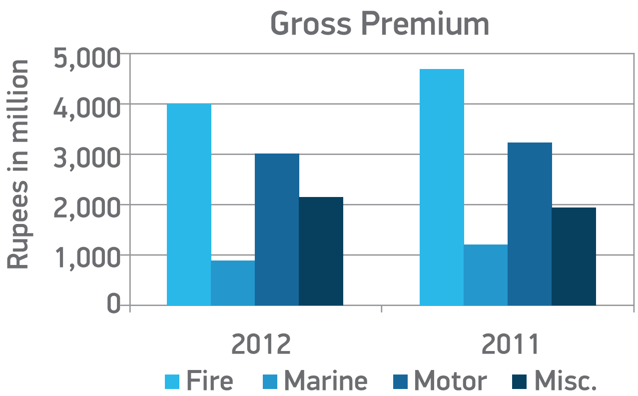
The insurance sector continued to face challenges arising from slowdown in economic activities, law and order concerns and widening fiscal and trade deficit amid tough reinsurance market in the region. The overall profitability of the sector improved on the back of high performing stock market; however, the profitability from the core operations remained lackluster during the year.

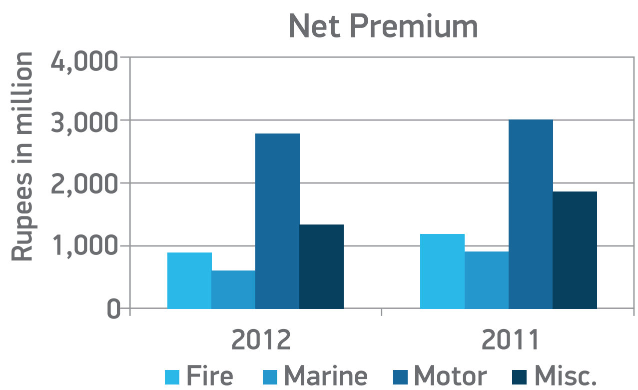
COMPANY PERFORMANCE REVIEW

In the year 2012, consolidation of revenue through prudent underwriting remained a continuing feature of the Company's business strategy. However, tough market conditions and subdued economy proved challenging for the Company in 2012.

In 2012, the gross premium decreased by 9% to Rs. 10,059 million as compared to Rs. 11,064 million in 2011, primarily owing to the loss of business in Fire, Marine and Motor classes of business. Amongst other factors, the decrease in premium underwritten during 2012 was largely attributable to the shift in business focus to pursuing and retaining quality business in order to improve profitability of the Company in future.

The net claim ratio has increased by 7% to 73% compared to 66% last year. Management expenses and net commission expenses have reduced by 8% and 25%, respectively over the corresponding year. The underwriting results showed a loss of Rs. 412 million due to crop business losses in 2012 together with higher than expected losses in other classes of business.





This year, the return on the investment portfolio has increased to Rs. 1,332 million after taking effect of the reversal of impairment of Rs. 356 million as compared to Rs. 852 million last year, before provision for impairment of Rs. 362 million.

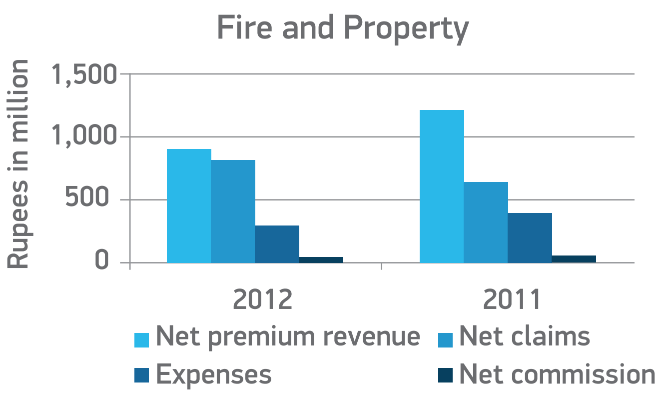
The general and administration expenses have reduced to Rs. 415 million in 2012 as compared to Rs. 1,202 million during last year. This decrease was due to reduced provision against doubtful receivables of Rs. 101 million as compared to a one-time provision of Rs. 932 million last year.

The reduction in provision and high investment income have a made a favourable impact this year, showing a net profit of Rs. 624 million against a net profit of Rs. 132 million, an increase of 372% over last year.

PORTFOLIO ANALYSIS

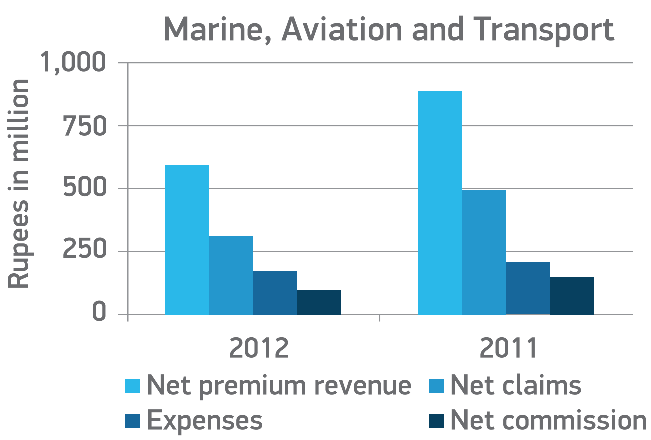
FIRE & PROPERTY

Fire and property class of business constitutes 40% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 4,004 million (2011: Rs. 4,702 million). The ratio of net claims to net premium is 94% this year as compared to 54% last year. The Company incurred an underwriting loss of Rs. 308 million as compared to an underwriting profit of Rs. 86 million in 2011.



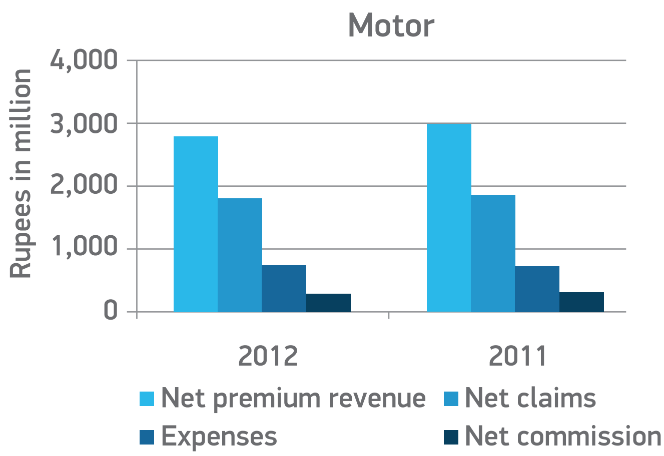
MARINE, AVIATION & TRANSPORT

This class of business constitutes 8% of the total portfolio. The Company has underwritten a gross premium of Rs. 837 million in current year (2011: Rs. 1,228 million) registering a decrease of 32% in this portfolio. The net claims ratio is 47% as against 54% last year, which resulted in an underwriting profit of Rs. 66 million against Rs. 66 million last year.



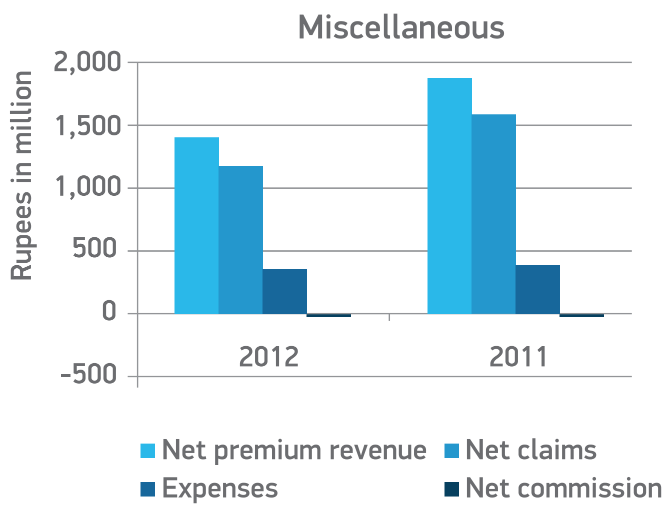
MOTOR

During the year, the Company has underwritten a Gross Premium of Rs. 2,983 million (2011: Rs. 3,185 million) which constitutes 30% of the total portfolio. The ratio of net claims to net premium for the current year is 66% as compared to 63% in 2011. The Company incurred an underwriting loss of Rs. 48 million as compared to an underwriting profit of Rs. 114 million in 2011.



MISCELLANEOUS

The miscellaneous class of business constitutes 22% of the total portfolio. The gross premium showed an increase of 4% over last year with a gross premium written of Rs. 2,235 million (2011: Rs. 1,949 million). The ratio of net claims to net premium is 84% as against 84% last year. The portfolio showed an underwriting loss of Rs. 122 million in current year against an underwriting loss of Rs. 100 million in last year. The major claim was in crop business amounting Rs. 304 million due to flood losses this year and higher than expected claims incurred in health business.

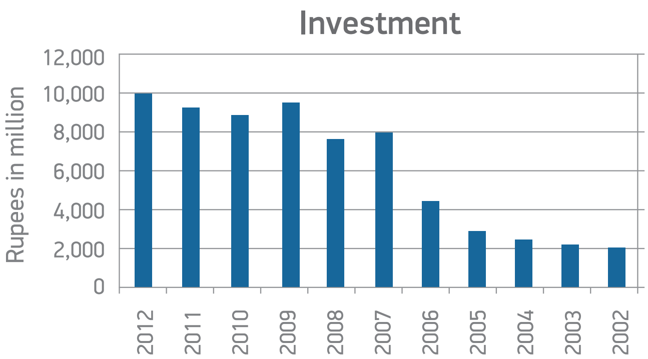


INVESTMENT INCOME

During the year, the trading volumes in KSE-100 index increased as compared to previous year. The KSE-100 index increased by 49.3%, closing at 16,905 in 2012 as compared to 11,348 in 2011.

Income from investments increased from Rs. 852 million to Rs. 1,332 million in 2012 i.e. an increase of 56% over previous year. This increase was largely due to reversal of impairment in value of 'available-for-sale' investments.

The rise in KSE-100 index to the 16,905 mark at the year-end date, as against 11,348 points on 31 December 2011 together with other factors warranted a reversal of impairment in the investment portfolio held by the Company of Rs. 356 million which was recognized in the financial statements for 2012.

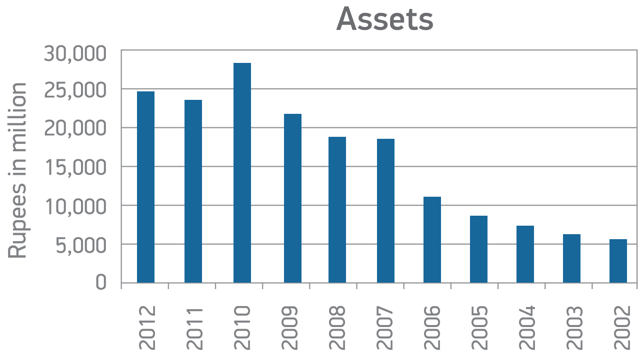


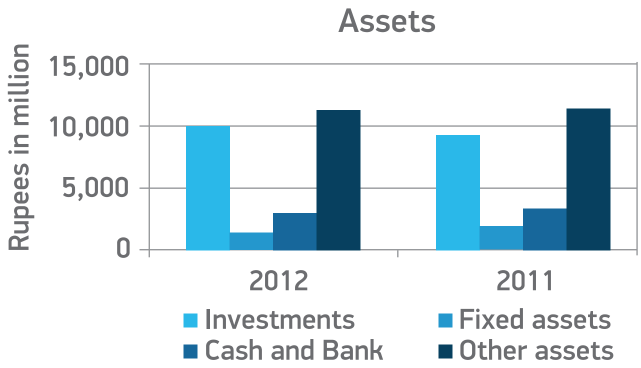
The break-up of investment income is as under:

	2012	2011
	(Rupees in million)	
Dividend income	797	806
Return on TFCs	18	23
Return on Treasury bills	12	10
Return on PIBs	6	8
Gain on sale of 'available for sale' investment	143	367
	976	1,214
Reversal of / (Provision for) impairment	356	(362)
Net investment income	1,332	852

COMPANY'S ASSETS

The total assets of the Company as on 31 December 2012 stood at Rs. 24,607 million against Rs. 24,082 million last year showing an increase of 2% mainly due to increase in the value of investments. The total cash and bank balance at the end of year was Rs. 2,507 million as against Rs. 2,379 million last year, an increase of 5%. The management ensures optimum utilization of funds and to make use of better investment opportunities.





RISK MITIGATION

The Company is not exposed to any major concentration of credit risk. The Company attempts to control credit risk by monitoring credit exposure by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Liquidity risk is associated with adequate funding requirement. To guard against this risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily available liquid securities.

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market price. The Company is exposed to market risk with respect to its investment. The Company limits the risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and Term Finance Certificate markets. In addition, the Company actively monitors the key factors that affect stock and TFC market movements.

On the underwriting end, the risk mitigation is carried out through careful and circumspect underwriting, risk management techniques and inspections. Each class of business is being looked after by specialists who have immense experience and expertise in the relevant field, be it Marine, Property, Casualty, Engineering, Motor, Health, Energy or Financial Lines. We consider Risk Identification, Risk Quantification, Risk Control and Risk Retention as very important components of Risk mitigation process.

HUMAN RESOURCE

The succession planning for career development of employees and critical positions has been strengthened. Manpower resource requirement have been worked out for long term needs of the organization.

The Career Working Groups have focused on improving bench-strength at middle and senior management level, creating opportunities for potential employees, internally or overseas, through development programs.

ISO 9001 CERTIFICATION

By upgrading to ISO 9001:2008 certification, now Adamjee has improved processes, better controls in place, effective monitoring system of its processes and demonstrate continual improvement.

After implementation of the Quality Management System, we realized important benefits, including a more organized operating environment, better working conditions, increased job satisfaction and enhanced customer satisfaction.

Quality awareness has increased because all employees have been trained on ISO 9001. They have taken the "ownership" of processes that they are involved in developing and improving. This helped to develop a strong quality culture, where the employees identify problems such as systems or process issues and works on fixing them, rather than placing blame with an individual.

U.A.E. OPERATIONS

UAE operations showed an increase of 21% in gross premium underwritten which stood at Rs. 1,871 million against Rs. 1,548 million in the previous year. The underwriting results decreased by 87% primarily due to a decline in the average pricing in the motor portfolio.

As part of the Company's expansion plan in the Middle East, during the year, Abu Dhabi branch became fully operational as the license from the Ministry of Economy, UAE was received.

RETAIL INSURANCE

Agriculture Insurance

Agriculture insurance showed consistent growth for the fourth consecutive year, despite heavy monsoon rain fall in the month of September 2012, which caused wide spread losses to life, livelihood and infrastructure across Southern Punjab, Northern Sindh and Northeastern Balochistan.

Crop Insurance spectrum was increased to new clients and another large Agri Sector Bank, the Punjab Provincial Cooperative Bank was included in the portfolio and a growth of 7% was recorded. A premium of Rs. 470 million was received on account of crop loan insurance scheme. Livestock business also increased and new corporates were added to the portfolio. Relationships with foreign counterparts as well as Banks and Corporate clients were strengthened.

.

Retail Auto

The Company while maintaining its leadership position in 2012 with the biggest manufacturer Pak Suzuki, made successful alliances with other manufacturers across the country. The online model has been replicated for the new channels as well, hence, providing one window solution to a larger Auto market. Awareness regarding insurance has also been created through these channels. It was another year of appreciation by the client for the services provided by these channels.

Travel Insurance

During the year, the main focus remained on increasing the customer base by bringing on board increasing number of travel channel partners. AICL's name was reinforced in the main channel of travel agents nationwide through direct marketing. It remained highly profitable. Plans were finalized for product enhancement and penetration into segments other than Schengen states and in UAE market once the E-insurance facility is available.

PACRA assigns "AA" rating

During the year under review, The Pakistan Credit Rating Agency Limited (PACRA) has assigned the Insurer Financial Strength (IFS) rating of the Company as "AA" (Double A). This rating denotes a very strong capacity to meet policyholder and contract obligations. Risk factors are considered modest and the impact of any adverse business and economic factors is expected to be very limited.

APPROPRIATIONS

The Board is pleased to recommend final cash dividend @ 10% (Rupee 1/ per share) (2011: Nil) in addition to interim dividend @15% per share (Rupees 1.5/ per share) (2011: 10% [Rupee 1/ per share]). No other appropriations were made during the year.

EARNINGS PER SHARE

During the year under review, pre-tax basic earnings per share was Rs. 5.40 and after tax basic earnings per share was Rs. 5.05 (2011: Loss per share of Rs. 0.34 and earnings per share of Rs. 1.07, respectively). Detailed working has been reported in Note 24 to the financial statements in this regard.

DIRECTORS

The changes in the Board during the year were as under due to resignation and filling of the casual vacancies.

RESIGNED	DATE
Khalid Qadeer Qureshi	13-07-2012
Muhammad Usman Ali Usmani	21-12-2012

APPOINTED	DATE
Shahid Malik	25-10-2012
Imran Maqbool	21-12-2012

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, contained in Chapter XI of listing regulations prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

• The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.

• The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

• The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been disclosed and accounting estimates are on the basis of prudent and reasonable judgment.

• Financial statements have been prepared by the Company in accordance with the International Accounting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.

• The system of internal control is sound and is being implemented and monitored. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

• The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.

• Key operating and financial data for the last six years in summarized form, is included in this annual report.

• There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2012, except as those disclosed in the financial statements.

The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on 31 December 2012 is as follows:

	(Rupees in '000)
Provident Fund	580,133
Gratuity Fund	110,240

• During the year under review, four meetings of the Board of Directors were held. The position of attendance is given below:-

Name of Director	No. of meetings held during the tenure of the director	No. of meetings attended
Umer Mansha	4	4
Ahmed Ebrahim Hasham	4	3
Ali Munir	4	3
Fredrik Coenrard de Beer	4	3
Ibrahim Shamsi	4	3
Kamran Rasool	4	4
Khalid Qadeer Qureshi (Resigned 13-7-2012)	2	-
Manzar Mushtaq	4	4
Muhammad Umar Virk	4	3
Muhammad Usman Ali Usmani (Resigned 21-12-2012)	4	4
S.M Jawed	4	
Shahid Malik (Appointed 25-10-2012)	-	-
Imran Maqbool (Appointed 21-12-2012)	-	-

Leave of absence was granted to the directors who could not attend the Board Meeting(s).

BOARD COMMITTEES

Audit Committee

The Audit Committee was established since the enforcement of Code of Corporate Governance in 2002. The terms of reference of the Committee are aligned with the Code.

The Committee consists of five members. During the year 2012, six meetings of the Committee were held and attended by the members as under:

Name of member	No. of meetings attended
Umer Mansha	6
Ahmed Ebrahim Hasham	3
Ali Munir	4
Ibrahim Shamsi	3
S.M. Jawed	5

Leave of absence was granted to the members who could not attend the meeting.

Human Resource & Remuneration Committee:

• The Human Resource Committee was in existence since 2007 but its name was changed to Human Resource and Remuneration Committee as referred in Code of Corporate Governance 2012. The Committee is responsible for the function laid down in Code.

• The Committee consists of four members.

• During the year one meeting of Human Resource and Remuneration Committee was held and was attended by Kamran Rasool and Manzar Mushtaq. Leave of absence was granted to Ibrahim Shamsi and Umer Mansha.

Underwriting, Claim Settlement, Re-Insurance & Co-Insurance Committees:

• The above referred three committees were formed as required under the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68 (I)/2003. The terms of reference are aligned with the Code.

• One meeting of each Committee was held during 2012 and attended by members as under:

UNDERWRITING COMMITTEE

Fredrik Coenrard de Beer
Manzar Mushtaq
Umer Mansha
Head Technical

CLAIMS SETTLEMENT COMMITTEE

Ahmed Ebrahim Hasham
Manzar Mushtaq
S.M. Jawed
Head Claim

REINSURANCE COMMITTEE & CO INSURANCE

Ali Munir
Manzar Mushtaq
Muhammad Umar Virk
Head Coinsurance
Head Reinsurance

Leave of absence was granted to the members who could not attend the meeting.

• Two directors have attended the training program of PICG up to 30 June 2012.

PATTERN OF SHAREHOLDING

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

Except as stated below, no trading in the shares of the Company was carried out by the Directors, CEO or executives and their spouses and minor children. Staff in the cadre of "Deputy General Manager" and above is included in "executive" as per threshold set by the Board of Directors.

Name of Director	Shares purchased/ (sold) during the year
Ahmed Ebrahim Hasham	(35,000)
Shahid Malik	3,000
Kamran Rasool	3,000

STATUS OF PENDING INVESTMENT DECISIONS:

The decision to make investment in MCB Bank Ltd. and Adamjee Life Assurance Company Ltd. under the authority of a resolution passed on July 8, 2008 and May 31, 2012 respectively pursuant to provision of Section 208 of the Companies Ordinance 1984 was not implemented fully till the holding of subsequent general meeting. The status of decision is explained to members as under as required under Regulation 4(2) of SRO 27 (1) 2012 dated January 16, 2012.

MCB BANK LIMITED

Total investment approved	Rs. 6 billion
Amount of investment made to date	Rs. 2.49 billion

Reason for not having made complete investment so far:

The repealed SRO 865 (I)/2000 under which approval was taken had specified no time limit where as in SRO 27(1) validity period is twelve months from the approval date.

To meet the requirement of SRO 27(1) the members in EOGM dated May 31, 2012 have approved the remaining amount of Rs 3.51 billion to be invested within a period of three years i.e. upto May 31, 2015. The remaining amount will be invested when overall economic situation improves and share price would be attractive to buy.

Material change in financial statements:

a) Breakup value

2007	Rs. 54.31
2012	Rs. 95.84

b) EPS

2007	Rs. 18.26
2012	Rs. 22.77

ADAMJEE LIFE ASSURANCE COMPANY LIMITED

Total investment approved	Rs. 400,997,610
Amount of investment made to date	Rs. 200,498,800

The remaining investment shall be made within validity period of one year from the approval in terms of Regulation 8 (1) of SRO 27 (1).

Material change in financial statements:

a) Breakup value

2011	Rs. 3.23
2012	Rs. 3.15

b) EPS

2011	Rs. 0.35
2012	Rs. 0.13

AUDITORS

The auditors, M/s Riaz Ahmad & Company, Chartered Accountants being eligible, offer themselves for appointment. The Board of Directors on the suggestion of Audit Committee recommended the appointment of Riaz Ahmad & Company as statutory auditors till the conclusion of next AGM.

LOOKING FORWARD

The economic indicators such as inflation, CPI, fiscal deficit, industrial production and GDP together with structural issues such as worsening energy crisis are not expected to be dissimilar to 2012. Emphasis would be placed on effective risk management, prudent underwriting and improving claim management.

ACKNOWLEDGEMENT

The Company would like to thank the shareholders of the Company for the confidence they have shown in us. We express our sincere thanks to the employees, strategic partners, venders, suppliers and customers. We also appreciate the support and guidance provided by the State Bank of Pakistan and the Securities and Exchange and Commission of Pakistan.

On behalf of the Board

Manzar Mushtaq
Managing Director &
Chief Executive

Lahore: 21 March 2013

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

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

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

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

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 21 March 2013
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

Category	Names
Independent Directors	Ahmed Ebrahim Hasham Ibrahim Shamsi Muhammad Umar Virk S.M. Jawed
Executive Directors	Manzar Mushtaq
Non-Executive Directors	Ali Munir Fredrik Coenrard de Beer Imran Maqbool Kamran Rasool Shahid Malik Umar Mansha

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurring on the Board on 13 July 2012 and 21 December 2012 were filled up by the directors on 25 October 2012 and 21 December 2012. Consent of SECP was taken to fill casual vacancy after 90 days period.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board / shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Orientation Course:

   All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.

   Directors' Training Programs:

   Three (3) Directors of the Company are exempt due to 14 years of education and 15 years of experience on the Board of a listed Company.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit, has been made by the Board during the year.

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

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed Underwriting, Claim Settlement and Reinsurance Committee & Coinsurance.

16. The Board has formed an Audit Committee. It comprises 5 members, of whom 2 are non-executive directors and the chairman of the Committee is not an independent director and will be changed after next election of directors in line with requirements of CCG 2012.

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

18. The Board has formed a Human Resource and Remuneration Committee. It comprises of 4 members, of whom 2 are non-executive directors and the chairman of the Committee is a non-executive director.

19. The Board has outsourced the internal audit function to M/s A.F. Ferguson and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

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

22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

24. We confirm that all other material principles enshrined in the CCG have been complied with.

MANZAR MUSHTAQ
Managing Director & CEO

Lahore: 21 March 2013

UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated financial statements comprising of:

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

of ADAMJEE INSURANCE COMPANY LIMITED ("the Company") as at 31 December 2012 together with the notes forming part thereof, for the year then ended, in which are incorporated the results and balances of UAE branch, audited by another firm of auditors.

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

In our opinion:

a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the unconsolidated 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 changes referred to in Note 2.2.3 and 2.10 with which we concur;

c) the unconsolidated financial statements together with the notes thereon, present fairly, in all material respects, the state of the Company's affairs as at 31 December 2012 and of the 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 21 March 2013
KARACHI

UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Share capital and reserves			
Authorised share capital	3.1	**1,500,000**	1,500,000
Paid-up share capital	3.2	**1,237,045**	1,237,045
Retained earnings		**8,860,872**	8,422,236
Reserves	4	**1,441,879**	1,241,625
		10,302,751	9,663,861
TOTAL EQUITY		**11,539,796**	10,900,906
Underwriting provisions			
Provision for outstanding claims (including IBNR)	5	**6,361,653**	5,548,018
Provision for unearned premium		**3,961,293**	4,328,346
Commission income unearned		**313,279**	371,687
		10,636,225	10,248,051
Deferred liabilities			
Staff retirement benefits	6	**31,042**	22,011
Creditors and Accruals			
Premiums received in advance		**113,689**	80,142
Amounts due to other insurers / reinsurers		**496,887**	1,151,088
Accrued expenses		**117,593**	158,185
Other creditors and accruals	7	**1,611,386**	1,429,947
		2,339,555	2,819,362
Borrowings			
Liabilities against assets subject to finance lease	8	**24,987**	58,567
Other liabilities			
Unclaimed dividends		**35,558**	33,495
TOTAL LIABILITIES		**13,067,367**	13,181,486
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		**24,607,163**	24,082,392

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Cash and bank deposits	10		
Cash and other equivalents		**1,099**	21,566
Current and other accounts		**1,479,939**	1,415,207
Deposits maturing within 12 months		**1,026,373**	942,194
		2,507,411	2,378,967
Loans			
To employees	11	**12,791**	17,175
Investments	12	**9,948,294**	9,451,731
Deferred taxation		**241,171**	195,068
Current assets - others			
Premiums due but unpaid	13	**3,197,422**	3,568,167
Amounts due from other insurers / reinsurers	14	**591,566**	679,631
Salvage recoveries accrued		**169,671**	165,718
Premium and claim reserves retained by cedants		**23,252**	23,252
Accrued investment income	15	**20,329**	21,626
Reinsurance recoveries against outstanding claims	16	**4,330,229**	3,799,366
Taxation - payments less provision		**85,273**	7,501
Deferred commission expense		**422,203**	472,399
Prepayments	17	**1,734,149**	2,033,763
Sundry receivables	18	**205,751**	205,158
		10,779,845	10,976,581
Fixed assets - Tangible & Intangible	19		
Owned			
Land and buildings		**464,050**	271,731
Furniture and fixtures		**100,272**	59,855
Motor vehicles		**221,410**	211,173
Machinery and equipment		**97,717**	211,450
Computers and related accessories		**44,582**	50,475
Intangible asset - computer software		**45,336**	37,068
Capital work in progress - Tangible		**91,855**	133,378
		1,065,222	975,130
Leased			
Motor vehicles		**52,429**	87,740
TOTAL ASSETS		**24,607,163**	24,082,392

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2012	31 December 2011
		Rupees in thousand						
Revenue account								
Net premium revenue		894,243	608,630	2,743,847	1,425,257	-	**5,671,977**	6,983,344
Net claims-restated		(840,372)	(284,200)	(1,821,660)	(1,196,435)	-	**(4,142,667)**	(4,626,301)
Expenses-restated	20	(312,600)	(168,715)	(749,722)	(351,879)	-	**(1,582,916)**	(1,715,247)
Net commission		(49,504)	(89,695)	(220,923)	1,457	-	**(358,665)**	(476,262)
Underwriting result		(308,233)	66,020	(48,458)	(121,600)	-	**(412,271)**	165,534
Investment income							**1,331,791**	852,315
Rental income							**545**	657
Other income	21						**164,486**	156,618
							1,084,551	1,175,124
General and administration expenses-restated	22						**(415,204)**	(1,202,303)
Exchange gain							**2,792**	390
Finance charges on lease liabilities							**(5,581)**	(15,179)
Profit / (loss) before tax							**666,558**	(41,968)
Provision for taxation	23						**(42,365)**	174,145
Profit after tax							**624,193**	132,177
Balance at the commencement of the year							**8,422,236**	8,599,321
Profit after tax for the year							**624,193**	132,177
Final dividend for the year ended 31 December 2011: Nil (2010: Rupees 1.5/- per share)							**-**	(185,557)
Interim dividend @ 15% (Rupees 1.5/- per share) (2011: Rupee 1/- per share)							**(185,557)**	(123,705)
Balance unappropriated profit at the end of the year							**8,860,872**	8,422,236
							Rupees	Rupees
Earnings per share - basic and diluted (Note 24)							**5.05**	1.07

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2012	31 December 2011
	Rupees in thousand						
Revenue account							
Net premium revenue	874,970	589,514	1,444,412	1,404,068	-	**4,312,964**	5,879,544
Net claims-restated	(822,345)	(286,114)	(850,618)	(1,192,579)	-	**(3,151,656)**	(3,974,630)
Expenses-restated	(281,337)	(154,422)	(591,605)	(322,775)	-	**(1,350,139)**	(1,526,494)
Net commission	(56,646)	(88,024)	(103,046)	3,150	-	**(244,566)**	(379,102)
Underwriting result	(285,358)	60,954	(100,857)	(108,136)	-	**(433,397)**	(682)
Investment income						**1,331,791**	852,315
Rental income						**545**	657
Other income						**117,670**	120,809
						1,016,609	973,099
General and administration expenses-restated						**(349,600)**	(1,121,980)
Exchange gain						**2,628**	387
Finance charges on lease liabilities						**(5,581)**	(15,179)
Profit / (loss) before tax						**664,056**	(163,673)

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2012	31 December 2011
	Rupees in thousand						
Revenue account							
Net premium revenue	19,273	19,116	1,299,435	21,189	-	**1,359,013**	1,103,800
Net claims	(18,027)	1,914	(971,042)	(3,856)	-	**(991,011)**	(651,671)
Expenses-restated	(31,263)	(14,293)	(158,117)	(29,104)	-	**(232,777)**	(188,753)
Net commission	7,142	(1,671)	(117,877)	(1,693)	-	**(114,099)**	(97,160)
Underwriting result	(22,875)	5,066	52,399	(13,464)	-	**21,126**	166,216
Other income						**46,816**	35,809
						67,942	202,025
General and administration expenses-restated						**(65,604)**	(80,323)
Exchange gain						**164**	3
Profit before tax						**2,502**	121,705

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S. M. Jawed	Ibrahim Shamsi	Manzar Mushtaq
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Profit after tax for the year	**624,193**	132,177
Other comprehensive income:		
Effect of translation of net investment in foreign branches	**200,254**	77,987
Total comprehensive income for the year	**824,447**	210,164

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital	Capital Reserves				Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	
	Rupees in thousand							
Balance as at 31 December 2010 - restated	1,237,045	-	22,859	3,764	200,515	936,500	8,599,321	11,000,004
Comprehensive income for the year ended 31 December 2011								
Profit for the year ended 31 December 2011	-	-	-	-	-	-	132,177	132,177
Other comprehensive income	-	-	-	-	77,987	-	-	77,987
Total comprehensive income for the year	-	-	-	-	77,987	-	132,177	210,164
Final dividend for the year ended 31 December 2010 @ 15 % (Rupees 1.5/- per share)	-	-	-	-	-	-	(185,557)	(185,557)
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)
Balance as at 31 December 2011	1,237,045	-	22,859	3,764	278,502	936,500	8,422,236	10,900,906
Comprehensive income for the year ended 31 December 2012								
Profit for the year ended 31 December 2012	-	-	-	-	-	-	624,193	624,193
Other comprehensive income	-	-	-	-	200,254	-	-	200,254
Total comprehensive income for the year	-	-	-	-	200,254	-	624,193	824,447
Interim dividend @ 15% (Rupees 1.5/- per share)	-	-	-	-	-	-	(185,557)	(185,557)
Balance as at 31 December 2012	**1,237,045**	**-**	**22,859**	**3,764**	**478,756**	**936,500**	**8,860,872**	**11,539,796**

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Operating cash flows		
a) Underwriting activities		
Premiums received	**10,518,542**	11,537,144
Reinsurance premiums paid	**(5,103,176)**	(5,385,962)
Claims paid	**(6,359,925)**	(9,533,707)
Surrenders paid	**(55,257)**	(87,492)
Reinsurance and other recoveries received	**2,584,142**	5,018,915
Commissions paid	**(1,071,296)**	(1,286,828)
Commissions received	**771,617**	858,763
Other underwriting payments	**(1,158,268)**	(1,208,246)
Net cash flow from / (used in) underwriting activities	**126,379**	(87,413)
b) Other operating activities		
Income tax paid	**(89,755)**	(53,080)
General and other expenses paid	**(376,039)**	(601,280)
Loans disbursed	**(32,200)**	(26,652)
Loan repayments received	**30,600**	38,442
Other receipts	**35,647**	11,603
Net cash used in other operating activities	**(431,747)**	(630,967)
Total cash used in all operating activities	**(305,368)**	(718,380)
Investment activities		
Profit / return received	**111,089**	132,782
Dividends received	**793,094**	814,369
Payments for investments	**(4,708,134)**	(4,745,209)
Proceeds from disposal of investments	**4,711,049**	4,707,437
Fixed capital expenditure - Tangible assets	**(320,038)**	(258,534)
Fixed capital expenditure - Intangible assets	**(30,027)**	(5,673)
Proceeds from disposal of fixed assets	**57,530**	78,344
Rentals received	**545**	657
Income received on PIBs	**2,006**	9,136
Income received on treasury bills	**21,276**	-
Income received on TFCs	**18,079**	24,106
Total cash flow from investing activities	**656,469**	757,415
Financing activities		
Lease rentals paid	**(39,161)**	(64,249)
Dividends paid	**(183,496)**	(304,888)
Total cash used in financing activities	**(222,657)**	(369,137)
Net cash inflow / (outflow) from all activities	**128,444**	(330,102)
Cash at the beginning of the year	**2,369,891**	2,699,993
Cash at the end of the year	**2,498,335**	2,369,891

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	**(305,368)**	(718,380)
Depreciation expense	**(170,816)**	(182,942)
Provision for gratuity	**(9,031)**	(4,685)
Other income - bank deposits	**111,590**	121,534
Gain / (loss) on disposal of fixed assets	**18,973**	(23,871)
Provision for impairment on trackers	**(64,152)**	-
Finance charges on lease obligations	**(5,581)**	(15,179)
Rental income	**545**	657
Decrease in assets other than cash	**(314,818)**	(3,694,148)
(Increase) / decrease in liabilities other than running finance	**(363,224)**	2,909,432
	(1,101,882)	(1,607,582)
Others		
Profit on sale of investments	**143,391**	367,235
Amortization expense	**(21,759)**	(17,080)
Decrease in unearned premium	**367,053**	689,089
Increase / (decrease) in loans	**1,601**	(11,790)
Income tax paid	**89,755**	53,080
Profit on PIBs	**6,240**	7,846
Reversal / (provision) of impairment in value of investments	**355,742**	(361,960)
Dividend, investment and other income	**796,770**	806,031
Income on treasury bills	**12,246**	10,217
Income on TFCs	**17,401**	22,946
	1,768,440	1,565,614
Profit / (loss) before taxation	**666,558**	(41,968)

Definition of cash:

Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2011: Rupees 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2012	31 December 2011
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	**1,099**	21,566
Current and other accounts	**1,479,939**	1,415,207
Deposits maturing within 12 months	**1,017,297**	933,118
Total cash and cash equivalents	**2,498,335**	2,369,891

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2012	31 December 2011
	Rupees in thousand	
Operating cash flows		
a) Underwriting activities		
Premiums received	**8,740,647**	10,124,160
Reinsurance premiums paid	**(4,656,902)**	(4,868,293)
Claims paid	**(4,860,572)**	(8,367,130)
Surrenders paid	**(55,257)**	(87,492)
Reinsurance and other recoveries received	**1,918,057**	4,521,213
Commissions paid	**(893,354)**	(1,146,416)
Commissions received	**704,352**	786,144
Other underwriting payments	**(994,886)**	(1,173,206)
Net cash used in underwriting activities	**(97,915)**	(211,020)
b) Other operating activities		
Income tax paid	**(89,755)**	(53,080)
General and other expenses paid	**(307,636)**	(504,297)
Loans disbursed	**(23,735)**	(24,750)
Loan repayments received	**24,781**	34,689
Other receipts	**14,577**	3,749
Net cash used in other operating activities	**(381,768)**	(543,689)
Total cash used in all operating activities	**(479,683)**	(754,709)
Investment activities		
Profit / return received	**83,704**	105,649
Dividends received	**793,094**	814,369
Payments for investments	**(4,708,134)**	(4,745,209)
Proceeds from disposal of investments	**4,711,049**	4,707,437
Fixed capital expenditure - Tangible assets	**(236,866)**	(121,669)
Fixed capital expenditure - Intangible assets	**(30,027)**	(5,673)
Proceeds from disposal of fixed assets	**56,961**	78,344
Rentals received	**545**	657
Income received on PIBs	**2,006**	9,136
Income received on Treasury Bills	**21,276**	-
Income received on TFCs	**18,079**	24,106
Total cash flow from investing activities	**711,687**	867,147
Financing activities		
Lease rentals paid	**(39,161)**	(64,249)
Dividends paid	**(183,496)**	(304,888)
Total cash used in financing activities	**(222,657)**	(369,137)
Net cash inflow / (outflow) from all activities	**9,347**	(256,699)
Cash at the beginning of the year	**1,279,772**	1,536,471
Cash at the end of the year	**1,289,119**	1,279,772

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2012	31 December 2011
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	**(479,683)**	(754,709)
Depreciation expense	**(160,161)**	(179,855)
Other income - bank deposits	**83,486**	93,627
Loss on disposal of fixed assets	**(21,167)**	(23,871)
Provision for impairment on trackers	**(64,152)**	-
Finance charges on lease obligations	**(5,581)**	(15,179)
Rental income	**545**	657
Decrease in assets other than cash	**(681,815)**	(4,047,180)
Decrease in liabilities other than running finance	**98,337**	3,195,239
	(1,187,857)	(1,731,271)
Others		
Profit on sale of investments	**143,391**	367,235
Amortization expense	**(21,759)**	(17,080)
Decrease in unearned premium	**453,406**	689,222
Decrease in loans	**(1,279)**	(9,939)
Income tax paid	**89,755**	53,080
Profit on PIBs	**6,240**	7,846
Reversal / (provision) of impairment in value of investments	**355,742**	(361,960)
Dividend, investment and other income	**796,770**	806,031
Income on Treasury Bills	**12,246**	10,217
Income on TFCs	**17,401**	22,946
	1,851,913	1,567,598
Profit / (loss) before taxation	**664,056**	(163,673)

Definition of cash:

Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2011: Rupees 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2012	31 December 2011
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	**835**	21,322
Current and other accounts	**1,283,549**	1,254,451
Deposits maturing within 12 months	**4,735**	3,999
Total cash and cash equivalents	**1,289,119**	1,279,772

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2012	31 December 2011
	Rupees in thousand	
Operating cash flows		
a) Underwriting activities		
Premiums received	**1,777,895**	1,412,984
Reinsurance premiums paid	**(446,274)**	(517,669)
Claims paid	**(1,499,353)**	(1,166,577)
Reinsurance and other recoveries received	**666,085**	497,702
Commissions paid	**(177,942)**	(140,412)
Commissions received	**67,265**	72,619
Other underwriting payments	**(163,382)**	(35,040)
Net cash flow from underwriting activities	**224,294**	123,607
b) Other operating activities		
General and other expenses paid	**(68,403)**	(96,983)
Loans disbursed	**(8,465)**	(1,902)
Loan repayments received	**5,819**	3,753
Other receipts	**21,070**	7,854
Net cash used in other operating activities	**(49,979)**	(87,278)
Total cash flow from all operating activities	**174,315**	36,329
Investment activities		
Profit / return received	**27,385**	27,133
Dividends received	**-**	-
Payments for investments	**-**	-
Proceeds from disposal of investments	**-**	-
Fixed capital expenditure - Tangible assets	**(83,172)**	(136,865)
Fixed capital expenditure - Intangible assets	**-**	-
Proceeds from disposal of fixed assets	**569**	-
Rentals received	**-**	-
Income received on PIBs	**-**	-
Income received on Treasury Bills	**-**	-
Income received on TFCs	**-**	-
Total cash used in investing activities	**(55,218)**	(109,732)
Financing activities		
Lease rentals paid	**-**	-
Dividends paid	**-**	-
Total cash flow from financing activities	**-**	-
Net cash inflow / (outflow) from all activities	**119,097**	(73,403)
Cash at the beginning of the year	**1,090,119**	1,163,522
Cash at the end of the year	**1,209,216**	1,090,199

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2012	31 December 2011
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	**174,315**	36,329
Depreciation expense	**(10,655)**	(3,087)
Provision for gratuity	**(9,031)**	(4,685)
Other income - bank deposits	**28,104**	27,907
Loss on disposal of fixed assets	**(2,194)**	-
Provision for impairment on trackers	**-**	-
Finance charges on lease obligations	**-**	-
Rental income	**-**	-
Increase in assets other than cash	**366,997**	353,032
Increase in liabilities other than running finance	**(461,561)**	(285,807)
	85,975	123,689
Others		
Profit on sale of investments	**-**	-
Amortization expense	**-**	-
Increase in unearned premium	**(86,353)**	(133)
Increase / (decrease) in loans	**2,880**	(1,851)
Income tax paid	**-**	-
Profit on PIBs	**-**	-
Reversal for diminution in value of investments	**-**	-
Dividend, investment and other income	**-**	-
Income on Treasury Bills	**-**	-
Income on TFCs	**-**	-
	(83,473)	(1,984)
Profit before taxation	**2,502**	121,705

Definition of cash:

Cash comprises cash in hand, bank balances excluding Rupees Nil (2011: Rupees Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2012	31 December 2011
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	**264**	244
Current and other accounts	**196,390**	160,756
Deposits maturing within 12 months	**1,012,562**	929,119
Total cash and cash equivalents	**1,209,216**	1,090,119

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	S. M. Jawed	Ibrahim Shamsi	Manzar Mushtaq
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	4,003,625	2,163,408	1,858,769	4,308,264	3,179,198	1,611,865	1,377,042	3,414,021	**894,243**	1,203,286
Marine, aviation and transport	837,109	68,692	66,461	839,340	198,994	44,694	12,978	230,710	**608,630**	912,455
Motor	2,983,192	1,589,761	1,489,035	3,083,918	301,105	146,530	107,564	340,071	**2,743,847**	2,974,057
Miscellaneous	2,234,947	506,485	547,028	2,194,404	771,146	156,464	158,463	769,147	**1,425,257**	1,893,546
Total	10,058,873	4,328,346	3,961,293	10,425,926	4,450,443	1,959,553	1,656,047	4,753,949	**5,671,977**	6,983,344
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	10,058,873	4,328,346	3,961,293	10,425,926	4,450,443	1,959,553	1,656,047	4,753,949	**5,671,977**	6,983,344

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2012

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		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	3,884,934	2,123,552	1,802,996	4,205,490	3,080,562	1,580,252	1,330,294	3,330,520	**874,970**	1,184,133
Marine, aviation and transport	816,804	59,728	62,059	814,473	194,457	40,746	10,244	224,959	**589,514**	869,401
Motor	1,299,140	774,385	601,815	1,471,710	27,448	448	598	27,298	**1,444,412**	1,953,476
Miscellaneous	2,187,094	485,390	522,777	2,149,707	744,321	146,542	145,224	745,639	**1,404,068**	1,872,534
Total	8,187,972	3,443,055	2,989,647	8,641,380	4,046,788	1,767,988	1,486,360	4,328,416	**4,312,964**	5,879,544
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	8,187,972	3,443,055	2,989,647	8,641,380	4,046,788	1,767,988	1,486,360	4,328,416	**4,312,964**	5,879,544

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	118,691	39,856	55,773	102,774	98,636	31,613	46,748	83,501	**19,273**	19,153
Marine, aviation and transport	20,305	8,964	4,402	24,867	4,537	3,948	2,734	5,751	**19,116**	43,054
Motor	1,684,052	815,376	887,220	1,612,208	273,657	146,082	106,966	312,773	**1,299,435**	1,020,581
Miscellaneous	47,853	21,095	24,251	44,697	26,825	9,922	13,239	23,508	**21,189**	21,012
Total	1,870,901	885,291	971,646	1,784,546	403,655	191,565	169,687	425,533	**1,359,013**	1,103,800
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	1,870,901	885,291	971,646	1,784,546	403,655	191,565	169,687	425,533	**1,359,013**	1,103,800

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Total 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		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	2,174,748	2,436,459	2,884,545	2,622,834	1,545,927	1,906,386	2,142,921	1,782,462	**840,372**	655,775
Marine, aviation and transport	328,104	307,593	269,872	290,383	34,033	155,223	127,373	6,183	**284,200**	494,320
Motor	2,377,006	1,725,349	2,012,919	2,664,576	587,542	1,204,860	1,460,234	842,916	**1,821,660**	1,877,811
Miscellaneous	1,480,067	1,058,285	1,173,985	1,595,767	328,575	698,615	769,372	399,332	**1,196,435**	1,598,395
Total	6,359,925	5,527,686	6,341,321	7,173,560	2,496,077	3,965,084	4,499,900	3,030,893	**4,142,667**	4,626,301
Treaty										
Proportional	-	20,332	20,332	-	-	-	-	-	**-**	-
Total	-	20,332	20,332	-	-	-	-	-	**-**	-
Grand Total	6,359,925	5,548,018	6,361,653	7,173,560	2,496,077	3,965,084	4,499,900	3,030,893	**4,142,667**	4,626,301

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total 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		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	2,077,986	2,388,840	2,816,319	2,505,465	1,464,495	1,860,429	2,079,054	1,683,120	**822,345**	653,141
Marine, aviation and transport	323,405	296,050	262,210	289,565	31,301	155,223	127,373	3,451	**286,114**	488,982
Motor	1,001,271	392,635	265,637	874,273	22,324	42,700	44,031	23,655	**850,618**	1,236,340
Miscellaneous	1,457,909	1,056,985	1,173,464	1,574,388	311,034	698,226	769,001	381,809	**1,192,579**	1,596,167
Total	4,860,571	4,134,510	4,517,630	5,243,691	1,829,154	2,756,578	3,019,459	2,092,035	**3,151,656**	3,974,630
Treaty										
Proportional	-	20,332	20,332	-	-	-	-	-	**-**	-
Total	-	20,332	20,332	-	-	-	-	-	**-**	-
Grand Total	4,860,571	4,154,842	4,537,962	5,243,691	1,829,154	2,756,578	3,019,459	2,092,035	**3,151,656**	3,974,630

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Total 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		31 December 2012	31 December 2011
	Rupees in thousand									
Direct and facultative										
Fire and property damage	96,762	47,619	68,226	117,369	81,432	45,957	63,867	99,342	**18,027**	2,634
Marine, aviation and transport	4,699	11,543	7,662	818	2,732	-	-	2,732	**(1,914)**	5,338
Motor	1,375,735	1,332,714	1,747,282	1,790,303	565,218	1,162,160	1,416,203	819,261	**971,042**	641,471
Miscellaneous	22,158	1,300	521	21,379	17,541	389	371	17,523	**3,856**	2,228
Total	1,499,354	1,393,176	1,823,691	1,929,869	666,923	1,208,506	1,480,441	938,858	**991,011**	651,671
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	1,499,354	1,393,176	1,823,691	1,929,869	666,923	1,208,506	1,480,441	938,858	**991,011**	651,671

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2012	31 December 2011
	Rupees in thousand								
Direct and facultative									
Fire and property damage	638,872	270,645	252,708	656,809	312,600	969,409	607,305	**362,104**	461,813
Marine, aviation and transport	78,893	14,189	(5,160)	98,242	168,715	266,957	8,547	**258,410**	352,627
Motor	253,531	134,109	118,926	268,714	749,722	1,018,436	47,791	**970,645**	982,246
Miscellaneous	167,198	53,456	55,729	164,925	351,879	516,804	166,382	**350,422**	394,823
Total	1,138,494	472,399	422,203	1,188,690	1,582,916	2,771,606	830,025	**1,941,581**	2,191,509
Treaty									
Proportional	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	**-**	-
Grand Total	1,138,494	472,399	422,203	1,188,690	1,582,916	2,771,606	830,025	**1,941,581**	2,191,509

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2012	31 December 2011
	Rupees in thousand								
Direct and facultative									
Fire and property damage	621,095	265,139	243,588	642,646	281,337	923,983	586,000	**337,983**	437,832
Marine, aviation and transport	75,725	14,003	(5,486)	95,214	154,422	249,636	7,190	**242,446**	334,747
Motor	83,972	64,097	43,949	104,120	591,605	695,725	1,074	**694,651**	763,385
Miscellaneous	162,420	51,942	53,544	160,818	322,775	483,593	163,968	**319,625**	369,632
Total	943,212	395,181	335,595	1,002,798	1,350,139	2,352,937	758,232	**1,594,705**	1,905,596
Treaty									
Proportional	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	**-**	-
Grand Total	943,212	395,181	335,595	1,002,798	1,350,139	2,352,937	758,232	**1,594,705**	1,905,596

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					31 December 2012	31 December 2011
	Rupees in thousand								
Direct and facultative									
Fire and property damage	17,777	5,506	9,120	14,163	31,263	45,426	21,305	**24,121**	23,981
Marine, aviation and transport	3,168	186	326	3,028	14,293	17,321	1,357	**15,964**	17,880
Motor	169,559	70,012	74,977	164,594	158,117	322,711	46,717	**275,994**	218,861
Miscellaneous	4,778	1,514	2,185	4,107	29,104	33,211	2,414	**30,797**	25,191
Total	195,282	77,218	86,608	185,892	232,777	418,669	71,793	**346,876**	285,913
Treaty									
Proportional	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	**-**	-
Grand Total	195,282	77,218	86,608	185,892	232,777	418,669	71,793	**346,876**	285,913

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Income from non-trading investments			
Available-for-sale			
Return on Term Finance Certificates		**17,401**	22,946
Return on Treasury Bills		**12,246**	10,217
Return on Pakistan Investments Bonds		**6,240**	7,846
Dividend income			
- associated undertakings		**503,166**	577,720
- others		**293,604**	228,311
		796,770	806,031
		832,657	847,040
Gain on sale of 'available-for-sale' investments			
- associated undertakings		**108,771**	17,563
- others		**34,621**	349,672
		143,392	367,235
		976,049	1,214,275
Reversal of / (provision for) impairment in value of 'available-for-sale' investment	12.2	**355,742**	(361,960)
Investment related expenses		**-**	-
Net investment income		**1,331,791**	852,315

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. THE COMPANY AND ITS OPERATIONS

Adamjee Insurance Company Limited (the Company) is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company is listed on all the stock exchanges in Pakistan and is engaged in the non-life insurance business.

The registered office of the Company is situated at Islamabad Stock Exchange Building, Islamabad.

1.1 The Company also operates branches in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in “run-off” status with effect from 01 October 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

a) Statement of compliance

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

The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale investments" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these unconsolidated financial statements. The effect of such departure from the requirements of IAS - 39 is disclosed in Note 12.1.

b) Basis of presentation

These financial statements represent separate unconsolidated financial statements of Adamjee Insurance Company Limited, prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The consolidated financial statements of the group are issued separately.

c) Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow information.

d) Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical 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 recognized 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements or judgment was exercised in application of accounting policies, are as follows:

i) Provision for outstanding claims including claims incurred but not reported (IBNR)

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

ii) Provision for taxation including the amount relating to tax contingency

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iii) Provision for doubtful receivables

The receivable balances are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

iv) Useful lives, patterns of economic benefits and impairments - Fixed assets

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of fixed assets with a corresponding effect on the depreciation charge and impairment.

v) Defined benefit plans

The actuarial calculations are involved in the working of provision for defined benefit plans that are based on certain actuarial assumptions.

vi) Classification of investments

The Company classifies its investments into "available-for-sale" category. The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

Revisions to accounting estimates are recognized in the year in which estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

e) Functional and presentation currency

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

f) Standards, interpretations and amendments to published approved standards that are effective in current year and are relevant to the Company

The following standards, amendments and interpretations are effective for the year ended 31 December 2012. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

- Amendments to IAS 12 - Income Taxes - Deferred Tax Recovery of Underlying Assets

This amendment is effective for the accounting periods beginning on or after 01 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of Financial Assets

The IASB issued an amendment to IFRS 7 on 07 October 2010 which is effective from the accounting periods beginning on or after 01 July 2011. The amendment provides enhanced disclosures for transferred financial assets that are derecognized in their entirety and transferred assets that are not recognized in their entirety.

g) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

- Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

This amendment is effective for the accounting periods beginning on or after 01 January 2013. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

- Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is of the previous period.

- Amendments to IAS 16 - Property, Plant and Equipment - Classification of Servicing Equipment

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- Amendments to IAS 32 - Financial Instruments: Presentation - Tax Effects of Distributions to Holders of an Equity Instrument, and Transaction Costs of an Equity Transaction

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

- Amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

This amendment is effective for the accounting periods beginning on or after 01 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set off." It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

- Amendments to IAS 34 - Interim Financial Reporting - Interim Reporting of Segment Information for Total Assets and Total Liabilities

This amendment is effective for the accounting periods beginning on or after 01 January 2013. The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

- Amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments are effective for the accounting periods beginning on or after 01 January 2013. These amendments require an entity to disclose information about rights to set off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 - 'Financial Instruments Presentation'. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

- **Amendments to IAS 19 - Employee Benefits : Elimination of Corridor Approach**

The amendments to IAS 19 - 'Employee Benefits' are effective for annual periods beginning on or after 01 January 2013. The amendments eliminate the corridor approach and therefore requires an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual periods beginning on or after 01 January 2013, and the application of amendments may have an impact on amounts reported in respect of defined benefit plans.

The management of the Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 - 'Employee Benefits'.

The adoption of the said amendment in IAS 19 - 'Employee Benefits' will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 2.3.2 (a) to the financial statements. The unrecognized actuarial gain as at 31 December 2012 is Rupees 54 million. The actuarial gains / (losses) for the year 2013 will only be determined at the year end.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

- IAS 27 (Revised 2011) - Separate Financial Statements due to Non adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to Non adoption of IFRS 10 and IFRS 11

i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Company

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

2.2 Insurance contracts

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

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

Insurance contracts issued by the company are generally classified in four basic categories i.e. Fire and Property, Marine, aviation and transport, Motor and Miscellaneous and are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor's all risk, erection all risk, machinery breakdown and boiler damage etc.

- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel etc.

- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel, crop and health etc.

In addition to direct insurance, the Company also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

2.2.1 Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry as follows:

(a) For direct business, evenly over the period of the policy;
(b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge is recognized as premium at the time the policies are written.

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

- for marine cargo business and for motor business in the UAE branches, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and

- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

The unearned portion of Accident and Health insurance, that is included in Miscellaneous category, is determined in accordance with the actuary’s advice.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

2.2.2 Reinsurance ceded

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

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in 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 contract are not offset against expenses or income from related insurance assets.

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

The Company assesses its reinsurance assets for impairment on reporting 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 recognizes the impairment loss in the profit and loss account.

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

2.2.3 Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Provisions for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually incurred subsequent to the balance sheet date. The company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

period. Provision for IBNR claims pertaining to Accident and Health insurance, that is included in Miscellaneous category, is determined on actuary's advice.

Previously, trackers' monitoring charges were also included in the claims. From the current year, these costs are taken to the management expenses.

This change has no financial effect on the current, previous and future years' profitability and earnings per share since this change relates to presentation and disclosure aspects only. Reclassification of expenses due to this change is disclosed in Note 35.

2.2.4 Reinsurance recoveries against outstanding claims

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

2.2.5 Commission expense and other acquisition costs

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Other acquisition costs are charged to profit and loss account at the time the policies are accepted.

2.2.6 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the reporting date.

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

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

	2012	2011
Fire and property damage	**78.93%**	67.59%
Marine, aviation and transport	**53.75%**	51.57%
Motor	**66.17%**	67.46%
Miscellaneous	**78.72%**	76.89%

Provision for premium deficiency pertaining to Accident and Health insurance business included in Miscellaneous class of business is determined on actuary's advice.

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

2.3 Staff retirement benefits

2.3.1 Defined contribution plan

The Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Company and the employees at the rate of 8.33% of basic salary.

2.3.2 Defined benefit plans

The Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are amortized over the expected future service of the current members. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements based on management's best estimate of the liability in respect of such scheme.

2.4 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 11.5% (2011: 13%) and assumes a salary increase average of 9.5% (2011: 10.75%) in the long term.

2.5 Creditors, accruals and provisions

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

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and, 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 reviewed at each reporting date and adjusted to reflect the current best estimate.

2.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank deposits and excludes bank balances held under lien.

2.7 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include any transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

The above investments are classified as 'available-for-sale'.

Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the reporting date to determine the market value of its quoted investments. The Company uses appropriate valuation techniques to estimate the fair value of unquoted investments in delisted / unlisted companies. Such valuation is obtained from independent valuers. If such estimated fair value is lesser than the cost, the Company recognizes the impairment adjustments.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

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2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

2.9 Fixed assets

2.9.1 Tangible

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Freehold land and capital work-in-progress are carried at cost less impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future 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 costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are taken to profit and loss account.

2.9.2 Intangible

These are stated at cost less accumulated amortization and any provision for impairment.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to

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flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each reporting date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

2.10 Expenses of management

This year, expenses of management both direct and indirect were allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as General and administration expenses.

Previously, indirect expenses were being allocated to various classes of business on the basis of net premium revenue. This change has no financial effect on the current, previous and future years' profitability and earnings per share since this change relates to presentation and disclosure aspects only. Reclassification of expenses due to this change is disclosed in Note 35.

2.11 Investment income

From available-for-sale investments

- **Return on fixed income securities**

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

- **Dividend**

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

- **Gain / loss on sale of available-for-sale investments**

  Gain / loss on sale of available-for-sale investments is recognized in profit and loss account in the year of sale.

- **Return on Term Finance Certificates**

  The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized uniformly and taken to the profit and loss account over the term of the investment.

2.12 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the reporting date. The results of foreign branches are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Company's net investment in foreign branches, which are taken to the capital reserves (exchange translation reserve).

2.13 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged,

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cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account.

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.14 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.15 Off setting of financial assets and financial liabilities

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

2.16 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 ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profits.

2.17 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the

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operating segments.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

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

2.19 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.20 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

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3. SHARE CAPITAL

3.1 Authorized share capital

31 December 2012	31 December 2011		31 December 2012	31 December 2011
Number of shares			Rupees in thousand	
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	**1,500,000**	1,500,000

3.2 Paid-up share capital

Issued, subscribed and fully paid:

31 December 2012	31 December 2011		31 December 2012	31 December 2011
Number of shares			Rupees in thousand	
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
123,454,544	123,454,544	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,234,545**	1,234,545
123,704,544	123,704,544		**1,237,045**	1,237,045

3.3 As at 31 December 2012, MCB Bank Limited, Nishat Mills Limited, D.G. Khan Cement Company Limited and Pakistan Molasses Company (Pvt.) Limited, associated undertakings, held 36,338,092 (2011: 36,338,092), 36,337 (2011: 36,337), NIL (2011: 3,541,391), and NIL (2011: 60,000),ordinary shares of Rupees 10 each, respectively.

4. RESERVES

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**478,756**	278,502
		505,379	305,125
Revenue reserve			
General reserve		**936,500**	936,500
		1,441,879	1,241,625

4.1 The reserve for exceptional losses represents the amount set aside in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses.

4.2 This amount has been set aside in prior years for utilization against possible diminution in the value of investments.

4.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since these carry on their business in AED and US Dollars, respectively.

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5. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)	31 December 2012	31 December 2011
	Rupees in thousand	
Related parties	283,240	187,035
Others	6,078,413	5,360,983
	6,361,653	5,548,018

6. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity

Present value of defined benefit obligation at the beginning of the year	22,011	17,326
Charge for the year	7,989	4,688
	30,000	22,014
Gratuity paid	(1,014)	(930)
Exchange loss	2,056	927
Present value of defined benefit obligation at the end of the year	31,042	22,011

6.1 The above provision relates to the Company's operations in UAE branches. Actuarial valuation was carried out as at 31 December 2012. Previously actuarial valuation was not obtained considering the liability to be insignificant. The following significant assumptions have been used for valuation of this scheme:

	Rate per annum	
	2012	2011
- Valuation discount rate	4.50%	-
- Expected rate of increase in salary level	5.00%	-

6.2 The amounts charged in profit and loss are as follows:	31 December 2012	31 December 2011
	Rupees in thousand	
Current service cost	6,740	3,955
Interest on obligation	1,249	733
Expense for the year	7,989	4,688

7. OTHER CREDITORS AND ACCRUALS	Note		
Cash margin against performance bonds		651,492	612,067
Sundry creditors		161,164	137,679
Commission payable		598,594	531,396
Workers' welfare fund		100,942	11,762
Federal insurance fee		35,809	35,471
Federal excise duty		51,044	101,572
Payable to Employees' Provident Fund	7.1	958	-
Staff Gratuity Fund	18.1.1	11,383	-
		1,611,386	1,429,947

7.1 During the year, an amount of Rupees 20.791million (2011: Rupees 21.666 million) has been charged to the profit and loss account in respect of the Company's contributions to the Employees' Provident Fund.

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	31 December 2012	31 December 2011
	Rupees in thousand	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	24,987	58,567
8.1 Minimum lease payments		
Not later than 1 year	17,831	27,809
Later than 1 year and not later than 5 years	9,463	42,056
	27,294	69,865
Future finance charges on finance lease	(2,307)	(11,298)
Present value of finance lease liability	24,987	58,567
8.2 Present value of finance lease liabilities		
Not later than 1 year	15,547	20,904
Later than 1 year and not later than 5 years	9,440	37,663
	24,987	58,567

8.3 The above represents finance lease entered into with leasing companies for motor vehicles. The liability is payable by October 2014 in quarterly installments and is secured against respective vehicles and security deposits.

8.4 Lease payments bear variable mark-up rates including finance charges at 3 months KIBOR + 2% to 2.5% per annum. KIBOR is determined on quarterly basis.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

The income tax assessments of the Company have been finalized up to and including the tax year 2012. However, the Company has filed appeals in respect of certain assessment years mainly on account of the following:

i) The Deputy Commissioner Inland Revenue (DCIR) has finalized assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIR amounted to Rupees 48.205 million against which the Company has made a total provision of Rupees 44.141 million resulting in a shortfall of Rupees 4.064 million. The Company filed appeals with the Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR) which were decided against the Company. Consequently, the Company has filed an appeal before the Honorable High Court of Sindh and the petition is fixed for regular hearing.

ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the Company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner Inland Revenue (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Company but the Tax Department had filed an appeal before the ATIR against the order of the Additional Commissioner, which has been decided in favour of the Company. However, the Company received another notice from Additional Commissioner for reassessment of the case in response to which the Company has filed a constitutional petition in Honorable High Court of Sindh against such notice.

iii) While finalizing the assessment for the assessment year 2002-2003, DCIR has reduced the business loss for the year by Rupees 88.180 million by adjusting the dividend income against this loss. The Company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the Company in this respect have been rejected by the Commissioner Inland Revenue (Appeals), the ATIR and the Honorable High Court of Sindh. The Company has filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favor of the Company and has consequently not made any provision against the additional tax liability of Rupees 26.455 million which may arise in this respect.

iv) The Tax Authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the Company has not apportioned management and general administration expenses against capital gain and dividend income. The Company has filed constitutional petition in the Honorable High Court of Sindh against the amendment in the assessment order. The Company may be liable to pay Rupees 5.881 million in the event of decision against the Company, out of which Rupees 2.727 million have been provided resulting in a shortfall of Rupees 3.154 million.

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v) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rupees 38.358 million. An appeal was filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Company has filed an appeal before the ATIR which is yet to be heard.

vi) The Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Amongst others, the Additional Commissioner raised an issue with respect to the claim of exemption claimed on capital gains on listed securities by way of incorrect application of the provisions of law. The Company preferred to contest this matter by way of filling a constitutional petition before the Honorable High Court of Sindh. The Court has ordered for stay of proceedings.

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rupees 86.938 million (2011: 86.938 million) as the management is confident that the eventual outcome of the above matters will be in favor of the Company.

9.2 Commitments

There were no capital or other commitments as at 31 December 2012 (2011: Nil).

10. CASH AND BANK DEPOSITS	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Cash and other equivalents			
Cash in hand		**1,099**	1,817
Cheques in transit		**-**	19,749
		1,099	21,566
Current and other accounts			
Current accounts		**212,465**	239,015
Savings accounts		**1,267,474**	1,176,192
		1,479,939	1,415,207
Deposits maturing within 12 months			
Fixed and term deposits	10.1	**1,026,373**	942,194
		2,507,411	2,378,967

10.1 These include fixed deposits amounting to Rupees 180.545 million (AED 6.844 million) [2011: 166.947 million (AED 6.844 million)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rupees 9.076 million (2011: Rupees 9.076 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company.

10.2 Cash and bank deposits include an amount of Rupees 663.460 million (2011: Rupees 745.929 million) held with related parties.

11. LOANS - considered good	Note	31 December 2012	31 December 2011
Secured			
Executives	11.2	**6,700**	3,273
Employees	11.2	**22,865**	24,691
		29,565	27,964
Less: Recoverable within one year shown under sundry receivables			
Executives	18	**5,985**	1,311
Employees	18	**10,789**	9,478
		16,774	10,789
		12,791	17,175

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11.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2011: 5%) per annum.

11.2 Reconciliation of carrying amount of loans

	2012			2011		
	Executives	Others	Total	Executives	Others	Total
	Rupees in thousand					
Opening balance	**3,274**	**24,691**	**27,965**	4,108	35,646	39,754
Disbursements	**12,861**	**19,339**	**32,200**	4,270	22,382	26,652
Repayments	**(9,435)**	**(21,165)**	**(30,600)**	(5,105)	(33,337)	(38,442)
Closing balance	**6,700**	**22,865**	**29,565**	3,273	24,691	27,964

12. INVESTMENTS	Note	31 December 2012	31 December 2011
	12.3	Rupees in thousand	
In related parties			
Available-for-sale			
Marketable securities			
Listed		**6,333,561**	6,441,183
Less: Provision for impairment in value of investments		**-**	(78,926)
		6,333,561	6,362,257
Unlisted		**412,796**	412,796
		6,746,357	6,775,053
Investment in Subsidiary - Adamjee Life Assurance Company Limited		**494,564**	294,065
Less: Provision for impairment in value of investment		**-**	(91,850)
		494,564	202,215
		7,240,921	6,977,268
Others			
Available-for-sale			
Marketable securities		**3,123,657**	3,075,713
Less: Provision for impairment in value of investments		**(416,284)**	(601,250)
		2,707,373	2,474,463
		9,948,294	9,451,731

12.1 On 31 December 2012, the fair value of available-for-sale securities was Rupees 13,188.693 million (2011: Rupees 9,556.734 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2012 would have been higher by Rupees 3,240.401 million (2011: higher by Rupees 105.003 million).

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12.2 Reconciliation of provision for impairment in value of investments

	31 December 2012	31 December 2011
	Rupees in thousand	
Opening provision	**772,026**	410,066
(Reversal) / Charge for the year	**(355,742)**	361,960
Closing provision	**416,284**	772,026

	Note	31 December 2012			31 December 2011
		Cost	Provision there against	Carrying Value	Carrying Value
		Rupees in thousand			
12.3 Available-for-sale					
In related parties:					
- Listed shares		**5,089,278**	**-**	**5,089,278**	5,010,352
- Unlisted shares		**412,796**	**-**	**412,796**	412,796
- Investment in Subsidiary - Adamjee Life Assurance Company Limited		**494,564**	**-**	**494,564**	202,215
- Mutual Fund Certificates		**1,244,283**	**-**	**1,244,283**	1,351,905
	12.3.1	**7,240,921**	**-**	**7,240,921**	6,977,268
Others:					
- Listed shares	12.3.2	**2,840,174**	**(415,986)**	**2,424,188**	2,182,894
- Term Finance Certificates	12.3.3	**108,076**	**(298)**	**107,778**	130,147
- Mutual Fund Certificates	12.3.4	**40,145**	**-**	**40,145**	36,041
- NIT Units		**161**	**-**	**161**	161
- Government treasury bills		**36,307**	**-**	**36,307**	105,456
- Pakistan Investment Bonds		**98,794**	**-**	**98,794**	19,764
		3,123,657	**(416,284)**	**2,707,373**	2,474,463
		10,364,578	**(416,284)**	**9,948,294**	9,451,731

No. of Shares / Certificates		Face value	Company's name	31 December 2012	31 December 2011
31 December 2012	31 December 2011	Rupees		Rupees in thousand	
12.3.1 Related parties				**Cost**	Cost
Listed Shares:					
1,258,650	1,258,650	10	Nishat Mills Limited [Equity held 0.36% (2011: 0.36%)]	**34,211**	34,211
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2011: 0.01%)]	**3,224**	3,224
28,641,486	26,037,715	10	MCB Bank Limited [Equity held 3.42% (2011: 3.42%)]	**4,691,395**	4,691,395
400,000	400,000	10	Hira Textile Mills Limited [Equity held 0.50% (2011: 0.50%)]	**5,000**	5,000
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.89% (2011: 6.89%)]	**355,448**	355,448
				5,089,278	5,089,278
Unlisted-shares					
27,624,635	27,624,635	10	Lalpir Power Limited [Equity held 8.00% (2011: 8.00%)]	**412,796**	412,796
				5,502,074	5,502,074
Investment in Subsidiary-unlisted					
49,456,373	29,406,493	10	Adamjee Life Assurance Limited [Equity held 67.20% (2011: 55.00%)]	**494,564**	294,065

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No. of Shares / Certificates		Face value	Company's name	31 December 2012	31 December 2011
31 December 2012	31 December 2011	Rupees		Rupees in thousand	
Mutual Fund Certificates				**Cost**	Cost
9,404,179	8,323,906	100	MCB Dynamic Cash Fund [Units held 10.16 % (2011: 15.69%)]	**847,504**	809,040
4,123,322	5,478,668	100	MCB Cash Management Optimizer Fund [Units held 4.89 % (2011: 7.27%)]	**396,779**	542,865
				1,244,283	1,351,905
12.3.2 Other - listed shares					
			Investment Bank/ Investment Companies / Security Companies		
2,310,840	2,310,840	10	Arif Habib Investments Limited	**47,086**	47,086
			Commercial Banks		
1,731,346	1,573,951	10	Allied Bank Limited	**75,492**	75,492
1,936,884	1,684,247	10	Askari Bank Limited	**71,871**	71,871
7,132,709	6,202,355	10	Bank Al-Habib Limited	**130,982**	130,982
322,628	293,299	10	Habib Bank Limited	**38,447**	38,447
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	**87,327**	87,327
6,059,957	5,509,052	10	National Bank of Pakistan	**319,034**	319,034
3,830,544	3,830,544	10	United Bank Limited	**296,886**	296,886
			Insurance		
3,000	15,375	10	EFU General Insurance Company Limited	**211**	1,081
305,188	305,188	10	IGI Insurance Limited	**22,888**	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,326**	6,326
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited	**3,913**	3,913
			Oil And Gas Marketing Companies		
-	110,000	10	Pakistan State Oil Company Limited	-	48,178
100,000	-	10	Attock Refinery Limited	**15,157**	-
2,011,905	2,011,905	10	Sui Northern Gas Pipelines Limited	**127,666**	127,666
			Oil And Gas Exploration Companies		
10,000	100,000	10	Oil and Gas Development Company Limited	**1,067**	10,671
488,785	483,585	10	Pakistan Oilfields Limited	**142,849**	140,624
1,510,958	1,208,766	10	Pakistan Petroleum Limited	**178,308**	178,308
			Engineering		
-	1,398,823	10	International Industries Limited	**-**	77,490
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	**43,030**	43,030
394,544	394,544	10	Millat Tractors Limited	**35,335**	35,335
			Cables And Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	**27,717**	27,717
148,131	171,930	10	Siemens (Pakistan) Engineering Company Limited	**116,770**	135,531
			Fertilizer		
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	**85,611**	85,611
3,889,140	2,763,199	10	Fauji Fertilizer Company Limited	**296,385**	243,440
			Pharmaceutical		
1,242,596	1,242,596	10	Abbott Laboratories Pakistan Limited	**151,883**	151,883
814,172	814,172	10	GlaxoSmithKline Pakistan Limited	**84,811**	84,811
			Chemical		
110,401	110,401	10	Clariant Pakistan Limited	**11,762**	11,762
-	41,400	10	ICI Pakistan Limited	**-**	8,561
968,000	880,000	10	Arif Habib Corporation Limited	**98,981**	98,981
			Food And Personal Care Products		
777,535	706,850	10	Murree Brewery Company Limited	**34,565**	34,565
32,783	32,783	10	Nestle Pakistan Limited	**18,980**	18,980
54,870	54,870	10	Rafhan Maize Products Limited	**44,644**	44,644
34,456	26,336	10	Unilever Pakistan Limited	**118,141**	35,847
			Cement		
2,707,944	1,407,944	10	D.G. Khan Cement Company Limited	**106,049**	38,878
				2,840,174	2,783,846

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No. of Shares / Certificates 31 December 2012	No. of Shares / Certificates 31 December 2011	Face value Rupees	Company's name	31 December 2012	31 December 2011
				Rupees in thousand	
				Cost	Cost
12.3.3 Others-Term Finance Certificates					
3,990	3,992	5,000	Allied Bank Limited (05/11/2006)	**19,952**	19,960
6,649	9,977	5,000	Bank Alfalah Limited (25/11/ 2005)	**33,245**	49,885
2,996	2,998	5,000	Bank Alfalah Limited (02/12/ 2009)	**14,982**	14,988
4,999	-	5,000	KESC AZM Certificate (12/11/2012)	**24,995**	-
-	998	5,000	Jahangir Siddiqui and Company Limited (21/11/ 2006)	**-**	4,991
-	167	5,000	Orix Leasing Pakistan Limited (25/05/ 2007)	**-**	833
998	2,995	5,000	Pakistan Mobile Communication Limited (31/05/ 2006)	**4,992**	14,976
984	1,970	5,000	Faysal Bank Limited (10/02/ 2005)	**4,922**	9,848
998	2,993	5,000	Soneri Bank Limited (05/05/2005)	**4,988**	14,964
				108,076	130,445
12.3.4 Others-Mutual Fund Certificates					
Open-Ended-Mutual Funds					
1,562,559	1,403,277	100	ABL Income Fund	**13,938**	10,000
7,405	6,835	500	Atlas Income Fund	**2,725**	2,725
35,254	-	100	KASB Cash Fund	**3,482**	-
279,805	244,386	100	Meezan Islamic Income Fund	**10,000**	10,000
1,303,057	1,172,613	100	NIT Government Bond Fund	**10,000**	10,000
-	31,737	100	Crosby Phoenix Fund	**-**	3,316
				40,145	36,041

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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		Note	31 December 2012	31 December 2011
			Rupees in thousand	
13.	**PREMIUMS DUE BUT UNPAID - Unsecured**			
	Considered good		**3,197,422**	3,568,167
	Considered doubtful		**359,147**	309,821
			3,556,569	3,877,988
	Less: Provision for doubtful balances	13.1	**(359,147)**	(309,821)
			3,197,422	3,568,167
13.1	**Reconciliation of provision for doubtful balances**			
	Opening provision		**309,821**	199,015
	Exchange loss		**8,426**	3,735
	Charge for the year		**40,900**	661,627
	Written off during the year		**-**	(554,556)
	Closing provision		**359,147**	309,821

13.2 Premiums due but unpaid include an amount of Rupees 556 million (2011: Rupees 534 million) held with related parties.

		Note	31 December 2012	31 December 2011
14.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured**			
	Considered good		**591,566**	679,631
	Considered doubtful		**326,327**	276,327
			917,893	955,958
	Less: Provision for doubtful balances	14.1	**(326,327)**	(276,327)
			591,566	679,631
14.1	**Reconciliation of provision for doubtful balances**			
	Opening provision		**276,327**	30,000
	Charge for the year		**50,000**	270,000
	Written off during the year		**-**	(23,673)
	Closing provision		**326,327**	276,327
15.	**ACCRUED INVESTMENT INCOME**			
	Return accrued on Term Finance Certificates		**1,564**	2,242
	Return accrued on Treasury Bills		**1,187**	10,217
	Return accrued on Pakistan Investment Bonds		**4,991**	757
	Dividend income			
	- associated undertakings		**-**	-
	- others		**6,840**	3,164
			6,840	3,164
	Return on deposit accounts			
	- associated undertakings		**-**	-
	- others		**5,747**	5,246
			5,747	5,246
			20,329	21,626

16. **REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**

These are unsecured and considered to be good.

		Note	31 December 2012	31 December 2011
17.	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		**1,656,047**	1,959,553
	Others		**78,102**	74,210
			1,734,149	2,033,763

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FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
18. SUNDRY RECEIVABLES			
Considered good			
Current portion of long-term loans			
Executives	11	**5,985**	1,311
Employees	11	**10,789**	9,478
Other advances		**131,849**	120,992
Staff Gratuity Fund	18.1.1	**-**	14,730
Security deposits		**21,085**	17,749
Stationery in hand		**-**	4,716
Receivable from Employees' Provident Fund		**-**	1,720
Sundry debtors		**29,251**	6,140
		198,959	176,836
Miscellaneous		**6,792**	28,322
		205,751	205,158

18.1 Staff Gratuity Fund

The Company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2012.

The following significant assumptions have been used for valuation of this scheme:

	Rate per annum	
	2012	2011
- Valuation discount rate	**11.50%**	13.00%
- Expected rate of increase in salary level	**9.50%**	10.75%
- Rate of return on plan assets	**11.50%**	13.00%

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

	31 December 2012	31 December 2011
	Rupees in thousand	
Present value of defined benefit obligation at the end of the year	**(194,589)**	(196,137)
Fair value of plan assets at the end of the year	**129,157**	145,205
	(65,432)	(50,932)
Net unrecognized actuarial losses	**54,049**	65,662
Net (liabilities) / assets	**(11,383)**	14,730

18.1.1 Amounts recognized in the balance sheet

Liabilities	**(11,383)**	-
Assets	**-**	14,730
Net assets	**(11,383)**	14,730

18.1.2 The amounts charged in profit and loss are as follows:

Current service cost	**15,848**	16,291
Interest on obligation	**23,427**	26,386
Expected return on plan assets	**(17,454)**	(20,300)
Curtailment cost	**-**	4,039
Actuarial losses recognized during the year	**4,292**	12,672
Expense for the year	**26,113**	39,088

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	31 December 2012	31 December 2011
	Rupees in thousand	
18.1.3 Actual return on plan assets	**16,819**	22,723

18.1.4 Changes in present value of the defined benefit obligation

	31 December 2012	31 December 2011
Present value of defined benefit obligation at the beginning of the year	**196,137**	215,970
Current service cost	**15,848**	16,291
Interest cost	**23,427**	26,386
Curtailment cost	**-**	4,039
Actuarial	**(7,956)**	(2,812)
Benefits paid	**(32,867)**	(63,737)
Present value of defined benefit obligation at the end of the year	**194,589**	196,137

18.1.5 Changes in the fair value of plan assets

	31 December 2012	31 December 2011
Fair value of plan assets at the beginning of the year	**145,205**	186,219
Expected return	**17,454**	20,300
Actuarial (loss) / gain	**(635)**	2,423
Benefits paid	**(32,867)**	(63,737)
Fair value of plan assets at the end of the year	**129,157**	145,205

18.1.6 Fund Investment

	31 December 2012		31 December 2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Government Bonds	**-**	-	9,872	6.80
Corporate Bonds	**24,908**	19.28	-	-
Shares and deposits	**97,327**	75.36	92,172	63.48
Unit Trusts	**9,536**	7.38	52,555	36.19
Creditors	**(2,614)**	(2.02)	(9,394)	(6.47)
	129,157	100	145,205	100

18.1.7 Amounts / percentages for the current and previous four periods

The Company amortizes gains and losses over the expected remaining service of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion resulting from experience gain during the year.

	2012	2011	2010	2009	2008
	Rupees in thousand				
Defined benefit obligation	**(194,589)**	(196,137)	(215,970)	(201,262)	(161,130)
Plan assets	**129,157**	145,205	186,219	223,237	250,143
(Deficit) / Surplus	**(65,432)**	(50,932)	(29,751)	21,975	89,013
Experience adjustments on plan liabilities	**-8%**	-1%	18%	25%	-10%
Experience adjustments on plan assets	**0%**	2%	-2%	-8%	-15%

19. FIXED ASSETS

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Owned assets - tangible	19.1	**928,031**	804,684
- intangible	19.1	**45,336**	37,068
		973,367	841,752
Leased assets	19.1	**52,429**	87,740
Capital work in progress	19.2	**91,855**	133,378
		1,117,651	1,062,870

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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19.1 The following is a statement of operating fixed assets:

	2012										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible	Total owned	Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software		Motor vehicles	Total leased	
	Rupees in thousand										
At 01 January 2012											
Cost	319,926	103,283	377,848	524,608	162,086	1,487,751	91,566	1,579,317	127,106	127,106	1,706,423
Accumulated depreciation / amortisation	48,195	43,428	166,675	313,158	111,611	683,067	54,498	737,565	39,366	39,366	776,931
Net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
Year ended 31 December 2012											
Opening net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
Additions	217,122	54,375	53,558	24,547	11,959	361,561	30,027	391,588	-	-	391,588
Disposals / Write offs											
Cost	4,555	12,734	17,481	351,917	1,625	388,312	-	388,312	37,885	37,885	426,197
Depreciation / amortisation	2,915	10,160	8,701	287,042	1,260	310,078	-	310,078	13,410	13,410	323,488
	1,640	2,574	8,780	64,875	365	78,234	-	78,234	24,475	24,475	102,709
Depreciation / amortisation charge for the year	23,163	11,384	34,541	73,405	17,487	159,980	21,759	181,739	10,836	10,836	192,575
Closing net book value	464,050	100,272	221,410	97,717	44,582	928,031	45,336	973,367	52,429	52,429	1,025,796
At 31 December 2012											
Cost	532,493	144,924	413,925	197,238	172,420	1,461,000	121,593	1,582,593	89,221	89,221	1,671,814
Accumulated depreciation / amortisation	68,443	44,652	192,515	99,521	127,838	532,969	76,257	609,226	36,792	36,792	646,018
Net book value	464,050	100,272	221,410	97,717	44,582	928,031	45,336	973,367	52,429	52,429	1,025,796
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

	2011										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible	Total owned	Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software		Motor vehicles	Total leased	
	Rupees in thousand										
At 01 January 2011											
Cost	318,742	105,752	341,634	633,492	198,418	1,598,038	85,893	1,683,931	177,115	177,115	1,861,046
Accumulated depreciation / amortisation	37,270	43,463	144,382	317,302	146,148	688,565	37,418	725,983	33,672	33,672	759,655
Net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
Year ended 31 December 2011											
Opening net book value	281,472	62,289	197,252	316,190	52,270	909,473	48,475	957,948	143,443	143,443	1,101,391
Additions	7,752	16,281	59,012	20,536	21,575	125,156	5,673	130,829	-	-	130,829
Disposals / Write offs											
Cost	6,568	18,750	22,798	129,420	57,907	235,443	-	235,443	50,009	50,009	285,452
Depreciation / amortisation	3,935	10,660	10,680	92,459	52,701	170,435	-	170,435	12,311	12,311	182,746
	2,633	8,090	12,118	36,961	5,206	65,008	-	65,008	37,698	37,698	102,706
Depreciation / amortisation charge for the year	14,860	10,625	32,973	88,315	18,164	164,937	17,080	182,017	18,005	18,005	200,022
Closing net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
At 31 December 2011											
Cost	319,926	103,283	377,848	524,608	162,086	1,487,751	91,566	1,579,317	127,106	127,106	1,706,423
Accumulated depreciation / amortisation	48,195	43,428	166,675	313,158	111,611	683,067	54,498	737,565	39,366	39,366	776,931
Net book value	271,731	59,855	211,173	211,450	50,475	804,684	37,068	841,752	87,740	87,740	929,492
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

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19.1.1 Detail of tangible assets disposed / written off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Land & Buildings						
Abbass Centre Islamabad	1,948	1,257	691	8,600	Negotiation	Mr. Mohammad Naveed Raza- Islamabad
Associated House Premises Lahore	2,607	1,658	949	9,500	Negotiation	Mr. Khawaja Mohammad Shahzad- Lahore
	4,555	2,915	1,640	18,100		
Furniture & Fixtures						
Items Having Book Value Below Rupees 50,000	12,734	10,160	2,574	666		
	12,734	10,160	2,574	666		
Motor Vehicles						
Owned						
Honda Citi (AQY- 927)	857	405	452	620	Auction	Mr. Shabbir Ahmed- Karachi
Toyota Corolla Gli (AUS-026)	1,499	337	1,162	1,400	Claim settled	IGI Insurance Company Limited
Toyota Corolla-2005 (AJX-937)	1,062	708	354	450	Negotiation	Mr. A.Sattar Muhammadi-Company Employee
Suzuki Mehran-2010 (ASW-287)	509	176	333	279	Negotiation	Mr. Faisal Ghauri- Company Employee
Suzuki Cultus-2008 (AQC-715)	632	328	304	525	Auction	Mr. Amir Naseem- Karachi
Suzuki Cultus (ALY-329)	600	361	239	480	Auction	Mr. Muhammad Rafiq Raza- Karachi
Suzuki Mehran-2005 (AHG-891)	330	244	86	240	Auction	Mr. Shabbir Ahmed- Karachi
Suzuki Jimny (BD-9407)	1,592	631	961	1,065	Auction	Mr. Shafiq Ur Rehman- Karachi
Toyota Corolla (LRU-6626)	1,000	719	281	921	Auction	Mr. Waqas Shahid- Lahore
Honda Citi (ARD-089)	995	492	503	620	Auction	Mr. Adeel Anwar- Karachi
Honda Citi (AGY-932)	911	452	459	900	Auction	Nishat Mills Limited (related party)
Suzuki Cultus (AQW-165)	888	440	448	630	Auction	Mr. Adeel Anwer- Karachi
Honda Citi (LEC-3174)	863	468	395	860	Auction	Mr. Nadeem Ur Rehman- Lahore
Suzuki Cultus (LEC-07-2883)	863	468	395	906	Auction	Mr. Nadeem Ur Rehman-Lahore
Suzuki Cultus (APU-076)	632	318	314	540	Auction	Mr. Muhammad Rafiq Raza- Karachi
Suzuki Cultus (LEC 4615)	600	307	293	566	Auction	Mr. Adnan Bashir- Lahore
Suzuki Cultus (LEC-4693)	600	331	269	590	Auction	Mr. Omer Abbas- Lahore
Suzuki Cultus (LEC-4822)	600	352	248	575	Auction	Mr. Omer Abbas- Lahore
Suzuki Cultus (LZM-3440)	550	353	197	552	Auction	Mr. Yasir Tanvir- Lahore
Suzuki Cultus (LZX-3742)	590	400	190	479	Auction	Mr. Manzoor Ahmed- Lahore
BMW (I 94041)	992	362	630	458	Negotiation	Mr. Shaham Babar - Company Employee
Items Having Book Value Below Rupees 50,000	316	49	267	31		
	17,481	8,701	8,780	13,687		
Leased						
Honda Civic Vti Pt Sr (LED-09-8102)	1,868	552	1,316	1,341	Negotiation	Mr. Satwat Mahmood Butt- Company Employee
Honda Civic Vti Pt Sr (ASP-215)	1,882	606	1,276	1,329	Negotiation	Mr. Ahmed Hussain Zuberi- Company Employee
Honda Civic Vti Pt Sr (ASQ-227)	1,882	705	1,177	1,154	Negotiation	Mr. Asif Jabbar- Company Employee
Honda Civic Vti Pt Sr (ASQ-146)	1,882	705	1,177	1,550	Claim settled	IGI Insurance Company Limited
Toyota Corolla Gli (ASM-638)	1,412	435	977	981	Negotiation	Mr. Amir Hassan- Company Employee
Toyota Corolla Gli (ASM-628)	1,412	424	988	986	Negotiation	Mr. S.M. Ashraf Jeelani- Company Employee
Toyota Corolla Gli (ASP-614)	1,412	503	909	882	Negotiation	Mr. Sardar M. Asad- Company Employee
Toyota Corolla Gli (LED-09-6239)	1,412	529	883	878	Negotiation	Mr. Mian Allah Nawaz- Ex employee
Toyota Corolla Gli (ASP-784)	1,412	485	927	895	Negotiation	Mr. Muhammad Ismail- Company Employee
Honda City A-T (LED-09-4346)	1,370	514	856	889	Negotiation	Mr. Nadeem Mushtaq- Company Employee
Suzuki Cultus (ASM-351)	850	237	613	609	Negotiation	Mr. Malik Mehdi- Company Employee
Suzuki Cultus (ASD-709)	850	261	589	611	Negotiation	Mr. Khalid Awan- Company Employee
Suzuki Cultus (ASB-829)	850	236	614	636	Negotiation	Ms. Amna Sarfaraz Khan- Company Employee
Suzuki Cultus (ASA-195)	844	301	543	532	Negotiation	Mr. Abdul Sattar Ibrahim- Company Employee
Suzuki Cultus (ASA-156)	839	321	518	482	Negotiation	Mr. Adnan Ghais Qureshi- Company Employee
Suzuki Cultus (ASA-159)	839	321	518	482	Negotiation	Mr. Saud Pervaiz- Company Employee
Suzuki Cultus (ASB-827)	844	330	514	532	Negotiation	Mr. Muhammad Arif- Company Employee
Suzuki Cultus (ASE-513)	810	297	513	508	Negotiation	Mr. Muhammad Rehan- Company Employee
Suzuki Cultus (ASE-507)	810	325	485	459	Negotiation	Ms. Masuma Hassan- Company Employee
Suzuki Mehran (ASC-571)	534	168	366	368	Negotiation	Mr. Aqeel Anwar Kamal- Company Employee
Suzuki Mehran (ASC-694)	534	168	366	368	Negotiation	Mr. Nouzar Naseem- Company Employee
Suzuki Mehran (ASD-428)	534	168	366	368	Negotiation	Mr. M. Naseem Hussain- Company Employee
Suzuki Mehran (ASD-604)	529	166	363	368	Negotiation	Mr. Yunus Bashir- Company Employee
Suzuki Mehran (ASC-683)	534	177	357	351	Negotiation	Mr. M. Ahsan Jamal- Company Employee
Suzuki Mehran (ASA-163)	534	186	348	340	Negotiation	Mr. S. Wasim Ashraf- Company Employee
Suzuki Mehran (ASC-691)	534	186	348	340	Negotiation	Mr. Deepak Maheshwari- Company Employee
Suzuki Mehran (ASB-013)	534	186	348	340	Negotiation	Mr. Abdul Qayyum Khan- Company Employee
Suzuki Mehran (ASA-538)	534	186	348	359	Negotiation	Mr. Ayaz Ahmed Khan- Company Employee
Suzuki Mehran (ASD-611)	534	190	344	333	Negotiation	Mr. M. Salim Khan- Company Employee
Suzuki Mehran (ASC-489)	534	195	339	325	Negotiation	Mr. S.M. Tariq- Company Employee
Suzuki Mehran (ASA-546)	534	195	339	366	Negotiation	Mr. Syed M. Salman- Company Employee
Suzuki Mehran (ASA-571)	529	193	336	297	Negotiation	Mr. Usman- Company Employee
Suzuki Mehran (ASA-361)	534	200	334	329	Negotiation	Mr. Hasan Mahmood- Company Employee
Suzuki Mehran (ASA-659)	534	200	334	329	Negotiation	Mr. M. Muzaffar- Company Employee
Suzuki Mehran (ASA-743)	534	200	334	329	Negotiation	Mr. Noman Khan- Company Employee

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Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Suzuki Mehran (ASA-507)	534	200	334	336	Negotiation	Mr. Anwer Kamal- Company Employee
Suzuki Mehran (ASA-681)	534	200	334	325	Negotiation	Ms. Qurat Ul Ain- Company Employee
Suzuki Mehran (ASA-367)	534	204	330	322	Negotiation	Mr. Mohammad Afzal- Company Employee
Suzuki Mehran (ASE-312)	534	204	330	310	Negotiation	Ms. Shabnam Patel- Company Employee
Suzuki Mehran (LEB-09-8965)	536	209	327	318	Negotiation	Mr. Mehboob- Company Employee
Suzuki Mehran (ASA-561)	534	222	312	298	Negotiation	Mr. Muhammad Asif- Company Employee
Suzuki Mehran (ASA-529)	534	222	312	290	Negotiation	Mr. Intesaruddin Mubashir- Company Employee
Suzuki Mehran (ASA-385)	529	220	309	303	Negotiation	Ms. Saima Tabassum- Company Employee
Suzuki Mehran (ASA-746)	534	226	308	283	Negotiation	Mr. Mehmood Ebrahim- Company Employee
Suzuki Mehran (ASA-531)	534	226	308	283	Negotiation	Mr. Muhammad Shabbir- Company Employee
Suzuki Mehran (ASA-592)	534	226	308	282	Negotiation	Mr. Tosifullah Siddiqui- Company Employee
	37,885	13,410	24,475	24,596		
Machinery & Equipment						
Diesel Generator	81	46	35	53	Negotiation	Mr. Muhammad Saeed- Karachi
Items Having Book Value Below Rupees 50,000	2,644	1,956	688	332		
Items Written Off	349,192	285,040	64,152	-		
	351,917	287,042	64,875	385		
Computer						
Items Having Book Value Below Rupees 50,000	1,625	1,260	365	96		
Grand Total	426,197	323,488	102,709	57,530		

19.2 Capital Work In Progress represents capital expenditure in respect of Head Office premises.

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	Note	31 December 2012	31 December 2011
20. EXPENSES		Rupees in thousand	
			Restated
Salaries and wages	22.1	**707,163**	854,523
Rent, rates and taxes		**66,746**	56,593
Utilities		**32,716**	30,677
Communication		**28,516**	29,953
Printing and stationery		**41,320**	32,402
Traveling and entertainment		**58,849**	38,034
Repairs and maintenance		**169,508**	178,263
Advertisement and sales promotion		**33,332**	47,017
Depreciation	19.1	**154,571**	168,069
Tracking and monitoring charges		**127,437**	122,812
Legal and professional expenses		**18,050**	16,674
Others		**144,708**	140,230
		1,582,916	1,715,247
21. OTHER INCOME			
Income from financial assets			
Return on bank deposits		**111,590**	121,534
Interest on loans to employees		**373**	463
Income from non financial assets			
Gain on sale of fixed assets		**18,973**	23,871
Miscellaneous		**33,550**	10,750
		164,486	156,618
22. GENERAL AND ADMINISTRATION EXPENSES			
			Restated
Salaries and wages	22.1	**55,702**	40,775
Rent, rates and taxes		**3,138**	1,533
Depreciation	19.1	**16,245**	14,873
Communication		**361**	520
Utilities		**1,216**	955
Repairs and maintenance		**6,487**	8,361
Advertisement and sales promotion		**4,056**	5,311
Traveling and entertainment		**25,837**	14,527
Directors' fee		**310**	420
Legal and professional expenses		**83,430**	63,401
Auditors' remuneration	22.2	**5,403**	5,094
Donations	22.3	**294**	3,510
Provision for doubtful balances		**90,900**	951,627
Amortization of intangible asset		**21,759**	17,080
Sundry receivables written off		**-**	8,101
Fixed assets written off		**-**	48,233
Provision for impairment on trackers		**64,152**	-
Provision for workers' welfare fund		**12,695**	-
Others		**23,219**	17,982
		415,204	1,202,303

22.1 Management expenses and General and Administration expenses include Rupees 54.893 million (2011: Rupees 65.443 million) in respect of staff retirement benefits.

22.2 Auditors' remuneration

	31 December 2012	31 December 2011
Inside Pakistan:		
Audit fee	**2,197**	1,997
Half yearly review	**424**	385
Other certifications	**330**	300
Out of pocket expenses	**436**	396
	3,387	3,078
Outside Pakistan:		
Audit fee	**1,717**	1,434
Out of pocket expenses	**299**	582
	2,016	2,016
	5,403	5,094

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22.3 None of the directors or their spouses had any interest in the donee.

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
23. PROVISION FOR TAXATION			
Current	23.1	**88,468**	89,276
Deferred	23.2	**(46,103)**	(263,421)
		42,365	(174,145)

23.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit cannot be given because the provision represents the final tax on dividend income and capital gain.

23.2 Deferred tax effect due to temporary differences of:

	31 December 2012	31 December 2011
Tax depreciation allowance	**(69,046)**	(66,814)
Provision for gratuity	**10,865**	7,704
Assets subject to finance lease	**(9,644)**	(10,211)
Carried forward tax losses	**308,996**	264,389
	241,171	195,068
Less: Opening balance of deferred tax asset / (liability)	**195,068**	(68,353)
	46,103	263,421

24. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic earnings per share which is based on:

	31 December 2012	31 December 2011
Net profit after tax for the year	**624,193**	132,177
	(Number of shares)	
Weighted average number of shares	**123,704,544**	123,704,544
	Rupees	
Basic earnings per share	**5.05**	1.07

25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2012				2011			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees in thousand							
Fee	**-**	**310**	**-**	**310**	-	420	-	420
Managerial remuneration	**5,400**	**-**	**124,872**	**130,272**	7,720	-	151,629	159,349
Allowances and perquisites	**4,420**	**-**	**112,800**	**117,220**	3,885	-	112,800	116,685
	9,820	**310**	**237,672**	**247,802**	11,605	420	264,429	276,454
Number	**1**	**10**	**132**	**143**	2	10	130	142

25.1 In addition, the Chief Executive Officer and executives are also provided with free use of the Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Company.

25.2 No remuneration was paid to non-executive directors of the Company except meeting fees.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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26. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its associated companies, subsidiary company, employee benefit plans, key management personnel and other parties. Transactions entered into with such related parties include the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them, etc.

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in notes 11, 18 and 25 to these unconsolidated financial statements. Particulars of transactions with the Company's staff retirement benefit schemes are disclosed in note 7.1 and 18. Investments in and balances outstanding with related parties have been disclosed in the relevant notes to the unconsolidated balance sheet. Other transactions with related parties not else where disclosed are summarized as follows:

	31 December 2012	31 December 2011
	Rupees in thousand	
Premium underwritten	**1,359,920**	1,428,639
Premium received	**1,413,559**	1,295,077
Premium ceded	**-**	3,403
Claims paid	**373,870**	3,134,676
Rent paid	**11,603**	6,042
Dividends received	**503,166**	577,720
Dividend paid	**72,217**	110,271
Income on deposit accounts	**29,711**	43,103
Sale of fixed assets	**900**	-
	Number of shares	
Bonus shares received	**2,603,771**	2,326,337

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27. SEGMENT REPORTING

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	2012														
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousand														
OTHER INFORMATION															
Segment assets	4,914,047	189,471	397,279	14,990	510,299	2,587,598	1,677,734	43,911	-	-	-	-	7,499,359	2,835,970	10,335,329
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,788,780	1,483,054	12,788,780	1,483,054	14,271,834
Total assets	4,914,047	189,471	397,279	14,990	510,299	2,587,598	1,677,734	43,911	-	-	12,788,780	1,483,054	20,288,139	4,319,024	24,607,163
Segment liabilities	5,086,552	144,964	371,618	14,096	940,916	2,790,394	1,850,048	29,348	20,332	-	-	-	8,269,466	2,833,838	11,103,304
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,741,032	223,031	1,741,032	223,031	1,964,063
Total liabilities	5,086,552	144,964	371,618	14,096	940,916	2,790,394	1,850,048	29,348	20,332	-	1,741,032	223,031	10,010,498	3,056,869	13,067,367
Capital expenditure													266,893	83,172	350,065

	2011														
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousand														
OTHER INFORMATION															
Segment assets	5,292,469	134,386	615,984	33,321	725,455	2,275,474	1,550,541	40,455	-	-	-	-	8,184,449	2,483,636	10,668,085
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,137,412	1,276,895	12,137,412	1,276,895	13,414,307
Total assets	5,292,469	134,386	615,984	33,321	725,455	2,275,474	1,550,541	40,455	-	-	12,137,412	1,276,895	20,321,861	3,760,531	24,082,392
Segment liabilities	5,520,514	111,525	535,782	30,250	1,439,966	2,464,515	2,467,555	32,306	20,332	-	-	-	9,984,149	2,638,596	12,622,745
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	500,406	58,335	500,406	58,335	558,741
Total liabilities	5,520,514	111,525	535,782	30,250	1,439,966	2,464,515	2,467,555	32,306	20,332	-	500,406	58,335	10,484,555	2,696,931	13,181,486
Capital expenditure													127,342	136,865	264,207

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

28.1 Credit risk and concentration of credit risk

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

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

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

	31 December 2012	31 December 2011
	Rupees in thousand	
Bank deposits	**2,506,312**	2,357,401
Investments	**9,948,294**	9,451,731
Premiums due but unpaid	**3,197,422**	3,568,167
Amounts due from other insurers / reinsurers	**591,566**	679,631
Salvage recoveries accrued	**169,671**	165,718
Loans	**29,565**	27,964
Accrued investment income	**20,329**	21,626
Reinsurance recoveries against outstanding claims	**4,330,229**	3,799,366
Sundry receivables	**188,977**	173,203
	20,982,365	20,244,807

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year, receivables of Rupees 109.326 million (2011: Rupees 931.627 million) were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 13.1 and 14.1.

The age analysis of receivables is as follows:

	2012	2011
	Rupees in thousand	
Upto 1 year	**2,623,844**	3,158,516
1-2 year & prior years	**932,725**	719,472
	3,556,569	3,877,988

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

	Rating		Rating	2012	2011
	Short term	Long term	Agency	Rupees in thousand	
Allied Bank Limited	A-1+	AA+	PACRA	**9**	-
Askari Bank Limited	A-1+	AA	PACRA	**46**	45
Bank Alfalah Limited	A-1+	AA	PACRA	**182,825**	315,456
Bank Al Habib Limited	A-1+	AA+	PACRA	**22,740**	-
Barclays Bank PLC, Pakistan	P-1	A2	Moody's	**100**	100
Citibank N.A.	P-1	A1	Moody's	**14,360**	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	**301,263**	109,992
HSBC Bank Middle East Limited	P-1	A1	Moody's	**-**	11,937
Industrial Development Bank of Pakistan	-	-	-	**766**	646
KASHF Micro Finance Bank Limited	A-3	BBB-	JCR-VIS	**907**	858
MCB Bank Limited	A-1+	AA+	PACRA	**771,655**	745,929
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**10,524**	296
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	**2,353**	2,256
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	**1,000**	1,000
The Bank of Punjab	A-1+	AA-	PACRA	**64,469**	3,779
Soneri Bank Limited	A-1+	AA-	PACRA	**2**	227
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	**5,644**	8,909
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	**1,000**	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	**931,638**	932,364
Zarai Taraqiati Bank Limited	A-1+	AA+	JCR-VIS	**195,011**	222,607
				2,506,312	2,357,401

The credit quality of amount due from other insurers (gross of provisions) can be assessed with reference to external credit rating as follows:

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2012	2011
	Rupees in thousand			
A or above (including PRCL)	881,438	4,364,903	**5,246,341**	4,751,119
BBB	22,782	89,998	**112,780**	124,653
Others	13,673	44,999	**58,672**	45,270
Total	917,893	4,499,900	**5,417,793**	4,921,042

28.2 Liquidity risk

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

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

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	2012			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims	**6,361,653**	**6,361,653**	**6,361,653**	**-**
Amounts due to other insurers / reinsurers	**496,887**	**496,887**	**496,887**	**-**
Accrued expenses	**117,593**	**117,593**	**117,593**	**-**
Unclaimed dividend	**35,558**	**35,558**	**35,558**	**-**
Other creditors and accruals	**1,411,250**	**1,411,250**	**1,411,250**	**-**
Liabilities against assets subject to finance lease	**24,987**	**27,294**	**17,831**	**9,463**
	8,447,928	**8,450,235**	**8,440,772**	**9,463**

	2011			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims (including IBNR)	5,548,018	5,548,018	5,548,018	-
Amounts due to other insurers / reinsurers	1,151,088	1,151,088	1,151,088	-
Accrued expenses	158,185	158,185	158,185	-
Unclaimed dividend	33,495	33,495	33,495	-
Other creditors and accruals	1,281,142	1,281,142	1,281,142	-
Liabilities against assets subject to finance lease	58,567	69,865	27,809	42,056
	8,230,495	8,241,793	8,199,737	42,056

28.3 Market risk

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

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Company manages this mismatch through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

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	2012	2011	2012	2011
	Effective interest rate (%)		Carrying amounts	
			Rupees in thousand	
Fixed rate financial instruments				
Financial assets				
Investments-PIBs and Treasury Bills	**10.20% - 12.10%**	12% - 14%	**135,101**	125,220
Loans	**5%**	5%	**29,565**	27,964
Floating rate financial instruments				
Financial assets				
Bank deposits	**5% - 11.25%**	5% - 12.75%	**2,293,847**	2,118,386
Investments -TFCs	**10.95% - 14.85%**	13.5% - 16.5%	**107,778**	130,147
Financial liabilities				
Liabilities against assets subject to finance lease	**3 month KIBOR plus 2% - 2.5 %**		**24,987**	58,567

Sensitivity analysis

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

	Profit and loss	
	Increase	Decrease
	Rupees in thousand	
As at 31 December 2012 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	**(250)**	**250**
Cash flow sensitivity-variable rate financial assets	**24,016**	**(24,016)**
As at 31 December 2011 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	(586)	586
Cash flow sensitivity-variable rate financial assets	22,485	(22,485)

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b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Company is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities for which prices in the future are uncertain. The Company policy is to manage price risk through selection of blue chip securities.

The Company's strategy is to hold its strategic equity investments on long term basis. Thus, Company is not affected significantly by short term fluctuation in its strategic investments provided that the underlying business, economic and management characteristics of the investees remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The Company has investments in quoted equity securities amounting to Rupees 7,929.450 million (2011: Rupees 7,873.124 million) at the reporting date. 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

As the entire investment portfolio has been classified in the available-for-sale category, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2012		
Effect of increase in share price	**50,508**	**45,457**
Effect of decrease in share price	**(135,747)**	**(122,172)**
2011		
Effect of increase in share price	124,256	111,830
Effect of decrease in share price	(767,152)	(690,437)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US Dollar. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 4,309.023 million (2011: Rupees 3,344.063 million) and Rupees 3,201.833 million (2011: Rupees 1,751.054 million), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per US Dollar		
Average rate	**93.40**	86.39
Reporting date rate	**96.90**	89.60
Rupees per AED		
Average rate	**25.43**	23.52
Reporting date rate	**26.38**	24.39

28.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the 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. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are 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 developments that can negatively impact the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders' and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers are carefully selected and approved and are dispersed over several geographical regions.

Experience shows that larger the portfolio is in similar insurance contracts, smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents. Risks under non-life insurance policies usually cover twelve month or lesser duration. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

a) Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by Insurance Association of Pakistan (IAP). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure of the Company and to determine the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

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

	Gross sum insured		Reinsurance		Net	
	2012	2011	2012	2011	2012	2011
	Rupees in thousand					
Fire	**2,709,048,038**	3,006,526,257	**2,164,465,797**	2,358,653,326	**544,582,241**	647,872,931
Marine	**3,018,667,882**	1,393,259,912	**676,525,320**	377,285,090	**2,342,142,562**	1,015,974,822
Motor	**40,498,649**	70,019,175	**855,654**	1,071,111	**39,642,995**	68,948,064
Miscellaneous	**169,242,965**	183,462,584	**72,673,026**	103,780,593	**96,569,939**	79,681,991
	5,937,457,534	4,653,267,928	**2,914,519,797**	2,840,790,120	**3,022,937,737**	1,812,477,808

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

c) Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

d) Neutral assumptions for claim estimation

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

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

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

e) Sensitivity analysis

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Pre tax profit / (loss)		Shareholders' equity	
	2012	2011	2012	2011
	Rupees in thousand			
10% increase in loss				
Net:				
Fire	**(84,037)**	(65,578)	**(54,624)**	(42,626)
Marine	**(28,420)**	(49,432)	**(18,473)**	(32,131)
Motor	**(182,166)**	(187,781)	**(118,408)**	(122,058)
Miscellaneous	**(119,644)**	(159,840)	**(77,769)**	(103,896)
	(414,267)	(462,631)	**(269,274)**	(300,711)
10% decrease in loss				
Net:				
Fire	**84,037**	65,578	**54,624**	42,626
Marine	**28,420**	49,432	**18,473**	32,131
Motor	**182,166**	187,781	**118,408**	122,058
Miscellaneous	**119,644**	159,840	**77,769**	103,896
	414,267	462,631	**269,274**	300,711

f) **Claims development table**

The following table shows the development of claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2010	2011	2012	Total
	Rupees in thousand			
Estimate of ultimate claims cost:				
At end of accident year	10,683,087	6,593,318	6,702,042	**23,978,447**
One year later	6,964,385	2,784,589	-	**9,748,974**
Two years later	1,454,041	-	-	**1,454,041**
Estimate of cumulative claims	1,454,041	2,784,589	6,702,042	**10,940,672**
Less: Cumulative payments to date	374,736	1,916,135	2,935,422	**5,226,293**
Liability recognized	1,079,305	868,454	3,766,620	**5,714,379**

29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 12 to the financial statements. Since the financial assets are not stated at exact fair values, therefore, analysis under following groups from level 1 to level 3 based on the degree to which fair value is observable is not produced:

Level 1: Quoted Market prices
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non market observable)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

30. Financial instrument by categories

As at 31 December 2012	Loans and receivables	Available-for-sale	Total
	Rupees in thousand		
Financial assets			
Cash and other equivalents	1,099	-	1,099
Current and other accounts	1,479,939	-	1,479,939
Deposits maturing within 12 months	1,026,373	-	1,026,373
Loans to employees	29,565	-	29,565
Investments	-	9,948,294	9,948,294
Premiums due but unpaid	3,197,422	-	3,197,422
Amounts due from other insurers / reinsurers	591,566	-	591,566
Salvage recoveries accrued	169,671	-	169,671
Accrued investment income	20,329	-	20,329
Reinsurance recoveries against outstanding claims	4,330,229	-	4,330,229
Sundry receivables	188,977	-	188,977
	11,035,170	9,948,294	20,983,464

As at 31 December 2012	Financial liabilities at amortized cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR)	6,361,653
Amount due to other insurers / reinsurers	496,887
Accrued expenses	117,593
Other creditors and accruals	1,411,250
Unclaimed dividends	35,558
Liabilities against assets subject to finance lease	24,987
	8,447,928

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

As at 31 December 2011	Loans and receivables	Available-for-sale	Total
	Rupees in thousand		
Financial assets			
Cash and other equivalents	21,566	-	21,566
Current and other accounts	1,415,207	-	1,415,207
Deposits maturing within 12 months	942,194	-	942,194
Loans to employees	27,964	-	27,964
Investments	-	9,451,731	9,451,731
Premiums due but unpaid	3,568,167	-	3,568,167
Amounts due from other insurers / reinsurers	679,631	-	679,631
Salvage recoveries accrued	165,718	-	165,718
Accrued investment income	21,626	-	21,626
Reinsurance recoveries against outstanding claims	3,799,366	-	3,799,366
Sundry receivables	173,203	-	173,203
	10,814,642	9,451,731	20,266,373

As at 31 December 2011	Financial liabilities at amortized cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR) - restated	5,548,018
Amount due to other insurers / reinsurers	1,151,088
Accrued expenses	158,185
Other creditors and accruals	1,281,142
Unclaimed dividends	33,495
Liabilities against assets subject to finance lease	58,567
	8,230,495

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

31. CAPITAL RISK MANAGEMENT

The Company's goals and objectives when managing capital are:

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 300 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- maintain strong ratings and to protect the Company against unexpected events / losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

32. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on 21 March 2013 proposed a final cash dividend for the year ended 31 December 2012 @ 10% i.e. Rupee 1/- share (2011: Nil). This is in addition to the interim dividend @ 15% i.e. Rupees 1.5/- share (2011: @ 10% i.e. Rupee 1/- share) resulting in a total dividend for the year ended 31 December 2012 of Rupees 1.5/- share (2011: Rupee 1/- share). The approval of the members for the dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2012 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 31 December 2013.

	2012	2011
	Number	
33. NUMBER OF EMPLOYEES AT 31 DECEMBER	707	828

34. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements have been approved and authorized for issue by the Board of Directors of the Company in their meeting dated 21 March 2013.

35. GENERAL

- Corresponding figures of net claims expense, general and administration expenses and management expenses have been re-classified with an amount of Rupees 485.911 million. Detail is as follows:

From	To	Reason	Rupees in thousand
Net claims expense	Management expenses	For better presentation	122,812
General and administration expenses	Management expenses	For better presentation	363,099
			485,911

- Figures in these unconsolidated financial statements have been rounded off to the nearest thousand of rupees unless otherwise stated.

Umer Mansha	S. M. Jawed	Ibrahim Shamsi	Manzar Mushtaq
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Directors' Report to the Members On Consolidated Financial Statements

For the year ended 31 December 2012

On behalf of the Board, I am pleased to present the fourth report on consolidated financial statements of Adamjee Insurance Company Limited for the year ended 31 December 2012.

The following appropriation of profit has been recommended by Board of Directors:

	31 December 2012	31 December 2011
	Rupees in thousand	
Profit before tax	**484,631**	77,612
Taxation	**(43,083)**	170,838
Profit after tax	**441,548**	248,450
Profit attributable to non-controlling interest	**(3,056)**	(8,312)
Profit attributable to ordinary shareholders	**438,492**	240,138
Unappropriated profit brought forward	**8,632,342**	8,701,466
Profit available for appropriation	**9,070,834**	8,941,604
Appropriation		
Final dividend for the year ended 31 December 2011: Nil [2010 @15% (Rs. 1.5/- per share)]	-	(185,557)
Interim dividend @ 15% (Rupee 1.5/- per share) [2011 @10% (Rupee 1/- per share)]	**(185,557)**	(123,705)
Total appropriation	**(185,557)**	(309,262)
Profit after appropriation	**8,885,277**	8,632,342
	Rupees	Rupees
Earnings per share	**3.54**	1.94

On Behalf of Board of Directors

Manzar Mushtaq
Managing Director and Chief Executive

Date: 21 March 2013
Lahore

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of ADAMJEE INSURANCE COMPANY LIMITED ("the Holding Company") and its subsidiary company (together referred to as "Group") as at 31 December 2012 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, consolidated Statement of Premiums, consolidated Statement of Claims, consolidated Statement of Expenses and consolidated Statement of Investment Income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Adamjee Insurance Company Limited. The financial statements of subsidiary company Adamjee Life Assurance Company Limited were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of ADAMJEE INSURANCE COMPANY LIMITED and its subsidiary company as at 31 December 2012 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 21 March 2013
Karachi

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Share capital and reserves			
Authorised share capital	3.1	**1,500,000**	1,500,000
Paid-up share capital	3.2	**1,237,045**	1,237,045
Retained earnings		**8,885,277**	8,632,342
Reserves	4	**1,134,570**	1,023,432
		10,019,847	9,655,774
Equity attributable to equity holders of the parent		**11,256,892**	10,892,819
Non-controlling interest	5	**28,889**	77,748
TOTAL EQUITY		**11,285,781**	10,970,567
Balance of statutory funds (including policy holders' liabilities of Rupees 1,954.675 million) (2011: Rupees 479.561 million)	6.3	**2,017,689**	509,586
Underwriting provisions			
Provision for outstanding claims (including IBNR)	7	**6,412,501**	5,576,211
Provision for unearned premium		**3,961,293**	4,328,346
Commission income unearned		**313,279**	371,687
		10,687,073	10,276,244
Deferred liabilities			
Staff retirement benefits	8	**37,687**	26,458
Creditors and accruals			
Premiums received in advance		**128,142**	88,159
Amounts due to other insurers / reinsurers		**504,732**	1,203,579
Accrued expenses		**119,831**	161,009
Other creditors and accruals	9	**1,736,275**	1,516,432
		2,488,980	2,969,179
Borrowings			
Liabilities against assets subject to finance lease	10	**24,987**	58,567
Other liabilities			
Unclaimed dividends		**35,558**	33,495
TOTAL LIABILITIES		**13,274,285**	13,363,943
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**26,577,755**	24,844,096

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Cash and bank deposits	12		
Cash and other equivalents		**1,200**	21,597
Current and other accounts		**1,705,386**	1,527,090
Deposits maturing within 12 months		**1,026,373**	957,694
		2,732,959	2,506,381
Loans			
To employees	13	**12,791**	17,175
Investments	14	**11,583,212**	9,958,281
Deferred taxation		**247,065**	201,604
Current assets - others			
Premiums due but unpaid	15	**3,217,207**	3,598,905
Amounts due from other insurers / reinsurers	16	**606,559**	679,631
Salvage recoveries accrued		**169,671**	165,718
Premium and claim reserves retained by cedants		**23,252**	23,252
Accrued investment income	17	**26,616**	40,533
Reinsurance recoveries against outstanding claims	18	**4,330,229**	3,799,366
Taxation - payments less provision		**93,130**	13,024
Deferred commission expense		**422,203**	472,399
Prepayments	19	**1,746,313**	2,042,849
Sundry receivables	20	**208,776**	207,396
		10,843,956	11,043,073
Fixed assets - Tangible & Intangible	21		
Owned			
Land and buildings		**464,050**	271,731
Furniture and fixtures		**114,336**	76,664
Motor vehicles		**224,004**	217,901
Machinery and equipment		**99,559**	213,916
Computers and related accessories		**50,348**	57,351
Intangible asset - computer software		**61,191**	58,901
Capital work-in-progress-tangible		**91,855**	133,378
		1,105,343	1,029,842
Leased			
Motor vehicles		**52,429**	87,740
TOTAL ASSETS		**26,577,755**	24,844,096

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

		General Insurance					Life Insurance				Total	
	Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-Unitized Investment Link Business	Unit Link Business	31 December 2012	31 December 2011
		Rupees in thousand										
Revenue account												
Net premium revenue		894,243	608,630	2,743,847	1,425,257	-	119,382	13	526,457	1,544,589	**7,862,418**	7,775,294
Net claims - restated		(840,372)	(284,200)	(1,821,660)	(1,196,435)	-	(50,838)	-	(1,986)	(102,166)	**(4,297,657)**	(4,656,021)
Expenses - restated	22	(312,600)	(168,715)	(749,722)	(351,879)	-	(31,952)	(42)	(53,962)	(120,399)	**(1,789,271)**	(1,886,627)
Net commission		(49,504)	(89,695)	(220,923)	1,457	-	(18,269)	(1)	(162,505)	(435,753)	**(975,193)**	(864,268)
Net Investment income - statutory funds		-	-	-	-	-	10,746	18	61,509	82,232	**154,505**	22,802
Add: Policyholders' liabilities at beginning of the year		-	-	-	-	-	54,320	8	247,183	178,051	**479,562**	99,479
Less: Policyholders' liabilities at end of the year		-	-	-	-	-	(74,352)	(5)	(628,850)	(1,251,469)	**(1,954,676)**	(479,562)
Capital contribution from shareholders' fund		-	-	-	-	-	-	-	36,116	104,915	**141,031**	184,459
Surplus of Policyholders' funds		-	-	-	-	-	(9,037)	9	(23,962)	-	**(32,990)**	(30,022)
Underwriting result		(308,233)	66,020	(48,458)	(121,600)	-	-	-	-	-	**(412,271)**	165,534
Investment income - other											**1,116,152**	736,569
Rental income											**545**	657
Other income	23										**165,406**	158,608
											869,832	1,088,368
General and administration expenses- restated	24										**(430,039)**	(1,214,577)
Exchange gain											**2,792**	390
Finance charge on lease liabilities											**(5,581)**	(15,179)
Share of profit from associated companies - net	14.3										**47,627**	218,610
Profit before tax											**484,631**	77,612
Provision for taxation	25										**(43,083)**	170,838
Profit after tax											**441,548**	248,250
Profit attributable to:												
Equity holders of the parent											**438,492**	240,138
Non-controlling interest											**3,056**	8,312
											441,548	248,450

Profit and loss appropriation account - Parent Company

	2012	2011
Balance at the commencement of the year	**8,632,342**	8,701,466
Profit after tax for the year attributable to equity holders of the parent	**438,492**	240,138
Final dividend for the year ended 31 December 2011: Nil [2010 : Rupees 1.5/- per share]	**-**	(185,557)
Interim dividend @ 15% (Rupee 1.5/- per share) [2011: Rupee 1/- per share]	**(185,557)**	(123,705)
Balance unappropriated profit at the end of the year	**8,885,277**	8,632,342
	Rupees	**Rupees**
		Restated
Earnings per share - basic and diluted (Note 26)	**3.54**	1.94

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Profit after tax for the year	**441,548**	248,450
Other comprehensive income:		
Effect of translation of net investment in foreign branches	**200,254**	77,987
Capital contribution to statutory funds	**(141,031)**	(184,459)
Total comprehensive income for the year	**500,771**	141,978
Total comprehensive income attributable to:		
Equity holders of the parent	**549,630**	216,674
Non-controlling interest	**(48,859)**	(74,696)
	500,771	141,978

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Operating cash flows		
a) Underwriting activities		
Premiums received	**12,833,127**	12,429,414
Reinsurance premiums paid	**(5,153,553)**	(5,390,966)
Claims paid	**(6,601,061)**	(9,620,262)
Surrenders paid	**(55,257)**	(87,492)
Reinsurance and other recoveries received	**2,584,142**	5,018,915
Commissions paid	**(1,644,647)**	(1,643,185)
Commissions received	**771,617**	858,763
Other underwriting payments	**(1,296,280)**	(1,208,307)
Net cash flow from underwriting activities	**1,438,088**	356,880
b) Other operating activities		
Income tax paid	**(92,167)**	(56,292)
General and other expenses paid	**(594,426)**	(763,596)
Loans disbursed	**(32,200)**	(26,652)
Loan repayments received	**30,600**	38,442
Other receipts	**173,658**	11,603
Net cash used in other operating activities	**(514,535)**	(796,495)
Total cash generated from / (used in) all operating activities	**923,553**	(439,615)
Investment activities		
Profit / return received	**178,582**	153,949
Dividends received	**714,654**	815,584
Payments for investments	**(11,794,313)**	(6,236,991)
Proceeds from disposal of investments	**10,678,912**	6,012,347
Fixed capital expenditure - Tangible assets	**(324,679)**	(288,774)
Fixed capital expenditure - Intangible assets	**(30,027)**	(5,673)
Proceeds from disposal of fixed assets	**60,647**	83,975
Rental received	**545**	657
Profit received on PIBs	**2,006**	9,136
Income received on treasury bills	**21,276**	-
Income received on TFCs	**18,079**	24,106
Total cash (used in) / flow from investing activities	**(474,318)**	568,316
Financing activities		
Lease rentals paid	**(39,161)**	(64,249)
Dividends paid	**(183,496)**	(304,888)
Total cash used in financing activities	**(222,657)**	(369,137)
Net cash inflow / (outflow) from all activities	**226,578**	(240,436)
Cash at the beginning of the year	**2,497,305**	2,737,741
Cash at the end of the year	**2,723,883**	2,497,305

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	**923,553**	(439,615)
Depreciation expense	**(181,687)**	(192,349)
Provision for gratuity	**(9,031)**	(6,873)
Other income - bank deposits	**111,590**	121,534
Gain / (loss) on disposal of fixed assets	**19,708**	(23,001)
Provision for impairment on trackers	**(64,152)**	-
Finance charges on lease obligations	**(5,581)**	(15,179)
Rental income	**545**	657
Share of profit from associated companies	**48,344**	218,610
Decrease in assets other than cash	**(305,026)**	(3,707,936)
(Increase) / decrease in liabilities other than running finance	**(1,895,993)**	2,183,655
	(1,357,730)	(1,860,497)
Others		
Profit on sale of investments	**177,609**	369,406
Amortization expense	**(27,737)**	(21,435)
Capital contribution from shareholders' fund	**141,031**	184,459
Decrease in unearned premium	**367,053**	689,089
Decrease in loans	**1,601**	(11,790)
Income tax paid	**89,755**	53,080
Profit on PIBs	**6,240**	7,846
Reversal / (provision) of impairment in value of investments	**197,051**	(200,930)
Dividend, investment and other income	**860,111**	835,221
Return on Treasury Bills	**12,246**	10,217
Income on TFCs	**17,401**	22,946
	1,842,361	1,938,109
Profit before taxation	**484,631**	77,612

Definition of cash:

Cash comprises cash in hand, bank balances excluding Rupees. 9.076 million (2011: Rupees. 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and other equivalent	**1,200**	21,597
Current and other accounts	**1,705,386**	1,527,090
Deposits maturing within 12 months	**1,017,297**	948,618
Total cash and cash equivalents	**2,723,883**	2,497,305

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Capital reserves				Revenue reserves		Equity attributable to equity holders of the parent	Non-controlling interest	Total Equity
	Issued, subscribed and paid-up	Reserve for exceptional losses	Investment fluctuation reserve	Capital contribution to statutory funds	Exchange translation reserve	General reserve	Retained earnings			
	Rupees in thousand									
Balance as at 31 December 2010	1,237,045	22,859	3,764	(116,742)	200,515	936,500	8,701,466	10,985,407	152,444	11,137,851
Final dividend for the year ended 31 December 2010 @ 15 % (Rupees 1.5 /- per share)	-	-	-	-	-	-	(185,557)	(185,557)	-	(185,557)
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)	-	(123,705)
Comprehensive income for the year 31 December 2010										
Profit for the year	-	-	-	-	-	-	240,138	240,138	8,312	248,450
Effect of translation of net investment in foreign branches	-	-	-	-	77,987	-	-	77,987	-	77,987
Capital contribution to statutory funds	-	-	-	(101,451)	-	-	-	(101,451)	(83,008)	(184,459)
Total comprehensive income for the year 31 December 2011	-	-	-	(101,451)	77,987	-	240,138	216,674	(74,696)	141,978
Balance as at 31 December 2011	1,237,045	22,859	3,764	(218,193)	278,502	936,500	8,632,342	10,892,819	77,748	10,970,567
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(185,557)	(185,557)	-	(185,557)
Comprehensive income for the year 31 December 2012										
Profit for the year	-	-	-	-	-	-	438,492	438,492	3,056	441,548
Effect of translation of net investment in foreign branches	-	-	-	-	200,254	-	-	200,254	-	200,254
Capital contribution to statutory funds	-	-	-	(89,116)	-	-	-	(89,116)	(51,915)	(141,031)
Total comprehensive income for the year 31 December 2012	-	-	-	(89,116)	200,254	-	438,492	549,630	(48,859)	500,771
Balance as at 31 December 2012	**1,237,045**	**22,859**	**3,764**	**(307,309)**	**478,756**	**936,500**	**8,885,277**	**11,256,892**	**28,889**	**11,285,781**

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		31 December 2012	31 December 2011
	Rupees in thousand									
General insurance:										
Direct and facultative										
Fire and Property Damage	4,003,625	2,163,408	1,858,769	4,308,264	3,179,198	1,611,865	1,377,042	3,414,021	**894,243**	1,203,286
Marine, Aviation and Transport	837,109	68,692	66,461	839,340	198,994	44,694	12,978	230,710	**608,630**	912,455
Motor	2,983,192	1,589,761	1,489,035	3,083,918	301,105	146,530	107,564	340,071	**2,743,847**	2,974,057
Miscellaneous	2,234,947	506,485	547,028	2,194,404	771,146	156,464	158,463	769,147	**1,425,257**	1,893,546
	10,058,873	4,328,346	3,961,293	10,425,926	4,450,443	1,959,553	1,656,047	4,753,949	**5,671,977**	6,983,344
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	-	-	**-**	-
Total	10,058,873	4,328,346	3,961,293	10,425,926	4,450,443	1,959,553	1,656,047	4,753,949	**5,671,977**	6,983,344
Life insurance:										
Conventional Business	193,752	-	-	193,752	74,370	-	-	74,370	**119,382**	75,444
Accident and Health Business	13	-	-	13	-	-	-	-	**13**	26
Non-unitised Investment Link Business	536,598	-	-	536,598	10,141	-	-	10,141	**526,457**	355,992
Unit Link Business	1,566,830	-	-	1,566,830	22,241	-	-	22,241	**1,544,589**	360,488
Total	2,297,193	-	-	2,297,193	106,752	-	-	106,752	**2,190,441**	791,950
Grand Total	12,356,066	4,328,346	3,961,293	12,723,119	4,557,195	1,959,553	1,656,047	4,860,701	**7,862,418**	7,775,294

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

S. M. Jawed
Director

Ibrahim Shamsi
Director

Manzar Mushtaq
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Total claims paid	Outstanding claims		Claims expenses	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		31 December 2012	31 December 2011
	Rupees in thousand									
General insurance:										
Direct and facultative										
Fire and Property Damage	2,174,748	2,436,459	2,884,545	2,622,834	1,545,927	1,906,386	2,142,921	1,782,462	**840,372**	655,775
Marine, Aviation and Transport	328,104	307,593	269,872	290,383	34,033	155,223	127,373	6,183	**284,200**	494,320
Motor - restated	2,377,006	1,725,349	2,012,919	2,664,576	587,542	1,204,860	1,460,234	842,916	**1,821,660**	1,877,811
Miscellaneous	1,480,067	1,058,285	1,173,985	1,595,767	328,575	698,615	769,372	399,332	**1,196,435**	1,598,395
	6,359,925	5,527,686	6,341,321	7,173,560	2,496,077	3,965,084	4,499,900	3,030,893	**4,142,667**	4,626,301
Treaty										
Proportional	-	20,332	20,332	-	-	-	-	-	**-**	-
	-	20,332	20,332	-	-	-	-	-	**-**	-
Total	6,359,925	5,548,018	6,361,653	7,173,560	2,496,077	3,965,084	4,499,900	3,030,893	**4,142,667**	4,626,301
Life insurance:										
Conventional Business	138,368	25,084	34,002	147,286	91,769	18,035	22,714	96,448	**50,838**	28,415
Accident and Health Business	-	-	-	-	-	-	-	-	**-**	-
Non-unitised Investment Link Business	5,790	3,109	2,631	5,312	4,192	2,176	1,310	3,326	**1,986**	942
Unit Link Business	96,977	-	14,215	111,192	3,293	-	5,734	9,027	**102,165**	363
Total	241,135	28,193	50,848	263,790	99,254	20,211	29,758	108,801	**154,989**	29,720
Grand Total	6,601,060	5,576,211	6,412,501	7,437,350	2,595,331	3,985,295	4,529,658	3,139,694	**4,297,656**	4,656,021

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2012

Class	Commissions paid or payable	Deferred commission		Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net Underwriting expense	
		Opening	Closing					31 December 2012	31 December 2011
	Rupees in thousand								
									Restated
General insurance:									
Direct and facultative									
Fire and Property Damage	638,872	270,645	252,708	656,809	312,600	969,409	607,305	**362,104**	461,813
Marine, Aviation and Transport	78,893	14,189	(5,160)	98,242	168,715	266,957	8,547	**258,410**	352,627
Motor	253,531	134,109	118,926	268,714	749,722	1,018,436	47,791	**970,645**	982,246
Miscellaneous	167,198	53,456	55,729	164,925	351,879	516,804	166,382	**350,422**	394,823
	1,138,494	472,399	422,203	1,188,690	1,582,916	2,771,606	830,025	**1,941,581**	2,191,509
Treaty									
Proportional	-	-	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	-	**-**	-
Total	1,138,494	472,399	422,203	1,188,690	1,582,916	2,771,606	830,025	**1,941,581**	2,191,509
Life insurance:									
Conventional Business	18,269	-	-	18,269	31,952	50,221	-	**50,221**	61,658
Accident and Health Business	1	-	-	1	42	43	-	**43**	307
Non-unitised Investment Link Business	163,425	-	-	163,425	53,962	217,387	919	**216,468**	245,311
Unit Link Business	442,045	-	-	442,045	120,399	562,444	6,293	**556,151**	252,110
Total	623,740	-	-	623,740	206,355	830,095	7,212	**822,883**	559,386
Grand Total	1,762,234	472,399	422,203	1,812,430	1,789,271	3,601,701	837,237	**2,764,464**	2,750,895

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

CONSOLIDATED STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
General Insurance:			
Income from non-trading investments			
Available-for-sale			
Return on Term Finance Certificates		**17,401**	22,946
Return on Treasury Bills		**12,246**	10,217
Return on Pakistan Investment Bonds		**6,240**	7,846
Dividend income			
- associated undertakings		**423,282**	311,441
- others		**293,804**	228,311
		716,886	539,752
		752,773	580,761
Gain on sale of 'available-for-sale' investments			
- related parties		**108,771**	4,344
- others		**34,621**	349,672
		143,392	354,016
		896,165	934,777
Reversal / (provision) for impairment in value of 'available-for-sale' investment	14.2	**197,051**	(203,271)
		1,093,216	731,506
Life Insurance:			
Shareholders' fund			
Appreciation in value of quoted securities		**85**	68
Return on Government Securities		**13,256**	15,157
Return on bank deposits		**875**	617
Dividend income		**1,359**	1,136
Gain on disposal of non trading investments		**6,893**	13,218
Reversal of impairment in value of available-for-sale investments		**468**	1,867
		22,936	32,063
Statutory funds			
Conventional business			
Return on Government Securities		**3,448**	4,682
Realization of discount on Government Securities		**2,075**	-
Investment income on bank deposits		**4,099**	1,492
Gain on sale of open-end / non trading investments		**1,065**	1,214
Reversal of impairment in value of available-for-sale investments		**59**	474
		10,746	7,862
Accident and health business			
Investment income on bank deposits		**18**	8
Non-unitised investment link business			
Appreciation / (diminution) in value of quoted securities		**2,388**	(10,162)
Realization of discount on Government Securities		**29,824**	-
Return on Government Securities		**17,440**	21,525
Investment income on bank deposits		**2,043**	1,769
Gain on sale of open-end / non trading investments		**9,814**	888
		61,509	14,020

CONSOLIDATED STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	Rupees in thousand	
Unit Link Business		
Appreciation / (diminution) in value of quoted securities	**8,524**	(4,767)
Realization of discount on Government Securities	**37,952**	-
Return on Government Securities	**13,499**	3,958
Return on fixed income securities	**963**	-
Dividend income	**93**	79
Investment income on bank deposits	**4,756**	1,572
Gain on disposal of trading investments	**16,445**	-
Gain on sale of Government securities	**-**	70
	82,232	912
Net investment income	**1,270,657**	786,371
Net investment income - statutory funds	**154,505**	22,802
Net investment income - other	**1,116,152**	763,569
	1,270,657	786,371

The annexed notes 1 to 37 form an integral part of these consolidated financial statements.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. THE GROUP AND ITS OPERATIONS

The group consists of:

Holding Company
Adamjee Insurance Company Limited

Subsidiary Company

	Percentage held by Adamjee Insurance Company Limited	
Adamjee Life Assurance Company Limited	67.20%	(2011:55%)

Adamjee Insurance Company Limited (Holding Company)

Adamjee Insurance Company Limited is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company is listed on all the stock exchanges in Pakistan and is engaged in the non-life insurance business.

The registered office of the Company is situated at Islamabad Stock Exchange Building, Islamabad.

The Company also operates branches in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and the Export Processing Zone (EPZ). The branch in the KSA has closed down its operations and is in “run-off” status with effect from 01 October 2003.

Adamjee Life Assurance Company Limited (Subsidiary Company)

Adamjee Life Assurance Company Limited was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Ordinance, 1984 and started its operations from 24 April 2009. The registered office of the Company is located at First Floor Islamabad Stock Exchange Tower, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at Third Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V. who have a holding of 67.20 % (2011:55%) and 32.80 % (2011: 45%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited (HLA), a subsidiary of IVM Intersurer B.V., to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

The Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of its each class of life assurance business:

- Conventional Business
- Accident and Health Business
- Non-Unitized Investment Link Business
- Unit Link Fund

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the periods presented, unless otherwise specified.

2.1 Basis of preparation

a) Statement of compliance

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "investments available-for-sale" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, have not been considered in the preparation of these consolidated financial statements.

b) Consolidation

i) Subsidiary Company

Subsidiary Company is the entity in which Holding Company directly or indirectly controls beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date the control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as separate item in the consolidated financial statements.

ii) Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is less than 20% but due to other factors e.g. Group's representation on the Board of Directors of investee Company, the Group can exercise significant influence. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated profit and loss account, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

c) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments which are stated at lower of cost and market value and valuation of policyholders liability and employees' retirement benefits which are carried on the basis of actuarial valuation. Accrual basis of accounting has been used except for cash flow information.

d) Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical 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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements or judgment was exercised in application of accounting policies are as follows:

i) Provision for outstanding claims including incurred but not reported (IBNR)

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

ii) Provision for taxation including the amount relating to tax contingency

In making the estimates for income tax currently payable by the Group, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iii) Provision for doubtful receivables

The receivable balances are reviewed against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

iv) Useful lives, patterns of economic benefits and impairments - Fixed assets

Estimates with respect to residual values and useful lives and patterns of flow of economic benefits are based on the analysis of the management of the Group. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

v) Valuation discount rate

The valuation of policyholders' liabilities has been based on a discount rate of 3.75%, which is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference each year between the above and the actual investment return is intended to be available to the Group for meeting administrative expenses and to provide margins for adverse deviation.

vi) Mortality assumption

For the purpose of valuing the insurance contracts, the mortality assumption used is based on EFU (61-66) table which is adjusted to reflect the mortality expectation in Pakistan. In the opinion of the appointed actuary the adjusted table gives the closest match to the underlying mortality of the covered population.

vii) Claims provision

For the purpose of valuation of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

viii) Surrenders

For the purpose of valuation of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

ix) Classification of investments

The Group classifies its investments into "available-for-sale", "held to maturity" and "at fair value through profit or loss". The classification is determined by management at initial recognition and depends on the purpose for which the investments are acquired.

Revisions to accounting estimates are recognized in the year in which estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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e) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

f) Standards, interpretations and amendments to published approved standards that are effective in current year and are relevant to the Group

The following standards, amendments and interpretations are effective for the year ended 31 December 2012. These standards, interpretations and the amendments are either not relevant to the Group’s operations or are not expected to have significant impact on the Group’s financial statements other than certain additional disclosures.

- Amendments to IAS 12 - Income Taxes - Deferred Tax Recovery of Underlying Assets

This amendment is effective for the accounting periods beginning on or after 01 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of Financial Assets

The IASB issued an amendment to IFRS 7 on 07 October 2010 which is effective from the accounting periods beginning on or after 01 July 2011. The amendment provides enhanced disclosures for transferred financial assets that are derecognized in their entirety and transferred assets that are not recognized in their entirety.

g) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant to the Group

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant or do not have any significant impact on these consolidated financial statements and are therefore not detailed in these consolidated financial statements.

h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Group

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group’s operations or are not expected to have significant impact on the Group’s financial statements other than certain additional disclosures.

- Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

This amendment is effective for the accounting periods beginning on or after 01 January 2013. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

- Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement

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clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- Amendments to IAS 16 - Property, Plant and Equipment - Classification of Servicing Equipment

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- Amendments to IAS 32 - Financial Instruments: Presentation - Tax Effects of Distributions to Holders of an Equity Instrument, and Transaction Costs of an Equity Transaction

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

- Amendments to IAS 32 - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

This amendment is effective for the accounting periods beginning on or after 01 January 2014. These amendments clarify the meaning of “currently has a legally enforceable right to set off”. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

- Amendments to IAS 34 - Interim Financial Reporting - Interim Reporting of Segment Information for Total Assets and Total Liabilities

This amendment is effective for the accounting periods beginning on or after 01 January 2013. The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

- Amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments are effective for the accounting periods beginning on or after 01 January 2013. These amendments require an entity to disclose information about rights to set off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

- Amendments to IAS 19 - Employee Benefits: Elimination of Corridor Approach

The amendments to IAS 19 Employee Benefits are effective for annual periods beginning on or after 01 January 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Holding Company’s financial statements for annual periods beginning on or after 01 January 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans.

The management of the Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 Employee Benefits.

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The adoption of the said amendment in IAS 19 Employee Benefits will result in change in the Holding Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 2.5.1 (b) to the financial statements. The unrecognized actuarial gain as at 31 December 2012 is Rupees 54 million. The actuarial gains / (losses) for the year 2013 will only be determined at the year end.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 27 (Revised 2011) - Separate Financial Statements due to Non adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to Non adoption of IFRS 10 and IFRS 11

i) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant to the Group

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant impact on these consolidated financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Insurance contracts

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

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

Insurance contracts issued by the Group are generally classified in eight basic categories among them four catagories are covered by the Holding Company i.e. Fire and Property, Marine aviation and transport, Motor and Miscellaneous and four catagories i.e Conventional Business, Accident and Health Business, Non-Unitized Investment Link Business and Unit Link Fund are covered by the Subsidiary Company. These are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and vary accordingly.

Holding Company - Non Life Business

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riots and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact, burglary, loss of profit followed by the incident of fire, contractor’s all risk, erection all risk, machinery breakdown and boiler damage etc.

- Marine aviation and transport insurance contracts generally provide cover for loss or damage to cargo while in transit to and from foreign land and inland transit due to various insured perils including loss of or damage to carrying vessel etc.

- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

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- Miscellaneous insurance contracts provide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workmen compensation, travel, crop and health etc.

Subsidiary Company - Life Business

- The Conventional Business includes individual life, group life and group credit life assurance.

- Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses related to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

- Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholders' account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and brokers.

- Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholders' account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is only written through bancassurance channel.

  In addition to direct insurance, the Group also participates in risks under co-insurance contracts from other companies and also accepts risks through re-insurance inward by way of facultative acceptance on case to case basis provided such risks are within the underwriting policies of the Group. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

  Since the nature of insurance contracts entered in to by the Holding Company and its Subsidiary are different, the respected accounting policy have separately been provided here under:

2.2.1 Holding Company - Non-life business

a) Premium

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry as follows:

(a) For direct business, evenly over the period of the policy;
(b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
(c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge is recognized as premium at the time the policies are written.

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

- for marine cargo business and for motor business in Dubai, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and

- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

The unearned portion of Accident and Health insurance, that is included in Miscellaneous category, is determined in accordance with the actuary's advice.

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Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. Provision for impairment on premium receivables is established when there is objective evidence that the Holding Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

b) Reinsurance Ceded

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

Reinsurance liabilities represent 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 assets.

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

Reinsurance assets are assessed for impairment on each reporting date. If there is an objective evidence that the reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and impairment loss is recognized in the profit and loss account.

The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Group. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which may be entitled to under the terms of reinsurance, is recognized on accrual basis.

c) Provision for outstanding claims including IBNR

The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Provisions for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually incurred subsequent to the balance sheet date. The company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period. Provision for IBNR claims pertaining to Accident and Health insurance, that is included in Miscellaneous category, is determined on actuary’s advice.

Previously, trackers’ monitoring charges were also included in the claims. From the current year, these costs are taken to the management expenses.

This change has no financial effect on the current, previous and future years' profitability and earnings per share since this change relates to presentation and disclosure aspects only. Reclassification of expenses due to this change is disclosed in Note 37.

d) Reinsurance recoveries against outstanding claims

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

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e) Commission expense and other acquisition costs

Commission expense and other acquisition costs are charged to profit and loss account at the time the policies are accepted.

f) Premium deficiency reserve

A provision is maintained in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date.

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

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

	2012	2011
Fire and property damage	**78.93%**	67.59%
Marine, aviation and transport	**53.75%**	51.57%
Motor	**66.17%**	67.46%
Miscellaneous	**78.72%**	76.89%

Provision for premium deficiency pertaining to Accident and Health insurance business included in Miscellaneous class of business is determined on actuary’s advice.

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

2.2.2 Subsidiary Company - Life Business

a) Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

i) Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Company. Additional riders are included on the discretion of the policyholder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders liabilities included in the statutory fund are determined based on the appointed actuary’s valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

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Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by appointed actuary.

ii) Group life and group credit life

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of member or subscribers registered under a common platform against death and disability.

Revenue recognition

Premiums are recognised when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders liabilities.

Recognition of policyholders' liabilities

Policyholders liabilities included in the statutory fund are determined based on the appointed actuary’s valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders’ liabilities in accordance with the estimates recommended by appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders is included in policyholders’ liability in accordance with the advice of the appointed actuary.

b) Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses related to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders’ liabilities included in the statutory fund are determined based on the appointed actuary’s valuation

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conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised after the date the insured event is initiated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by appointed actuary.

c) Non-unitised Investment Linked Business

Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and brokers.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by appointed actuary.

d) Unit Linked Business

Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is only written through bancassurance channel.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

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Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the policyholders' liabilities in accordance with the estimates recommended by appointed actuary.

e) Reinsurance contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

Reinsurance premium

Reinsurance premium expense is recognised at the same time when the related premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim recoveries from reinsurers are recognised at the same time when the claim giving rise to the right of recovery is recognised.

Amount due from / to reinsurer

Amounts due from / 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.

f) Receivables and payables related to insurance contracts

These include amounts relating to agents and policyholders which are recognised when due except unpaid premiums. Unpaid premiums are recognised as revenue only:

- during days of grace as specified in the policy; or
- where actuarial valuation assumes that all the premium due has been received.

2.3 Statutory funds

Subsidiary Company - Life business

The Subsidiary Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Subsidiary Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund of the Subsidiary Company on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Company. Policyholders liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Subsidiary Company on the reporting date as required by section 50 of the Insurance Ordinance, 2000.

2.4 Policyholders' liabilities

Subsidiary Company - Life business

a**) Conventional Business**

i) Individual Life

Policyholders' liabilities constitute the reserves for basic plans and riders attached to the basic plans.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using EFU

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(61-66) mortality table and a discounting factor interest rate of 3.75%. This table reflects the mortality expectations in

Pakistan. In the opinion of the appointed actuary, the table gives the closest match to the underlying mortality of the concerned population. This is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return managed on conventional portfolio. The difference between the above and actual investment return is intended to be available to the Subsidiary Company for meeting administrative expenses and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders have been based on net unearned premiums.

ii) Group life and group credit

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium reserve and profit commission. The reserve also comprises allowance for “Incurred But Not Reported” (IBNR) claims. The provision for “Incurred But Not Reported” (IBNR) claims as included in policyholders' liability is determined by reference to actual claims reported after the valuation date for events taking place before the valuation date. This approach is being used as the Subsidiary Company has recently started business. Once sufficient experience of claim reporting patterns have built up, the appointed actuary will determine IBNR in accordance with these claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

b) Accident and Health Business

Policy reserves for this plan have been based on net unearned premiums with allowance for mortality pertaining to accident only.

c) Non-unitised Investment Link Business

Policyholders' liabilities constitute the account value of investment link contracts as well as non-investment reserves of these contracts. Non-investment reserves constitute liability kept to account for risks such as death and non-investment riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for death are based on risk charges deducted for, while reserves for the attached riders are based on net unearned premiums.

d) Unit Link Business

Policyholders' liabilities constitute the account value of investment link contracts as well as non-investment reserves of these contracts. Non-investment reserves constitute liability kept to account for risks such as death and non-investment riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for death are based on risk charges deducted for, while reserves for the attached riders are based on net unearned premiums.

For the purpose of valuation of unit link business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

2.5 Staff retirement benefits

2.5.1 Holding Company

a) Defined contribution plan

The Holding Company operates an approved contributory provident fund scheme for all its eligible employees. Equal monthly contributions to the fund are made by the Holding Company and the employees at the rate of 8.33% of basic salary.

b) Defined benefit plans

The Holding Company has the following defined benefit plans:

i) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to the schemes on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are amortized over the expected future service of the current members Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

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ii) unfunded gratuity schemes covering the employees in the UAE branch of the Holding Company as per the requirements of the applicable regulations. Provision is made in the consolidated financial statements based on the management's best estimate of the liability in respect of these schemes.

2.5.2 Subsidiary company

a) Defined benefit scheme

The Subsidiary company operates an unfunded gratuity scheme covering eligible employees whose period of employment with the Subsidiary company is six months or more. The liability recognized in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized actuarial gains or losses. The defined benefit obligation is determined annually by the appointed actuary using projected unit credit method.

Actuarial gains / losses in excess of ten percent of the higher of actuarial liabilities at the end of last reporting year are recognized over the average lives of employees.

2.6 Employees' compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

2.7 Creditors, accruals and provisions

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

Provisions are recognized when there is a present, legal or constructive obligation as a result of past events and 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 reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank deposits and short-term bank borrowings and excludes bank balances held under lien.

2.9 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include transaction costs except in case of investments at fair value through profit or loss. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Group commits to purchase or sell the investment.

The above investments are classified into the following categories:

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortized cost less any accumulated impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

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Subsequent to initial recognition at cost, these are stated 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. The stock exchange quotations at the reporting date are used to determine the market value of its quoted investments. Appropriate valuation techniques are used to estimate the fair value of unquoted investments in delisted / unlisted companies. Such valuation is obtained from independent valuers.

In case of Government securities, the market value is determined using rates announced by the Financial Market Association.

In case of other fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if 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. Subsequently, these are measured at fair value and gains and losses arising from change in fair value are included in the profit and loss account / revenue account.

2.10 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

2.11 Fixed assets

Tangible

Owned fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Freehold land and capital work-in-progress are carried at cost less impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under lease agreements and the fair value of asset at the inception of the lease contract. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are included in the profit and loss account currently.

Intangible

The intangible assets having finite useful lives are stated at cost less accumulated amortization and any provision for impairment. Intangible assets having indefinite useful lives are stated at acquisition cost less impairment, if any.

Amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Group.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

2.12 Expenses of management

2.12.1 Holding Company

Expenses of management

This year, expenses of management both direct and indirect were allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as General and administration expenses.

Previously, indirect expenses were being allocated to various classes of business on the basis of net premium revenue. This change has no financial effect on the current, previous and future years' profitability and earnings per share since this change relates to presentation and disclosure aspects only. Reclassification of expenses due to this change is disclosed in Note 37.

2.12.2 Subsidiary Company

Expenses of management have been allocated to various classes of business as deemed equitable by the management. Allocation to each segment is based on the nature of the expense and its correlation to each segment.

2.13 Investment income

a) From available-for-sale investments

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

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

- **Gain / loss on sale of available-for-sale investments**
Gain / loss on sale of available-for-sale investments is recognized in profit and loss account currently.

- **Return on Term Finance Certificates**
The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized and taken to the profit and loss account over the term of the investment.

b) From held-to-maturity investments

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

c) From investments at fair value through profit or loss

Gain or loss on sale of investment is included in profit and loss account or respective revenue account of the fund in the period in which disposal has been made.

d) Share of profit from associated companies

This is recognized as per policy stated in note 2.1 b (ii).

2.14 Foreign currencies

Transactions in foreign currencies (other than the result of foreign branches) are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange differences are taken to the profit and loss account currently.

The assets and liabilities of foreign branches are translated to Pak Rupees at exchange rates prevailing at the balance sheet date. The results of foreign branches of the Holding Company are translated to Pak Rupees at the average rate of exchange for the year. Translation gains and losses are included in the profit and loss account, except those arising on the translation of the net investment in foreign branches, which are taken to the capital reserves (exchange translation reserve).

2.15 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.16 Dividend and appropriation to reserves

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders and other appropriations are recognized in the period in which these are approved by the Board of Directors.

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2.17 Off setting of fund liabilities and fund assets

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

2.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period / year. Diluted earnings per share is calculated if there is any potential dilutive effect on the reported net profits.

2.19 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.20 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.21 Segment reporting

2.21.1 Holding Company

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (the Board of Directors) who are responsible for allocating resources and assessing performance of the operating segments.

The segment reporting is accounted for using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while

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the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

2.21.2 Subsidiary Company

Operating segments are reported in a manner consistent with that provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

The Company operates in Pakistan only. The Company has four primary business segments for reporting purposes namely Conventional Business and Accident and Health Business and Non-Unitised Investment Link Business and Unit Link Business. The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

2.22 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

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3. SHARE CAPITAL

3.1 Authorized share capital

31 December 2012	31 December 2011		31 December 2012	31 December 2011
Number of shares			Rupees in thousand	
150,000,000	150,000,000	Ordinary shares of Rupees 10 each	**1,500,000**	1,500,000

3.2 Paid-up share capital

Issued, subscribed and fully paid:

31 December 2012	31 December 2011		31 December 2012	31 December 2011
Number of shares			Rupees in thousand	
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
123,454,544	123,454,544	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,234,545**	1,234,545
123,704,544	123,704,544		**1,237,045**	1,237,045

3.3 As at 31 December 2012, MCB Bank Limited, Nishat Mills Limited, D.G. Khan Cement Company Limited and Pakistan Molasses Company (Private) Limited, associated undertakings, held 36,338,092 (2011: 36,338,092), 36,337 (2011: 36,337), NIL (2011: 3,541,391), and NIL (2011: 60,000) ordinary shares of Rupees 10 each, respectively.

4. RESERVES

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**478,756**	278,502
Capital contribution to statutory funds	4.4	**(307,309)**	(218,193)
		198,070	86,932
Revenue reserve			
General reserve		**936,500**	936,500
		1,134,570	1,023,432

4.1 The reserve for exceptional losses represents the amount set aside by the Holding Company in prior years up to 31 December 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Holding Company discontinued the setting aside of amounts as reserve for exceptional losses.

4.2 This amount has been set aside by the Holding Company in prior years for utilization against possible diminution in the value of investments.

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4.3 The exchange translation reserve represents the gain resulted from the translation of foreign branches (having business in foreign currencies) of Holding Company into Pak Rupees. For the purpose of exchange translation reserve, the UAE and Export Processing Zone branches are treated as foreign branches since these carry on their business in AED and US Dollars respectively.

4.4 This represents the share of equity holders of the Parent in the capital contribution made by shareholders' fund of Subsidiary to its statutory funds.

5. NON-CONTROLLING INTEREST

	31 December 2012	31 December 2011
	Rupees in thousand	
Share capital	**240,599**	240,599
Profit for the year	**3,056**	8,312
Capital contribution to statutory funds	**(230,439)**	(178,524)
Opening retained earnings	**15,673**	7,361
	28,889	77,748

6. POLICYHOLDERS' LIABILITIES

	Statutory Funds				31 December 2012	31 December 2011
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit link Business		
	Rupees in thousand					
Life insurance:						
6.1 Gross of reinsurance						
Actuarial liability relating to future events	98,955	5	641,012	1,268,548	**2,008,520**	527,854
Provision for incurred but not reported claims	8,859	-	-	-	**8,859**	16,182
	107,814	5	641,012	1,268,548	**2,017,379**	544,036
6.2 Net of reinsurance						
Actuarial liability relating to future events	71,694	5	628,848	1,251,470	**1,952,017**	474,074
Provision for incurred but not reported claims	2,658	-	-	-	**2,658**	5,487
	74,352	5	628,848	1,251,470	**1,954,675**	479,561
6.3 Balance of statutory funds						
Policyholders' liabilities						
Balance at beginning of the year	54,320	8	247,183	178,051	**479,562**	99,479
Increase during the year	20,032	(3)	381,665	1,073,419	**1,475,113**	380,082
Balance at end of the year	74,352	5	628,848	1,251,470	**1,954,675**	479,561
Retained earnings on other than participating business						
Balance at beginning of the year	(142,024)	(1,430)	(154,117)	(69,123)	**(366,694)**	(212,258)
Surplus / (deficit) for the year	9,037	(9)	(12,153)	(104,915)	**(108,040)**	(154,434)
Surplus appropriated to shareholders' fund	-	-	-	-	**-**	-
Balance at end of the year	(132,987)	(1,439)	(166,270)	(174,038)	**(474,734)**	(366,692)
Capital contributed by shareholders' fund						
Balance at beginning of the year	152,707	1,511	173,376	69,123	**396,717**	212,258
Capital contribution during the year	-	-	36,116	104,915	**141,031**	184,459
Capital withdrawn during the year	-	-	-	-	**-**	-
Balance at end of the year	152,707	1,511	209,492	174,038	**537,748**	396,717
Balance at statutory funds at the year end	94,072	77	672,070	1,251,470	**2,017,689**	509,586

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6.4 The appointed actuary of the Subsidiary Company has carried out a valuation of the policyholders' liabilities with respect to the Conventional Business, Accident and Health Business, Non-unitised Investment Linked Business and Unit Link Business (Statutory Funds) as per section 50 of the Insurance Ordinance, 2000. The significant assumptions used in the valuations are disclosed in note 30.4.2 to these consolidated financial statements.

The details of the significant assumptions used by the appointed actuary in computation of policyholders' liability will be specified in the Financial Condition Report for the year ended 31 December 2012 to be issued by the appointed actuary of the Subsidiary Company in accordance with the requirements set out in section 50 of the Insurance Ordinance, 2000.

	31 December 2012	31 December 2011
7. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)	**Rupees in thousand**	
General insurance:		
Related parties	**283,240**	187,035
Others	**6,078,413**	5,360,983
	6,361,653	5,548,018
Life insurance	**50,848**	28,193
	6,412,501	5,576,211

	Note	31 December 2012	31 December 2011
8. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity		**Rupees in thousand**	
Opening balance		**26,458**	19,585
Charge for the year - Holding Company	8.1	**7,989**	4,688
Charge for the year - Subsidiary Company	8.2.3	**4,496**	2,574
Benefits paid - Holding Company		**(1,014)**	(930)
Benefits paid - Subsidiary Company		**(2,298)**	(386)
		35,631	25,531
Exchange loss - Holding Company		**2,056**	927
		37,687	26,458

8.1 The above provision relates to the Company's operations in UAE branches. Actuarial valuation is carried out as at 31 December 2012. Previously actuarial valuation was not being obtained considering the liability to be insignificant.

8.2 The Subsidiary Company operates an unfunded gratuity scheme for all permanent employees. An actuarial valuation is carried out at 31 December 2012 to determine the liability of the Subsidiary Company in respect of the scheme. The information provided in notes 8.2.1 to 8.2.5 is based upon the actuarial valuation carried out as at 31 December 2012. The following significant assumptions have been used for valuation of this scheme:

	2012	2011
	Percent per annum	
Discount rate	**12.10**	13.00
Expected rate of increase in salaries	**11.00**	11.00

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	31 December 2012	31 December 2011
	Rupees in thousand	
8.2.1 Amounts recognised in the balance sheet		
Present value of the obligation	**11,857**	7,087
Unrecognised actuarial loss	**(5,211)**	(2,640)
Gratuity liability as at 31 December	**6,646**	4,447
8.2.2 Movement in the present value of the defined benefit obligation		
Obligation at the beginning of the year	**7,088**	3,071
Current service cost	**3,178**	1,920
Interest cost	**1,217**	629
Actuarial loss	**2,672**	1,853
Benefits paid	**(2,298)**	(386)
Obligation at the end of the year	**11,857**	7,087
8.2.3 Amounts recognised in the profit and loss account		
Current service cost	**3,178**	1,920
Interest cost	**1,217**	629
Recognised actuarial loss	**101**	25
	4,496	2,574
8.2.4 Reconciliation of liability		
Opening net liability	**4,447**	2,259
Charge for the year	**4,496**	2,574
Benefits paid	**(2,298)**	(386)
Closing net liability	**6,645**	4,447

8.2.5 Actual return on plan assets

The Subsidiary Company does not have any plan assets as at 31 December 2012 in respect of its unfunded gratuity scheme.

	Note	31 December 2012	31 December 2011
9. OTHER CREDITORS AND ACCRUALS		Rupees in thousand	
Cash margin against performance bonds		**651,492**	612,067
Sundry creditors		**259,636**	193,059
Commission payable		**598,594**	531,396
Workers' welfare fund		**101,126**	11,762
Staff Gratuity Fund		**11,383**	-
Federal insurance fee		**35,809**	35,471
Federal excise duty		**51,044**	101,572
Payable to employees’ provident fund	9.1	**958**	-
Others	9.2	**26,233**	31,105
		1,736,275	1,516,432

9.1 During the year, an amount of Rupees 20.791 million (2011: Rupees 22.666 million) has been charged to the profit and loss account in respect of the Holding Company's contributions to the Employees' Provident Fund.

9.2 This includes balance payable by Subsidiary Company to its related parties of Rupees 19.187 million (2011 : Rupees 25.465 million)

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	31 December 2012	31 December 2011
	Rupees in thousand	
10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**24,987**	58,567
10.1 Minimum lease payments		
Not later than 1 year	**17,831**	27,809
Later than 1 year and not later than 5 years	**9,463**	42,056
	27,294	69,865
Future finance charges on finance lease liability	**(2,307)**	(11,298)
Present value of finance lease liability	**24,987**	58,567
10.2 Present value of finance lease liabilities		
Not later than 1 year	**15,547**	20,904
Later than 1 year and not later than 5 years	**9,440**	37,663
	24,987	58,567

10.3 The above represents finance lease entered into with leasing companies for motor vehicles. The liability is payable by October 2014 in quarterly installments and is secured against respective vehicles and security deposits.

10.4 Lease payments bear variable mark-up rates and include finance charges at KIBOR + 2% to 2.5% per annum. KIBOR is determined on quarterly basis.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Holding Company

The income tax assessments of the Holding Company have been finalized up to and including the tax year 2012. However, the Holding Company has filed appeals in respect of certain assessment years mainly on account of following:

i) The Deputy Commissioner Inland Revenue (DCIR) has finalized assessments for the assessment year 1999-2000 by taxing capital gains at the full rate of 33%. The aggregate tax liability assessed by the DCIR amounted to Rupees 48.205 million against which the Holding Company has made a total provision of Rupees 44.141 million resulting in a shortfall of Rupees 4.064 million. The Holding Company filed appeals with the Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR) which were decided against the Holding Company. Consequently, the Holding Company has filed an appeal before the Honorable High Court of Sindh and the petition is fixed for regular hearing.

ii) The Additional Commissioner / Taxation Officer has reopened assessments for the assessment years 2000-2001 and 2001-2002 by taxing bonus shares received by the Holding Company during the above mentioned periods resulting in an additional tax liability of Rupees 14.907 million. An appeal was filed before the Commissioner Inland Revenue (Appeals) who cancelled the amended order passed by the Additional Commissioner and allowed relief to the Holding Company but the Tax Department had filed an appeal before the (ATIR) against the order of the Additional Commissioner, which has been decided in favour of the Holding Company. However, the Holding Company received another notice from Additional Commissioner for reassessment of the case in response to which the Holding Company has filed a constitutional petition in Honorable High Court of Sindh against such notice.

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iii) While finalizing the assessment for the assessment year 2002-2003, DCIR has reduced the business loss for the year by Rupees 88.180 million by adjusting the dividend income against this loss. The Holding Company maintains that it is entitled to carry the gross loss forward for adjustment against the future taxable income and dividend income for the year should be taxed separately at reduced rate. The appeals of the Holding Company in this respect have been rejected by the Commissioner Inland Revenue (Appeals), the ATIR and the Sindh High Court. The Holding Company has filed a reference application with the Supreme Court of Pakistan. The management is confident that the matter will eventually be decided in favor of the Holding Company and has consequently not made any provision against the additional tax liability of Rupees 26.455 million which may arise in this respect.

iv) The Tax Authorities have also amended the assessments for tax years 2003 to 2007 on the ground that the Holding Company has not apportioned management and general administration expenses against capital gain and dividend income. The Holding Company has filed constitutional petition in the Honorable High Court of Sindh against the amendment in the assessment order. The Holding Company may be liable to pay Rupees 5.881 million in the event of decision against it, out of which Rupees 2.727 million have been provided resulting in a shortfall of Rupees 3.154 million.

v) The Taxation Officer has passed an order in the tax years 2005 and 2006 under section 221 of the Income Tax Ordinance, 2001 (the Ordinance) levying minimum tax liability aggregating to Rupees 38.358 million. An appeal had been filed before the Commissioner Inland Revenue (Appeals) who upheld the order of the Taxation Officer. The Holding Company has filed an appeal before the ATIR which is pending to be heard.

vi) The Holding Company received a notice from Additional Commissioner Inland Revenue pertaining to the amendment of tax year 2008. Among others, the Additional Commissioner raised an issue with respect to the claim of exemption on capital gains on listed securities by way of incorrect application of the provisions of law. The Holding Company preferred to contest this matter by way of filing a constitutional petition before the Honorable High Court of Sindh . The Court has ordered for stay of proceedings.

Pending resolution of the above-mentioned appeals filed by the Holding Company, no provision has been made in these consolidated financial statements for the aggregate amount of Rupees 86.938 million (2011: Rupees 86.938 million) as the management is confident that the eventual outcome of the above matters will be in favor of the Holding Company.

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Subsidiary Company			
Bank guarantee		-	500

11.2 Commitments:

Holding Company

There were no capital or other commitments as at 31 December 2012 (2011: Nil).

Subsidiary Company

There were no capital or other commitments as at 31 December 2012 (2011: Nil).

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	Note	31 December 2012	31 December 2011
		Rupees in thousand	
12. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		**1,200**	1,848
Cheques in transit		**-**	19,749
		1,200	21,597
Current and other accounts			
Current accounts		**213,080**	239,015
Saving accounts		**1,492,306**	1,288,075
		1,705,386	1,527,090
Deposits maturing within 12 months			
Fixed and term deposits	12.1	**1,026,373**	957,694
		2,732,959	2,506,381

12.1 These include fixed deposits amounting to Rupees 180.545 million (AED 6.844 million) [2011: 166.947 million (AED 6.844 million)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rupees 9.076 million (2011: Rupees 9.076 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Holding Company for claims under litigation filed against the Holding Company.

12.2 Cash and bank deposits include an amount of Rupees 663.460 million (2011: Rupees 745.929 million) held with related parties.

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
13. LOANS - considered good			
Secured			
Executives	13.2	**6,700**	3,273
Employees	13.2	**22,865**	24,691
		29,565	27,964
Less: Recoverable within one year shown under sundry receivables			
Executives	20	**5,985**	1,311
Employees	20	**10,789**	9,478
		16,774	10,789
		12,791	17,175

13.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2011: 5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13.2 Reconciliation of carrying amount of loans

	2012			2011		
	Executives	Others	Total	Executives	Others	Total
	Rupees in thousand					
Opening balance	**3,273**	**24,691**	**27,964**	4,108	35,646	39,754
Disbursements	**12,861**	**19,339**	**32,200**	4,270	22,382	26,652
Repayments	**(9,434)**	**(21,165)**	**(30,599)**	(5,105)	(33,337)	(38,442)
Closing balance	**6,700**	**22,865**	**29,565**	3,273	24,691	27,964

14. INVESTMENTS

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
In associates with significant influence			
- under equity method	14.3	**-**	800,501
Available-for-sale			
In related parties			
Marketable securities	14.4	**6,746,356**	6,131,542
Less: Provision for impairment in value of investments		**-**	(12,085)
		6,746,356	6,119,457
Others			
Marketable securities	14.4	**3,449,616**	3,258,267
Less: Provision for impairment in value of investments		**(416,284)**	(601,776)
		3,033,332	2,656,491
At fair value through profit or loss	14.5		
In related parties			
Marketable securities	14.5.1	**-**	791
Others			
Marketable securities	14.5.2	**1,006**	1,986
Mutual Funds	14.5.4	**100,031**	5,178
Government securities	14.5.3	**1,663,179**	373,877
Other fixed income securities		**39,308**	-
		1,803,524	381,041
		11,583,212	9,958,281

14.1 At 31 December 2012, the fair value of available-for-sale securities was Rupees 14,632.466 million (2011: Rupees 9,892.477 million). As per the Group's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2012 would have been higher by Rupees 3,049.254 million (2011: higher by Rupees 66.004 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14.2 Reconciliation of provision for impairment in value of investments

	31 December 2012	31 December 2011
	Rupees in thousand	
Opening provision	**613,861**	412,931
Reversal / (charge) for the year	**(197,577)**	200,930
Closing provision	**416,284**	613,861

	Note	Carrying value 31 December 2012	Carrying value 31 December 2011
		Rupees in thousand	
14.3 In associate with significant influence			
- Lalpir Power Limited	14.3.1	**-**	439,752
- Pakgen Power Limited	14.3.2	**-**	360,749
		-	800,501

14.3.1 Lalpir Power Limited

	31 December 2012	31 December 2011
Cost of investment	**412,796**	412,796
Post acquisition reserve		
Opening balance of post acquisition reserve	**26,956**	46,727
Share of profit from associate for the year	**56,257**	118,352
Dividend income	**(38,447)**	(138,123)
Effect of loss of significant influence	**(44,766)**	-
	-	26,956
Transferred to marketable securities - Available-for-sale - related parties	**(412,796)**	-
Closing balance as at 31 December	**-**	439,752

14.3.2 Pakgen Power Limited

	31 December 2012	31 December 2011
Cost of investment	**355,448**	412,796
Shares sold during the year	**-**	(57,348)
	355,448	355,448
Post acquistion reserve		
Opening balance of post acquisition reserve	**5,301**	46,418
Share of profit from associate for the year	**67,748**	100,258
Dividend income	**(41,437)**	(128,156)
Earnings reversed on sale of shares	**-**	(13,219)
Effect of loss of significant influence	**(31,612)**	-
	-	5,301
Transferred to marketable securities - Available-for-sale - related parties	**(355,448)**	-
Closing balance as at 31 December	**-**	360,749

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14.3.3 Until 30 June 2012 the Group's investment in "Lalpir Power Limited" and "Pakgen Power Limited" was treated as 'investment in associates' in the consolidated financial statements because the Holding Company had two directors each, in common, at the Board of Directors of each of these associated companies besides holding 8% and 6.89% shareholding respectively, in the voting shares. Accordingly, the investments in these associates were accounted for using the equity method of accounting in the consolidated financial statements.

During the year, as a result of decrease in representation of the Holding Company on the board of directors of "Lalpir Power Limited" and "Pakgen Power Limited" dated 30 June 2012 together with the management's assessment of loss of significant influence over the investee companies, the investment in "Lalpir Power Limited" and "Pakgen Power Limited" has been reclassified as available for sale investment in related parties in these consolidated financial statements and stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with SEC (Insurance) Rules, 2002.

	Note	31 December 2012			31 December 2011
14.4 Marketable securities - Available-for-sale		Cost	Provision there against	Carrying Value	Carrying Value
		Rupees in thousand			
In related parties:					
- Listed shares		**5,089,277**	**-**	**5,089,277**	4,755,622
- Listed shares		**412,796**	**-**	**412,796**	-
- Mutual Fund Certificates		**1,244,283**	**-**	**1,244,283**	1,363,835
	14.4.1	**6,746,356**	**-**	**6,746,356**	6,119,457
Others:					
- Listed shares	14.4.2	**2,858,257**	**(415,986)**	**2,442,271**	2,156,795
- Term Finance Certificates	14.4.3	**108,076**	**(298)**	**107,778**	130,147
- Mutual Fund Certificates	14.4.4	**75,145**	**-**	**75,145**	81,135
- NIT Units		**161**	**-**	**161**	161
- Government Treasury Bills		**183,527**	**-**	**183,527**	136,104
- Pakistan Investment Bonds		**164,713**	**-**	**164,713**	19,764
- Pakistan Investment Bonds (5 Years)		**59,737**	**-**	**59,737**	132,385
		3,449,616	**(416,284)**	**3,033,332**	2,656,491
		10,195,972	**(416,284)**	**9,779,688**	8,775,948

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No. of Shares / Certificates		Face value	Company's name	31 December 2012	31 December 2011
31 December 2012	31 December 2011	Rupees		Rupees in thousand	
				Cost	Cost
14.4.1 Related parties					
Listed shares:					
1,258,650	1,258,650	10	Nishat Mills Limited		
			[Equity held 0.36% (2011: 0.36%)]	**34,211**	34,211
115,500	115,500	10	Hub Power Company Limited		
			[Equity held 0.01% (2011: 0.01%)]	**3,224**	3,224
-	1,407,944	10	D.G. Khan Cement Company Limited		
			[Equity held % (2011: 0.39%)]	**-**	38,878
28,641,486	26,037,715	10	MCB Bank Limited		
			[Equity held 3.42% (2011: 3.06%)]	**4,691,394**	4,691,394
400,000	-	10	Hira Textile Mills Limited		
			[Equity held 0.50%]	**5,000**	-
25,631,181	-	10	Pakgen Power Limited		
			[Equity held 6.89%]	**355,448**	-
				5,089,277	4,767,707
27,624,635	-	10	Lalpir Power Limited		
			[Equity held 8.00%]	**412,796**	-
				412,796	-
Mutual Fund Certificates					
9,404,179	8,444,180	100	MCB Dynamic Cash Fund [Units held 10.16 % (2011: 15.69%)]	**847,504**	820,970
4,123,322	5,478,668	100	MCB Cash Management Optimizer Fund [Units held 4.89 % (2011: 7.27%)]	**396,779**	542,865
				1,244,283	1,363,835
14.4.2 Other - listed shares					
			Investment Bank/ Investment Companies / Security Companies		
2,310,840	2,310,840	10	Arif Habib Investments Limited	**47,086**	47,086
			Commercial Banks		
1,731,346	1,573,951	10	Allied Bank Limited	**75,492**	75,492
1,936,884	1,684,247	10	Askari Bank Limited	**71,871**	71,871
7,132,709	6,202,355	10	Bank Al-Habib Limited	**130,982**	130,982
343,928	293,299	10	Habib Bank Limited	**40,947**	38,447
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	**87,327**	87,327
6,128,707	5,571,552	10	National Bank of Pakistan	**322,024**	322,024
3,859,944	3,830,544	10	United Bank Limited	**299,386**	296,886
			Insurance		
3,000	15,375	10	EFU General Insurance Company Limited	**211**	1,081
305,188	305,188	10	IGI Insurance Limited	**22,888**	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,326**	6,326
			Textile Spinning		
-	400,000	10	Hira Textile Mills Limited	-	5,000
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited	**3,913**	3,913
			Oil and Gas Marketing Companies		
-	110,000	10	Pakistan State Oil Company Limited	-	48,178
100,000	-	10	Attock Refinery Limited	**15,157**	
2,011,905	2,011,905	10	Sui Northern Gas Pipelines Limited	**127,666**	127,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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No. of Shares / Certificates 31 December 2012	No. of Shares / Certificates 31 December 2011	Face value Rupees	Company's name	31 December 2012 Rupees in thousand	31 December 2011 Rupees in thousand
				Cost	Cost
			Oil and Gas Exploration Companies		
10,000	100,000	10	Oil and Gas Development Company Limited	**1,067**	10,671
500,285	483,585	10	Pakistan Oilfields Limited	**147,729**	140,624
1,540,988	1,232,790	10	Pakistan Petroleum Limited	**181,472**	181,472
			Engineering		
-	1,398,823	10	International Industries Limited	**-**	77,490
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	**43,030**	43,030
394,544	394,544	10	Millat Tractors Limited	**35,335**	35,335
			Cables and Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	**27,717**	27,717
148,131	171,930	10	Siemens (Pakistan) Engineering Company Ltd	**116,770**	135,531
			Fertilizer		
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	**85,611**	85,611
3,926,640	2,788,199	10	Fauji Fertilizer Company Limited	**298,434**	245,489
			Pharmaceutical		
1,242,596	1,242,596	10	Abbot Laboratories Pakistan Limited	**151,883**	151,883
814,172	814,172	10	GlaxoSmithKline Pakistan Limited	**84,811**	84,811
			Chemical		
968,000	880,000	10	Arif Habib Corporation Limited	**98,981**	98,981
110,401	110,401	10	Clariant Pakistan Limited	**11,762**	11,762
-	41,400	10	ICI Pakistan Limited	**-**	8,561
			Food and Personal Care Products		
777,535	706,850	10	Murree Brewery Company Limited	**34,565**	34,565
32,783	32,783	10	Nestle Pakistan Limited	**18,980**	18,980
54,870	54,870	10	Rafhan Maize Products Limited	**44,644**	44,644
34,456	26,336	50	Unilever Pakistan Limited	**118,141**	35,847
2,707,944	-	10	D.G. Khan Cement Company Limited	**106,049**	-
				2,858,257	2,758,171
14.4.3 Others-Term Finance Certificates					
3,992	3,992	5000	Allied Bank Limited (05/11/2006)	**19,952**	19,960
6,649	9,977	5000	Bank Alfalah Limited (25/11/ 2005)	**33,245**	49,885
2,998	2,998	5000	Bank Alfalah Limited (02/12/ 2009)	**14,982**	14,988
-	998	5000	Jahangir Siddiqui and Company Ltdd (21/11/ 2006)	**-**	4,991
4,999	-	5000	KESC AZM Certificate (12/11/2012)	**24,995**	-
-	167	5000	Orix Leasing Pakistan Limited (25/05/ 2007)	**-**	833
998	2,995	5000	Pakistan Mobile Communication Ltd.(31/05/ 2006)	**4,992**	14,976
998	1,970	5000	Faysal Bank Limited (10/02/ 2005)	**4,922**	9,848
998	2,993	5000	Soneri Bank Limited (5/05/2005)	**4,988**	14,964
				108,076	130,445
14.4.4Others-Mutual Fund Certificates					
			Open-End Mutual Funds		
1,562,559	1,403,277	100	ABL Income Fund	**13,938**	10,000
7,405	6,835	500	Atlas Income Fund	**2,725**	2,725
35,254	-	100	KASB Cash Fund	**3,482**	-
279,805	244,386	100	Meezan Islamic Income Fund	**10,000**	10,000
-	98,267	100	IGI Income Fund	**-**	9,163
-	782,021	100	Arif Habib Pakistan Income Enhancement Fund	**-**	35,931
1,003,122	-		ABL Government Securities Fund	**10,000**	-
261,957	-		MCB Cash Management Optimizer Fund	**25,000**	-
1,303,057	1,172,613	100	NIT Government Bond Fund	**10,000**	10,000
-	31,737	100	Crosby Phoenix Fund	**-**	3,316
				75,145	81,135

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No. of Shares / Certificates		Face value	Company's name	31 December 2012	31 December 2011
31 December 2012	31 December 2011	Rupees		Rupees in thousand	
14.5	**Investment at fair value through profit or loss**				
14.5.1	**Listed shares - Related Parties**				
-	5,653	10	Nishat Power Limited	-	73
-	10,224	10	Nishat Chunian Power Company Limited	-	130
-	15,000	10	The Hub Power Company Limited	-	513
-	1,848	10	Nishat Mills Limited	-	75
				-	791
14.5.2	**Listed shares - Others**				
			Commercial Banks		
7,590	6,600	10	Askari Bank Limited	**131**	66
-	32,434	10	Soneri Bank Limited	-	126
-	8,285	10	Meezan Bank Limited	-	144
			Fertilizer		
-	6,007	10	Fauji Fertilizer Company Limited	-	138
-	3,200	10	Fatima Fertilizer Company Limited	-	479
-	601	10	Engro Corporation	-	56
			Oil and Gas Marketing Companies		
-	538	10	Pakistan State Oil Company Limited	-	122
			Chemical		
36,300	33,000	10	Arif Habib Corporation Limited	**875**	855
				1,006	1,986
14.5.3	**Government securities**				
	10 Year Pakistan Investment Bonds			**1,413,285**	275,331
	12 Months Treasury Bills			**-**	10,318
	6 Months Treasury Bills			**-**	63,228
	3 Months Treasury Bills			**224,649**	-
	Ijarah Sukuks			**25,245**	25,000
				1,663,179	373,877
14.5.4	**Mutual Fund Certificates - Related parties**				
158,290	21,555	100	MCB Cash Management Optimizer Fund	**15,872**	2,218
265,632	37,855	100	MCB Dynamic Stock Fund	**26,977**	2,960
137,872	-		Pakistan Income Enhancement Fund - A	**7,081**	-
347,186	-		MCB Dynamic Stock Fund-Class A	**36,788**	-
131,351	-		IGI Money Market Fund	**13,228**	-
844	-		MCB Islamic Income Fund	**85**	-
				100,031	5,178

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
15. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		**3,217,207**	3,598,905
Considered doubtful		**359,147**	309,821
		3,576,354	3,908,726
Less: Provision for doubtful balances	15.1	**(359,147)**	(309,821)
		3,217,207	3,598,905

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	Note	31 December 2012	31 December 2011
		Rupees in thousand	
15.1 Reconciliation of provision for doubtful balances			
Opening provision		**309,821**	199,015
Exchange loss		**8,426**	3,735
Charge for the year		**40,900**	661,627
Written off during the year		**-**	(554,556)
Closing provision		**359,147**	309,821

15.2 Premiums due but unpaid include an amount of Rupees 556 million (2011: Rupees 534 million) held with related parties.

16. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured

	Note	31 December 2012	31 December 2011
Considered good		**606,559**	679,631
Considered doubtful		**326,327**	276,327
		932,886	955,958
Less: Provision for doubtful balances	16.1	**(326,327)**	(276,327)
		606,559	679,631

16.1 Reconciliation of provision for doubtful balances

	31 December 2012	31 December 2011
Opening provision	**276,327**	30,000
Charge for the year	**50,000**	270,000
Written off during the year	**-**	(23,673)
Closing provision	**326,327**	276,327

17. ACCRUED INVESTMENT INCOME

	31 December 2012	31 December 2011
Return accrued on Term Finance Certificates	**1,564**	2,242
Return accrued on Treasury Bills	**1,187**	10,217
Return accrued on Pakistan Investment Bonds	**11,278**	19,664
Dividend income		
- associated undertakings	**-**	-
- others	**6,840**	3,164
	6,840	3,164
Return on bank deposit accounts		
- associated undertakings	**-**	-
- others	**5,747**	5,246
	5,747	5,246
	26,616	40,533

18. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

These are unsecured and considered to be good.

19. PREPAYMENTS

	31 December 2012	31 December 2011
Prepaid reinsurance premium ceded	**1,656,047**	1,959,553
Others	**90,266**	83,296
	1,746,313	2,042,849

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	Note	31 December 2012	31 December 2011
		Rupees in thousand	
20. SUNDRY RECEIVABLES			
Considered good			
Current portion of long-term loans			
Executives	13	**5,985**	1,311
Employees	13	**10,789**	9,478
Other advances		**134,809**	123,230
Staff Gratuity Fund - Holding Company	20.1.1	**-**	14,730
Security deposits		**21,085**	17,749
Receivable from Employees' Provident Fund		**-**	1,720
Stationery in hand		**-**	4,716
Sundry debtors		**29,316**	6,140
		201,984	179,074
Miscellaneous		**6,792**	28,322
		208,776	207,39

20.1 Staff Gratuity Fund

The Holding Company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2012.

The following significant assumptions have been used for valuation of this scheme:

	2012	2011
	Percent per annum	
- Discount rate	**11.50**	13.00
- Expected rate of increase in salary level	**9.50**	10.75
- Rate of return on plan assets	**11.50**	13.00

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

	31 December 2012	31 December 2011
	Rupees in thousand	
Present value of defined benefit obligation at the end of the year	**(194,589)**	(196,137)
Fair value of plan assets at the end of the year	**129,157**	145,205
	(65,432)	(50,932)
Net unrecognized actuarial losses	**54,049**	65,662
Net assets	**(11,383)**	14,730

20.1.1 Amounts recognized in the balance sheet

Liabilities	**(11,383)**	-
Assets	-	14,730
Net assets	**(11,383)**	14,730

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	31 December 2012	31 December 2011
	Rupees in thousand	
20.1.2 The amounts charged in profit and loss are as follows:		
Current service cost	**15,848**	16,291
Interest cost	**23,427**	26,386
Expected return on plan assets	**(17,454)**	(20,300)
Curtailment cost	**-**	4,039
Actuarial losses recognized during the year	**4,292**	12,672
Total gratuity expense for the year for funded obligation	**26,113**	39,088
20.1.3 Actual return on plan assets	**16,819**	22,723
20.1.4 Changes in present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	**196,137**	215,970
Current service cost	**15,848**	16,291
Interest cost	**23,427**	26,386
Curtailment cost	**-**	4,039
Actuarial gain	**(7,956)**	(2,812)
Benefits paid	**(32,867)**	(63,737)
Present value of defined benefit obligation at the end of the year	**194,589**	196,137
20.1.5 Changes in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	**145,205**	186,219
Expected return	**17,454**	20,300
Actuarial (loss) / gain	**(635)**	2,423
Benefits paid	**(32,867)**	(63,737)
Fair value of plan assets at the end of the year	**129,157**	145,205

	31 December 2012		31 December 2011	
	Rupees in thousand	%	Rupees in thousand	%
20.1.6 Fund investment				
Government Bonds	**-**	**-**	9,872	6.80
Corporate Bonds	**24,908**	**19.28**	-	-
Shares and deposits	**97,327**	**75.36**	92,172	63.48
Unit Trusts	**9,536**	**7.38**	52,555	36.19
Creditors	**(2,614)**	**(2.02)**	(9,394)	(6.47)
	129,157	**100.00**	145,205	100.00

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20.1.7 Amounts / percentages for the current and previous four periods

The Company amortizes gains and losses over the expected remaining service of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion thereof resulting from experience gain during the year.

	2012	2011	2010	2009	2008
	Rupees in thousand				
Defined benefit obligation	**(194,589)**	196,137	(215,970)	(201,262)	(161,130)
Plan assets	**129,157**	(145,205)	186,219	223,237	250,143
(Deficit) / Surplus	**(65,432)**	50,932	(29,751)	21,975	89,013
Experience adjustments on plan liabilities	**- 8%**	-1%	18%	25%	-10%
Experience adjustments on plan assets	**0%**	2%	-2%	-8%	-15%

21. FIXED ASSETS

	Note	31 December 2012	31 December 2011
		Rupees in thousand	
Owned assets - tangible	21.1	**952,297**	837,563
- intangible	21.1	**61,191**	58,901
		1,013,488	896,464
Leased assets	21.1	**52,429**	87,740
Capital work-in-progress - tangible	21.2	**91,855**	133,378
		1,157,772	1,117,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21.1 The following is a statement of operating fixed assets :

	2012										
	Owned assets								Leased assets		
	Tangible						Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software	Total owned	Motor vehicles	Total leased	Total fixed assets
	Rupees in thousand										
At 01 January 2012											
Cost	319,926	124,069	390,364	528,712	178,000	1,541,071	121,454	1,662,525	127,106	127,106	1,789,631
Accumulated depreciation / amortisation	48,195	47,405	172,463	314,796	120,649	703,508	62,553	766,061	39,366	39,366	805,427
Net book value	271,731	76,664	217,901	213,916	57,351	837,536	58,901	896,464	87,740	87,740	984,204
Year ended 31 December 2012											
Opening net book value	271,731	76,664	217,901	213,916	57,351	837,536	58,901	896,464	87,740	87,740	984,204
Additions	217,122	54,614	53,558	24,820	16,088	366,202	30,027	396,229	-	-	396,229
Disposals / Write offs											
Cost	4,555	12,734	21,745	351,952	1,856	392,842	-	392,842	37,885	37,885	430,727
Depreciation / amortisation	2,915	10,160	10,721	287,046	1,383	312,225	-	312,225	13,4101	13,410	325,635
	1,640	2,574	11,024	64,906	473	8,617	-	80,617	24,475	24,475	105,092
Depreciation / amortisation charge for the year	23,163	14,368	36,431	74,271	22,618	170,851	27,737	198,588	10,836	10,836	209,424
Closing net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
At 31 December 2012											
Cost	532,493	165,949	422,177	201,580	192,232	1,514,431	151,481	1,665,912	89,221	89,221	1,755,133
Accumulated depreciation / amortisation	68,443	51,613	198,173	102,021	141,884	562,134	90,290	652,424	36,792	36,792	689,216
Net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

	2011										
	Owned assets								Leased assets		
	Tangible						Intangible		Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software	Total owned	Motor vehicles	Total leased	Total fixed assets
	Rupees in thousand										
At 01 January 2011											
Cost	318,742	115,830	352,143	636,791	211,022	1,634,528	108,343	1,742,871	177,115	177,115	1,919,986
Accumulated depreciation / amortisation	37,270	45,618	148,493	318,567	150,567	700,515	41,908	742,423	33,672	33,672	776,095
Net book value	281,472	70,212	203,650	318,224	60,455	934,013	66,435	1,000,448	143,443	143,443	1,143,891
Year ended 31 December 2011											
Opening net book value	281,472	70,212	203,650	318,224	60,455	934,013	66,435	1,000,448	143,443	143,443	1,143,891
Additions	7,752	26,989	62,343	22,040	24,885	144,009	17,061	161,070	-	-	161,070
Disposals / Write offs											
Cost	6,568	18,750	24,122	130,119	57,907	237,466	3,950	241,416	50,009	50,009	291,425
Depreciation / amortisation	3,935	10,660	11,276	92,779	52,701	171,351	790	172,141	12,311	12,311	184,452
	2,633	8,090	12,846	37,340	5,206	66,115	3,160	69,275	37,698	37,698	106,973
Depreciation / amortisation charge for the year	14,860	12,447	35,246	89,008	22,783	174,344	21,435	195,779	18,005	18,005	213,784
Closing net book value	271,731	76,664	217,901	213,916	57,351	837,563	58,901	896,464	87,740	87,740	984,204
At 31 December 2011											
Cost	319,926	124,069	390,364	528,712	178,000	1,541,071	121,454	1,662,525	127,106	127,106	1,789,631
Accumulated depreciation / amortisation	48,195	47,405	172,463	314,796	120,649	703,508	62,553	766,061	39,366	39,366	805,427
Net book value	271,731	76,664	217,901	213,916	57,351	837,563	58,901	896,464	87,740	87,740	984,204
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21.1.1 Detail of tangible assets disposed / written off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Land & Buildings						
Abbass Centre Islamabad	1,948	1,257	691	8,600	Negotiation	Mr. Mohammad Naveed Raza- Islamabad
Associated House Premises Lahore	2,607	1,658	949	9,500	Negotiation	Mr. Khawaja Mohammad Shahzad- Lahore
	4,555	**2,915**	**1,640**	**18,100**		
Furniture & Fixtures						
Items Having Book Value Below Rupees 50,000	12,734	10,160	2,574	666		
	12,734	**10,160**	**2,574**	**666**		
Motor Vehicles						
Owned						
Honda Citi (AQY-927)	857	405	452	620	Auction	Mr. Shabbir Ahmed - Karachi
Toyota Corolla Gli (AUS-026)	1,499	337	1,162	1,400	Claim setteld	IGI Insurance Company Limited
Toyata Corolla-2005 (AJX-937)	1,062	708	354	450	Negotiation	Mr. Abdul Sattat Muhammadi - Company Employee
Suzuki Mehran-2010 (ASW-287)	509	176	333	279	Negotiation	Mr. Faisal Ghauri - Company Employee
Suzuki Cultus-2008 (AQC-715)	632	328	304	525	Auction	Mr. Amir Naseem - Karachi
Suzuki Cultus (ALY-329)	600	361	239	480	Auction	Mr. Muhammad Rafiq Raza- Karachi
Suzuki Mehran-2005 (AHG-891)	330	244	86	240	Auction	Mr. Shabbir Ahmed - Karachi
Suzuki Jimmy (BD-9407)	1,592	631	961	1,065	Auction	Mr. Shafiq Ur Rehman - Karachi
Toyota Corolla (LRU-6626)	1,000	719	281	921	Auction	Mr. Waqas Shahid - Lahore
Honda Citi (ARD-089)	995	492	503	620	Auction	Mr. Adeel Anwar - Karachi
Honda Citi (AGY-932)	911	452	459	900	Auction	Nishat Mills Limited (related party)
Suzuki Cultus (AQW-165)	888	440	448	630	Auction	Mr. Adeel Anwer - Karachi
Honda Citi (LEC-3174)	863	468	395	860	Auction	Mr. Nadeem Ur Rehman - Lahore
Suzuki Cultus (LEC-07-2883)	863	468	395	906	Auction	Mr. Nadeem Ur Rehman - Lahore
Suzuki Cultus (APU-076)	632	318	314	540	Auction	Mr. Muhammad Rafiq Raza - Karachi
Suzuki Cultus (LEC 4615)	600	307	293	566	Auction	Mr. Adnan Bashir - Lahore
Suzuki Cultus (LEC-4693)	600	331	269	590	Auction	Mr. Omer Abbas - Lahore
Suzuki Cultus (LEC-4822)	600	352	248	575	Auction	Mr. Omer Abbas - Lahore
Suzuki Cultus (LZM-3440)	550	353	197	552	Auction	Mr. Yasir Tanvir - Lahore
Suzuki Cultus (LZX-3742)	590	400	190	479	Auction	Mr. Manzoor Ahmed - Lahore
BMW. (I 94041)	992	362	630	458	Negotiation	Mr. Shaham Babar - Company Employee
Items Having Book Value Below Rupees 50,000	316	49	267	31		
	17,481	**8,701**	**8,780**	**13,687**		
Leased						
Honda Civic Vti Pt Sr (LED-09-8102)	1,868	552	1,316	1,341	Negotiation	Mr. Satwat Mahmood Butt - Company Employee
Honda Civic Vti Pt Sr (ASP-215)	1,882	606	1,276	1,329	Negotiation	Mr. Ahmed Hussain Zuber i- Company Employee
Honda Civic Vti Pt Sr (ASQ-227)	1,882	705	1,177	1,154	Negotiation	Mr. Asif Jabbar - Company Employee
Honda Civic Vti Pt Sr (ASQ-146)	1,882	705	1,177	1,550	Claim setteld	IGI Insurance Company Limited
Toyota Corolla Gli (ASM-638)	1,412	435	977	981	Negotiation	Mr. Amir Hassan - Company Employee
Toyota Corolla Gli (ASM-628)	1,412	424	988	986	Negotiation	Mr. SyedMohammad Ashraf Jeelani- Company Employee
Toyota Corolla Gli (ASP-614)	1,412	503	909	882	Negotiation	Mr. Sardar M. Asad- Company Employee
Toyota Corolla Gli (LED-09-6239)	1,412	529	883	878	Negotiation	Mr. Mian Allah Nawaz- Ex employee
Toyota Corolla Gli (ASP-784)	1,412	485	927	895	Negotiation	Mr.Muhammad Ismail- Company Employee
Honda City A-T (LED-09-4346)	1,370	514	856	889	Negotiation	Mr. Nadeem Mushtaq- Company Employee
Suzuki Cultus (ASM-351)	850	237	613	609	Negotiation	Mr. Malik Mehdi- Company EmployeeSuzuki
Cultus (ASD-709)	850	261	589	611	Negotiation	Mr. Khalid Awan- Company EmployeeSuzuki
Cultus (ASB-829)	850	236	614	636	Negotiation	Ms. Amna Sarfaraz Khan- Company Employee
Suzuki Cultus (ASA-195)	844	301	543	532	Negotiation	Mr. Abdul Sattar Ibrahim- Company Employee
Suzuki Cultus (ASA-156)	839	321	518	482	Negotiation	Mr. Adnan Ghais Qureshi- Company Employee
Suzuki Cultus (ASA-159)	839	321	518	482	Negotiation	Mr. Saud Pervaiz- Company Employee
Suzuki Cultus (ASB-827)	844	330	514	532	Negotiation	Mr. Muhammad Arif- Company Employee
Suzuki Cultus (ASE-513)	810	297	513	508	Negotiation	Mr. Muhammad Rehan- Company Employee
Suzuki Cultus (ASE-507)	810	325	485	459	Negotiation	Ms. Masuma Hassan- Company Employee
Suzuki Mehran (ASC-571)	534	168	366	368	Negotiation	Mr. Aqeel Anwar Kamal- Company Employee
Suzuki Mehran (ASC-694)	534	168	366	368	Negotiation	Mr. Nouzar Naseem- Company Employee
Suzuki Mehran (ASD-428)	534	168	366	368	Negotiation	Mr. Muhammad Naseem Hussain- Company Employee
Suzuki Mehran (ASD-604)	529	166	363	368	Negotiation	Mr. Yunus Bashir- Company Employee
Suzuki Mehran (ASC-683)	534	177	357	351	Negotiation	Mr. Muhammad Ahsan Jamal- Company Employee
Suzuki Mehran (ASA-163)	534	186	348	340	Negotiation	Mr. Syed Wasim Ashraf- Company Employee
Suzuki Mehran (ASC-691)	534	186	348	340	Negotiation	Mr. Deepak Maheshwari- Company Employee
Suzuki Mehran (ASB-013)	534	186	348	340	Negotiation	Mr. Abdul Qayyum Khan- Company Employee

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Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Suzuki Mehran (ASA-538)	534	186	348	359	Negotiation	Mr. Ayaz Ahmed Khan - Company Employee
Suzuki Mehran (ASD-611)	534	190	344	333	Negotiation	Mr. M. Salim Khan - Company Employee
Suzuki Mehran (ASC-489)	534	195	339	325	Negotiation	Mr. S.M. Tariq - Company Employee
Suzuki Mehran (ASA-546)	534	195	339	366	Negotiation	Mr. Syed Muhammad Salman - Company Employee
Suzuki Mehran (ASA-571)	529	193	336	297	Negotiation	Mr. Usman - Company Employee
Suzuki Mehran (ASA-361)	534	200	334	329	Negotiation	Mr. Hasan Mahmood - Company Employee
Suzuki Mehran (ASA-659)	534	200	334	329	Negotiation	Mr. Muhammad Muzaffar - Company Employee
Suzuki Mehran (ASA-743)	534	200	334	329	Negotiation	Mr. Noman Khan - Company Employee
Suzuki Mehran (ASA-507)	534	200	334	336	Negotiation	Mr. Anwer Kamal - Company Employee
Suzuki Mehran (ASA-681)	534	200	334	325	Negotiation	Ms. Qurat Ul Ain - Company Employee
Suzuki Mehran (ASA-367)	534	204	330	322	Negotiation	Mr. Mohammad Afzal - Company Employee
Suzuki Mehran (ASE-312)	534	204	330	310	Negotiation	Ms. Shabnam Patel - Company Employee
Suzuki Mehran (LEB-09-8965)	536	209	327	318	Negotiation	Mr. Mehboob - Company Employee
Suzuki Mehran (ASA-561)	534	222	312	298	Negotiation	Mr. Muhammad Asif - Company Employee
Suzuki Mehran (ASA-529)	534	222	312	290	Negotiation	Mr. Intesaruddin Mubashir - Company Employee
Suzuki Mehran (ASA-385)	529	220	309	303	Negotiation	Ms. Saima Tabassum - Company Employee
Suzuki Mehran (ASA-746)	534	226	308	283	Negotiation	Mr. Mehmood Ebrahim - Company Employee
Suzuki Mehran (ASA-531)	534	226	308	283	Negotiation	Mr. Muhammad Shabbir - Company Employee
Suzuki Mehran (ASA-592)	534	226	308	282	Negotiation	Mr. Tosifullah Siddiqui - Company Employee
	37,885	**13,410**	**24,475**	**24,596**		
Machinery & Equipment						
Diesel Generator	81	46	35	53	Negotiation	Mr. Muhamamd Saeed - Karachi
Items Having Book Value Below Rupees 50,000	2,644	1,956	688	332		
Items Written Off	349,192	285,040	64,152	-		
	351,917	**287,042**	**64,875**	**385**		
Computer						
Items Having Book Value Below Rupees 50,000	1,625	1,260	365	96		
	1,625	1,260	365	96		
Sub-Total Holding Company	**426,197**	**323,488**	**102,709**	**57,530**		
Subsidiary Company - Life business						
Motor Vehicles						
Owned						
Vehicles	1,770	1,209	561	1,000	Negotiation	Ms.Anila Aqueel - Ex employee
Vehicles	1,568	183	1,385	1,430	Negotiation	Mr. Sadiq Farooq - Employee
Vehicles	885	605	280	500	Negotiation	Mr. Rashid Hussain - Ex employee
	4,223	**1,997**	**2,226**	**2,930**		
Machinery & Equipment						
Items having book value below Rupees 50,000	75	27	48	47		
	75	**27**	**48**	**47**		
Computer						
Items having book value below Rupees 50,000	231	124	107	140		
	231	**124**	**107**	**140**		
Sub-Total Subsidiary Company	**4,529**	**2,148**	**2,381**	**3,117**		
Grand Total	**430,726**	**325,636**	**105,090**	**60,647**		

21.2 Capital Work In Progress represents capital expenditure in respect of Head Office premises of Holding Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

		Note	31 December 2012	31 December 2011
			Rupees in thousand	
				Restated
22.	**EXPENSES**			
	Salaries and wages	24.1	**804,396**	931,842
	Rent, rates and taxes		**77,652**	67,227
	Utilities		**37,978**	34,526
	Communication		**44,303**	42,968
	Printing and stationery		**43,538**	34,809
	Traveling and entertainment		**60,255**	41,853
	Repairs and maintenance		**179,939**	187,140
	Advertisement and sales promotion		**43,845**	54,318
	Depreciation	21.1	**164,917**	176,973
	Amortisation of intangible asset	21.1	**5,446**	3,958
	Tracking and monitoring charges		**127,437**	122,811
	Legal and professional expenses		**20,978**	18,855
	Others		**178,587**	165,666
			1,789,271	1,882,946
23.	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits		**111,590**	121,534
	Interest on loans to employees		**373**	463
	Income from non financial assets			
	Gain on sale of fixed assets		**19,708**	25,286
	Miscellaneous		**33,735**	11,325
			165,406	158,608
				Restated
24.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and wages	24.1	**64,508**	47,675
	Rent, rates and taxes		**4,350**	2,715
	Depreciation	21.1	**16,770**	15,376
	Communication		**942**	1,026
	Utilities		**1,648**	1,266
	Repairs and maintenance		**6,939**	8,756
	Advertisement and sales promotion		**4,059**	5,325
	Traveling and entertainment		**25,935**	14,661
	Directors' fee		**310**	420
	Legal and professional expenses		**83,764**	63,640
	Auditors' remuneration	24.2	**5,571**	4,846
	Donations	24.4	**294**	3,510
	Provision for doubtful balances		**99,326**	951,627
	Amortisation of intangible asset	21.1	**22,291**	17,477
	Sundry receivables written off		**-**	8,101
	Fixed assets written off		**-**	48,233
	Provision for impairment on trackers		**64,151**	-
	Provision for workers' welfare fund		**12,695**	-
	Others		**16,486**	19,923
			430,039	1,214,577

24.1 These include Rupees 61.538 million (2011: Rupees 65.443 million) in respect of staff retirement benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

		Note	31 December 2012	31 December 2011
			Rupees in thousand	
24.2	**Auditors' remuneration**			
	Holding Company			**Restated**
	Audit fee		**3,914**	3,431
	Half yearly review		**424**	385
	Other certifications and tax advisory services		**330**	300
	Out of pocket expenses		**735**	978
			5,403	5,094
	Subsidiary Company			
	Audit fee		**168**	81
			5,571	5,175

24.3 In addition, Subsidiary Company charged audit fee amounting to Rupees 1.517 million (2011: Rupees 0.725 million) to its statutory funds.

24.4 None of the directors or their spouses had any interest in the donee.

		Note	31 December 2012	31 December 2011
25	**PROVISION FOR TAXATION**			
	Current			
	- current year		**88,545**	89,446
	- prior years		**-**	(305)
			88,545	89,141
	Deferred	25.2	**(45,462)**	(259,979)
			43,083	(170,838)

25.1 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit cannot be given because the provision represents the final tax on dividend income and capital gain.

		31 December 2012	31 December 2011
25.2	**Deferred tax effect due to temporary differences of:**		
	Tax depreciation allowance	**(67.669)**	(66,716)
	Provision for gratuity	**10,886**	7,648
	Pre commencement expenses of Subsidiary Company	**2,705**	6,367
	Assets subject to finance lease	**(9,644)**	(10,211)
	Carried forward tax losses	**310,788**	264,516
		247,066	201,604
	Less: opening balance	**201,604**	(58,375)
		45,462	259,979

26 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic earnings per share which is based on:

	31 December 2012	31 December 2011
Net profit after tax for the year attributable to owners of the Parent	**438,492**	240,138
	(Number of shares)	
Weighted average number of shares	**123,704,544**	123,704,544
	(Rupees)	
Basic earnings per share	**3.54**	1.94

27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged for the year for remuneration including all benefits to Chief Executive Officer, directors and executives of the Holding Company is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2012				2011			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees in thousand							
Fee	**-**	**310**	**-**	**310**	-	420	-	420
Managerial remuneration	**5,400**	**-**	**124,872**	**130,272**	7,720	-	151,629	159,349
Allowances and perquisites	**4,420**	**-**	**112,800**	**117,220**	3,885	-	112,800	116,685
	9,820	**310**	**237,672**	**247,802**	11,605	420	264,429	276,454
Number	**1**	**10**	**132**	**143**	2	10	130	142

In addition, the Chief Executive Officer and executives of Holding Company are also provided with free use of the Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Holding Company.

27.1 In addition, the Chief Executive Officer and executives of Holding Company are also provided with free use of the Company's cars, certain household items, furniture and fixtures and equipment in accordance with the policy of the Holding Company.

27.2 No remuneration was paid to non-executive directors of the Holding Company except meeting fees.

28 TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with associates, employee benefit plans, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rentals for the use of premises rented from them.

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 8 and 27 to the consolidated financial statements. Particulars of transactions with the Holding Company's staff retirement benefit schemes are disclosed in note 8 and 20. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant consolidated balance sheet notes. Other transactions with related parties not elsewhere disclosed are summarized as follows:

	31 December 2012	31 December 2011
	Rupees in thousand	
Holding Company		
Premium underwritten	**1,359,920**	1,428,639
Premium received	**1,413,559**	1,295,077
Premium ceded	**-**	3,403
Claims paid	**373,870**	3,134,676
Rent paid	**11,603**	6,042
Dividend received	**503,166**	577,720
Dividend paid	**72,217**	110,271
Profit on bank deposits	**29,711**	43,103
Sale of fixed assets	**900**	-
	(Number of shares)	
Bonus shares received	**2,603,771**	2,326,337

	31 December 2012	31 December 2011
	Rupees in thousand	
Subsidiary Company		
Premium underwritten	**78,704**	83,089
Profit on bank deposits	**9,560**	3,926
Claims expense	**53,470**	47,034
Commission expense in respect of Bancassurance	**572,913**	380,995
Technical support fee	**16,703**	14,136
Travelling expenses of directors	**-**	1,623
Investment purchased	**168,754**	27,722
Investment sold	**122,653**	96,700
Bank charges	**84**	39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. SEGMENT REPORTING

29.1 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise assets and liabilities:

	2012																				
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance	Shareholders' Fund	Life Insurance				Aggregate Life Insurance	Grand Total
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			Conventional Business	Accident and Health Business	Non-unitised investment link Business	Unit link Business		
	Rupees in thousand																					
OTHER INFORMATION																						
Segment Assets																						
Re insurance and other recoveries accrued	2,079,054	63,867	127,373	-	44,031	1,416,203	769,001	371	-	-	-	-	3,019,459	1,480,441	4,499,900	-	-	-	-	-	-	4,499,900
Deferred commission expense	243,588	9,120	(5,486)	326	43,949	74,977	53,544	2,185	-	-	-	-	335,595	86,608	422,203	-	-	-	-	-	-	422,203
Prepaid reinsurance premium ceded	1,330,294	46,748	10,244	2,734	598	106,966	145,224	13,239	-	-	-	-	1,486,360	169,687	1,656,047	-	-	-	-	-	-	1,656,047
Premiums due but unpaid	990,100	70,461	208,168	12,054	331,094	999,742	557,395	28,408	-	-	-	-	2,086,757	1,110,665	3,197,422	-	19,785	-	-	-	19,785	3,217,207
Premium and claim reserves retained by cedants	11,032	-	2,320	-	3,689	-	6,211	-	-	-	-	-	23,252	-	23,252	-	-	-	-	-	-	23,252
Amounts due from other insurers / reinsurers	286,103	(725)	60,153	(124)	95,674	(10,289)	161,066	(292)	-	-	-	-	602,996	(11,430)	591,566	-	14,993	-	-	-	14,993	606,559
Unallocated Assets																						
Cash and bank deposits	-	-	-	-	-	-	-	-	-	-	1,298,195	1,209,216	1,298,195	1,209,216	2,507,411	4,788	27,441	478	63,615	129,226	225,548	2,732,959
Loans	-	-	-	-	-	-	-	-	-	-	24,970	4,595	24,970	4,595	29,565	-	-	-	-	-	-	29,565
Investments	-	-	-	-	-	-	-	-	-	-	9,453,731	-	9,453,731	-	9,453,731	182,937	59,396	-	659,217	1,227,931	2,129,481	11,583,212
Deferred taxation	-	-	-	-	-	-	-	-	-	-	241,171	-	241,171	-	241,171	5,894	-	-	-	-	5,894	247,065
Accrued investment	-	-	-	-	-	-	-	-	-	-	14,364	5,965	14,364	5,965	20,329	3,971	607	-	311	1,398	6,287	26,616
Taxation payments less provision	-	-	-	-	-	-	-	-	-	-	85,273	-	85,273	-	85,273	7,857	-	-	-	-	7,857	93,130
Prepayments - Others	-	-	-	-	-	-	-	-	-	-	70,068	8,034	70,068	8,034	78,102	10,388	1,777	-	-	-	12,165	90,267
Sundry receivables	-	-	-	-	-	-	-	-	-	-	151,739	37,237	151,739	37,237	188,976	3,025	-	-	-	-	3,025	192,001
Fixed assets	-	-	-	-	-	-	-	-	-	-	899,644	218,007	899,644	218,007	1,117,651	40,121	-	-	-	-	40,121	1,157,772
Total assets	4,940,171	189,471	402,772	14,990	519,035	2,587,599	1,692,441	43,911	-	-	12,239,155	1,483,054	19,793,574	4,319,025	24,112,599	258,981	123,999	478	723,143	1,358,555	2,465,156	26,577,755
Segment Liabilities																						
Provision for outstanding claims (including IBNR)	2,816,319	68,226	262,210	7,662	265,637	1,747,282	1,173,464	521	20,332	-	-	-	4,537,962	1,823,691	6,361,653	-	34,002	-	2,631	14,215	50,848	6,412,501
Commission income unearned	247,736	11,486	1,199	410	62	21,397	30,235	754	-	-	-	-	279,232	34,047	313,279	-	-	-	-	-	-	313,279
Provision for unearned premium	1,802,996	55,773	62,059	4,402	601,815	887,220	522,777	24,251	-	-	-	-	2,989,647	971,646	3,961,293	-	-	-	-	-	-	3,961,293
Premiums received in advance	53,942	-	11,341	-	18,038	-	30,368	-	-	-	-	-	113,689	-	113,689	-	2,725	9	7,452	4,267	14,453	128,142
Cash margin against performance bond	-	-	-	-	-	-	651,332	160	-	-	-	-	651,332	160	651,492	-	-	-	-	-	-	651,492
Commission payable	218,197	8,800	45,876	1,506	72,966	124,864	122,838	3,547	-	-	-	-	459,877	138,717	598,594	-	-	-	-	-	-	598,594
Amounts due to other insurers / reinsurers	164,863	9,479	34,662	1,622	55,131	134,495	92,813	3,822	-	-	-	-	347,469	149,418	496,887	-	-	1	2,610	5,234	7,845	504,732
Unallocated Liabilities																						
Accrued expenses	-	-	-	-	-	-	-	-	-	-	94,731	22,860	94,731	22,860	117,591	2,240	-	-	-	-	2,240	119,831
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	331,050	(119,009)	331,050	30,249	361,299	31,180	5,557	35	17,503	70,615	124,890	486,189
Staff retirement benefits	-	-	-	-	-	-	-	-	-	-	-	31,042	-	31,042	31,042	6,645	-	-	-	-	6,645	37,687
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	24,987	-	24,987	-	24,987	-	-	-	-	-	-	24,987
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	35,558	-	35,558	-	35,558	-	-	-	-	-	-	35,558
Total liabilities	5,304,053	153,764	417,347	15,602	1,013,649	2,915,258	2,623,827	33,055	20,332	-	486,326	(65,107)	9,865,534	3,201,830	13,067,364	40,065	42,284	45	30,196	94,331	206,921	13,274,285
Capital expenditure													266,893	83,172	264,207	4,640					4,640	268,847

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2011	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance	Shareholders' Fund	Life Insurance				Aggregate Life Insurance	Grand Total
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan			Conventional Business	Accident and Health Business	Non-unitised investment link Business	Unit link Business		
	Rupees in thousand																					
OTHER INFORMATION																						
Segment Assets																						
Re insurance and other recoveries accrued	1,860,429	45,957	155,223	-	42,700	1,162,160	698,226	389	-	-	-	-	2,756,578	1,208,506	3,965,084	-	-	-	-	-	-	3,965,084
Deferred commission expense	265,139	5,506	14,003	186	64,097	70,012	51,942	1,514	-	-	-	-	395,181	77,218	472,399	-	-	-	-	-	-	472,399
Prepaid reinsurance premium ceded	1,580,252	31,613	40,746	3,948	448	146,082	146,542	9,922	-	-	-	-	1,767,988	191,565	1,959,553	-	-	-	-	-	-	1,959,553
Premiums due but unpaid	1,248,930	50,910	319,592	28,959	486,624	890,082	514,663	28,407	-	-	-	-	2,569,809	998,358	3,568,167	-	30,738	-	-	-	30,738	3,598,905
Premium and claim reserves retained by cedants	11,300	-	2,892	-	4,403	-	4,657	-	-	-	-	-	23,252	-	23,252	-	-	-	-	-	-	23,252
Amounts due from other insurers / reinsurers	326,419	400	83,528	228	127,183	7,139	134,511	223	-	-	-	-	671,641	7,990	679,631	-	-	-	-	-	-	679,631
Unallocated Assets																						
Cash and bank deposits	-	-	-	-	-	-	-	-	-	-	1,288,848	1,090,119	1,288,848	1,090,119	2,378,967	5,299	26,796	464	41,949	52,906	127,414	2,506,381
Loans	-	-	-	-	-	-	-	-	-	-	15,464	1,711	15,464	1,711	17,175	-	-	-	-	-	-	17,175
Investments	-	-	-	-	-	-	-	-	-	-	9,348,614	-	9,348,614	-	9,348,614	133,444	87,602	-	221,583	167,038	609,667	9,958,281
Deferred taxation	-	-	-	-	-	-	-	-	-	-	195,068	-	195,068	-	195,068	6,536	-	-	-	-	6,536	201,604
Accrued investment income	-	-	-	-	-	-	-	-	-	-	16,380	5,246	16,380	5,246	21,626	4,026	937	-	9,264	4,680	18,907	40,533
Taxation payments less provision	-	-	-	-	-	-	-	-	-	-	7,501	-	7,501	-	7,501	5,523	-	-	-	-	5,523	13,024
Prepayments - Others	-	-	-	-	-	-	-	-	-	-	74,091	119	74,091	119	74,210	8,034	1,052	-	-	-	9,086	83,296
Sundry receivables	-	-	-	-	-	-	-	-	-	-	173,710	31,446	173,710	31,446	205,156	2,137	-	-	-	103	2,240	207,396
Fixed assets	-	-	-	-	-	-	-	-	-	-	914,616	148,254	914,616	148,254	1,062,870	54,712	-	-	-	-	54,712	1,117,582
Total assets	5,292,469	134,386	615,984	33,321	725,455	2,275,475	1,550,541	40,455	-	-	12,034,292	1,276,895	20,218,741	3,760,532	23,979,273	219,711	147,125	464	272,796	224,727	864,823	24,844,096
Segment Liabilities																						
Provision for outstanding claims (including IBNR)	2,388,840	47,619	296,050	11,543	392,635	1,252,714	1,136,985	1,300	20,332	-	-	-	4,234,842	1,313,176	5,548,018	-	25,084	-	3,109	-	28,193	5,576,211
Commission income unearned	307,687	7,971	767	597	34	29,216	24,624	791	-	-	-	-	333,112	38,575	371,687	-	-	-	-	-	-	371,687
Provision for unearned premium	2,123,552	39,856	59,728	8,964	774,385	815,376	485,390	21,095	-	-	-	-	3,443,055	885,291	4,328,346	-	-	-	-	-	-	4,328,346
Premiums received in advance	38,950	-	9,967	-	15,176	-	16,050	-	-	-	-	-	80,143	-	80,143	-	1,669	7	4,650	1,690	8,016	88,159
Cash margin against performance bond	-	-	-	-	-	-	611,919	148	-	-	-	-	611,919	148	612,067	-	-	-	-	-	-	612,067
Commission payable	199,269	6,072	50,992	3,454	77,642	108,464	82,115	3,388	-	-	-	-	410,018	121,378	531,396	-	-	-	-	-	-	531,396
Amounts due to other insurers / reinsurers	462,216	10,007	118,278	5,692	180,095	178,745	190,471	5,584	-	-	-	-	951,060	200,028	1,151,088	-	44,677	2	2,430	5,382	52,491	1,203,579
Unallocated Liabilities																						
Accrued expenses	-	-	-	-	-	-	-	-	-	-	125,182	33,000	125,182	33,000	158,182	2,827	-	-	-	-	2,827	161,009
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	282,731	3,324	282,731	3,324	286,055	35,455	8,703	34	14,505	28,217	86,914	372,969
Staff retirement benefits	-	-	-	-	-	-	-	-	-	-	-	22,011	-	22,011	22,011	4,447	-	-	-	-	4,447	26,458
Deferred taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	58,567	-	58,567	-	58,567	-	-	-	-	-	-	58,567
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	33,495	-	33,495	-	33,495	-	-	-	-	-	-	33,495
Total liabilities	5,520,514	111,525	535,782	30,250	1,439,967	2,384,515	2,547,554	32,306	20,332	-	499,975	58,335	10,564,124	2,616,931	13,181,055	42,729	80,133	43	24,694	35,289	182,888	13,363,943
Capital expenditure													127,342	136,865	264,207	30,241					30,241	294,448

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29.2 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise revenue and results:

	BUSINESS UNDERWRITTEN INSIDE PAKISTAN											BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN											
	General Insurance					Life Insurance				Total		General Insurance					Life Insurance			Total		Aggregate	
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Link Business	31 December 2012	31 December 2011	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	Rupees in thousand																						
Revenue account																							
Net premium revenue	874,870	589,514	1,444,412	1,404,068	-	119,382	13	526,457	1,544,589	6,503,405	6,671,494	19,273	19,116	1,299,435	21,189	-	-	-	-	1,359,013	1,103,800	7,862,418	7,775,294
Net claims - restated	(822,345)	(286,114)	(850,618)	(1,192,579)	-	(50,838)	-	(1,986)	(102,166)	(3,306,646)	(4,004,350)	(18,027)	1,914	(971,042)	(3,856)	-	-	-	-	(991,011)	(651,671)	(4,297,657)	(4,656,021)
Expenses - restated	(281,337)	(154,422)	(591,605)	(322,775)	-	(31,952)	(42)	(53,962)	(120,399)	(1,556,494)	(1,697,874)	(31,263)	(14,293)	(158,117)	(29,104)	-	-	-	-	(232,777)	(188,753)	(1,789,271)	(1,886,627)
Net commission	(56,646)	(88,024)	(103,046)	3,150	-	(18,269)	(1)	(162,505)	(435,753)	(861,094)	(767,108)	7,142	(1,671)	(117,877)	(1,693)		-	-	-	(114,099)	(97,160)	(975,193)	(864,268)
Net investment income - statutory fund	-	-	-	-	-	10,746	18	61,509	82,232	154,505	22,802	-	-	-	-	-	-	-	-	-	-	154,505	22,802
Add: Policyholders' liabilities at beginning of the year	-	-	-	-	-	54,320	8	247,183	178,051	479,562	99,479	-	-	-	-	-	-	-	-	-	-	479,562	99,479
Less: Policyholders' liabilities at end of the year	-	-	-	-	-	(74,352)	(5)	(628,850)	(1,251,469)	(1,954,676)	(479,562)	-	-	-	-	-	-	-	-	-	-	(1,954,676)	(479,562)
Capital contribution from shareholder's fund	-	-	-	-	-	-	-	36,116	104,915	141,031	184,459	-	-	-	-	-	-	-	-	-	-	141,931	184,459
Surplus of Policyholders' funds	-	-	-	-	-	(9,037)	(9)	(23,962)	-	(32,990)	(30,022)	-	-	-	-	-	-	-	-	-	-	(32,990)	(30,022)
Underwriting result	(285,358)	60,954	(100,857)	(108,136)	-	-	-	-	-	(433,397)	(682)	(22,875)	5,066	52,399	(13,464)	-	-	-	-	21,126	166,216	(412,271)	165,534
Investment income - other										1,116,152	763,569									-	-	1,116,152	763,569
Rental income										545	657									-	-	545	657
Other income										118,590	122,799									46,816	35,809	165,406	158,608
										801,890	886,343									67,942	202,025	869,832	1,088,368
General and administration expenses										(364,435)	(1,134,254)									(65,604)	(80,323)	(430,039)	(1,214,577)
Exchange gain										2,628	(387)									164	(3)	2,792	390
Finance charge on lease liabilities										(5,581)	(15,179)									-	-	(5,581)	(15,179)
Share of profit of associated companies										47,627	218,610									-	-	(47,627)	218,610
Profit / (loss) before tax										482,129	(44,093)									2,502	121,705	484,671	77,612
Provision for taxation										(43,083)	170,838									-	-	(43,083)	170,838
Profit after tax										439,046	126,745									2,502	121,705	441,548	248,450

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30. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

30.1 Credit risk and concentration of credit risk

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

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

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

	31 December 2012	31 December 2011
	Rupees in thousand	
Bank deposits	**2,731,759**	2,484,784
Investments	**11,583,212**	9,157,780
Premiums due but unpaid	**3,217,207**	3,598,905
Amounts due from other insurers / reinsurers	**606,559**	679,631
Salvage recoveries accrued	**169,671**	165,631
Loans	**29,565**	27,964
Accrued investment income	**26,616**	40,533
Reinsurance recoveries against outstanding claims	**4,330,229**	3,799,366
Sundry receivables	**192,002**	175,441
	22,886,820	20,130,122

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. During the year receivables of Rupees 90.900 million (2011: Rupees 931.627 million) were further impaired and provided for. The movement in the provision for doubtful debts account is shown in note 15.1 and 16.1.

	31 December 2012	31 December 2011
	Rupees in thousand	
The age analysis of gross receivables is as follows:		
Upto 1 year	**2,643,629**	3,189,255
1-2 year	**932,725**	719,471
	3,576,354	3,908,726

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

	Rating		Rating Agency	2012	2011
	Short term	Long term		Rupees in thousand	
Allied Bank Limited	A-1+	AA+	PACRA	**9**	-
Askari Bank Limited	A-1+	AA	PACRA	**46**	45
Bank Alfalah Limited	A-1+	AA	PACRA	**187,331**	316,818
Bank Al Habib Limited	A-1+	AA+	PACRA	**22,740**	-
Barclays Bank PLC, Pakistan	P-1	A2	Moody's	**100**	100
Citibank N.A.	P-1	A2	Moody's	**14,364**	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	**301,263**	109,992
HSBC Bank Middle East Limited	P-1	A1	Moody's	**-**	11,937
Industrial Development Bank of Pakistan	-	-	-	**766**	646
KASHF Micro Finance Bank Limited	A-3	BBB-	JCR-VIS	**907**	858
KASB Bank Limited	A-2	A-	PACRA	**15,143**	974
MCB Bank Limited	A-1+	AA+	PACRA	**969,966**	837,987
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**10,524**	296
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	**2,353**	2,256
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	**1,000**	1,000
The Bank of Punjab	A-1+	AA	PACRA	**64,633**	3,779
Soneri Bank Limited	A-1+	AA-	PACRA	**2**	227
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	**8,660**	24,721
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	**1,000**	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	**931,638**	932,430
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	**195,011**	222,607
Faysal Bank Limited	A-1+	AA	JCR-VIS	**4,302**	17,111
				2,731,758	2,484,784

The credit quality of amount due from other insurers (gross of provision) can be assessed with reference to external credit rating as follows:

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	31 December 2012	31 December 2011
	Rupees in thousand			
A or above (including PRCL)	**881,438**	**4,364,903**	**5,246,341**	4,751,119
BBB	**22,782**	**89,998**	**112,780**	124,653
Others	**28,666**	**44,999**	**73,665**	45,270
Total	**932,886**	**4,499,900**	**5,432,786**	4,921,042

Subsidiary Company's receivable from reinsurers is Rupees 14.993 million (2011 : Nil)

30.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Group finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

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

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	2012			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims (including IBNR)	**6,412,501**	**6,412,501**	**6,412,501**	**-**
Amounts due to other insurers / reinsurers	**504,732**	**504,732**	**504,732**	**-**
Accrued expenses	**119,831**	**119,831**	**119,831**	**-**
Unclaimed dividends	**35,558**	**35,558**	**35,558**	**-**
Other creditors and accruals	**1,535,955**	**1,535,955**	**1,535,955**	**-**
Liabilities against assets subject to finance lease	**24,987**	**27,294**	**17,831**	**9,463**
	8,633,564	**8,635,871**	**8,626,408**	**9,463**

	2011			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims (including IBNR)	5,576,211	5,576,211	5,576,211	-
Amounts due to other insurers / reinsurers	1,203,579	1,203,579	1,203,579	-
Accrued expenses	161,009	161,009	161,009	-
Unclaimed dividends	33,495	33,495	33,495	-
Other creditors and accruals	1,367,627	1,367,627	1,367,627	-
Liabilities against assets subject to finance lease	58,567	69,865	27,809	42,056
	8,400,488	8,411,786	8,369,730	42,056

30.3 Market risk

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

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given period. The Group manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date the interest / mark-up rate profile of the Group's significant interest / mark-up bearing financial instruments was as follows:

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	2012	2011	2012	2011
	Effective interest rate (in %)		Carrying amounts	
			Rupees in thousand	
Fixed rate financial instruments				
Financial assets				
Investments-PIBs and DSCs	**10.20% - 12.10%**	12% - 14%	**407,978**	427,480
Loans	**5%**	5%	**29,565**	27,964
Floating rate financial instruments				
Financial assets				
Bank deposits	**5% - 11.25%**	5% - 12.75%	**2,293,847**	2,245,769
Investments -TFCs	**10.95% - 14.85%**	13.5% - 16.5%	**107,778**	130,147
Financial liabilities				
Liabilities against assets subject to finance lease	**3 month KIBOR plus 2 % - 2.5 %**	3 month KIBOR plus 2 % - 2.5 %	**24,987**	58,567

Sensitivity analysis

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

	Profit and loss	
	Increase	Decrease
	Rupees in thousand	
As at 31 December 2012 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	**(250)**	**250**
Cash flow sensitivity-variable rate financial assets	**28,395**	**(28,395)**
As at 31 December 2011 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	(586)	586
Cash flow sensitivity-variable rate financial assets	23,759	(23,759)

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. The Group is exposed to equity price risk that arises as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Group's investments in equity securities for which prices in the future are uncertain. The Group policy is to manage price risk through selection of blue chip securities.

The Group's strategy is to hold its strategic equity investments on long term basis. Thus, Group's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. The Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Group manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

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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

Group's investment portfolio has been classified in the available-for-sale and fair value through profit or loss categories, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account or in revenue account of both statutory funds of life insurance business as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2012		
Effect of increase in share price		
Available-for-sale	**50,508**	**32,830**
Through profit or loss	**-**	**-**
Effect of decrease in share price		
Available-for-sale	**(43,898)**	**(28,533)**
Through profit or loss	**-**	**-**
2011		
Effect of increase in share price		
Available-for-sale	147,039	147,039
Through profit or loss	38	38
Effect of decrease in share price		
Available-for-sale	(789,935)	(789,935)
Through profit or loss	(38)	(38)

c) **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US Dollars. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 4,309.023 million (2011: Rupees 3,760.532 million) and Rupees 3,201.833 million (2011: Rupees 2,696.931 million), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per US Dollar		
Average rate	**93.40**	86.39
Reporting date rate	**96.90**	89.60
Rupees per AED		
Average rate	**25.43**	23.52
Reporting date rate	**26.38**	24.39

30.4 Insurance risk

30.4.1 Holding Company

The principal risk the Holding Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Holding Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent

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investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Holding Company. The Holding Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Holding Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. Reinsurance policies are written with approved reinsurers on either a proportionate basis or non-proportionate basis. The reinsurers, carefully selected and approved, are dispersed over several geographical regions.

Experience shows that larger the portfolio is of similar insurance contracts, smaller the relative variability will be about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents and life insurance policies (by Subsidiary Company) with respect to statutory funds established in accordance with the requirements of the law i.e. for conventional business, accident and health business and non-unitised investment link business. Risks under non-life insurance policies usually cover twelve month duration which in life insurance policies covers longer terms. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial occupation of the insured. Details regarding the fire separation / segregation with respect to the manufacturing processes, storage, utilities, etc. are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurers for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Group evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Group.

A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposure to the Group and determines the appropriate amount of reinsurance coverage to protect the business portfolio.

b) Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Group.

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

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

	Gross sum insured		Reinsurance		Net	
	2012	2011	2012	2011	2012	2011
	Rupees in thousand					
General Insurance:						
Fire	**2,709,048,038**	3,006,526,257	**2,164,465,797**	2,358,653,326	**544,582,241**	647,872,931
Marine	**3,018,667,882**	1,393,269,912	**676,525,320**	377,285,090	**2,342,142,562**	1,015,984,822
Motor	**40,498,649**	70,019,175	**855,654**	1,071,111	**39,642,995**	68,948,064
Miscellaneous	**169,242,965**	183,462,584	**72,673,026**	103,780,593	**96,569,939**	79,681,991
	5,937,457,534	4,653,277,928	**2,914,519,797**	2,840,790,120	**3,022,937,737**	1,812,487,808

c) Neutral assumptions for claims estimation

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

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

The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

d) Sensitivity

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Group considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

	Pre tax profit		Shareholders' equity	
	2012	2011	2012	2011
General Insurance	Rupees in thousand			
10% increase in loss				
Net:				
Fire	**(84,037)**	(65,578)	**(54,624)**	(42,626)
Marine	**(28,420)**	(49,432)	**(18,473)**	(32,131)
Motor	**(182,166)**	(200,062)	**(118,408)**	(130,040)
Miscellaneous	**(119,644)**	(159,840)	**(77,769)**	(103,896)
	(414,267)	(474,912)	**(269,274)**	(308,693)

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General Insurance	Pre tax profit		Shareholders' equity	
	2012	2011	2012	2011
10% decrease in loss	Rupees in thousand			
Net:				
Fire	**84,037**	65,578	**54,624**	42,626
Marine	**28,420**	49,432	**18,473**	32,131
Motor	**182,166**	200,062	**118,408**	130,040
Miscellaneous	**119,644**	159,840	**77,769**	103,896
	414,267	474,912	**269,274**	308,693

e) **Claims development table**

The following table shows the development of claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments.

Accident year	2010	2011	2012	Total
	Rupees in thousand			
Estimate of ultimate claims cost:				
At the end of accident year	10,683,087	6,593,318	6,702,042	**23,978,447**
One year later	6,964,385	2,784,589	-	**9,748,974**
Two years later	1,454,041	-	-	**1,454,041**
Estimate of cumulative claims	1,454,041	2,784,589	6,702,042	**10,940,672**
Less: Cumulative payments to date	374,736	1,916,135	2,935,422	**5,226,293**
Liability recognized in the balances	1,079,305	868,454	3,766,620	**5,714,379**

Since these are initial years of operations by Subsidiary Company, the analysis in (e) above, is given only in respect of the Holding Company.

30.4.2 Subsidiary Company

30.4.21 Conventional business

a) **Individual Life**

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals which puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Subsidiary Company. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

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i) **Frequency and severity of claims**

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

	Sum assured at the end of 2012			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	**2,175**	**1.90**	**625**	**2.40**
200,001 - 400,000	**3,115**	**2.70**	**935**	**3.60**
400,001 - 800,000	**11,159**	**9.50**	**3,348**	**12.90**
800,001 - 1,000,000	**4,525**	**3.90**	**1,358**	**5.30**
More than 1,000,000	**96,543**	**82.20**	**19,590**	**75.80**
Total	**117,517**		**25,856**	

	Sum assured at the end of 2011			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	3,093	1.20	900	1.50
200,001 - 400,000	5,632	2.30	1,690	2.90
400,001 - 800,000	26,345	10.60	7,902	13.40
800,001 - 1,000,000	4,525	1.80	1,358	2.30
More than 1,000,000	209,272	84.10	47,018	79.90
Total	248,867		58,868	

b) **Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

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c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at the best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 4% of the total policyholders' liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

30.4.2.2 Group Life

The main risk written by the Subsidiary Company is mortality. The Subsidiary Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Subsidiary Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Subsidiary Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the Group faces. The rates are certified by the appointed actuary for large groups having a group assurance policy with annual premium of Rs. 1 million or above in accordance with the requirements of Circular 9 of 2005 dated 01 August 2005. The Subsidiary Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Manager Claims and Head of Operations reviews all large claims for verification. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

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a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

	Sum assured at the end of 2012			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	**22,811**	**0.00**	**15,968**	**0.00**
200,001 - 400,000	**144,500**	**0.10**	**72,250**	**0.10**
400,001 - 800,000	**-**	**0.00**	**-**	**0.00**
800,001 - 1,000,000	**-**	**0.00**	**-**	**0.00**
More than 1,000,000	**202,368,098**	**99.90**	**94,494,835**	**99.90**
Total	**202,535,409**		**94,583,053**	

	Sum assured at the end of 2011			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	1,061	0.00	743	0.00
200,001 - 400,000	25,500	0.00	17,850	0.00
400,001 - 800,000	119,500	0.10	59,750	0.10
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	165,065,810	99.90	81,031,018	99.90
Total	165,211,871		81,109,361	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into Group's past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the EFU (61-66) table.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 10% of the total policyholders' liability. This liability will be in the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

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30.4.2.3 Accident & Health

The main risk written by the Subsidiary Company is hospitalisation and death by accidental means. The Subsidiary Company may be exposed to the risk of unexpected claim frequency. This can be a result of high exposure in a particular geographical area, fraudulent claims and catastrophic event.

The Subsidiary Company manages these risks through its underwriting, reinsurance and claims handling policy. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided.

a) Frequency and severity of claims

Currently, only one product is being sold in this segment effectively which offers a fixed sum assured on hospitalisation or death due to accident. The Subsidiary Company therefore has a limited exposure to claim severity. Since this product is marketed on an individual basis, the risk of unexpected high frequency in claims due to accumulation is also expected to be low.

The table below presents the concentration of assured benefits across five bands of insured benefits per individual life assured.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

	Sum assured at the end of 2012			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	**1,200**	**100.00**	**360**	**100.00**
200,001 - 400,000	**-**	**0.00**	**-**	**0.00**
400,001 - 800,000	**-**	**0.00**	**-**	**0.00**
800,001 - 1,000,000	**-**	**0.00**	**-**	**0.00**
More than 1,000,000	**-**	**0.00**	**-**	**0.00**
Total	**1,200**		**360**	

	Sum assured at the end of 2011			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	1,854	78.30	556	28.90
200,001 - 400,000	515	21.70	155	8.10
400,001 - 800,000	-	0.00	909	47.20
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	-	0.00	303	15.80
Total	2,369		1,923	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than the hazard of fraudulent claims, there is no need to estimate accident rates for future years because of the short duration of the product offered under this business.

c) Process used to decide on assumptions

Experience data is not sufficient to be statistically credible, so industry and reinsurer data has been used to fix assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The net unearned premium reserve for this business stands at less than 0.1% of the total (net of reinsurance) policyholders' liability. This liability will be in the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.4.2.4 Non-unitised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals which puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further all payments on account of claims are made after necessary approval of Chief Executive Officer of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Sum assured at the end of 2012			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	**62,713**	**1.10**	**18,472**	**1.20**
200,001 - 400,000	**146,520**	**2.50**	**43,324**	**2.90**
400,001 - 800,000	**804,521**	**13.70**	**235,585**	**15.90**
800,001 - 1,000,000	**242,963**	**4.10**	**71,809**	**4.90**
More than 1,000,000	**4,611,685**	**78.60**	**1,109,522**	**75.00**
Total	**5,868,402**		**1,478,712**	

	Sum assured at the end of 2011			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	43,637	0.90	12,888	1.10
200,001 - 400,000	116,217	2.40	34,233	3.00
400,001 - 800,000	540,072	11.30	157,433	13.90
800,001 - 1,000,000	138,955	2.90	41,296	3.70
More than 1,000,000	3,926,948	82.40	883,873	78.20
Total	4,765,829		1,129,723	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Link assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: The Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

c) Process used to decide on assumptions

For long-term Non-unitised Investment Link assurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Subsidiary Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The Subsidiary Company has recently commenced operations and sensitivity tests were carried out at the time of pricing products to try and ensure robust pricing. Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.4.2.5 Unit Link Business

The risk underwritten is mainly death and sometimes disability and / or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals which puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committees (with variable materiality limits) review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not a factor of concern due to spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Subsidiary Company.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

	Sum assured at the end of 2012			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Benefits assured per life				
Rupees				
0 - 200,000	**90,717**	**0.70**	**26,052**	**0.90**
200,001 - 400,000	**262,317**	**2.00**	**77,354**	**2.60**
400,001 - 800,000	**1,468,878**	**11.20**	**434,052**	**14.40**
800,001 - 1,000,000	**1,459,340**	**11.10**	**419,337**	**13.90**
More than 1,000,000	**9,882,343**	**75.10**	**2,056,047**	**68.20**
Total	**13,163,595**		**3,012,842**	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term unit linked insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and variability in policyholder's behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Persistency: The Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Subsidiary Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There has been no change in assumptions.

e) Sensitivity analysis

The Subsidiary Company has recently commenced operations and sensitivity tests were carried out at the time of pricing products to try and ensure robust pricing. Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.5 REINSURANCE RISK

In order to minimise the financial exposure arising from large claims, the Subsidiary Company, in the normal course of business, enters into agreement with other reinsurers.

Reinsurance ceded does not relieve the Subsidiary Company from its obligation to policyholders and as result the Subsidiary Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

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

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements.

As at 31 December 2012 the fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rupees in thousand			
Government securities	**272,877**	**275,158**	163,032	163,881
Listed equities and mutual funds	**53,082**	**59,541**	64,802	73,691

32. FINANCIAL INSTRUMENTS BY CATEGORIES
As at 31 December 2012

	Loans and receivables	At fair value through profit or loss	Available-for -sale	Total
	Rupees in thousand			
Financial assets				
Cash and other equivalents	**1,200**	**-**	**-**	**1,200**
Current and other accounts	**1,705,386**	**-**	**-**	**1,705,386**
Deposits maturing within 12 months	**1,026,373**	**-**	**-**	**1,026,373**
Loan to employees	**29,565**	**-**	**-**	**29,565**
Investments	**-**	**1,803,524**	**9,779,688**	**11,583,212**
Premiums due but unpaid	**3,217,207**	**-**	**-**	**3,217,207**
Amounts due from other insurers / reinsurers	**606,559**	**-**	**-**	**606,559**
Salvage recoveries accrued	**169,671**	**-**	**-**	**169,671**
Accrued investment income	**26,616**	**-**	**-**	**26,616**
Reinsurance recoveries against outstanding claims	**4,330,229**	**-**	**-**	**4,330,229**
Sundry receivables	**192,002**	**-**	**-**	**192,002**
	11,304,808	**1,803,524**	**9,779,688**	**22,888,020**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

As at 31 December 2012	Financial liabilities at amortised cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR)	**6,412,501**
Amounts due to other insurers / reinsurers	**504,732**
Accrued expenses	**119,831**
Other creditors and accruals	**1,535,955**
Unclaimed dividends	**35,558**
Liabilities against assets subject to finance lease	**24,987**
	8,633,564

FINANCIAL INSTRUMENTS BY CATEGORIES As at 31 December 2011	Loans and receivables	At fair value through profit or loss	Available-for -sale	Total
	Rupees in thousand			
Financial assets				
Cash and other equivalents	21,597	-	-	21,597
Current and other accounts	1,527,090	-	-	1,527,090
Deposits maturing within 12 months	957,694	-	-	957,694
Loan to employees	27,964	-	-	27,964
Investments	-	381,832	8,775,948	9,157,780
Premiums due but unpaid	3,598,905	-	-	3,598,905
Amounts due from other insurers / reinsurers	679,631	-	-	679,631
Salvage recoveries accrued	165,718	-	-	165,718
Accrued investment income	40,533	-	-	40,533
Reinsurance recoveries against outstanding claims	3,799,366	-	-	3,799,366
Sundry receivables	175,441	-	-	175,441
	10,993,939	381,832	8,775,948	20,151,719

As at 31 December 2011	Financial liabilities at amortised cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR)	5,576,211
Amounts due to other insurers / reinsurers	1,203,579
Accrued expenses	161,009
Other creditors and accruals	1,367,627
Unclaimed dividends	33,495
Liabilities against assets subject to finance lease	58,567
	8,400,488

33. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding company in their meeting held on 21 March 2013 proposed a final cash dividend for the year ended 31 December 2012 @ 10% i.e. Rupee 1/- share (2011: Nil). This is in addition to the interim dividend@ 15% i.e. Rupees 1.5/- share (2011: @ 10% i.e. Rupee 1/- share) resulting in a total dividend for the year ended 31 December 2012 of Rupees 1.5/- per share (2011: Rupees 2.5/- share). The approval of the members for the dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2012 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

34. CAPITAL RISK MANAGEMENT

The Group's goals and objectives when managing capital are:

- to be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 300 million while for life insurance it is Rupees 500 million. The Group is well in excess of the limits prescribed by the SECP and is also complying with other solvency requirements prescribed by the SECP;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts and policies commensurately with the level of risk;
- maintain strong ratings and to protect the Group against unexpected events / losses; and
- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

35. NUMBER OF EMPLOYEES AT 31 DECEMBER

	2012	2011
	Number	
Holding Company	**707**	828
Subsidiary Company	**79**	63
	786	891

36. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements have been approved and authorized for issue by the Board of Directors of the holding Company in their meeting dated 21 March 2013.

37. GENERAL

- Corresponding figures of net claim expense, general and administration expenses and underwriting expenses have been re-classified with an amount of Rupees 485.911 million. Detail is as follows:

From	To	Reason	Amount
			Rupees in thousand
Net claim expense	Expenses	For better presentation	122,812
General and administration expenses	Expenses	For better presentation	363,099
			485,911

- Figures in these consolidated financial statements have been rounded off to the nearest thousand of rupees, unless otherwise stated.

Umer Mansha	**S. M. Jawed**	**Ibrahim Shamsi**	**Manzar Mushtaq**
Chairman	*Director*	*Director*	*Managing Director & Chief Executive Officer*

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2012

No. of Shareholders	Shareholdings				Total Shares Held
1,592	Holding from	1	to	100	46,770
1,288	"	101	"	500	359,991
653	"	501	"	1000	515,396
1,045	"	1001	"	5000	2,488,375
238	"	5001	"	10000	1,734,020
118	"	10001	"	15000	1,484,114
55	"	15001	"	20000	981,937
54	"	20001	"	25000	1,223,012
30	"	25001	"	30000	834,811
24	"	30001	"	35000	777,787
14	"	35001	"	40000	512,633
10	"	40001	"	45000	426,010
7	"	45001	"	50000	340,914
8	"	50001	"	55000	425,215
5	"	55001	"	60000	293,694
4	"	60001	"	65000	248,067
4	"	65001	"	70000	264,913
5	"	70001	"	75000	366,546
4	"	75001	"	80000	309,861
2	"	80001	"	85000	168,102
2	"	85001	"	90000	171,062
3	"	90001	"	95000	280,171
8	"	95001	"	100000	774,014
1	"	100001	"	105000	101,657
2	"	105001	"	110000	217,600
1	"	110001	"	115000	111,500
1	"	115001	"	120000	120,000
2	"	120001	"	125000	246,000
2	"	125001	"	130000	253,762
2	"	130001	"	135000	264,979
1	"	135001	"	140000	138,492
1	"	140001	"	145000	142,005
4	"	145001	"	150000	595,048
1	"	150001	"	155000	155,000
2	"	155001	"	160000	316,537
1	"	160001	"	165000	162,708
1	"	165001	"	170000	165,700
1	"	175001	"	180000	180,000
6	"	195001	"	200000	1,188,678
2	"	200001	"	205000	404,203
1	"	205001	"	210000	208,992
1	"	215001	"	220000	220,000
2	"	220001	"	225000	441,705
1	"	235001	"	240000	235,620
3	"	245001	"	250000	750,000
2	"	295001	"	300000	600,000
2	"	335001	"	340000	671,359
1	"	355001	"	360000	357,172
2	"	370001	"	375000	745,759
1	"	395001	"	400000	397,075

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2012

No. of Shareholders		Shareholdings			Total Shares Held
2	"	400001	"	405000	805,312
1	"	425001	"	430000	426,041
1	"	490001	"	495000	494,301
1	"	540001	"	545000	542,223
1	"	560001	"	565000	560,102
1	"	595001	"	600000	597,949
1	"	610001	"	615000	614,081
1	"	880001	"	885000	880,501
1	"	885001	"	890000	889,000
1	"	895001	"	900000	900,000
1	"	1025001	"	1030000	1,028,647
1	"	1430001	"	1435000	1,433,640
1	"	1450001	"	1455000	1,453,154
1	"	1560001	"	1565000	1,561,052
1	"	2245001	"	2250000	2,248,326
1	"	2795001	"	2800000	2,795,353
1	"	3340001	"	3345000	3,340,103
1	"	3540001	"	3545000	3,541,391
1	"	5095001	"	5100000	5,098,072
1	"	5115001	"	5120000	5,116,381
1	"	5725001	"	5730000	5,729,781
1	"	5775001	"	5780000	5,777,663
1	"	7320001	"	7325000	7,324,503
1	"	9785001	"	9790000	9,789,910
1	"	36335001	"	36340000	36,338,092
				5,246	123,704,544

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT 31 DECEMBER 2012

Categories of Shareholders	Shares held	Percentage
Directors		
Umer Mansha	21,325	0.01724
Ahmed Ebrahim Hasham	157,025	0.12694
Ali Munir	5,691	0.00460
Fredrik Coenrard De Beer	2,500	0.00202
Ibrahim Shamsi	5,937	0.00480
Kamran Rasool.	3,000	0.00243
Muhammad Umar Virk	2,500	0.00202
S.M.Jawed	6,050	0.00489
Shahid Malik	3,000	0.00243
Chief Executive Officer		
Manzar Mushtaq	2,500	0.00202
Directors / CEO's spouse	-	-
Executives / Executives' spouse	120,045	0.09704
Associated Companies, undertakings & related parties		
MCB Bank Ltd.,	36,338,092	29.37491
Trustee - MCB Provident Fund Pak Staff	5,729,781	4.63183
Trustee-MCB Employees Pension Fund	5,777,663	4.67053
Nishat Mills Ltd.	36,337	0.02937
Trustee-Nishat Mills Ltd. Provident Fund	202,523	0.16371
NIT and ICP	-	-
Banks, DFIs and NBFIs	7,053,881	5.70220
Public sector companies and corporations	-	-
Insurance Companies	7,581,764	6.12893
Modaraba	1,081,192	0.87401
Mutual Funds		
Al-Meezan Mutual Fund Limited	729	0.00059
Confidence Mutual Fund Limited	1,273	0.00103
First Capital Mutual Fund Limited	12,500	0.01010
First Capital Mutual Fund Ltd.	24	0.00002
Growth Mutual Fund Limited	672	0.00054
CDC - Trustee First Dawood Mutual Fund	10,000	0.00808
General Public		
a) Local (Individuals)	36,752,878	29.71021
b) Foreign Companies/ organizations/ Individuals (on repatriable basis)	5,664,977	4.57944
Others		
Joint Stock Companies	6,748,451	5.45530
Pension Fund, Provident Fund etc.	10,382,234	8.39277
	123,704,544	100.00000
Shareholders holding 5% or more voting interest		
MCB Bank Ltd	36,338,092	
Mian Nisar Elahi	7,324,503	
Trustees Adamjee Foundation	9,789,910	

MANZAR MUSHTAQ
Managing Director & Chief Executive

Lahore: March 7, 2013