

ASIA INSURANCE COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees		Note	2013 Rupees	2012 Rupees
Share capital and Reserves				Cash and bank deposits	12		
Authorised share capital		300,000,000	300,000,000	Cash in hand		486,765	-
30,000,000 ordinary shares of Rs.10/- each				Current and other accounts		28,674,994	12,903,496
Paid up share capital	6	300,000,000	300,000,000	Deposits maturing within 12 months		20,000,000	50,000,000
Retained Earnings		69,804,358	50,262,886			49,161,759	62,903,496
Reserves	7	2,500,000	2,500,000	Investments	13	217,249,110	179,776,159
		372,304,358	352,762,886	Deferred tax Asset	14	2,497,209	1,963,488
Surplus on revaluation of fixed assets	8	136,060,170	136,060,170	Current Assets- Others			
Underwriting provisions				Premiums due but unpaid-unsecured	15	14,557,722	23,144,565
Provision for outstanding claims (including IBNR)	9	41,101,656	18,489,924	Amounts due from other insurers / reinsurers-unsecured		66,061,072	40,835,054
Provision for unearned premium		83,404,343	27,995,741	Accrued investment income		1,569,672	1,597,899
Commission income unearned		4,479,013	1,917,966	Reinsurance recoveries against outstanding claims		20,614,787	3,958,354
		128,985,012	48,403,631	Deferred commission expense		14,918,278	4,531,219
Creditors and Accruals				Prepaid reinsurance premium ceded		19,166,762	7,721,827
Premiums received in advance		1,383,355	-	Sundry receivables	16	16,403,932	4,417,956
Amounts due to other insurers / reinsurers		3,354,766	758,574			153,292,225	86,206,874
Accrued expenses		490,000	460,000	Fixed Assets (Tangible)	17		
Other creditors and accruals	10	24,048,885	21,917,003	Land - freehold		160,000,000	160,000,000
		29,277,006	23,135,577	Building		340,144	377,938
Other liabilities				Furniture and fixtures		893,353	640,032
Unclaimed Dividend		59,962	59,962	Office equipment		3,058,414	1,775,271
				Motor vehicles		26,773,624	19,419,124
TOTAL LIABILITIES		158,321,980	71,599,170	Computers and Accessories		1,625,035	261,621
						192,690,570	182,473,986
TOTAL EQUITY AND LIABILITIES		666,686,508	560,422,226	Capital Work in Progress (Building)		51,795,635	47,098,223
Contingencies and Commitments	11			TOTAL ASSETS		666,686,508	560,422,226

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

Chairman

Director

Director

Principal Officer/Chief Executive

ASIA INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Fire & Property	Marine, Aviation and Transport	Motor	Credit and Suretyship	Miscellaneous	2013 Aggregate	2012 Aggregate
-----Rupees-----								
Net Premium Revenue		13,536,685	9,027,507	30,807,434	6,341,428	10,619,436	70,332,490	29,300,570
Net Claims		(2,378,653)	(2,493,114)	(14,376,392)	(1,210,633)	(4,166,145)	(24,624,937)	(10,136,053)
Expenses	18	(5,589,350)	(2,865,043)	(9,938,925)	(5,216,261)	(2,153,856)	(25,763,435)	(18,090,987)
Net Commission		(3,502,080)	(2,184,800)	(4,077,973)	(813,288)	(287,188)	(10,865,329)	(4,658,172)
Underwriting results		<u>2,066,602</u>	<u>1,484,550</u>	<u>2,414,144</u>	<u>(898,754)</u>	<u>4,012,247</u>	<u>9,078,789</u>	<u>(3,584,642)</u>
Investment Income							37,794,482	28,903,212
Other Income	19						324,493	753,290
							<u>38,118,975</u>	<u>29,656,502</u>
General and administration expenses	20						47,197,764	26,071,860
							<u>(26,367,444)</u>	<u>(18,770,600)</u>
Profit before tax							<u>20,830,320</u>	<u>7,301,260</u>
Provision for taxation	21						(1,288,848)	2,878,999
Profit after tax							<u>19,541,472</u>	<u>10,180,259</u>
Earnings per share (EPS)	22						<u>0.651</u>	<u>0.339</u>

Appropriations have been reflected in statement of changes in equity.

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

Chairman

Director

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Principal Officer/Chief Executive

ASIA INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	RUPEES	
Profit after tax for the year	19,541,472	10,180,259
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss	-	-
Items that may not be subsequently reclassified to profit or loss	-	-
Total comprehensive income for the year	19,541,472	10,180,259

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ASIA INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees
Operating Cash Flows			
a) Underwriting activities			
Premiums received		163,973,967	37,861,116
Reinsurance premiums paid		(62,337,438)	(24,124,758)
Claims paid		(37,228,997)	(16,765,394)
Reinsurance and other recoveries received		18,559,359	9,154,587
Commissions paid		(27,014,782)	(8,765,826)
Commissions received		8,323,441	3,389,613
Other underwriting receipts/(payments)		(12,805,530)	2,012,636
Net cash flow from underwriting activities		51,470,020	2,761,974
b) Other operating activities			
Income tax paid		(1,822,569)	(351,134)
General management expenses paid		(42,704,961)	(29,476,006)
Other operating payments		(370,000)	(280,000)
Other receipts in respect of operating assets		324,493	752,899
Net cash flow from other operating activities		(44,573,037)	(29,354,241)
Total cash flow from operating activities		6,896,983	(26,592,267)
Investment activities			
Profit / return received		33,788,768	26,861,417
Dividends received		1,748,455	601,827
Payments for investments		(230,148,258)	(129,446,951)
Proceeds from disposal of investments		194,960,793	64,883,083
Fixed capital expenditure		(20,988,478)	(33,286,335)
Proceeds from disposal of fixed assets		-	7,000
Total cash flow from investing activities		(20,638,720)	(70,379,959)
Financing activities			
		-	-
Total cash flow from financing activities		-	-
Net cash inflow/(outflow) from all activities		(13,741,737)	(96,972,226)
Cash and cash equivalents at the beginning of the year		62,903,496	159,875,722
Cash and cash equivalents at the end of the year	12	49,161,759	62,903,496

Note	2013 Rupees	2012 Rupees
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RECONCILIATION TO PROFIT AND LOSS ACCOUNT

Operating cash flows	6,896,983	(26,592,267)
Depreciation expense	(6,074,482)	(3,787,930)
Profit/(loss) on disposal of fixed assets	-	391
Increase / (Decrease) in assets other than cash	67,113,578	20,666,487
(Increase) / Decrease in liabilities	(86,722,810)	(12,239,767)
Dividend	1,748,455	601,827
Interest, rental and other income	36,046,027	28,301,385
Deferred taxation	533,721	3,230,133
Profit after taxation	19,541,472	10,180,259

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

Cash and cash equivalents

Cash in Hand	486,765	-
Current accounts & Other Accounts	28,674,994	12,903,496
Deposits maturing within 12 months	20,000,000	50,000,000
	<u>49,161,759</u>	<u>62,903,496</u>

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

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**ASIA INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Paid up share capital	Retained Earnings/Un-appropriated profit	Revenue reserves	Total share capital & reserves	Surplus on revaluation of fixed assets	Total
	-----R u p e e s-----					
Balance as at January 1, 2012	300,000,000	40,082,627	2,500,000	342,582,627	136,060,170	478,642,797
Net profit/Total Comprehensive income for the year ended December 31, 2012	-	10,180,259	-	10,180,259	-	10,180,259
Balance as at December 31, 2012	300,000,000	50,262,886	2,500,000	352,762,886	136,060,170	488,823,056
Balance as at January 1, 2013	300,000,000	50,262,886	2,500,000	352,762,886	136,060,170	488,823,056
Net profit/Total Comprehensive income for the year ended December 31, 2013	-	19,541,472	-	19,541,472	-	19,541,472
Balance as at December 31, 2013	300,000,000	69,804,358	2,500,000	372,304,358	136,060,170	508,364,528

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ASIA INSURANCE COMPANY LIMITED
STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2013

Class of Business	31-Dec-13								31-Dec-12	
	Premiums Written	Unearned Premium Reserve		Premiums Earned	Reinsurance Ceded	Prepaid Reinsurance Premium Ceded		Reins. Expenses	Net Premium Revenue	
		Opening	Closing			Opening	Closing			
-----R u p e e s-----										
Direct & Facultative										
Fire & Property damage	33,410,955	10,706,242	19,901,666	24,215,531	14,815,344	4,535,895	8,672,393	10,678,846	13,536,685	9,623,774
Marine, Aviation and Transport	17,126,112	739,782	4,694,493	13,171,401	6,054,680	60,901	1,971,687	4,143,894	9,027,507	5,296,319
Motor	59,411,016	5,579,367	30,257,946	34,732,437	3,925,003	-	-	3,925,003	30,807,434	9,882,303
Credit and Suretyship	31,180,776	294,855	20,659,727	10,815,904	11,503,203	128,743	7,157,470	4,474,476	6,341,428	(80,242)
Miscellaneous	12,874,910	10,675,495	7,890,511	15,659,894	3,409,382	2,996,288	1,365,212	5,040,458	10,619,436	4,578,416
Grand Total	154,003,769	27,995,741	83,404,343	98,595,167	39,707,612	7,721,827	19,166,762	28,262,677	70,332,490	29,300,570

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ASIA INSURANCE COMPANY LIMITED

STATEMENT OF CLAIMS

FOR THE YEAR ENDED DECEMBER 31, 2013

Class of Business	31-Dec-13								31-Dec-12	
	Claims Paid	Claims Outstanding		Claim Expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims Expense	Net Claims Expense
		Opening	Closing			Opening	Closing			
-----R u p e e s-----										
Direct & Facultative										
Fire & Property damage	10,157,276	3,316,568	6,058,546	12,899,254	7,625,314	1,025,253	3,920,540	10,520,601	2,378,653	254,516
Marine, Aviation and Transport	5,011,127	2,340,455	9,340,165	12,010,837	2,936,611	922,062	7,503,174	9,517,723	2,493,114	809,500
Motor	15,016,414	12,038,617	14,520,107	17,497,904	2,640,515	1,863,933	2,344,930	3,121,512	14,376,392	8,879,085
Credit and Suretyship	5,410,358	-	6,695,965	12,106,323	4,869,321	-	6,026,369	10,895,690	1,210,633	-
Miscellaneous	1,633,822	794,284	4,486,873	5,326,411	487,598	147,106	819,774	1,160,266	4,166,145	192,952
Grand Total	37,228,997	18,489,924	41,101,656	59,840,729	18,559,359	3,958,354	20,614,787	35,215,792	24,624,937	10,136,053

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ASIA INSURANCE COMPANY LIMITED
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Class of Business	31-Dec-13								31-Dec-12
	Commission Paid	Deferred Commission		Net Commission Expense	Other Management Expenses	Underwriting Expenses /(income)	Commission from Reinsurers	Net Underwriting Expenses	Net Underwriting Expenses
		Opening	Closing						
-----R u p e e s-----									
Direct and Facultative									
Fire and property damage	8,905,110	2,676,560	5,379,100	6,202,570	5,589,350	11,791,920	2,700,490	9,091,430	8,585,621
Marine, Aviation and Transport	4,105,803	184,946	1,173,618	3,117,131	2,865,043	5,982,174	932,331	5,049,843	3,313,183
Motor	7,261,195	557,936	3,741,158	4,077,973	9,938,925	14,016,898	-	14,016,898	5,005,970
Credit and Suretyship	5,453,296	66,010	3,740,094	1,779,212	5,216,261	6,995,473	965,924	6,029,549	301,735
Miscellaneous	1,289,378	1,045,767	884,308	1,450,837	2,153,856	3,604,693	1,163,649	2,441,044	5,542,650
Grand Total	27,014,782	4,531,219	14,918,278	16,627,723	25,763,435	42,391,158	5,762,394	36,628,764	22,749,159

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

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

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ASIA INSURANCE COMPANY LIMITED**STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013**

	31-Dec-13	31-Dec-12
	Rupees	
Income from Investments at Fair value through Profit and Loss:		
Gain/(Loss) on Investments at Fair value through Profit and Loss	8,752,338	-
Dividend income	1,522,750	-
	<u>10,275,088</u>	<u>-</u>
Income from Non Trading Investments:		
<u>Held to Maturity</u>		
Return on Government Securities	3,196,197	3,176,669
Return on Fixed Income -Deposits	3,099,931	8,793,353
	6,296,128	11,970,022
Amortisation of discount relative to par	103,798	399,329
<u>Available for Sale</u>		
Dividend Income	225,705	601,827
Gain/(Loss) on sale of non trading investments 'Available for Sale'	2,285,486	1,833,802
Reversal/(Provision) for impairment in Investments 'Available for Sale'	(479,345)	751,551
Gain/(Loss) on revaluation of trading Investments	20,317,047	13,830,765
Investment related expenses	(1,229,425)	(484,084)
Net Investment Income	<u><u>37,794,482</u></u>	<u><u>28,903,212</u></u>

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

Chairman

Director

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Principal Officer/Chief Executive

ASIA INSURANCE COMPANY LIMITED

Notes to the Financial Statements for the Year Ended December 31, 2013

1 STATUS AND NATURE OF BUSINESS

Asia Insurance Company Limited was incorporated in Pakistan as a Public Limited Company on December 6, 1979 and is engaged in General Insurance business since 1980. Its registered office is situated at 456-K Model Town, Lahore-Pakistan. Shares of the Company are quoted on Karachi and Lahore Stock Exchanges.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of S.R.O. 938, dated 12th December 2002, issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

3 STATEMENT OF COMPLIANCE

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

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 the SECP, have not been considered in the preparation of these financial statements.

3.2 Initial application of standards/interpretation, amendments to an existing standard/interpretation and forthcoming requirements:

- a) Standards and interpretations that become effective but either not relevant to the company or have immaterial effect:**

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company:

- "IFRS 1 - First time adoption of International Financial Reporting Standards" (applicable for annual periods beginning on or after 1 January 2013)-Not notified by SECP
- "IAS 1 - Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012 and 1 January 2013)

- "IAS 16 - Property Plant and Equipment" (effective for annual periods beginning on or after 1 January 2013)
- "IAS 19 - Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)
- "IAS 27 - Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- "IAS 28 - Investment in Associates" (effective for annual periods beginning on or after 1 January 2013)
- "IAS 32 - Financial Instruments: Presentation"(effective for annual periods beginning on or after 1 January 2013)
- "IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

b) Standards, interpretation and amendments to published approved accounting standards that are not yet applicable:

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

- "IAS 27 - Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014)
- IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment applicable for annual periods beginning on or after 01 January 2014).
- IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment applicable for annual periods beginning on or after 01 January 2014).
- IAS 38 - Intangible Assets - (Amendment applicable for annual periods beginning on or after 01 July 2014).
- IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment applicable for annual periods beginning on or after 01 January 2014).
- IAS 40 - Investment Property - (Amendment applicable for annual periods beginning on or after 01 July 2014).
- IFRS 9 - Financial Instruments: Classification and Measurement - (Applicable for annual periods beginning on or after 01 January 2015).
- IFRIC 21 - Levies - (Applicable for annual periods beginning on or after 01 January 2014).

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

c) Fourth Schedule to the Companies Ordinance, 1984:

The Securities and Exchange Commission of Pakistan through S.R.O. 183(I)/2013 has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984. These amendments have principally clarified certain matters, changed some of the presentation and classification requirements and incorporated additional disclosure requirements. The Company has adopted these changes which has resulted in additional disclosures made in the financial statements. However, no change in accounting policy was required and accordingly there was no impact on the amounts reported in these financial statements.

d) Standards issued by IASB but not applicable in Pakistan:

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

- IFRS 10 - Consolidated Financial Statements - (Applicable for annual periods beginning on or after 01 January 2013).
- IFRS 11 - Joint Arrangements - (Applicable for annual periods beginning on or after 01 January 2013).
- IFRS 12 - Disclosure of Interests in Other Entities - (Applicable for annual periods beginning on or after 01 January 2013).
- IFRS 13 - Fair Value Measurement - (Applicable for annual periods beginning on or after 01 January 2013).

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation except for land which is shown at revalued amount and certain investments which are stated at fair value. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

4.1 Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying 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 the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements

are as follows:

- a) Provision for outstanding claims including incurred but not reported (IBNR). (Note 5.6)
- b) Provision for unearned premium.
- c) Classification of investments. (Note 5.10)
- d) Useful lives and Residual value of Fixed Assets. (Note 5.13)
- e) Impairment in value of investments. (Note 13)
- f) Premium Deficiency Reserve. (Note 5.4)
- g) Provision for taxation and deferred tax. (Note 5.7)

Other areas involving estimates and judgments are disclosed in respective notes to the financial statements.

4.2 Functional Currency

These financial statements are presented in Pak Rupees which is company's functional currency, unless otherwise stated.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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. The Company enters into fire and property damage, marine, motor, health, agriculture crops and live stock, burglary, cash in transit, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedent) for losses on one or more contracts issued by the cedents are reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. 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.

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

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

5.2 Underwriting results

Underwriting result is calculated by deducting from Gross Premium of each class of business, reinsurance cost incurred, claims, commission, allocable expenses of management and reserve for unexpired premium.

5.3 Provision for un-earned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage.

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The liability is calculated by applying 1/24 method in accordance with the provisions of S.R.O. 938 of SEC (Insurance) Rules 2002.

5.4 Premium deficiency reserve

Premium deficiency reserve is to be maintained where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of the policies in that class of business, to comply with the requirements of the S.R.O. 938 issued by the SECP in December 2002. Any movement in the reserve is to be charged to the profit and loss account.

The management considers that unearned premium reserve for all classes of business as at the year end is adequate to meet the net expected future liability after reinsurance, from claims and other expenses, expected to be incurred after balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

5.5 Commission

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

The company uses 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938 of SEC (Insurance) Rules 2002.

5.6 Provision for outstanding claims (including IBNR)

The liability in respect of outstanding claims is based on the certified statements received from the branches and represents the best estimate of the claims intimated or assessed before the end of the accounting year.

Outstanding claims comprise of the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates. Provision for incurred but not reported (IBNR) is based on the management's best estimates which takes into account past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

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.

As a general policy of the company, being followed consistently over the years, no provision of claims has been made where the quantum of loss is unknown.

5.7 Taxation

5.7.1 Current

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

5.7.2 Deferred

The company accounts for deferred taxation, if any, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts using the balance sheet liability method.

The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent if it is no longer probable that the related tax benefits will be realized.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash, cheques in hand, balances with banks on current and deposit accounts and deposits maturing within twelve months.

5.9 Loans & advances/other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.10 Investments

5.10.1 Recognition

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

- Held to Maturity
- Available for Sale
- Investment at fair value through profit or loss - held for trading

All purchases and sales of financial assets are accounted for at settlement date.

5.10.2 Measurement

5.10.2.1 Held to maturity

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

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

5.10.2.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates etc. are classified as available for sale and are stated at cost.

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 fall is other than temporary) in accordance with the requirements of S.R.O. 938 issued by SECP on aggregate portfolio basis at the balance sheet date. The company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in unlisted companies is computed to net assets of the investee on the basis of the latest available audited financial statements.

5.10.2.3 Investment at fair value through profit or loss-held for trading

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

5.11 Amount due to/from other insurers/reinsurers

Amounts due to/from other insurers/reinsurers are carried at cost which is the fair value of the consideration to be received/paid in the future for the services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.12 Investment properties

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with the approved International Accounting Standard (IAS) 40, "Investment Property" and S.R.O 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation policy, subsequent capital expenditure and gain or losses on disposal, if any, are accounted for in the same manner as tangible fixed assets.

5.13 Fixed assets

5.13.1 Owned

Fixed assets, except land which is valued at revalued amount, are stated at cost less accumulated depreciation calculated on reducing balance method using the rates given in note 18 and impairment losses, if any. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact of depreciation is significant.

Depreciation on additions to tangible fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month of disposal.

Gains and losses on disposal of fixed assets are included in income currently. Normal repairs and maintenance is charged to income currently.

5.13.2 Assets subject to finance lease

The company accounts for fixed assets acquired under finance lease by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged to income applying the rates stated in fixed assets schedule.

5.13.3 Capital work in progress

Capital work in progress is stated at cost accumulated upto the balance sheet date.

5.13.4 Intangible

Software development costs are capitalized only to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

5.14 Financial Instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognized at the time when entity becomes a party to the contractual provisions of the instrument and de-recognized when the entity 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 de-recognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, investments, accrued investment income, sundry receivables, provision for outstanding claims (including IBNR), premium due but unpaid, amounts due from/due to other insurers/reinsurers, reinsurance recoveries against outstanding claims, other creditors and accruals, accrued expenses and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.15 Offsetting of financial assets and financial liabilities

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

5.16 Foreign currency transactions and translations

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

5.17 Revenue recognition

5.17.1 Premium

Premium receivable/received under a policy is recognized at the time of issuance of policy. Similarly reinsurance premium is recorded at the time reinsurance is ceded.

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

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

5.17.2 Claims

Claims are considered to be incurred at the time when claims are lodged with the company. However, claims incurred but not reported at year end are determined from subsequent to year end.

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

5.17.3 Dividend income and bonus shares

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

5.17.4 Acquisition cost

Commission due on Direct, Facultative and Treaty business and on Reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

5.18 Management Expenses

Management Expenses are allocated to Revenue Account on the basis of Gross Direct Premium.

5.19 Staff retirement benefits

The company operates a funded Provident Fund Scheme for its employees and contributions are made monthly equal to employees contribution @ 8.33% of basic salary and cost of living allowance.

5.20 Segment reporting

Primary segments

The company's operating business is organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services and serves different markets. The company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

The fire insurance segment provides cover against damages by fire, riot and strike, explosion, earthquake, burglary, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides cover against cargo risk, war risk and damages occurring in sea water, on Board, at ports and during inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage of motor vehicles.

Miscellaneous insurance provides cover against burglary, loss of cash in safe, cash in transit, personal accident, money, engineering losses, agriculture crop, live stock and other coverage.

Investment income, other income, general and administration expenses and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditure that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.21 Dividend

Dividend distribution to the company's shareholders is recognized as liability in the period in which the dividends are approved.

5.22 Figures

The comparative figures are reclassified/rearranged whenever necessary for better presentation and to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangements/reclassifications. The figures are rounded off to the nearest rupee.

	Note	2013 Rupees	2012 Rupees
10 OTHER CREDITORS AND ACCRUALS			
Federal Excise duty payable		1,616,871	846,021
Federal insurance fee payable		156,572	107,868
Tax deducted at source		278,386	243,472
EOBI payable		7,479	1,680
Staff Provident Fund		116,283	112,217
Outstanding agency commissions		13,714,879	9,119,709
Workers' welfare fund	10.1	-	-
Receipts from Foreign reinsurers	10.2	7,133,952	7,133,952
Others	10.3	1,024,463	4,352,084
		<u>24,048,885</u>	<u>21,917,003</u>

10.1 Workers' welfare fund for the current and previous years is not payable in view of taxable loss (2012: Nil)

10.2 It represents receipts from foreign reinsurers against settlement of treaty agreements in 2011 after adjustment of receivable balances from the reinsurers.

10.3 This includes rent payable for office building, payable to chief executive amounting to Rs. 432,000/- (2012: Rs. 3,096,000/-)

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Suits for recovery of approximate Rs.12.690 million (2012: Rs. 6.430 million) have been lodged but are not accepted by the company and the cases are pending adjudication before different courts. As per company's legal advisor, most of these cases are at preliminary stage. In managements' opinion, such claims are untenable and accordingly management has not provided any liability in respect thereof.

11.1.2 The company has filed suit for recovery of Rs 6.827 million (2012: Rs. 6.919 million) against insurer/reinsurer for amount due. The management of the company on the basis of the facts of the case and advice of the legal advisor believe that they have strong case and has not, therefore, made provision in the financial statements against the aforesaid claim.

11.1.3 Guarantee issued by bank on behalf of the company Rs. Nil (2012: Rs. Nil).

11.2 Commitments

Commitments in respect of capital expenditure Rs. Nil (2012: Rs Nil).

	Note	2013 Rupees	2012 Rupees
12 CASH AND BANK DEPOSITS			
Cash in hand		486,765	-
Current and other accounts:	12.1		
PLS savings accounts		3,408,888	12,391,915
Current accounts		25,266,106	511,581
		28,674,994	12,903,496
Deposits maturing within 12 months- Term Deposit Receipts	12.2	20,000,000	50,000,000
		49,161,759	62,903,496

12.1 Last year's figure of bank balance of Rs. 35,202/- has been regrouped from PLS savings accounts to current accounts for fairer presentation.

12.2 The rate of return on term deposit receipts issued by various banks ranges from 9.25% to 9.3% per annum (2012: 8.6% to 10.10% per annum) and payable on maturity. These term deposit receipts have maturities upto January 2014.

13 INVESTMENTS

Available for sale:

Marketable securities - Book value	13.1	2,276,639	16,841,613
Less: Impairment in value of investments		(479,345)	-
		1,797,294	16,841,613

Fair value through Profit and Loss - Held for trading:

Investments in Mutual Funds - Fair value		156,395,989	136,928,717
Investments in ordinary shares		32,946,200	-
		189,342,189	136,928,717

Held to Maturity:

Defence Saving Certificates (DSCs)	13.2	525,000	525,000
Pakistan Investment Bonds (10 years)	13.3	25,584,627	25,480,829
		26,109,627	26,005,829
		217,249,110	179,776,159

	Note	2013 Rupees	2012 Rupees
13.2	Defence Saving Certificates carry effective profit @ 10.15% per annum and will mature in June 2018. Profit will be paid on maturity.		
13.3	Pakistan Investments Bonds (PIBs) having face value of Rs. 26 million, carry effective yield @ 11.82% per annum. Profit is paid semi annually and these will mature in September 2019.		
13.4	Company has deposited following securities with State Bank of Pakistan against statutory deposits under the Insurance Ordinance, 2000.		
	Pakistan Investment Bonds	25,584,627	25,480,829
	Cash Deposit (included in sundry receivables)	115,000	115,000
	Pakistan Income Fund (included in mutual funds)	5,984,446	5,596,169
		<u>31,684,073</u>	<u>31,191,998</u>
14	DEFERRED TAX ASSET		
	Net deferred tax asset arrived at as under:		
	(Taxable)/deductible temporary differences:		
	Accelerated depreciation	(1,445,785)	(1,195,735)
	Adjustable tax losses	2,949,861	2,949,861
	Minimum tax adjustable against future tax liability	993,133	209,362
	14.1	<u>2,497,209</u>	<u>1,963,488</u>
14.1	Deferred tax (expense)/income recognized in profit and loss account has been arrived at as under:		
	Opening deferred tax asset/(liability)	1,963,488	(1,266,645)
	Income for the year	533,721	3,230,133
	Net deferred tax asset as at December 31	<u>2,497,209</u>	<u>1,963,488</u>
15	PREMIUMS DUE BUT UNPAID		
	-Unsecured but considered good by the management	<u>14,557,722</u>	<u>23,144,565</u>
16	SUNDRY RECEIVABLES		
	Security deposits	922,037	539,035
	Income tax deducted at source less provision	1,544,595	1,881,782
	Income tax refunds due	402,745	402,745
	Agents balances	25,000	25,000
	Advance office rent	156,000	96,000
	Others	13,353,555	1,473,394
		<u>16,403,932</u>	<u>4,417,956</u>
16.1	Income Tax deducted at source less provision:		
	Income tax deducted at source	3,316,735	2,221,191
	Provision for tax payable	(1,772,140)	(339,409)
		<u>1,544,595</u>	<u>1,881,782</u>

	Note	2013 Rupees	2012 Rupees
18	MANAGEMENT EXPENSES		
Salaries and benefits		10,919,027	9,304,426
Rent, rates, taxes and electricity		2,882,591	1,978,641
Communications		1,476,177	928,812
Printing & stationery		1,485,530	528,929
Travelling and conveyance		1,669,188	1,082,884
Repairs and maintenance		2,511,530	1,576,131
Advertisement		498,710	63,950
Market development charges		1,217,907	1,112,868
Others		3,102,775	1,514,346
		<u>25,763,435</u>	<u>18,090,987</u>
19	OTHER INCOME		
Income from financial assets:			
Profit on PLS saving accounts		324,493	624,857
Income from non financial assets:			
Profit on sale of fixed assets		-	391
Miscellaneous		-	128,042
		<u>324,493</u>	<u>753,290</u>
20	GENERAL AND ADMINISTRATION EXPENSES		
Directors' remuneration		936,000	936,000
Salaries and other benefits		12,058,976	9,677,722
Rent, rates and taxes		864,000	864,988
Company's contribution to Provident Fund		541,160	572,837
Fees and subscription		1,430,070	1,791,873
Auditors' remuneration	20.1	400,000	410,000
Legal & professional charges		923,365	554,250
Workers' welfare fund	10.1	-	-
Directors/Staff training		300,301	175,000
Vehicle insurance expense		805,340	-
Computer expenses		2,033,750	-
Depreciation	17	6,074,482	3,787,930
		<u>26,367,444</u>	<u>18,770,600</u>

	Note	2013 Rupees	2012 Rupees
20.1 Auditors' remuneration			
Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants:			
Audit fee		180,000	170,000
Certification Charges		-	30,000
Amin, Mudassar and Co. Chartered Accountants:			
Audit fee		180,000	170,000
Taxation Services		40,000	40,000
Total		<u>400,000</u>	<u>410,000</u>

21 PROVISION FOR TAXATION

Current:

For the year		1,772,140	339,409
Prior year		50,429	11,725
		1,822,569	351,134
Deferred	14.1	<u>(533,721)</u>	<u>(3,230,133)</u>
		<u>1,288,848</u>	<u>(2,878,999)</u>

21.1 Relationship between tax expense & accounting profit

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements, as the total income of the Company falls under section 113 of the Income Tax Ordinance, 2001.

21.2 The income tax assessments of the company are complete upto tax year 2013 (financial year ended December 31, 2012).

22 EARNINGS PER SHARE (EPS)

Basic & Diluted

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year as follows:

Profit after tax	<u>19,541,472</u>	<u>10,180,259</u>
Weighted average number of ordinary shares	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per share	<u>0.651</u>	<u>0.339</u>

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

Note **2013** **2012**
Rupees **Rupees**

23 REMUNERATION OF DIRECTORS & EXECUTIVES

	Executives		Directors	
	2013	2012	2013	2012
	Rupees			
Managerial remuneration	1,259,178	2,195,400	576,000	576,000
House rent and utility allowance	725,022	1,697,700	360,000	360,000
Commission paid	-	-	1,728,389	1,035,041
Contribution to provident fund	104,931	102,943	47,998	47,998
	<u>2,089,131</u>	<u>3,996,043</u>	<u>2,712,387</u>	<u>2,019,039</u>
Number of Persons	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>

In addition, executives and director are also provided with free use of company's maintained car for office purpose only.

24 RELATED PARTY TRANSACTIONS

Balances with related parties have been disclosed in the relevant balance sheet note, if any. Transactions with related parties are as follows:

Relation Transactions

Associated undertakings:

Paid for services received	2,000,000	-
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Key Management Personnel:

Chief Executive/Directors

Commission paid	1,728,389	1,035,041
Office Rent	864,000	864,000

Remuneration to directors and executives is disclosed in note 23 to the financial statements. Amount payable to Chief Executive is shown in note 10.

Retirement Benefit Plan:

Contribution to Provident Fund	541,160	572,837
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Contribution payable to staff provident fund is disclosed in note 10.

13.1 AVAILABLE FOR SALE

Marketable Securities

No. of shares/units		Face value of Shares/ Units	Company's name	Book Value (Rupees)	
2013	2012			2013	2012
11,385	11,385	10	Askari Bank Limited	401,160	401,160
-	720	10	Attock Petroleum Ltd.	-	28,950
-	250	10	B.R.R. Guardian Modaraba	-	3,486
-	5,999	10	Bank Al-Falah Ltd.	-	70,300
5,000	5,000	10	The Bank of Punjab	311,250	311,250
-	33,000	10	D. G. Khan Cement Company Limited	-	1,812,015
-	50,800	5	First Habib Modaraba	-	316,250
5,843	5,843	10	First IBL Modaraba	107,300	107,300
-	75,000	10	Fauji Cement Company Limited	-	515,160
5,500	5,500	10	Fauji Fertilizer Company Limited	681,835	681,835
-	137	10	The General Tyre and Rubber Co. of Pakistan Ltd.	-	682
-	111	10	Habib Bank Limited	-	14,872
5,000	5,000	10	Haseeb Waqas Sugar Mills Ltd.	116,250	116,250
210	210	10	Islamic Investment Bank Ltd.	5,000	5,000
-	30,000	10	Jahangir Siddiqui & Company Limited	-	563,100
-	100,000	10	Karachi Electric Supply Company Limited	-	704,225
-	18,000	10	Kohat Cement Company Limited	-	1,296,000
500	500	10	Kot Adu Power Co. Ltd.	15,000	15,000
-	200,000	10	Lafarge Pakistan Cement Limited	-	1,098,610
-	100,000	10	Maple Leaf	-	1,489,555
-	1,464	10	MCB Bank Limited	-	297,259
13,572	131,111	10	N.I.T. Units	348,824	3,626,558
-	14,028	10	National Bank of Pakistan	-	59,479
-	1,088	10	Pakistan Petroleum Ltd.	-	27,500
200	200	10	Suhail Jute Mills Ltd.	1,820	1,820
3,937	3,937	10	Sui Southern Gas Company Ltd.	78,450	78,450
16,852	16,852	10	Salman Noman Enterprises Ltd.	182,750	182,750
-	65,000	10	Tariq Glass Industries Limited	-	1,504,750
1,000	1,000	10	Tawakkal Polyester Ind. Ltd.	27,000	27,000
-	17,500	10	United Bank Limited	-	1,485,047
				2,276,639	16,841,613

The market value of quoted securities as at December 31, 2013 is Rs.1,797,294/- (2012: Rs. 17,559,432/-).

17 FIXED ASSETS (Tangible)

PARTICULARS	2013									
	COST/REVALUATION				Rate %	DEPRECIATION				W.D.V. As at December 31, 2013
	As at January 01, 2013	Additions / Adjustment	(Deletions)	As at December 31, 2013		As at January 01, 2013	(Deletions)	For the year	As at December 31, 2013	
	-----Rupees-----					-----Rupees-----				
OWNED										
Land - Free hold										
Cost	23,939,830	-	-	23,939,830	-	-	-	-	-	23,939,830
Revaluation	136,060,170	-	-	136,060,170	-	-	-	-	-	136,060,170
	160,000,000	-	-	160,000,000	-	-	-	-	-	160,000,000
Building - on freehold land	564,200	-	-	564,200	10	186,262	-	37,794	224,056	340,144
Furniture & Fixtures	1,287,558	330,540	-	1,618,098	10	647,526	-	77,219	724,745	893,353
Office Equipment	3,285,474	1,524,952	-	4,810,426	10	1,510,203	-	241,809	1,752,012	3,058,414
Motor Vehicles	31,807,216	12,828,634	-	44,635,850	20	12,388,092	-	5,474,134	17,862,226	26,773,624
Computers & Accessories	586,740	1,606,940	-	2,193,680	30	325,119	-	243,526	568,645	1,625,035
	<u>197,531,188</u>	<u>16,291,066</u>	<u>-</u>	<u>213,822,254</u>		<u>15,057,202</u>	<u>-</u>	<u>6,074,482</u>	<u>21,131,684</u>	<u>192,690,570</u>

17.1 FIXED ASSETS (Tangible) - Schedule for comparative figures

PARTICULARS	2012									
	COST/REVALUATION				Rate %	DEPRECIATION				W.D.V. As at December 31, 2012
	As at January 01, 2012	Additions / Adjustment	(Deletions)	As at December 31, 2012		As at January 01, 2012	(Deletions)	For the year	As at December 31, 2012	
	-----Rupees-----					-----Rupees-----				
OWNED										
Land - Free hold										
Cost	23,939,830	-	-	23,939,830	-	-	-	-	-	23,939,830
Revaluation	136,060,170	-	-	136,060,170	-	-	-	-	-	136,060,170
	160,000,000	-	-	160,000,000	-	-	-	-	-	160,000,000
Building - on freehold land	564,200	-	-	564,200	10	144,269	-	41,993	186,262	377,938
Furniture & Fixtures	1,239,558	48,000	-	1,287,558	10	578,556	-	68,970	647,526	640,032
Office Equipment	3,064,784	229,590	(8,900)	3,285,474	10	1,328,025	(2,291)	184,469	1,510,203	1,775,271
Motor Vehicles	16,944,175	14,863,041	-	31,807,216	20	8,987,782	-	3,400,310	12,388,092	19,419,124
Computers & Accessories	496,565	90,175	-	586,740	30	232,931	-	92,188	325,119	261,621
	<u>182,309,282</u>	<u>15,230,806</u>	<u>(8,900)</u>	<u>197,531,188</u>		<u>11,271,563</u>	<u>(2,291)</u>	<u>3,787,930</u>	<u>15,057,202</u>	<u>182,473,986</u>

25 SEGMENT REPORTING

Particulars	Fire Insurance		Marine Aviation and Transport		Motor		Credit and Suretyship		Miscellaneous		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees											
Revenue												
Premiums earned	24,215,531	16,527,276	13,171,401	6,488,193	34,732,437	12,007,303	10,815,904	416,088	15,659,894	8,058,294	98,595,167	43,497,154
Segment results	2,066,602	783,637	1,484,550	1,173,636	2,414,144	(4,002,752)	(898,754)	(381,977)	4,012,247	(1,157,186)	9,078,789	(3,584,642)
Investment income											37,794,482	28,903,212
Other income											324,493	753,290
General and administrative expense											(26,367,444)	(18,770,600)
											11,751,531	10,885,902
Profit before tax											20,830,320	7,301,260
Provision for tax											(1,288,848)	2,878,999
Net profit											19,541,472	10,180,259
Other information												
Segment assets	37,772,009	23,755,029	21,419,150	7,260,499	34,488,089	13,688,260	25,767,815	585,376	15,871,558	11,757,290	135,318,621	57,046,454
Unallocated assets											531,367,887	503,375,772
Total assets											666,686,508	560,422,226
Segment liabilities	34,992,964	23,660,106	18,324,232	6,477,135	54,919,715	23,874,176	32,135,923	607,668	17,399,184	16,460,123	157,772,018	71,079,208
Unallocated liabilities											549,962	519,962
Total liabilities											158,321,980	71,599,170
Capital Expenditure	5,154,770	12,648,807	2,804,061	4,966,321	7,394,241	9,183,700	2,302,436	318,413	3,332,970	6,169,094	20,988,478	33,286,335
Depreciation	1,491,893	1,439,413	811,551	565,159	2,140,040	1,045,090	666,371	36,235	964,627	702,033	6,074,482	3,787,930

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Company's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise 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 risks 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 and is also responsible for development of the Company's risk management policies.

26.1 Credit risk and concentration of credit risk

Credit risk is the risk that arises from 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 diverse industries and by continually assessing the credit worthiness of industries/counterparties.

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

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

Category of financial assets	2013 Rupees	2012 Rupees	
Current and other accounts	Loans & Receivables	28,674,994	12,903,496
Deposits maturing within 12 months	Loans & Receivables	20,000,000	50,000,000
Investments:	Available for Sale	1,797,294	16,841,613
	Held for Trading-Fair value through Profit or Loss	189,342,189	136,928,717
	Held to Maturity	26,109,627	26,005,829
	Loans & Receivables	14,557,722	23,144,565
Premiums due but unpaid	Loans & Receivables	66,061,072	40,835,054
Amounts due from other insurers / reinsurers	Loans & Receivables	20,614,787	3,958,354
Reinsurance recoveries against outstanding claims	Loans & Receivables	1,569,672	1,597,899
Accrued investment income	Loans & Receivables	14,300,592	2,037,429
Sundry receivables	Loans & Receivables	383,027,949	314,252,956

The company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. This impairment provision is utilized to write off a financial asset when it is determined that Company cannot recover the balance due.

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

	Rating		Rating Agency	2013 Rupees	2012 Rupees
	Short term	Long term			
JS Bank Limited	A1	A+	PACRA	10,392	11,639,340
KASB Bank Limited	A3	BBB	PACRA	108,349	2,615
HSBC Limited				53,071	55,329
United Bank Limited	A-1+	AA+	JCR-VIS	38,450	36,706
Summit Bank Limited (Atlas Bank Limited)	A-3	A-	JCR-VIS	1,876,830	207,446
Silk Bank Limited (Saudi Pak Bank Limited)	A-2	A-	JCR-VIS	211,210	508,011
NIB Bank Limited	A1+	AA-	PACRA	200,055	200,055
Faysal Bank Limited	A1+	AA	PACRA	24,410,793	153,696
Bank Alfalah Limited	A1+	AA	PACRA	5,000	-
Soneri bank Limited	A1+	AA-	PACRA	4,300	-
Bank of Azad Jammu Kashmir				519,137	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,237,407	100,298
				28,674,994	12,903,496

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

Category of financial liability	Carrying Amount	Contractual Cash Flows	Up to One Year	More Than One Year	
Financial liabilities: 2013					
Provision for outstanding claims (including IBNR)	At amortised cost	41,101,656	41,101,656	41,101,656	-
Amount due to other insurers / reinsurers	At amortised cost	3,354,766	3,354,766	3,354,766	-
Accrued expenses	At amortised cost	490,000	490,000	490,000	-
Unclaimed dividend	At amortised cost	59,962	59,962	59,962	-
Other creditors and accruals	At amortised cost	24,048,885	24,048,885	24,048,885	-
		<u>69,055,269</u>	<u>69,055,269</u>	<u>69,055,269</u>	<u>-</u>

Category of financial liability	Carrying Amount	Contractual Cash Flows	Up to One Year	More Than One Year	
Financial liabilities: 2012					
Provision for outstanding claims (including IBNR)	At amortised cost	18,489,924	18,489,924	18,489,924	-
Amount due to other insurers / reinsurers	At amortised cost	758,574	758,574	758,574	-
Accrued expenses	At amortised cost	460,000	460,000	460,000	-
Unclaimed dividend	At amortised cost	59,962	59,962	59,962	-
Other creditors and accruals	At amortised cost	21,917,003	21,917,003	21,917,003	-
		<u>41,685,463</u>	<u>41,685,463</u>	<u>41,685,463</u>	<u>-</u>

Age analysis of financial assets is as under:

Carrying Amount	Up to One Year	From 1 - 2 years	More than 2 years
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Financial Assets - 2013

Premiums due but unpaid	14,557,722	6,713,239	5,448,903	2,395,580
Amounts due from other insurers / reinsurer	66,061,072	47,623,990	10,560,891	7,876,191
Accrued investment income	1,569,672	1,569,672	-	-
Reinsurance recoveries against outstanding claims	20,614,787	17,980,985	1,520,047	1,113,755
Sundry receivables	14,300,592	13,378,555	-	922,037
	<u>117,103,845</u>	<u>87,266,441</u>	<u>17,529,841</u>	<u>12,307,563</u>

Carrying Amount	Up to One Year	From 1 - 2 years	More than 2 years
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Financial Assets - 2012

Premiums due but unpaid	23,144,565	17,958,461	4,209,077	977,027
Amounts due from other insurers / reinsurer	40,835,054	30,360,155	8,786,967	1,687,932
Accrued investment income	1,597,899	1,597,899	-	-
Reinsurance recoveries against outstanding claims	3,958,354	2,074,009	1,080,389	803,956
Sundry receivables	2,037,429	1,498,394	-	539,035
	<u>71,573,301</u>	<u>53,488,918</u>	<u>14,076,433</u>	<u>4,007,950</u>

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

Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	2013	2012	
		Rupees	Rupees	
A or above (including PRCL)	54,879,155	17,116,997	71,996,152	33,780,009
BBB	549,150	-	549,150	513,336
Others	10,632,767	3,497,790	14,130,557	10,500,063
Total	<u>66,061,072</u>	<u>20,614,787</u>	<u>86,675,859</u>	<u>44,793,408</u>

26.2 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. The Company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the balance sheet date, company has cash and bank balances of Rs. 29,161,759/- (2012: Rs. 12,903,496/-).

26.3 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 and price risk. The Company is not exposed to material 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 mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies.

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

Financial assets

	2013	2012	2013	2012
	Effective interest rate (in %)		Rupees	Rupees
Saving accounts	6% to 7%	4% to 6%	3,408,888	12,427,117
Deposits maturing within 12 months - Fixed rate	9.25% to 9.30%	8.60% to 10.10%	20,000,000	50,000,000
Investments				
- Interest bearing - Fixed rate	10.15% to 11.82%	12%	26,109,627	26,005,829
			<u>49,518,515</u>	<u>88,432,946</u>

Sensitivity analysis

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.

	2013	2012
	Rupees	Rupees
Cash flow sensitivity - Variable rate financial assets	34,089	124,271

It is assumed, for the purpose of sensitivity analysis, 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. The analysis assumes that all other variables remain constant.

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 34,743,494/- (2012: 16,841,613/-) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company'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 favourable. 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 strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), dated December 12, 2002.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security

being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2013 and 2012 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios, results could be worse because of the nature of equity markets.

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase/(decrease) in profit before tax
31-Dec-13	34,743,494	10% increase	38,217,843	3,474,349	3,474,349
		10% decrease	31,269,145	(3,474,349)	(3,474,349)
31-Dec-12	16,841,613	10% increase	18,525,774	1,684,161	1,684,161
		10% decrease	15,157,452	(1,684,161)	(1,684,161)

26.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

	Level-1	Level-2	Level-3	Total
	Rupees			
As at 31 December 2013				
At fair value through profit or loss-Held for trading	189,342,189	-	-	189,342,189
As at 31 December 2012				
At fair value through profit or loss-Held for trading	136,928,717	-	-	136,928,717

26.5 Insurance risk

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

The company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

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

Geographical concentration of insurance risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/industrial/residential occupation of the insurers. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities etc. are extracted from the layout plan of the insured facility. Such details form part of the reports which are made available to the underwriters/reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan) for instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically that the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

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

For Marine risk, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), sailing dates, origin and destination of the shipments, per carry limits etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

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

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

	Gross sum insured		Reinsurance		Net	
	2013	2012	2013	2012	2013	2012
Fire	23,710,370,639	14,438,433,924	10,562,676,690	5,775,373,570	13,147,693,949	8,663,060,354
Marine	13,470,432,113	4,835,711,742	4,761,521,984	725,356,761	8,708,910,129	4,110,354,981
Motor	3,038,259,786	750,470,901	-	-	3,038,259,786	750,470,901
Miscellaneous	16,880,139,077	793,334,855	5,646,178,552	564,066,456	11,233,960,525	229,268,399
	<u>57,099,201,615</u>	<u>20,817,951,422</u>	<u>20,970,377,226</u>	<u>7,064,796,787</u>	<u>36,128,824,389</u>	<u>13,753,154,635</u>

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. 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 recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

Pre tax Profit		Shareholders' equity	
2013	2012	2013	2012
Rupees			

10% decrease in Loss

Fire & Property damage	237,865	25,452	154,612	16,544
Marine, Aviation and Transport	249,311	80,950	162,052	52,618
Motor	1,437,639	887,909	934,465	577,141
Credit and Suretyship	121,064	-	78,692	-
Miscellaneous	416,615	19,295	270,800	12,542
	<u>2,462,494</u>	<u>1,013,606</u>	<u>1,600,621</u>	<u>658,845</u>

10% increase in loss would have the same but opposite impact on above analysis.

Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within year. Moreover, claims with significant uncertainties are not outstanding as at December 31, 2013.

Analysis on gross basis

Accident year	2010	2011	2012	2013	Total
	Rupees				

Estimate of ultimate claims cost:					
At end of accident year	44,133,238	9,037,192	1,367,636	4,347,844	58,885,910
One year later	44,133,238	9,037,192	1,367,636	-	54,538,066
Two years later	44,133,238	9,037,192	-	-	53,170,430
Three years later	44,133,238	-	-	-	44,133,238
Estimate of cumulative claims	44,133,238	9,037,192	1,367,636	4,347,844	58,885,910
Cumulative payments to date	(42,777,023)	(9,031,911)	(1,068,430)	-	(52,877,364)
Liability recognised in the balance sheet	1,356,215	5,281	299,206	4,347,844	6,008,546

27 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company's overall strategy remains unchanged from 2012. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with Circular No. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

	2011	2012	2013
	(Rupees in Thousands)		
Minimum paid up capital	300,000	300,000	300,000

The Company currently meets the externally imposed capital limit.

28 PROVIDENT FUND

The following information is based on the last un-audited financial statements of the Fund:

	2013 Rupees Un-Audited	2012 Rupees Un-Audited
Size of the fund - total assets	3,559,610	4,556,070
Cost of Investments made	3,439,711	4,260,404
Percentage of investments made	96.63%	93.51%
Fair Value of investments	3,439,711	4,260,404

The break-up of cost of investments is:

	2013		2012	
	%	(Rs.)	%	(Rs.)
Saving Account	22%	739,711	29%	1,260,404
Term Deposit Receipts	78%	2,700,000	71%	3,000,000
	100%	3,439,711	100%	4,260,404

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

29 NUMBER OF EMPLOYEES

Total number of employees as at 31 December 2013 were 60 (2012: 45)

Average number of employees during the year were 53 (2012: 44)

30 EVENTS AFTER BALANCE SHEET DATE

There is no event causing adjustment to or disclosure in financial statements.

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorised for issue by the Board of Directors of the company on _____.

Chairman

Director

Director

Principal Officer/Chief Executive