



62nd
Annual
Report

2013

PREMIER INSURANCE



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Company Information

Board of Directors

Khalid Bashir
Zahid Bashir (Chief Executive)
Imran Maqbool
Nadeem Maqbool (Chairman)
Shams Rafi
Attaullah A Rasheed

Chief Financial Officer & Company Secretary

Iftikhar Gadar

Audit Committee

Khalid Bashir (Chairman)
Imran Maqbool
Nadeem Maqbool

Human Resources & Remuneration Committee

Mr Zahid Bashir
Mr Nadeem Maqbool (Chairman)
Mr Attaullah A Rasheed

Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

Legal Advisors

Arfin & Company
Advocates

Registered & Head Office

5th Floor, State Life Building No. 2A
Wallace Road, Karachi-74000, Pakistan
Phones : (21) 32416331-4
Fax : (21) 32416572
Email : info@pil.com.pk
Website : www.pil.com.pk

Registrar

FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery
Block-6, P.E.C.H.S.
Shahrah-e-Faisal, Karachi.
Phones : (21) 34380101-2
Fax : (21) 34380106
Email : info.shares@famco.com.pk



Vision Statement

Our vision is to provide the highest level of service in general insurance and strive to become a market leader with a prestigious profile.

Mission Statement

Our Business

We are a company underwriting general insurance business including underwriting fire, property, marine, motor and other risks of our clients.

We are committed to become the leading organization in the insurance sector building an excellent reputation among our clients with the objective of maximizing returns for all the stakeholders.

Our Strengths

Financial viability and security we provide our clients and reinsurers in order to safeguard their interests.

Our Strategy

To enhance our corporate image by providing high quality products and services to our policy holders.

To provide an excellent working environment to our employees affording them every opportunity to growth and career developments.

Our Values

We take pride in adhering to ethical business practices and in being a good corporate citizen.

We respect our people and endeavor to provide them opportunities to realize their full potential.

We recognize our responsibility to our stakeholders and to society.



Because we care.....

Our commitment to serve extends beyond our stakeholders to the society where our collective present and future is at stake. Being a socially responsible corporate citizen is one of our core values and our assistance to various causes that alleviate human misery and uplift the quality of life, healthcare and education for our less privileged compatriots is routed through the following:

The Citizens Foundation (TCF)

Towards provision of quality education to more than 115,000 children in 830 plus schools in the economically deprived neighborhoods across Pakistan and AJK.

Layton Rahmatulla Benevolent Trust (LRBT)

For free, state of the art eye care accounting for about one in three of all eye OPD and surgeries across the country through 17 hospitals and 50 community eye care centres.

Sindh Institute of Urology and Transplantation (SIUT) and The Kidney Centre

Towards free, modern urology, nephrology, transplantation and liver diseases treatment and care.

Marie Adelaide Leprosy Centre (MALC)

For rehabilitation and care of leprosy, tuberculosis and blindness sufferers.

Patient's Aid Foundation (PAF) - JPMC;

Poor Patient Aid Society - Civil Hospital;

The Aga Khan Hospital & Medical College Foundations

Towards assisting treatment of millions of less privileged patients at general hospitals.

Shaukat Khanum Memorial Cancer Hospital;

Indus Hospital; Dowites '78' Operation Theatre Centre; Nigahban;

Citizens Police Liasion Committee

To help specialized and general hospitals in our major cities provide high quality medical care to those who cannot pay or need subsidies.

We are grateful to our business associates for making these humble contributions possible and allowing us to be a company with a heart.



Notice of Annual General Meeting

Notice is hereby given that the 62nd Annual General Meeting of Premier Insurance Limited (the "Company") will be held at the Beach Luxury, Aquarius Hall, Moulvi Tamizuddin Road, Karachi, on Tuesday April 29, 2014 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 61st Annual General Meeting of the Company held on April 29, 2013;
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2013, the report of the Auditors thereon and the report of the Directors;
3. To approve the payment of a cash dividend @ 20 % i.e. Re. 1 per ordinary share of Rs. 5 each, out of the reserves for the year ended December 31, 2013, as recommended by the Directors;
4. To appoint Auditors of the company and fix their remuneration. The present Auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment;

SPECIAL BUSINESS

1. To consider and, if thought fit, amend the Memorandum and Articles of Association of the Company to bring the same in line with the current laws and industry practices, and to consolidate the Company's entire shareholding into shares of a larger amount by increasing the nominal face value of the ordinary shares of the Company from Rs. 5/- to Rs. 10/- each, and in particular pass the following resolutions as special resolutions, with or without modification, in accordance with the provisions of the Companies Ordinance 1984:

RESOLVED THAT the amendments to the

Memorandum and Article of Association as proposed by the Directors be and are hereby approved along with the increase in the nominal face value of the ordinary shares of the Company from Rs. 5/- to Rs. 10/- each, subject to any modifications as may be required by the Securities and Exchange Commission of Pakistan and subsequent confirmation of the same by the Securities and Exchange Commission of Pakistan and the fulfilment of all formalities / procedures required under the applicable laws .

RESOLVED FURTHER that all the formalities and legal procedures be undertaken to effectuate the above resolution, for which purpose the Company Secretary is hereby singly authorized and empowered to act on behalf of the Company to implement the object and spirit of the above resolution to all intents and purposes, to sign all necessary documents and do all acts, deeds and things necessary for the same.

OTHER BUSINESS

1. To transact any other business with the permission of the Chair.

By Order of the Board

Iftikhar Gadar
Company Secretary

Karachi, April 05, 2014



NOTES

- i) The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the corporate members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the company are once again requested to send the same with the Folio / CDC Account Number at the earliest directly to our Registrar, FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) notification dated August 18, 2011, SRO 779(I) 2011, which mandates that the dividend warrants should bear CNIC number of the individual member or the authorized person, except in case of minor(s) and National Tax Number (NTN) of corporate members.
- ii) The Share Transfer Books of the company shall remain closed from April 20, 2014 to April 29, 2014 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, Pakistan by the close of business on April 19, 2014 will be treated in time for this purpose.
- iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.
- iv) Shareholders whose shares are deposited with the Central Depository Company (CDC) are requested to bring their original Computerized National Identity Card and account number in CDC for verification.
- v) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- vi) Shareholders are requested to notify our Registrar immediately of any change in their addresses.



Status of previous approvals for investments in associated companies under section 160(1)(b) of the Companies Ordinance, 1984

As required under the clause 4(2) of the SRO No. 27(1)/2012 dated January 16, 2012, the status of the following investments in associated companies against approvals obtained by the company in Extraordinary General Meeting of September 27, 2007 is as under:

	Crescent Cotton Mills Ltd.	The Crescent Textile Mills Ltd.	Shams Textile Mills Ltd.	Suraj Cotton Mills Ltd	Pakistan Reinsurance Company Limited
Approved investment	5.0	20.0	20.0	29.9	Invested before becoming an associated undertaking
Investment made	2.6	16.3	14.9	27.8	10.33
Breakup value per share on the basis of last published financial statements	27.02	57.43	99.48	172.17	21.87
Annual earnings per share					
2007	(2.41)	1.78	21.83	17.21	69.02
2008	(2.08)	(1.25)	(4.69)	7.60	2.95
2009	(6.60)	3.64	(9.65)	2.94	0.90
2010	(2.62)	7.00	15.14	28.06	1.75
2011	2.22	(2.41)	0.40	28.38	2.81
2012	6.53	(2.38)	4.9	17.5	3.68
2013	9.39	2.27	32.9	45.62	-

The company will consider further investment in the above at a suitable time on availability of shares at a favourable price and after taking into consideration the latest financial position of the investee company.

Change in Memorandum and Articles of Association of the Company:

The Company is proposing to revise its Memorandum and Articles of Association in order to update the same in accordance with current industry standards and the existing laws of Pakistan, particularly the Companies Ordinance, 1984 and the Insurance Ordinance, 2000, allowing the Company to carry on its business in a more efficient manner, and it also seeks to revise the nominal face value of its ordinary shares from Rs. 5 to Rs. 10 each. As a consequence of the above, the approval of the shareholders of the Company is required including approval pursuant to the requirements of the Companies Ordinance, 1984.

The Directors of the Company have no direct or indirect interest in the Special Business and/or Special Resolutions, except and to the extent of their shareholding in the Company.

The Company's existing Memorandum and Articles of Association, the drafts of the proposed Memorandum and Articles of Association and a comparative statement of the provisions of the existing Memorandum and Articles vis-à-vis the proposed Memorandum and Articles of Association are available on the Company's website i.e. www.pil.com.pk. Furthermore, the same may be inspected and copies may be collected from 10.00 a.m. to 11.30 a.m. on any working day up to April 28, 2014 at the registered office of the Company situated at 5th floor, State Life Building 2A, Wallace Road Karachi



Key Operating and Financial Data

(Amounts in Rupees '000)

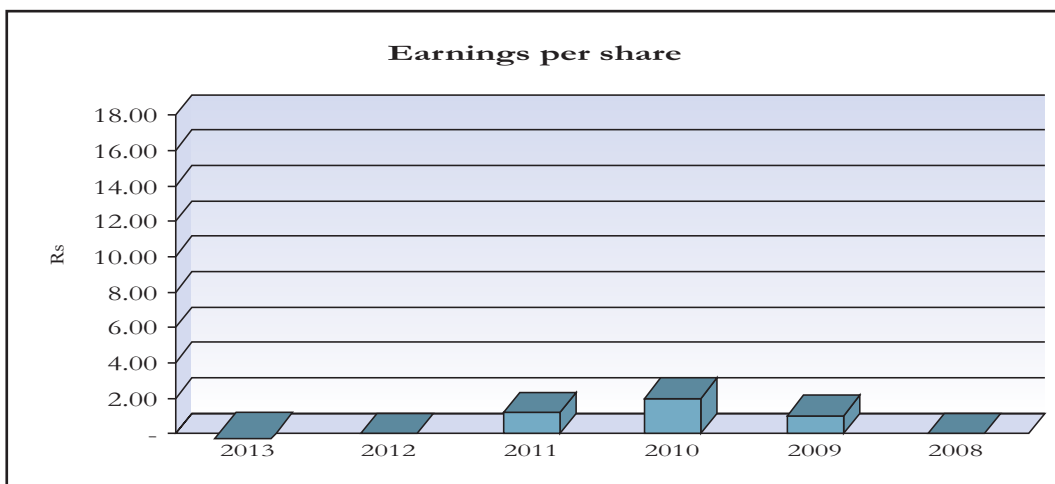
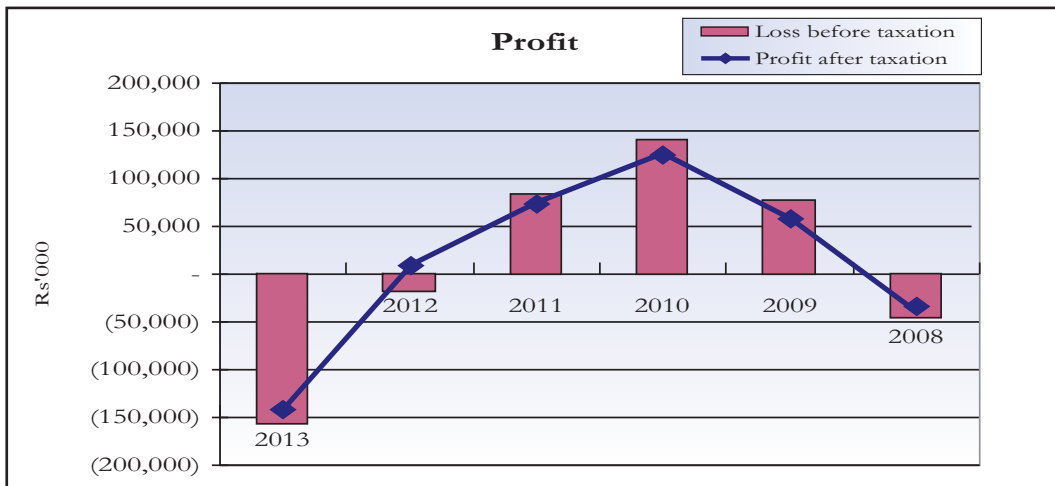
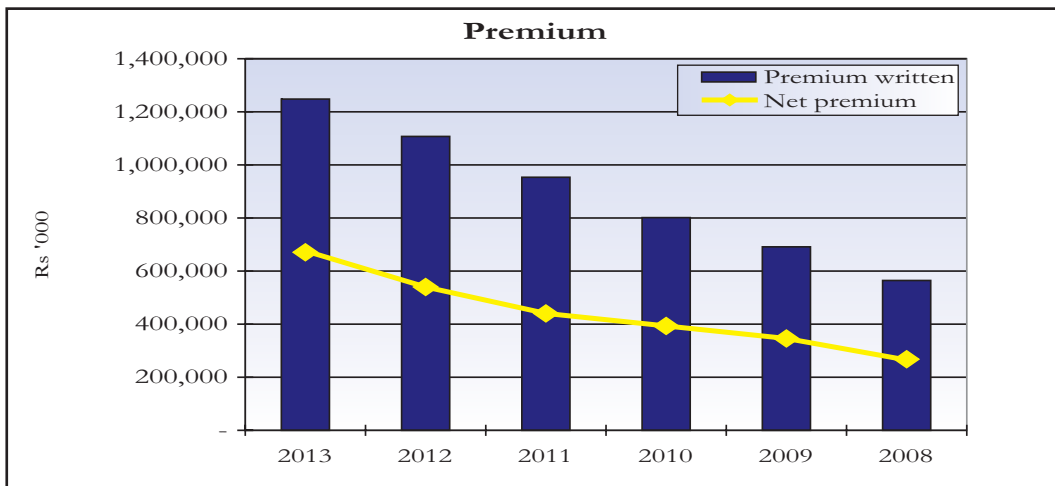
	2013	2012	2011	2010	2009	2008
Paid-up capital	302,821	302,821	302,821	302,821	263,323	239,385
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,231,412	1,458,883	1,515,513	1,520,162	1,491,342	1,509,814
Total reserves	1,251,087	1,478,558	1,535,188	1,539,837	1,511,017	1,529,489
Total equity	1,553,908	1,781,379	1,838,009	1,842,658	1,774,340	1,768,874
Total assets	3,554,297	3,305,859	3,301,649	3,101,280	2,788,719	2,701,366
Premium written	1,239,301	1,069,011	967,866	800,555	670,430	577,114
Net premium	652,924	532,481	462,416	376,719	335,456	295,834
Investment income	166,830	89,854	156,223	162,356	222,181	185,627
Impairment of financial assets	6,633	(17,284)	(12,775)	(3,718)	(126,161)	(213,216)
(Loss) / profit before taxation	(151,981)	(15,725)	90,009	141,746	79,653	(44,911)
(Loss) / profit after taxation	(166,799)	3,934	71,056	120,983	53,343	(37,435)
Return on equity* (%)	-10.00%	0.22%	3.86%	6.69%	3.01%	-2.07%
Book value per share** (Rs)	25.66	29.41	30.35	30.42	33.69	36.95
Earnings / (loss) per share** (Rs)	(2.75)	0.06	1.17	2.00	1.01	(0.78)
Cash dividend (%)	20%	20%	20%	25%	20%	20%
Stock dividend (Bonus - %)	0%	0%	0%	0%	15%	10%

*Return based on average equity for the year

**Book value / earnings based on shares in issue at year end

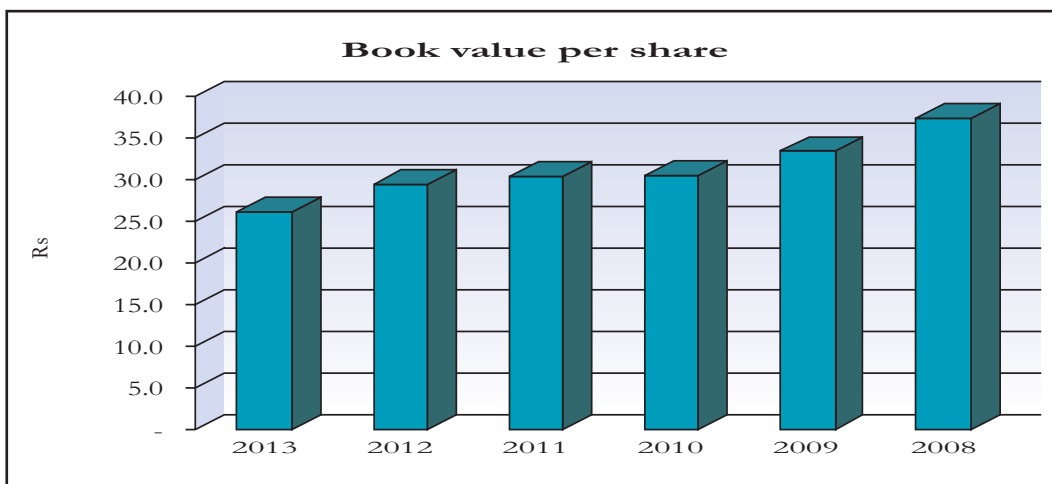
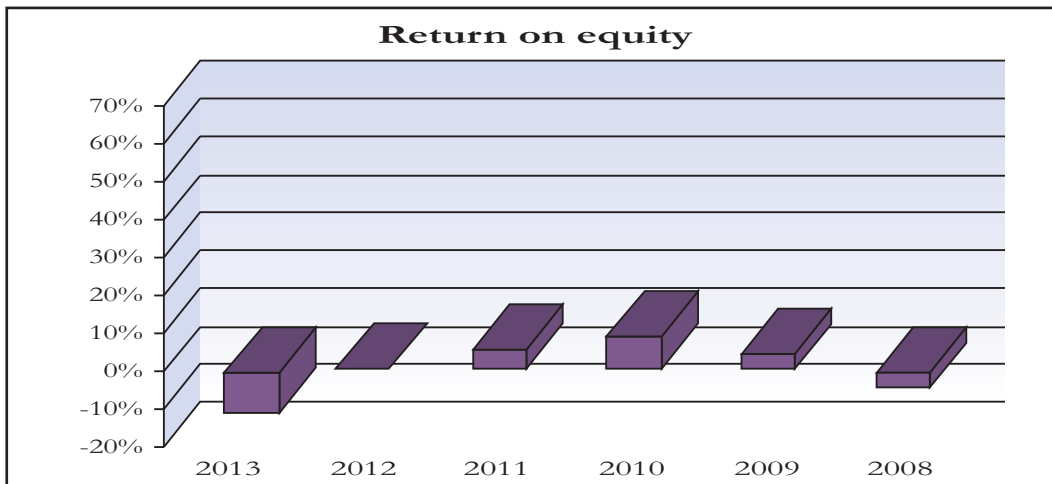
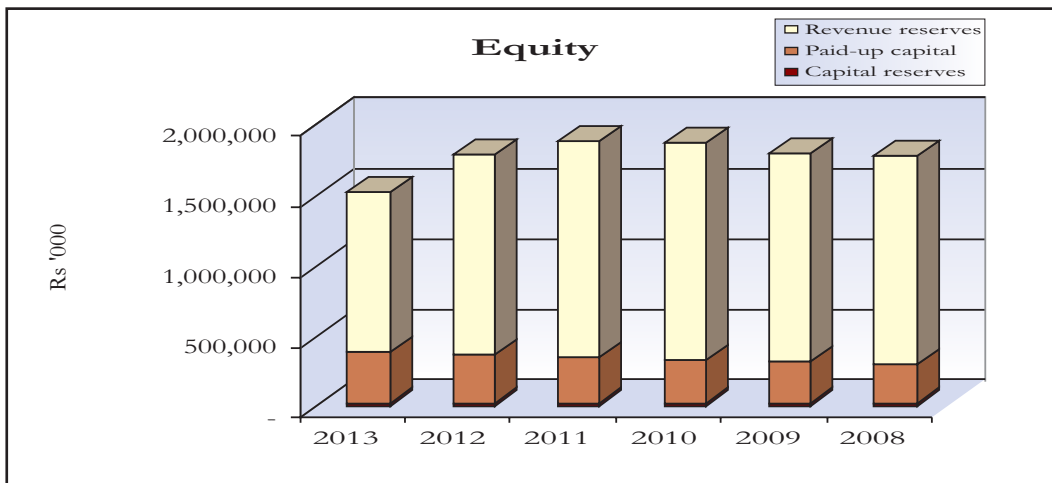


Performance at a Glance





Performance at a Glance





Report of the Directors to the Members

The directors are pleased to present the 62nd Annual Report of the company together with the audited financial statements for the year ended December 31, 2013.

Review

(Amounts in Rupees '000)

	2013	2012
Premium written	1,239,301	1,069,011
Net Premium	652,924	532,481
Underwriting result	(224,959)	(60,960)
Investment income	173,463	72,570
(Loss) / profit before taxation	(151,981)	(15,725)
(Loss) / profit after taxation	(166,799)	3,934

The year 2013 marked completion of a challenging year with written premium rising more than 16% and net premium more than 23%, net claims increased by 75% (Rs.246 million) to raise the claims ratio to 88% from 61% in 2012. The adverse claims experience, mainly due to the fire business covering the textile sector, overcame improved investment income to significantly erode the overall result.

Adverse underwriting result and prudent provisioning for bad debts resulted in the loss before taxation, despite increase in investment income by 139% (Rs. 100 million) due to planned portfolio restructuring.

The Board is satisfied with the growth achieved and is working towards restricting controllable costs and expenses in difficult business and operating environments. With normalized claims experience and investment income, better 2014 results are hoped for.

(Amounts in Rupees '000)

Appropriation of Profit

Loss after taxation for the year	(166,799)
Other Comprehensive income for the year	(667)
Unappropriated profit brought forward	134,092
	<u>(33,374)</u>

Appropriations:

Payment of cash dividend @ 20% (2012)	(60,564)
Unappropriated loss carried forward	<u>(93,938)</u>

Appropriated as follows:

Proposed cash dividend @ 20% (2013)	<u>60,564</u>
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Outlook for the Current Year

The current economic and political situation is consistent with views clearly expressed in our earlier reports, showing our business and financial planning framework to be farsighted and well-grounded in realities. Most of our expectations have come to pass. With an uncertain regional and global economic and political turbulence, 2014 is expected to present yet more challenges. We remain confident of overcoming any turmoil with a strong balance sheet, liquidity and above all a competent and pro-active management well able to capture opportunities without compromising our high standards.

The company carries a conservative Insurer Financial Strength (IFS) Rating of "A" (Single A) with stable outlook. The rating, assigned by JCR-VIS, denotes a "high capacity to meet policyholder and contract obligations".

Your company is thus able to explore and write any business that meets its criteria for safe and sustainable growth..



Corporate Financial Reporting

The Board has taken all necessary steps to comply with the requirements of the Code of Corporate Governance (the Code) included in the listing regulations of the stock exchanges in Pakistan, and is pleased to declare the following as required by the Code:

- The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years is annexed with the report.
- The value of investments based on the audited accounts of the Provident Fund as at December 31, 2012 was Rs 31.2million.
- During 2013 five meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
------------------	-------------------

Mr Khalid Bashir	3
Mr Zahid Bashir (Chairman)	5
Mr Imran Maqbool	5
Mr Nadeem Maqbool	5
Mr Shams Rafi	2
Mr Fakhir Rahman	5
Mr Attaullah A Rasheed	5

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

- The directors, executives (employees with annual basic salary of Rs.0.5 million or above), their spouses and minor children, had no transactions in the shares of the company except that Mr Khalid Bashir , director , acquired 100,099 shares.

Corporate Social Responsibility

Your company is committed to Corporate Social Responsibility (CSR) in all its forms. Regardless of profits, the Board endeavors to share the company's success with the community and all stakeholders without distinction.

During 2013, the company:

- Added Rs 239.4 million to the nation's treasury in the form of direct, indirect and withholding taxes;
- Spent Rs 3.9 million to assist the less privileged members of our communities with healthcare and education, across the country;
- Continued to encourage energy conservation as a national priority and as a cost saving;
- Continued to encourage and contributed a further Rs 0.7 million to The Citizens Foundation and Patients Aid Foundation events to raise funds to provide quality education and healthcare across Pakistan and AJK.

The company believes in ethical business practices and where codified, is compliant therewith.



Compliance with the Code of Corporate Governance

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

Statement of Ethics and Business Practices

The Board has adopted a Statement of Ethics and Business Practices as Code of Conduct for directors and employees. Acknowledgments for compliance are obtained and held by the company.

Board Committees

The audit committee, comprising non-executive members of the Board, held five meetings during the year. The committee's terms of reference were determined by the Board in accordance with the guidelines provided in the listing regulations.

The Board constituted Human Resources & Remuneration, Underwriting, Claims, Reinsurance and Co-insurance and Investment committees met as required during the year.

Appointment of Auditors

As recommended by the audit committee, the directors propose that Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, be re-appointed auditors of the company for the year ending December 31, 2014.

Categories of Members/Pattern of Shareholding

A statement of categories of members and a pattern of shareholding of the company is annexed.

The directors, CEO, CFO and Company Secretary and their spouses and minor children have no holding other than reported.

Acknowledgement

The directors acknowledge the dedication of the company's employees, thank all our business associates and shareholders for their confidence in the company, and our regulators for their guidance and support.

On behalf of the Board

Nadeem Maqbool
Chairman

Karachi: April 5, 2014



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 the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and SRO 68(I)/2003 for the purpose of establishing a framework of good governance, whereby a listed insurance 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;

Name	Category
Mr. Zahid Bashir	Non- executive director
Mr. Khalid Bashir	Non- executive director
Mr. Nadeem Maqbool	Non- executive director
Mr. Imran Maqbool	Non- executive director
Mr. Shams Rafi	Non- executive director
Mr. Fakhir Rahman	Executive director
Mr. Attaullah A. Rasheed	Non- executive director- nominee

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year. However, subsequent to the year end, a casual vacancy occurred in the office of chief executive due to the resignation by Mr. Fakhir Rahman, after approval from the SECP Mr. Zahid Bashir is appointed as the new CEO of the company.

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 the particulars of the significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once 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. During the year, Mr. Attaullah Rasheed attended the ICAP Director's training program, duly approved by the SECP.
10. The Board has approved the appointment of the CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The directors' report for the 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 the CEO and the CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee which comprises of three members all of whom are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the Committee is a non-executive director. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has also formed underwriting, claims, reinsurance and co-insurance and investment committees. The meetings of the committees were held at least once every quarter except for the underwriting committee which were held in the first and second quarter and the reinsurance committee which were held in the second, third and fourth quarter.
19. The Board has outsourced the internal audit function to BDO Ebrahim & Co (Chartered Accountants) who are considerably experienced and qualified for the purpose and are conversant with the policies and procedures of the company.
20. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors alongwith pricing method.
21. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. 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 the IFAC guidelines in this regard.
23. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to the directors, employees and Stock Exchanges.
24. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.
25. We confirm that all other material principles contained in the CCG have been complied with.

Nadeem Maqbool
Chairman

Karachi: April 5, 2014



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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended **December 31, 2013** prepared by the Board of Directors (the Board) of **Premier Insurance Limited** (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the company is listed and SRO 68(1)/2003.

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

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

Further, the Listing Regulations 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 does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended December 31, 2013.

Further, we highlight instance of non-compliance with the requirements of the Code as reflected in the clause 18 of the Statement.

Our conclusion is not qualified in respect of the above matter.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: April 5, 2014
KARACHI



Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Premier Insurance Limited** (the company) as at **December 31, 2013** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion

- a) proper books of account have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 5.1, with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the company's affairs as at December 31, 2013 and of the loss, its comprehensive loss, 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 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 the Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Omer Chughtai

Date: April 5, 2014
Karachi



Balance Sheet

As at December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012 Restated
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital Rs 100,000,000 ordinary shares of Rs 5 each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up capital 60,564,269 ordinary shares of Rs.5 each	6	302,821	302,821
Retained earnings		(93,938)	134,092
Reserves	7	1,345,025	1,345,025
Shareholders' equity		1,553,908	1,781,938
Underwriting provisions			
Provision for outstanding claims (including IBNR)		731,767	451,304
Provision for unearned premium		567,149	490,053
Commission income unearned		26,222	59,500
Total underwriting provisions		1,325,138	1,000,857
Deferred liability			
Staff retirement benefits	8	32,206	28,389
Creditors and accruals			
Amounts due to other insurers / reinsurers		144,630	95,074
Accrued expenses		27,980	14,500
Taxation - provision less payments		100,055	89,715
Other creditors and accruals	9	349,039	279,660
		621,704	478,949
Other liabilities			
Unclaimed and dividend payable		21,341	15,726
TOTAL EQUITY AND LIABILITIES		<u>3,554,297</u>	<u>3,305,859</u>
CONTINGENCIES AND COMMITMENTS	10		

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



(Amounts in Rupees '000)

	Note	2013	2012 Restated
ASSETS			
Cash and bank deposits			
Cash and other equivalents	11	744	556
Current and other accounts		108,194	146,280
		108,938	146,836
Investments	12	1,169,535	1,250,871
Investment properties	13	54,286	54,773
Other assets			
Premium due but unpaid	14	537,574	558,817
Amounts due from other insurers / reinsurers	15	606,017	350,062
Accrued investment income	16	1,338	240
Accrued salvage recoveries		32,776	11,510
Reinsurance recoveries against outstanding claims		362,964	277,899
Deferred commission expense		90,478	82,774
Prepayments	17	311,158	285,615
Deposits and other receivables	18	35,774	30,890
		1,978,079	1,597,807
Fixed assets			
Tangible			
Land and buildings	19	155,744	145,607
Furniture, fixtures and office equipment		21,134	24,017
Motor vehicles		36,813	44,204
Capital work in progress	20	26,109	36,517
Intangible			
Computer software		3,659	5,227
		243,459	255,572
TOTAL ASSETS		<u>3,554,297</u>	<u>3,305,859</u>

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



PREMIER INSURANCE LIMITED

Profit and Loss Account

For the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2013 Aggregate	2012 Aggregate
Revenue accounts								
Net premium revenue		172,967	93,868	340,753	45,339	(3)	652,924	532,481
Net claims		(285,279)	(30,566)	(215,742)	(41,649)	-	(573,236)	(327,412)
Management expenses	21	(53,599)	(29,088)	(105,592)	(14,049)	1	(202,327)	(201,941)
Net commission		(40,904)	(10,729)	(55,444)	4,757	-	(102,320)	(64,088)
Underwriting result		<u>(206,815)</u>	<u>23,485</u>	<u>(36,025)</u>	<u>(5,602)</u>	<u>(2)</u>	<u>(224,959)</u>	<u>(60,960)</u>
Investment income							173,463	72,570
(Loss) / gain on disposal of fixed assets							(42)	3,965
Rental income							4,043	3,330
Other income							-	1,301
General and administration expenses	21						(104,486)	(35,931)
Loss before tax							<u>(151,981)</u>	<u>(15,725)</u>
Provision for taxation	22						(14,818)	19,659
(Loss) / profit after tax							<u>(166,799)</u>	<u>3,934</u>
Profit and loss appropriation account								Restated
Balance at commencement of year							134,092	190,333
(Loss) / profit after tax for the year							(166,799)	3,934
Other comprehensive income for the year							(667)	389
Cash dividend for 2012 @ Re 1 per share (2011 @ Re 1 per share)							(60,564)	(60,564)
Balance unappropriated (loss) / profit at the end of the year							<u>(93,938)</u>	<u>134,092</u>
(Loss) / earnings per share								
- basic and diluted (in Rupees)	23						<u>(2.75)</u>	<u>0.06</u>

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

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Comprehensive Income

For the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012 Restated
Net (loss) / profit for the year	(166,799)	3,934
Other comprehensive income, not to be reclassified to profit & loss account in subsequent periods		
Remeasurement of defined benefit plan for the year	(667)	389
Total comprehensive (loss) / income for the year	<u>(167,466)</u>	<u>4,323</u>

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

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Cash Flows

For the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	949,728	1,041,696
Reinsurance premium paid	(487,548)	(548,348)
Claims paid	(807,120)	(820,186)
Reinsurance and other recoveries received	429,282	513,919
Commissions paid	(150,478)	(141,347)
Commissions received	57,134	115,982
Net cash (used in) / flow from underwriting activities	(9,002)	161,716
b) Other operating activities		
Income tax paid	(4,478)	(6,088)
General management expenses paid	(202,327)	(201,941)
Other operating payments	(18,293)	(19,620)
Advances, deposits and sundry receivables	(22,909)	(28,365)
Other liabilities and accruals	19,003	2,412
Net cash used in other operating activities	(229,004)	(253,602)
Total cash used in operating activities	(238,006)	(91,886)
INVESTMENT ACTIVITIES		
Investment income received	36,811	36,057
Payments for investments	(1,288,426)	(1,105,171)
Proceeds from disposal of investments	1,504,767	1,182,621
Fixed capital expenditure	(2,734)	(17,039)
Proceeds from disposal of fixed assets	103	5,348
Rental income received	4,536	3,842
Other income received	-	1,301
Total cash flow from investing activities	255,057	106,959
FINANCING ACTIVITIES		
Dividends paid	(54,949)	(54,870)
Total cash used in financing activities	(54,949)	(54,870)
Total cash used in all activities	(37,898)	(39,797)
Cash and cash equivalents at beginning of the year	146,836	186,633
Cash and cash equivalents at the end of the year	108,938	146,836



Statement of Cash Flows

For the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012
Reconciliation to profit and loss account		
Operating cash flows	(238,006)	(91,886)
Depreciation expense	(14,702)	(15,534)
Investment income	173,463	72,570
(Loss) / gain on disposal of fixed assets	(42)	3,965
Rental income	4,043	3,330
Other income	-	1,301
Increase in assets other than cash	378,213	85,013
Increase in liabilities	(469,768)	(54,825)
(Loss) / profit after taxation	(166,799)	3,934

Definition of cash

Cash comprises cash in hand, stamps in hand, current and saving accounts and short-term deposits.

Cash for the purpose of the statement of cash flows consists of:

Cash and other equivalents

Cash	123	25
Stamps in hand	621	531
	744	556

Current and other accounts

Current accounts	19,242	9,117
Savings accounts	88,952	137,163
	108,194	146,280

Total cash and cash equivalents

108,938	146,836
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The annexed notes from 1 to 34 form an integral part of these financial statements.

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Changes in Equity

For the year ended December 31, 2013

(Amounts in Rupees '000)

	Share capital	Reserves						Total reserves	Total equity
		Capital reserves			Revenue reserves				
		Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	General reserve	Reserve for bad and doubtful debts	Unappropriated profit		
Balance at January 1, 2012	302,821	19,490	185	1,325,000	350	190,163	1,535,188	1,838,009	
Effect as of change in accounting policy (Note 5.1)	-	-	-	-	-	170	170	170	
Balance at January 1, 2012 (restated)	302,821	19,490	185	1,325,000	350	190,333	1,535,358	1,838,179	
Profit for the year ended December 31, 2012	-	-	-	-	-	3,934	3,934	3,934	
Remeasurement of defined benefit plan for the year	-	-	-	-	-	389	389	389	
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	4,323	4,323	4,323	
Cash dividend for the year ended December 31, 2011 declared subsequent to the year ended	-	-	-	-	-	(60,564)	(60,564)	(60,564)	
Balance at January 1, 2013 (restated)	302,821	19,490	185	1,325,000	350	134,092	1,479,117	1,781,938	
Loss for the year ended December 31, 2013	-	-	-	-	-	(166,799)	(166,799)	(166,799)	
Remeasurement of defined benefit plan for the year	-	-	-	-	-	(667)	(667)	(667)	
Total comprehensive loss for the year ended December 31, 2013	-	-	-	-	-	(167,466)	(167,466)	(167,466)	
Cash dividend for the year ended December 31, 2012 declared subsequent to the year ended	-	-	-	-	-	(60,564)	(60,564)	(60,564)	
Balance as at December 31, 2013	302,821	19,490	185	1,325,000	350	(93,938)	1,251,087	1,553,908	

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

Nadeem Maqbool
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Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Premium

For the year ended December 31, 2013

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2013	2012
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and Facultative										
1 Fire and property damage	464,635	211,664	251,649	424,650	213,498	186,883	148,698	251,683	172,967	146,204
2 Marine, aviation and transport	262,599	19,395	47,745	234,249	179,994	13,050	52,663	140,381	93,868	69,225
3 Motor	337,934	174,425	168,856	343,503	5,215	1,458	3,923	2,750	340,753	280,928
4 Miscellaneous	174,133	84,572	98,899	159,806	138,397	72,686	96,616	114,467	45,339	36,126
Total	<u>1,239,301</u>	<u>490,056</u>	<u>567,149</u>	<u>1,162,208</u>	<u>537,104</u>	<u>274,077</u>	<u>301,900</u>	<u>509,281</u>	<u>652,927</u>	<u>532,483</u>
Treaty										
5 Proportional	-	(3)	-	(3)	-	-	-	-	(3)	(2)
Grand Total	<u>1,239,301</u>	<u>490,053</u>	<u>567,149</u>	<u>1,162,205</u>	<u>537,104</u>	<u>274,077</u>	<u>301,900</u>	<u>509,281</u>	<u>652,924</u>	<u>532,481</u>

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

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Claims

For the year ended December 31, 2013

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2013	2012
		Opening	Closing			Opening	Closing		Net claims expense	Net claims expense
Direct and Facultative										
1 Fire and property damage	364,946	174,834	349,837	539,949	228,157	129,585	156,098	254,670	285,279	58,969
2 Marine, aviation and transport	104,669	68,247	115,373	151,795	81,576	46,562	86,215	121,229	30,566	24,090
3 Motor	187,893	83,337	111,226	215,782	107	163	96	40	215,742	218,093
4 Miscellaneous	149,612	124,886	155,331	180,057	119,442	101,589	120,555	138,408	41,649	31,371
Total	<u>807,120</u>	<u>451,304</u>	<u>731,767</u>	<u>1,087,583</u>	<u>429,282</u>	<u>277,899</u>	<u>362,964</u>	<u>514,347</u>	<u>573,236</u>	<u>332,523</u>
Treaty										
5 Proportional	-	-	-	-	-	-	-	-	-	(5,111)
Grand Total	<u>807,120</u>	<u>451,304</u>	<u>731,767</u>	<u>1,087,583</u>	<u>429,282</u>	<u>277,899</u>	<u>362,964</u>	<u>514,347</u>	<u>573,236</u>	<u>327,412</u>

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

Nadeem Maqbool
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Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Expenses

For the year ended December 31, 2013

(Amounts in Rupees '000)

Business underwritten inside Pakistan

Class	Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	2013		2012
							Commission from reinsurers	Net underwriting expense	Net underwriting expense
Direct and Facultative									
1 Fire and property damage	95,665	39,940	49,468	86,137	53,599	139,736	45,233	94,503	72,986
2 Marine, aviation and transport	33,404	3,615	4,102	32,917	29,088	62,005	22,188	39,817	34,560
3 Motor	53,262	29,195	27,058	55,399	105,592	160,991	(45)	161,036	151,857
4 Miscellaneous	18,106	10,024	9,850	18,280	14,049	32,329	23,037	9,292	6,626
Total	<u>200,437</u>	<u>82,774</u>	<u>90,478</u>	<u>192,733</u>	<u>202,328</u>	<u>395,061</u>	<u>90,413</u>	<u>304,648</u>	<u>266,029</u>
Treaty									
5 Proportional	-	-	-	-	(1)	(1)	-	(1)	-
Grand Total	<u><u>200,437</u></u>	<u><u>82,774</u></u>	<u><u>90,478</u></u>	<u><u>192,733</u></u>	<u><u>202,327</u></u>	<u><u>395,060</u></u>	<u><u>90,413</u></u>	<u><u>304,647</u></u>	<u><u>266,029</u></u>

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

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

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Statement of Investment Income

For the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012
Income from non-trading investments		
Held to maturity		
Return on bank deposits	9,899	12,890
Available for sale		
Dividend income	28,176	22,160
Gain on sale of investments	128,921	54,911
	157,097	77,071
Reversal / (charge) of impairment in value of investments	6,633	(17,284)
Investment management expenses	(166)	(107)
Investment income	<u>173,463</u>	<u>72,570</u>

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

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Notes to the Financial Statements

for the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

Premier Insurance Limited (the company) was incorporated as a public limited company in Pakistan in May 1952 and is engaged in general insurance business. The shares of the company are listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the company is situated at 5th Floor, State Life Building No. 2A, Wallace Road, Karachi.

2. BASIS OF PRESENTATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

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 (IASB) 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 the insurance companies to defer the application of International Accounting Standard - 39 (IAS-39), Financial Instruments: Recognition and Measurement, in respect of valuation of "available for sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by the SECP as aforesaid, have not been considered in the preparation of these financial statements.

3.2 Adoption of new standards, amendments and interpretations of existing standards and forthcoming requirements

3.2.1 Adoption of new and amended standards and interpretations

The company has adopted the following new and amended IFRS which became effective during the year:

- IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)
- IAS 19 - Employee Benefits -(Revised)
- IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

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



Notes to the Financial Statements

for the year ended December 31, 2013

3.2.2 Forthcoming requirements

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 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	01 January 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	01 January 2014
IFRIC 21 - Levies	01 January 2014

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

IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

4. BASIS OF MEASUREMENT

- 4.1 These financial statements have been prepared under the historical cost convention, except that obligations under employee benefits are measured at present value.

These financials have been prepared following accrual basis of accounting except for cash flow information.

4.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to use 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 continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Useful life of depreciable / amortizable assets (Note 5.16)
- Impairment of assets (Note 5.14.3 & 5.16)
- Provision for outstanding claims including claims incurred but not reported [IBNR] (Note 5.7)
- Provision for premium deficiency reserves (Note 5.10)
- Reinsurance recoveries against outstanding claims (Note 5.8)
- Provision against premium due but unpaid (Note 5.5)
- Staff retirement benefits (Note 5.12)
- Provision for income taxes (Note 5.13)



Notes to the Financial Statements

for the year ended December 31, 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Changes in accounting policy

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follows as stated in Rupees in thousands:

	2013	2012
Increase / (decrease) in staff retirement benefit	667	(559)
(Decrease) / increase in equity	(667)	559

5.2 Insurance contracts

Insurance contracts are those contracts under which the company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.



Notes to the Financial Statements

for the year ended December 31, 2013

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

Fire and property
Marine, aviation and transport
Motor
Miscellaneous

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

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

5.3 Premium income

Premium written, including administrative surcharge, under a policy is recognized from the date of issuance of the policy to which it relates. Premium on facultative reinsurance accepted is reflected in the financial statements along with direct premium.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements.

5.4 Unexpired risk and premium

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 the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

The related deferred portion of reinsurance premium is recognized as a prepayment calculated by using the 1/24 method.

5.5 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium due but unpaid and claims payable to insurance contract holders.

If there is objective evidence that any premium due but unpaid is impaired, the company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.



Notes to the Financial Statements

for the year ended December 31, 2013

5.6 Reinsurance contracts held

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 premium is accounted for in the same period as the related premium 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 contracts.

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

5.7 Claims

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

The company recognizes liability in respect of all claims incurred upto the balance sheet 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 an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

5.8 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers 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.

5.9 Commissions

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized on a quarterly basis as per terms and conditions agreed with the reinsurers. These are deferred and brought to account as expense or income in accordance with the pattern of recognition of the premium to which they relate.



Notes to the Financial Statements

for the year ended December 31, 2013

5.10 Premium deficiency reserve

The SEC (Insurance) Rules, 2002 require a premium deficiency reserve to be maintained, if required.

The management considers that no additional reserve is required to be maintained to meet expected future liability, after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies, in all classes of business, in force at the balance sheet date. In management's opinion, the amount carried for unearned premium is sufficient to meet this requirement.

The company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims is taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

5.11 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 goods and services received, whether or not billed to the company.

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

5.12 Staff retirement benefits

Defined benefits plan

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2013 in accordance with IAS-19, Employee Benefits.

Compensated absences are accounted for in the year in which the absences are earned based on actuarial valuation.

The company has adopted IAS 19 (revised) as mentioned in note 5.1. Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and passed service cost, gains or losses on settlements and interest expense.

Defined contribution plan

The company contributes to a recognized provident fund scheme which covers all eligible employees. Equal contributions are made to the fund by the company and the eligible employees under the scheme.



Notes to the Financial Statements

for the year ended December 31, 2013

5.13 Taxation

Current

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

Deferred

Provision for deferred tax is made using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.14 Investments

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

5.14.1 At fair value through profit or loss - held for trading

- a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b. Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.14.2 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.



Notes to the Financial Statements

for the year ended December 31, 2013

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

5.14.3 Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit or loss.

Quoted investments are initially recognized at cost inclusive of transaction costs.

Unquoted investments are recorded at cost less impairment, if any.

Available for sale investments are subsequently measured at a lower of cost and market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the Rules. Any resultant gain or loss is taken to profit and loss account in accordance with S.R.O. 938 issued by the SECP dated December 12, 2002. This treatment, in contravention to requirements of IAS 39, Financial Instruments: Recognition and Measurement, is in line with the Rules.

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the company would have been higher by Rs 182.2 million (2012: Rs 79.3 million) and the corresponding amount would have been reflected in the equity by the same amount.

Unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Impairment of investments is recognized in the profit and loss account when there is a permanent diminution / impairment in their value.

Impairment

The carrying amounts of the investments are reviewed to determine whether there is any indication of impairment. If such indication exists the investments recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the investment exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

5.15 Investment properties

Investment properties are accounted for under the cost model in accordance with IAS 40: Investment Property and S.R.O. 938 issued by the SECP on December 12, 2002.

- Land is stated at cost.
- Buildings are depreciated to their estimated salvage value over their useful life.



Notes to the Financial Statements

for the year ended December 31, 2013

Depreciation is charged to income applying the reducing balance method from the dates of purchase to disposal. Subsequent capital expenditure on existing properties and gains or losses on disposals are accounted for in the same manner as for tangible fixed assets.

5.16 Fixed assets

These are stated at cost less accumulated depreciation / amortization and impairment, if any. Depreciation / amortization is charged to income applying the reducing balance method from the dates of purchase to disposal.

Normal repairs and maintenance are charged to income as and when incurred; major renewals and replacements are capitalized.

Gain or loss on disposal of fixed assets is taken to profit and loss account.

Assets acquired under finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under finance lease less financial charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on the same basis as owned assets.

Capital work in progress

Capital work in progress is stated at cost. Transfers are made to operating assets when the assets are available for use.

Impairment

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the related assets are written down to the estimated recoverable amount and the impairment loss is charged to income.

5.17 Revenue recognition

Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

Dividend income

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

Gain / loss on disposal of investments

Gain / loss on disposal of investments is taken to the profit and loss account on transaction date.

Return on bank accounts and term finances

Return on bank accounts, Term Finance Certificates and government securities are accounted for on accrual basis.

Income from investment properties

Rental income from investment properties is recognized on time proportion basis.



Notes to the Financial Statements

for the year ended December 31, 2013

5.18 Proposed dividend

Dividend distributions (including stock dividend) are recognized as a liability in the period in which the dividends are approved.

5.19 Expenses of management

Expenses of management are allocated to classes of business as appear equitable to management.

5.20 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchanges rates that existed when the values were determined. Exchange differences are included in the income currently.

5.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, stamps in hand, current and saving accounts and short term deposits.

5.22 Segment reporting

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

The company's business segments are reported according to the nature of cover provided.

The perils covered under fire and property insurance include losses caused by fire, riot and strike, explosion, earthquake, atmospheric disturbance, aircraft damage, flood, electric fluctuation and impact.

Marine insurance covers cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Miscellaneous insurance includes cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverage.

Financing, investment 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 cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

5.23 Financial instruments

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given and received respectively including transaction cost. These financial assets and liabilities are subsequently measured at fair value or cost, as the case may be. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to the profit and loss account.

5.24 Offsetting of financial assets and financial liabilities

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

5.25 Zakat

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
Number of shares				
400,000	400,000	Ordinary shares of Rs. 5 each fully paid in cash	2,000	2,000
		Ordinary shares of Rs. 5 each issued as fully paid bonus shares		
60,164,269	60,164,269	As at January, 01	300,821	300,821
-	-	Issued during the year	-	-
<u>60,164,269</u>	<u>60,164,269</u>		<u>300,821</u>	<u>300,821</u>
<u>60,564,269</u>	<u>60,564,269</u>		<u>302,821</u>	<u>302,821</u>

Associates hold 7,449,708 (2012: 7,449,708) shares of the company.



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012
7. RESERVES			
Capital reserves			
Reserve for exceptional losses	7.1	19,490	19,490
Devaluation reserve	7.2	185	185
		19,675	19,675
Revenue reserves			
General reserve	7.3	1,325,000	1,325,000
Reserves for bad and doubtful debts		350	350
		<u>1,325,350</u>	<u>1,325,350</u>
		<u>1,345,025</u>	<u>1,345,025</u>
7.1 Reserve for exceptional losses			
This was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax Act, 1922.			
7.2 Devaluation reserve			
Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in the year 1973.			
7.3 General reserve	Note	2013	2012
Balance at the beginning of the year		1,325,000	1,325,000
Transfer from profit and loss account		-	-
Balance at the end of the year		<u>1,325,000</u>	<u>1,325,000</u>
8. STAFF RETIREMENT BENEFITS			Restated
Gratuity	8.1	18,063	14,375
Employees compensated absences	8.10	14,143	14,014
		<u>32,206</u>	<u>28,389</u>
8.1 Liability / (assets) in balance sheet			Restated
Present value of defined benefit obligation	8.2	18,063	14,375
Fair value of plan assets		-	-
		<u>18,063</u>	<u>14,375</u>
8.2 Movement in the net liability recognized in the balance sheet			Restated
Opening net liability		14,374	12,494
Unrecognised amounts charged to retained earning		-	(170)
Expense for the year	8.3	3,262	2,925
		17,636	15,249
Remeasurment chargeable in other comprehensive income		667	(389)
Payments during the year		(240)	(485)
Closing net liability		<u>18,063</u>	<u>14,375</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012			
8.3 Expense recognized in the profit and loss account					
Current service cost	1,681	1,384			
Interest cost	1,581	1,541			
Net actuarial gain recognized in the year	-	-			
	<u>3,262</u>	<u>2,925</u>			
8.4 Reconciliation of the present value of the defined benefit obligations		Restated			
Present value of obligation as at January 1,	14,374	12,324			
Current service cost	1,681	1,384			
Interest costs	1,581	1,541			
Benefit paid	(240)	(485)			
Experience adjustment	667	(389)			
Present value of obligation as at December 31,	<u>18,063</u>	<u>14,375</u>			
8.5 Total remeasurments chargeable in other comprehensive income		Restated			
Remeasurement of plan obligation					
Experience adjustments	667	(389)			
	<u>667</u>	<u>(389)</u>			
Returns on plan assets, excluding interest income	-	-			
	<u>667</u>	<u>(389)</u>			
8.6 Maturity profile of defined benefit obligation					
Average duration of the defined benefit obligation is	<u>2 years</u>				
8.7 The estimated expense to be charged to profit and loss account for the year 2014 is Rs 4.1 million.					
8.8 Sensivity analysis on significant acturial assumptions: Acturial liability					
	2013				
Base	18,063				
Discount Rate + 100 bps	17,679				
Discount Rate - 100 bps	18,467				
Salary increase + 100 bps	18,330				
Salary increase - 100 bps	17,800				
8.9 Historical data of gratuity scheme					
	2013	2012	2011	2010	2009
Present value of defined benefit obligations	18,063	14,375	12,324	9,612	8,229
Experience adjustment arising on plan liabilities	(667)	389	863	(147)	(381)



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012			
8.10 Movement in the net liability recognized in the balance sheet						
Opening net liability		14,014	13,978			
Expense for the year	8.11	1,961	957			
		15,975	14,935			
Payment during the year		(1,832)	(921)			
Closing net liability		14,143	14,014			
8.11 Expense recognized in the profit and loss account						
Current service cost		391	748			
Interest cost		1,542	1,747			
Net actuarial gain recognized in the year		28	(1,538)			
		1,961	957			
8.12 Historical data of leave encashment scheme						
	2013	2012	2011	2010	2009	
Present value of defined benefit obligations	14,143	14,014	13,978	12,425	11,936	
Experience adjustment arising on plan liabilities	28	(1,538)	(92)	(1,083)	(100)	
8.13 Principal actuarial assumptions				Note	2013	2012
Following are a few important actuarial assumptions used in the benefits' valuation						
Discount rate					12.5%	11.0%
Expected rate of increase in salary					11.5%	10.0%
9. OTHER CREDITORS AND ACCRUALS						
Commissions payable		281,765	231,806			
Federal excise duty & sales tax		16,485	3,314			
Federal insurance fee		1,078	215			
Donations		7,035	5,935			
Workers welfare fund		6,355	6,355			
Deposits and margins		10,844	11,766			
Salaries payable		6,219	2,500			
Others	9.1	19,258	17,769			
		349,039	279,660			

9.1 This includes provision for rent amounting to Rs. 14 million (2012: 14 million). The company is under litigation against the landlord. The possibility of the eventual beneficiary being other than the company is considered remote by the company's legal advisor. However, the company has made a provision of the disputed amount as a matter of prudence.



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012
10. CONTINGENCIES AND COMMITMENTS			
Commitments for capital expenditure.		<u>15,038</u>	<u>15,138</u>
There are no contingencies to report as at the balance sheet date.			
11. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash		123	25
Stamps in hand		<u>621</u>	<u>531</u>
		744	556
Current and other accounts			
Current accounts		19,242	9,117
Savings accounts	11.1	<u>88,952</u>	<u>137,163</u>
		<u>108,194</u>	<u>146,280</u>
Deposits maturing within 12 months			
Deposits		8,743	8,743
Less: Impairment		<u>(8,743)</u>	<u>(8,743)</u>
		-	-
		<u>108,938</u>	<u>146,836</u>
11.1 The rate of return on saving accounts by various banks range from 6% to 8.25% per annum (2012: 6% to 10% per annum).			
12. INVESTMENTS			
Available for sale			
Related Parties			
Quoted shares (market value Rs 143.9 million [2012: Rs 74.0 million])	12.1	42,868	41,741
Unquoted shares	12.2	<u>4,000</u>	<u>4,000</u>
		46,868	45,741
Others			
Quoted shares (market value Rs 295.9 million [2012: Rs 201.7 million])	12.3	282,655	233,560
Unquoted shares	12.4	114,983	115,203
Mutual funds (market value Rs 792.9 million [2012: Rs 935.2 million])	12.5	<u>742,739</u>	<u>880,930</u>
		1,140,377	1,229,693
Less: Impairment	12.6	<u>(17,710)</u>	<u>(24,563)</u>
		<u>1,169,535</u>	<u>1,250,871</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Number of shares / certificates / units		Name of entity	% of Equity held	2013		2012	
	2013	2012			2013	2012		
Related parties								
12.1 Quoted								
	200,000	200,000	Crescent Cotton Mills Limited	0.94%	1,050		1,050	
	262,000	262,000	The Crescent Textile Mills Limited	0.53%	8,616		8,616	
	312,799	262,799	Pakistan Reinsurance Company Limited (Note 12.1.1)	0.10%	10,333		9,206	
	53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.08%	526		526	
	399,000	399,000	Shams Textile Mills Limited	4.60%	6,694		6,694	
	659,890	659,890	Suraj Cotton Mills Limited	3.70%	15,649		15,649	
					<u>42,868</u>		<u>41,741</u>	
			Market value as at December 31		<u>143,911</u>		<u>74,019</u>	
12.1.1 During the year, Pakistan Reinsurance Company Limited (PRCL) was classified as a related party as Mr. Ataullah Rasheed was appointed as a common director on the board of PRCL.								
12.2 Unquoted								
	400,000	400,000	Crescent Powertec Limited Break-up value 2013: Rs 243.6 (2012: Rs 121.51) per audited accounts for the year ended June 30, 2013 Equity held : 8% Chief Executive : Mr Ahsan Bashir		4,000		4,000	
					<u>4,000</u>		<u>4,000</u>	
Others								
12.3 Quoted								
	66,000	-	Allied Bank Limited		4,321		-	
	-	7,379	Akzo Nobel Pakistan Limited		-		1,128	
	39,000	14,900	Attock Refinery Limited		8,574		2,121	
	50,000	50,000	Bahawalpur Textile Mills Limited		-		-	
	-	5,000	Cherat Cement Company Limited		-		238	
	20,000	-	Dawood Hercules Corporation Limited		1,216		-	
	235,000	50,000	D.G. Khan Cement Company Limited		17,341		2,672	
	70,000	95,000	Engro Polymer & Chemicals Limited		1,521		2,064	
	38,335	268,335	Engro Corporation Limited		5,704		32,830	
	170,000	75,000	Fauji Cement Company Limited		2,088		524	



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

Number of shares / certificates / units		Name of entity		
2013	2012		2013	2012
333,038	236,038	Fauji Fertilizer Bin Qasim Limited	14,423	11,029
252,889	122,889	Fauji Fertilizer Company Limited	28,702	14,109
245,000	25,000	Fatima Fertilizer Company Limited	5,808	654
68,255	230,232	GlaxosmithKline Pakistan Limited	5,877	21,806
-	11,141	Hinopak Motors Limited	-	1,710
74,970	86,470	Kot Addu Power Company Limited	3,498	3,799
285,000	50,000	Karachi Electricity Supply Company Limited (Face value Rs.3.50 per share)	3,028	334
88,000	-	Kohat Cement Company Limited	6,825	-
425,000	415,000	Lotte Pakistan PTA Limited	5,770	5,688
11,100	5,000	Lucky Cement Limited	2,662	697
92,900	30,580	MCB Bank Limited	25,031	5,408
-	133,285	National Bank of Pakistan	-	6,110
86,011	77,611	National Refinery Limited	28,611	27,977
7,150	100,000	Netsol Technologies Limited	233	2,852
238,000	-	Nishat Chunian Limited	11,873	-
265,000	30,000	Nishat Chunian Power Limited	8,366	496
-	20,000	Nishat Mills Limited	-	1,280
232,500	100,000	Nishat Power Limited	5,630	1,693
10,000	-	Oil & Gas Development Company Limited	2,763	-
-	35,432	Packages Limited	-	5,361
100,000	-	Pakgen Power Limited	2,373	-
499,599	499,599	Pak Oman Advantage Fund	5,019	5,019
-	135,000	Pakistan Telecommunication Company Limited	-	2,416
50,000	-	Pakistan International Air Lines Corporation-(A)	483	-
26,000	16,800	Pakistan Oilfields Limited	12,529	7,062
28,120	60,000	Pakistan Petroleum Limited	5,229	10,604
68,678	130,482	Pakistan State Oil Company Limited	19,109	29,651
-	141,500	PICIC Energy Fund	-	637
268,977	268,977	PICIC Growth Fund	3,809	3,809
48,717	48,717	PICIC Investment Fund	186	186
-	69,186	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	-	969
65,720	75,720	Shell Pakistan Limited	12,584	14,499
202,500	80,000	The Hub Power Company Limited	11,935	3,631
425,000	-	Sui Northern Gas Pipelines Limited	8,382	-
25,000	-	Sui Southern Gas Company Limited	617	-
3,317	3,317	Tri-pack Films Limited	535	535
-	25,000	United Bank Limited	-	1,962
			<u>282,655</u>	<u>233,560</u>
		Market value as at December 31	<u>295,919</u>	<u>201,703</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Number of		Name of entity		
	shares / certificates / units			2013	2012
	2013	2012		2013	2012
12.4 Unquoted					
	9,407,275	9,407,275	Novelty Enterprises (Private) Limited Break-up value 2012 Rs.9.95 as per accounts for the year ended June30, 2013, Equity held:16.66 % Chief Executive : Mr.Maqbool Sadiq	114,983	114,983
	-	517	Burma Soap & Oil Industries Limited	-	5
	-	101,572	Central Cotton Mills Limited	-	214
	-	113	H.M. Silk Mills Limited	-	1
				<u>-</u>	<u>220</u>
				114,983	115,203
12.5 Mutual funds (unit trusts)					
	10,068,521	7,924,721	ABL Cash Fund (Face value Rs 10 per unit)	93,000	78,000
	696,711	506,201	First Habib Cash Fund (Face value Rs 100 per unit)	65,000	50,000
	1,206,037	1,115,955	HBL Money Market Fund (Face value Rs 100 per unit)	118,464	108,841
	-	588,321	IGI Income Fund (Face value Rs 100 per unit)	-	54,995
	2,171,178	2,110,098	MCB Cash Management Optimizer Fund (Face value Rs 100 per unit)	216,652	204,833
	3,250,448	11,489,366	NAFA Government Security Liquid Fund (Face value Rs 10 per unit)	31,190	109,556
	789,336	735,149	Pakistan Income Fund (Face value Rs 50 per unit)	24,711	24,711
	2,085,015	2,667,601	UBL Liquidity Plus Fund (Face value Rs 100 per unit)	193,722	249,994
				<u>742,739</u>	<u>880,930</u>
			Market value as at December 31	792,925	935,218
12.6 Impairment					
			Opening balance	24,563	7,529
			Less: write-off	(220)	(250)
			(Reversal) / charge for the year	(6,633)	17,284
			Closing balance	<u>17,710</u>	<u>24,563</u>
12.7			Mutual funds include Rs 24.7 million (2012: Rs 24.7 million) placed as statutory deposit with the State Bank of Pakistan (market value : Rs 41.0 million [2012: Rs 38.3 million]).		



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

13. INVESTMENT PROPERTIES

	2013							
	Cost			Depreciation				
	As at Jan 1, 2013	Additions/ (disposals)/ adjustments	As at Dec 31, 2013	Accumulated as at Jan 1, 2013	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2013	Written down value as at Dec 31, 2013	Depreciation rate on written down value % per annum
Land	45,032	-	45,032	-	-	-	45,032	-
Building	11,928	-	11,928	2,187	487	2,674	9,254	5
2013	56,960	-	56,960	2,187	487	2,674	54,286	

The fair value of the investment properties at December 31, 2013 as per valuation carried out by professional valuers in January 2014 is Rs 114.0 million.

	2012							
	Cost			Depreciation				
	As at Jan 1, 2012	Additions/ (disposals)/ adjustments	As at Dec 31, 2012	Accumulated as at Jan 1, 2012	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2012	Written down value as at Dec 31, 2012	Depreciation rate on written down value % per annum
Land	45,032	-	45,032	-	-	-	45,032	-
Building	11,928	-	11,928	1,674	513	2,187	9,741	5
2012	56,960	-	56,960	1,674	513	2,187	54,773	

The fair value of the investment properties at December 31, 2012 as per valuation carried out by professional valuers in January 2013 is Rs 106.9 million.

	Note	2013	2012
14. PREMIUM DUE BUT UNPAID - unsecured			
Considered good		354,949	416,750
Less: write-off		-	(3,009)
Considered doubtful		322,885	254,744
		677,834	668,485
Provision for doubtful balances	14.1	140,260	109,668
		<u>537,574</u>	<u>558,817</u>
14.1 Provision for doubtful balances			
Opening balance		109,668	111,000
Less: write-off		-	(3,009)
Charge for the year		30,592	1,677
Closing balance		<u>140,260</u>	<u>109,668</u>
15. AMOUNT DUE FROM OTHER INSURERS/REINSURERS			
Considered good		291,754	222,685
Considered doubtful		454,215	243,060
		745,969	465,745
Provision for doubtful balances	15.1	139,952	115,683
		<u>606,017</u>	<u>350,062</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012
15.1 Provision for doubtful balances			
Opening balance		115,683	112,000
Charge for the year		24,269	3,683
Closing balance		<u>139,952</u>	<u>115,683</u>
16. ACCRUED INVESTMENT INCOME			
Return on bank deposits		678	240
Dividends receivable		660	-
		<u>1,338</u>	<u>240</u>
17. PREPAYMENTS			
Prepaid premium to insurers / reinsurers		301,900	274,077
Prepaid rent		165	209
Others		9,093	11,329
		<u>311,158</u>	<u>285,615</u>
18. DEPOSITS & OTHER RECEIVABLES			
Deposits	18.1	29,105	25,550
Investment proceeds receivable		1,509	547
Other receivables		5,160	4,793
		<u>35,774</u>	<u>30,890</u>

18.1 Include Rs 24 million deposited under a court order in respect of a claim where the possibility of the eventual beneficiary being other than the company is considered remote by the company's legal advisor.

19. FIXED ASSETS

	2013							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2013	Additions/ (disposals)/ adjustments	As at Dec 31, 2013	Accumulated as at Jan 1, 2013	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2013	Written down value as at Dec 31, 2013	Depreciation rate on written down value % per annum
Tangible								
Owned								
Land and buildings (Office premises)	154,791	10,915	165,706	9,184	778	9,962	155,744	5
Computer equipment	13,209	-	13,209	9,469	1,122	10,591	2,618	30
Office equipment	11,449	433 (288)	11,594	5,853	589 (151)	6,291	5,303	10
Furniture and fixtures	23,971	-	23,971	9,290	1,468	10,758	13,213	10
Motor vehicles	96,792	1,794 (59)	98,527	52,588	9,177 (51)	61,714	36,813	20
	<u>300,212</u>	<u>13,142 (347)</u>	<u>313,007</u>	<u>86,384</u>	<u>13,134 (202)</u>	<u>99,316</u>	<u>213,691</u>	
Intangible								
Computer software	11,008	-	11,008	5,781	1,568	7,349	3,659	30
2013	<u>311,220</u>	<u>13,142 (347)</u>	<u>324,015</u>	<u>92,165</u>	<u>14,702 (202)</u>	<u>106,665</u>	<u>217,350</u>	



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	2012							
	Cost			Depreciation / Amortization				
	As at Jan 1, 2012	Additions/ (disposals)/ adjustments	As at Dec 31, 2012	Accumulated as at Jan 1, 2012	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2012	Written down value as at Dec 31, 2012	Depreciation rate on written down value % per annum
Tangible								
Owned								
Land and buildings (Office premises)	154,791	-	154,791	8,912	272	9,184	145,607	5
Computer equipment	12,871	387 (49)	13,209	8,024	1,471 (26)	9,469	3,740	30
Office equipment	11,108	391 (50)	11,449	5,269	607 (23)	5,853	5,596	10
Furniture and fixtures	23,971	-	23,971	7,659	1,631	9,290	14,681	10
Motor vehicles	94,961	8,916 (7,085)	96,792	48,390	9,950 (5,752)	52,588	44,204	20
	297,702	9,694 (7,184)	300,212	78,254	13,931 (5,801)	86,384	213,828	
Intangible								
Computer software	7,008	4,000	11,008	4,178	1,603	5,781	5,227	30
2012	304,710	13,694 (7,184)	311,220	82,432	15,534 (5,801)	92,165	219,055	

19.1 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain/ (Loss)	Mode of disposal	Disposal to
Honda M/Cycle	59	51	8	58	50	Company policy	Mr Imran Shahzad
Spilt Airconditioners	288	151	137	45	(92)	Tendor	Mr Rehan & Mr Tahir
2013	347	202	145	103	(42)		
2012	7,184	5,801	1,383	5,348	3,965		



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	Note	2013	2012
20. CAPITAL WORK IN PROGRESS			
This represents property acquisition and renovation costs		<u>26,109</u>	<u>36,517</u>
21. MANAGEMENT EXPENSES			
Underwriting expenses			
Salaries, wages and benefits		107,217	103,011
Rent, taxes etc.		3,932	4,021
Communication		5,670	5,195
Fuel and power		21,210	20,836
Tracking devices		10,461	11,497
Insurance		2,530	3,445
Printing and stationery		4,358	4,671
Travelling and entertainment		12,109	12,143
Repairs and maintenance		8,848	8,652
Legal and professional		2,094	3,019
Advertisement		3,409	5,877
Others		20,489	19,574
		<u>202,327</u>	<u>201,941</u>
General and administration expenses			
Depreciation and amortization	20	14,702	15,534
Bonus, retirement and other benefits		29,173	9,417
Provision for doubtful balances		54,861	5,360
Workers welfare fund		-	-
Donation	21.1	5,000	5,000
Others		750	620
		<u>104,486</u>	<u>35,931</u>
Total		<u>306,813</u>	<u>237,872</u>

21.1 Donations

Charitable donations paid during the year amounted to Rs 3.9 million (2012: Rs 4.0 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.5 million to the Patient Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.

	2013	2012
22. TAXATION		
Current	14,818	6,850
Prior year	-	(26,509)
	<u>14,818</u>	<u>(19,659)</u>

As at the balance sheet date, the company has aggregate carried forward tax losses of Rs 454.6 million. The deferred tax assets on such losses and other temporary differences between the tax and accounting base of tax and other liabilities amounts to Rs 137.2 million. The company has not recognised such deferred tax assets due to uncertainty regarding the realization of such assets.



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012
22.1 Tax charge reconciliation	%	%
Applicable tax rate	34.00	(35.00)
Effect of amounts that may not be allowable, net of exemptions / rebates	(13.45)	59.59
Effect of amounts taxed at a different rate	(30.30)	18.97
	(43.75)	78.56
Effect of prior year adjustment	-	(168.57)
Effective tax rate	(9.75)	(125.01)

22.2 AUDITORS' REMUNERATION

Audit fee	331	288
Fee for review of financial statements	69	60
Certification fee	150	185
Out of pocket expenses	80	77
	630	610

23. (LOSS) / EARNINGS PER SHARE

(Loss) / profit after tax for the year	(166,799)	3,934
Weighted average number of shares	60,564,269	60,564,269
Basic (loss) / earnings per share of Rs 5 each - Rupees	(2.75)	0.06

The company has not issued any instrument which would dilute its basic earnings per share when exercised.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Director & Chief Executive		Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Managerial remuneration	16,268	14,291	10,414	7,986	15,298	17,766	41,980	40,043
Retirement benefits	3,393	2,625	-	-	2,861	1,480	6,254	4,105
Housing and utilities	1,841	1,616	1,562	1,198	9,607	10,883	13,010	13,697
Bonus	-	-	-	-	2,637	1,809	2,637	1,809
Meeting fees	-	-	750	620	-	-	750	620
Others	120	1,113	3,946	2,574	1,793	1,744	5,859	5,431
	21,622	19,645	16,672	12,378	32,196	33,682	70,490	65,705
Number of persons	1	1	6	6	19	20		

The chief executive, a director and executives have the free use of company cars and residential telephones for business purposes. Except for one director, all other directors are only paid meeting fees.



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

25. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2013 and December 31, 2012 and estimated information regarding certain assets and liabilities as at December 31, 2013 and December 31, 2012.

	Fire and property		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue										
Premium earned	<u>424,650</u>	<u>443,887</u>	<u>234,249</u>	<u>145,866</u>	<u>343,503</u>	<u>293,131</u>	<u>159,803</u>	<u>156,941</u>	<u>1,162,205</u>	<u>1,039,825</u>
Segment results	<u>(206,815)</u>	<u>14,249</u>	<u>23,486</u>	<u>10,575</u>	<u>(36,025)</u>	<u>(89,022)</u>	<u>(5,605)</u>	<u>3,238</u>	<u>(224,959)</u>	<u>(60,960)</u>
Investment income									<u>173,463</u>	<u>72,570</u>
(Loss) / gain on disposal of fixed assets									<u>(42)</u>	<u>3,965</u>
Rental income									<u>4,043</u>	<u>3,330</u>
Other income									<u>-</u>	<u>1,301</u>
General and administration expenses									<u>(104,486)</u>	<u>(35,931)</u>
									<u>72,978</u>	<u>45,235</u>
(Loss) / profit before tax									<u>(151,981)</u>	<u>(15,725)</u>
Provision for taxation - net									<u>(14,818)</u>	<u>19,659</u>
(Loss) / profit after tax									<u>(166,799)</u>	<u>3,934</u>
Other information										
Segment assets	<u>795,304</u>	<u>730,948</u>	<u>392,244</u>	<u>191,257</u>	<u>351,849</u>	<u>305,620</u>	<u>392,312</u>	<u>327,314</u>	<u>1,931,709</u>	<u>1,555,139</u>
Unallocated corporate assets									<u>1,622,588</u>	<u>1,750,720</u>
Consolidated total assets									<u>3,554,297</u>	<u>3,305,859</u>
Segment liabilities	<u>661,705</u>	<u>466,404</u>	<u>187,279</u>	<u>104,073</u>	<u>319,622</u>	<u>286,104</u>	<u>291,171</u>	<u>239,350</u>	<u>1,459,777</u>	<u>1,095,931</u>
Unallocated corporate liabilities									<u>519,708</u>	<u>428,549</u>
Consolidated total liabilities									<u>1,979,485</u>	<u>1,524,480</u>
Capital expenditure	<u>1,025</u>	<u>6,934</u>	<u>579</u>	<u>2,370</u>	<u>745</u>	<u>5,087</u>	<u>384</u>	<u>2,648</u>	<u>2,733</u>	<u>17,039</u>
Depreciation / Amortization	<u>5,512</u>	<u>6,321</u>	<u>3,115</u>	<u>2,161</u>	<u>4,009</u>	<u>4,638</u>	<u>2,066</u>	<u>2,414</u>	<u>14,702</u>	<u>15,534</u>



Notes to the Financial Statements

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26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Financial risk management objectives and policies

The company is exposed to a variety of financial risks: market risk, yield/mark-up rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the company's net assets or a reduction in the profits available for dividends. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the company's risk management framework and is responsible for developing risk management policies and its monitoring.

26.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The company manages the market risk by monitoring exposure on related securities by following internal risk management policies.

Primarily, the company's equity investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets.

The table below summarizes the 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. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase/ (decrease) in shareholder's equity	Hypothetical increase/ (decrease) in profit / (loss) before tax
December 31, 2013	439,830	10% increase	483,813	43,983	43,983
		10% decrease	395,847	(43,983)	(43,983)
December 31, 2012	275,722	10% increase	303,294	27,572	27,572
		10% decrease	248,150	(27,572)	(27,572)



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26.1.2 Yield / mark-up rate risk

Yield / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market yield / mark-up. The company invests in securities and has deposits that are subject to yield / mark-up rate risk. The company limits yield / mark-up rate risk by monitoring changes in yield / mark-up rates in the currencies in which its cash and investments are denominated.

	2013							
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	6 - 8.25	108,938	-	108,938	-	-	108,938	
Investments	....	-	-	-	1,169,535	-	1,169,535
Premium due but unpaid	....	-	-	-	537,574	-	537,574
Amount due from other insurers / reinsurers	....	-	-	-	606,017	-	606,017
Accrued investment income	....	-	-	-	1,338	-	1,338
Accrued salvage recoveries	....	-	-	-	32,776	-	32,776
Reinsurance recoveries	....	-	-	-	362,964	-	362,964
Deposits & other receivables	....	-	-	-	35,774	-	35,774
		<u>108,938</u>	<u>-</u>	<u>108,938</u>	<u>2,745,978</u>	<u>-</u>	<u>2,854,916</u>	
Financial liabilities								
Provision for outstanding claims	....	-	-	-	731,767	-	731,767
Amount due to other insurers / reinsurers	....	-	-	-	144,630	-	144,630
Accrued expenses	....	-	-	-	27,980	-	27,980
Other creditors and accruals	....	-	-	-	349,039	-	349,039
Dividend payable	....	-	-	-	21,341	-	21,341
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,757</u>	<u>-</u>	<u>1,274,757</u>	
Total yield / mark-up rate risk sensitivity gap 2013		<u>108,938</u>	<u>-</u>	<u>108,938</u>	<u>1,471,221</u>	<u>-</u>	<u>1,580,159</u>	

	2012							
	Effective yield/mark-up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets								
Cash and bank deposits	6 - 10	146,836	-	146,836	-	-	146,836	
Investments	....	-	-	-	1,250,871	-	1,250,871
Premium due but unpaid	....	-	-	-	558,817	-	558,817
Amount due from other insurers / reinsurers	....	-	-	-	350,062	-	350,062
Accrued investment income	....	-	-	-	240	-	240
Accrued salvage recoveries	....	-	-	-	11,510	-	11,510
Reinsurance recoveries	....	-	-	-	277,899	-	277,899
Deposits & other receivables	....	-	-	-	30,890	-	30,890
		<u>146,836</u>	<u>-</u>	<u>146,836</u>	<u>2,480,289</u>	<u>-</u>	<u>2,627,125</u>	
Financial liabilities								
Provision for outstanding claims	....	-	-	-	451,304	-	451,304
Amount due to other insurers / reinsurers	....	-	-	-	95,074	-	95,074
Accrued expenses	....	-	-	-	14,500	-	14,500
Other creditors and accruals	....	-	-	-	279,660	-	279,660
Dividend payable	....	-	-	-	15,726	-	15,726
		<u>-</u>	<u>-</u>	<u>-</u>	<u>856,264</u>	<u>-</u>	<u>856,264</u>	
Total yield / mark-up rate risk sensitivity gap 2012		<u>146,836</u>	<u>-</u>	<u>146,836</u>	<u>1,624,025</u>	<u>-</u>	<u>1,770,861</u>	



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The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax and equity based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
December 31, 2013	100	9,835	6,393
	(100)	(9,835)	(6,393)
December 31, 2012	100	5,949	3,867
	(100)	(5,949)	(3,867)

26.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

26.1.4 Credit risk and concentration of credit risk

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

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

	2013	2012
Bank deposits	108,938	146,280
Investments in mutual funds	742,739	880,930
Premium due but unpaid - net of provision	537,574	558,817
Amount due from other insurers / reinsurers - net of provision	606,017	350,062
Accrued investment income	1,338	240
Reinsurance recoveries against outstanding claims	362,964	277,899
Deposits & other receivables	35,774	30,890

General provision is made for receivables according to the company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

	2013	2012
The age analysis of receivables is as follows:		
Upto 1 year	274,787	290,647
1 - 2 years	80,161	198,425
2 - 3 years	88,450	21,312
Over 3 years	234,436	158,101
	<u>677,834</u>	<u>668,485</u>
Considered impaired	<u>140,260</u>	<u>109,668</u>



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

	Rating		Rating Agency	2013	2012
	Short term	Long term			
United Bank Limited	A-1+	AA+	JCR-VIS	19,650	29,507
Allied Bank Limited	A-1+	AA+	PACRA	12,717	5,630
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	65,411	100,541
NIB Bank Limited	A-1+	AA-	PACRA	8,088	8,125
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,741	1,747
Samba Bank Limited	A-1	AA-	JCR-VIS	9	9
MCB Bank Limited	A-1+	AAA	PACRA	-	156
National Bank of Pakistan	A-1+	AAA	JCR-VIS	573	560
Industrial Development Bank of Pakistan				5	5
				<u>108,194</u>	<u>146,280</u>

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2013	2012
A or above (including PRCL)	700,981	338,097	217,004	1,256,082	948,559
BBB	36,840	23,343	19,662	79,845	38,574
Others	8,148	1,524	65,234	74,906	30,588
Total	<u>745,969</u>	<u>362,964</u>	<u>301,900</u>	<u>1,410,833</u>	<u>1,017,721</u>

26.1.5 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting payment obligations when they fall due under normal circumstances. To guard against the 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 marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2013			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	731,767	-	-	731,767
Staff retirement benefits	-	32,206	-	32,206
Amount due to other insurers / reinsurers	144,630	-	-	144,630
Accrued expense	27,980	-	-	27,980
Other creditors and accruals	349,039	-	-	349,039
Unclaimed dividend	21,341	-	-	21,341
	<u>1,274,757</u>	<u>32,206</u>	<u>-</u>	<u>1,306,963</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	2012			Total Restated
	Within one year	Over one year to five years	Over five years	
Financial liabilities				
Provision for outstanding claims	451,304	-	-	451,304
Staff retirement benefits	-	28,389	-	28,389
Amount due to other insurers / reinsurers	95,074	-	-	95,074
Accrued expense	14,500	-	-	14,500
Other creditors and accruals	279,660	-	-	279,660
Unclaimed dividend	15,726	-	-	15,726
	<u>856,264</u>	<u>28,389</u>	<u>-</u>	<u>884,653</u>

26.2 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes.

The company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the company from individual to large or catastrophic insured events. Further, the company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

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

	2013 Maximum Gross Risk Exposure	2012 Maximum Gross Risk Exposure
Fire and property	13,971,266	5,280,000
Marine, aviation and transport	2,040,000	603,914
Motor	10,000	10,000
Miscellaneous	200,000	586,500



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on company's net retentions.

Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business is as follows:

Class	Assumed Net Loss Ratio 2013	Assumed Net Loss Ratio 2012
Fire and property	62%	19%
Marine, aviation and transport	26%	22%
Motor	66%	67%
Miscellaneous	85%	85%



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

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 uses 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 mostly 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
10% increase in loss	(57,324)	(32,741)	(37,261)	(21,282)
10% decrease in loss	57,324	32,741	37,261	21,282

Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

26.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, both proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a catastrophe. Apart from the adequate event limit, any loss over and above the said limit would be recovered from the non-proportional treaty which is considered adequate by the company. In compliance with the regulatory requirements, the reinsurance arrangements are duly submitted to the SECP.

The risk by type of contract is summarised below:

	Gross exposure		Net exposure	
	2013	2012	2013	2012
Fire and property	376,043,652	327,805,662	203,251,594	82,770,930
Marine, aviation and transport	102,618,243	103,502,114	32,283,699	51,854,559
Motor	15,417,619	13,580,937	15,180,188	13,415,250
Miscellaneous	41,735,814	38,683,547	8,564,189	9,400,102
	<u>535,815,328</u>	<u>483,572,260</u>	<u>259,279,670</u>	<u>157,440,841</u>



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

26.4 Geographical concentration of insurance risk

To optimize benefits from the principle of averages 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. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insureds.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, we have utilised precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. It provides a way to better visualize the risk exposures so the company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

27. Capital Management

The company's objective is to maintain a strong capital base to support sustained development of its businesses so as to provide reasonable rewards and protection to all its stakeholders, without compromising its ability to continue as a going concern.

The company is financed by internal sources and exceeds the minimum capital regulatory requirements.

28. Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The carrying value of the financial instruments reported in the financial statements approximates their fair value, which have been disclosed in the respective notes to these financial statements.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

Transactions and balances with related parties, other than remuneration to the chief executive, directors and executives under the terms of employment and employee retirement benefits, disclosed in notes 8 and 24, are as follows:



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

	2013	2012
Associated undertakings		
Premium written	<u>86,066</u>	<u>104,926</u>
Reinsurance premium ceded	<u>83,576</u>	<u>144,823</u>
Claims paid	<u>86,080</u>	<u>284,090</u>
Commission paid	<u>-</u>	<u>6,009</u>
Dividend received	<u>7,406</u>	<u>6,775</u>
Dividend paid	<u>7,450</u>	<u>7,450</u>
Others		
Premium written	<u>270</u>	<u>319</u>
Dividend paid	<u>2,315</u>	<u>2,315</u>
Meeting fees	<u>750</u>	<u>620</u>
Rent received	<u>1,125</u>	<u>1,009</u>
Period-end balances		
Associated undertakings		
Claims outstanding	<u>35,250</u>	<u>16,788</u>
Premium receivable	<u>96,135</u>	<u>117,394</u>
Reinsurance claims receivable	<u>664,002</u>	<u>561,713</u>
Reinsurance premium payable	<u>734,553</u>	<u>650,977</u>
Others		
Premium receivable	<u>128</u>	<u>326</u>
Other payables	<u>425</u>	<u>766</u>

Transactions with related parties are in the normal course of business at rates and terms consistent with the market. Other related party transactions such as those relating to key management personnel and retirement plans are in accordance with terms of employment and company policy.

	Unaudited 2013	Audited 2012
30. DEFINED CONTRIBUTION PLAN		
30.1 Provident Fund Trust		
Size of the fund	35,314	34,045
Cost of investment made	32,813	31,171
Percentage of investments made (based on fair value)	98%	92%
Fair value of investments	34,537	31,232



Notes to the Financial Statements

for the year ended December 31, 2013

(Amounts in Rupees '000)

30.2 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. The break-up of investments is as follows:

	2013	2012
Breakup of investments		
Listed securities / mutual funds	9,901	10,412
Government securities	5,034	3,359
Other debt instruments	19,602	17,461
	<u>34,537</u>	<u>31,232</u>

31. NUMBER OF EMPLOYEES

The company employed 150 (2012: 156) employees at the end of the year.

32. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 5, 2014 has proposed a cash dividend of 20% (2012: 20%). Which will be distributed out of the reserves. This distribution will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2013 do not include the effect of the following appropriation which will be accounted for in the financial statements for the year ending December 31, 2014 as follows:

Transfer from unappropriated profit to proposed dividend 60,564

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 5, 2014 by the directors of the company.

34. GENERAL

The comparative information has been reclassified, rearranged or additionally restated in these financial statements, wherever necessary, to facilitate comparative and to confirm with changes in presentation in the current year. However there were no material reclassification / restatements to report except those already disclosed in note 5.1 to the financial statements.

All amounts have been rounded to the nearest thousand Rupees.

Nadeem Maqbool
Chairman

Attaullah A. Rasheed
Director

Imran Maqbool
Director

Zahid Bashir
Chief Executive



Pattern of Shareholding

As at December 31, 2013

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholders	Number of shares held
i. Associated Companies, Undertakings and Related Parties		
Crescent Cotton Mills Limited	1	363,380
Crescent Fibres Limited	1	84,477
Crescent Powertec Limited	1	4,207,853
Equity Textiles Limited	2	981,134
Jubilee Spinning & Weaving Mills Limited	1	22,670
Muhammad Amin Muhammad Bashir Limited	2	14,047
Shams Textile Mills Limited	1	885,221
Suraj Cotton Mills Limited	1	721,353
The Crescent Textile Mills Limited	1	169,573
Total :	11	7,449,708
ii. Mutual Funds		
CDC - Trustee AKD Opportunity Fund	1	223,000
Golden Arrow Selected Stocks Fund Limited	1	3,210,889
Total :	2	3,433,889
iii. Directors and their spouse(s) and minor children		
Mr Zahid Bashir	2	7,365
Mr Khalid Bashir	1	166,500
Mr Shams Rafi	1	431,576
Mr Nadeem Maqbool	1	573,393
Mr Imran Maqbool	1	593,659
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	1	24,918
Mrs Tanveer Khalid Bashir (w/o. Mr Khalid Bashir)	1	192,036
Mrs Nazia Maqbool (w/o. Mr Nadeem Maqbool)	1	242,249
Mrs Asma Imran Maqbool (w/o. Mr Imran Maqbool)	1	183,617
Total :	10	2,415,313
iv. Executives		
Ms Shazia Bashir	1	100
Mr Muhammad Athar Saleem Chaudhry	1	100
Mr Fariq M.K. Rohilla	1	3,036
Mr Ghulam Sabir Akbar	1	131
Ms Minail Bashir	1	3,100
Mr Ali Muhammad	1	34
Mr Ayazuddin Alavi	2	2,591
Mr Fakhar-e-Alam	1	396
Mr Kamaluddin	1	10
Mr Kamran Safi Rizvi	1	100
Mr Khalid Rafiq	1	100
Syed Zahid Ali	1	215
Total :	13	9,913
v. Public Sector Companies and Corporations	2	6,557,314
Total :	2	6,557,314
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	10	1,338,011
Total :	10	1,338,011
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company		
State Life Insurance Corporation of Pakistan	2	6,557,314
Crescent Powertec Limited	1	4,207,853
Golden Arrow Selected Stocks Fund Limited	1	3,210,889
Total :	3	13,976,056



Pattern of Shareholding

As at December 31, 2013

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
658	1	100	16676
457	101	500	121708
275	501	1000	204605
514	1001	5000	1254602
170	5001	10000	1225204
74	10001	15000	918527
51	15001	20000	849069
28	20001	25000	654805
25	25001	30000	679354
26	30001	35000	835354
25	35001	40000	948582
16	40001	45000	696441
11	45001	50000	518665
11	50001	55000	572301
5	55001	60000	285687
7	60001	65000	434507
3	65001	70000	204982
3	70001	75000	214774
3	75001	80000	231945
10	80001	85000	835430
4	85001	90000	347919
4	90001	95000	364130
1	95001	100000	96203
3	100001	105000	306900
2	105001	110000	215347
1	110001	115000	115000
3	115001	120000	347924
3	120001	125000	362592
4	125001	130000	509459
1	130001	135000	134000
1	135001	140000	135994
4	150001	155000	612211
2	155001	160000	317129
2	160001	165000	324050
3	165001	170000	501535
7	180001	185000	1281604
1	190001	195000	192036
1	205001	210000	206611
2	220001	225000	445663
1	225001	230000	227058
2	230001	235000	464978
1	235001	240000	236765
1	240001	245000	242249
1	245001	250000	246186
2	250001	255000	505173
1	260001	265000	262310
1	265001	270000	269269
2	285001	290000	577374
2	300001	305000	604867
1	305001	310000	305649
1	315001	320000	318994
1	345001	350000	349852
1	350001	355000	352082
2	360001	365000	724130
2	365001	370000	731327
2	375001	380000	756774
3	390001	395000	1177966
1	420001	425000	421006
1	430001	435000	431576
1	455001	460000	459661
1	460001	465000	460474
1	475001	480000	476732
1	495001	500000	500000
1	535001	540000	540000
1	570001	575000	573393
2	590001	595000	1184025
1	605001	610000	605637
1	630001	635000	631171
1	635001	640000	638825
1	680001	685000	680877
2	720001	725000	1446353
1	780001	785000	784407
1	835001	840000	839934
1	885001	890000	885221
1	895001	900000	896379
1	1020001	1025000	1020269
1	1090001	1095000	1094835
1	1105001	1110000	1107335
1	1120001	1125000	1121899
1	1415001	1420000	1417003
1	1495001	1500000	1499018
1	3210001	3215000	3210889
1	4205001	4210000	4207853
1	6555001	6560000	6556969
2477			60564269



Pattern of Shareholding

As at December 31, 2013

Additional Information

Categories of Shareholders	Shares Held	Percentage
Directors, CEO and their spouses & minor children		
Mr. Zahid Bashir (Director)	7,365	0.01
Mr. Khalid Bashir (Director)	166,500	0.27
Mr. Shams Rafi (Director)	431,576	0.71
Mr. Nadeem Maqbool (Director)	573,393	0.95
Mr. Imran Maqbool (Director)	593,659	0.98
Mrs. Umbreen Zahid Bashir (w/o. Mr. Zahid Bashir)	24,918	0.04
Mrs. Tanveer Khalid (w/o. Mr. Khalid Bashir)	192,036	0.32
Mrs. Nazia Maqbool (w/o. Mr. Nadeem Maqbool)	242,249	0.40
Mrs. Asma Imran Maqbool (w/o. Mr. Imran Maqbool)	183,617	0.30
Associated companies, undertakings & related parties		
Crescent Fibres Limited	84,477	0.14
Crescent Powertec Limited	4,207,853	6.95
Crescent Cotton Mills Limited	363,380	0.60
Equity Textiles Limited	981,134	1.62
Jubilee Spinning & Weaving Mills Limited	22,670	0.04
Muhammad Amin Muhammad Bashir Limited	14,047	0.02
Shams Textile Mills Limited	885,221	1.46
Suraj Cotton Mills Limited	721,353	1.19
The Crescent Textile Mills Limited	169,573	0.28
NIT & ICP		
Investment Corporation of Pakistan	1,388	-
Banks, Development Financial Institutions, Non Banking Financial Institutions		
Banks	61,689	0.10
Investment Companies	27,818	0.05
Joint Stock Companies	1,799,532	2.97
Financial Institutions	1,020,269	1.68
Insurance Companies	222,809	0.37
Modarabas & Mutual Funds	3,434,090	5.67
Shareholders holding 10%		
State Life Insurance Corporation of Pakistan	6,557,314	10.83
General Public		
Local	36,958,002	61.01
Others		
Administrator Abandoned Properties, Government of Pakistan	43,175	0.07
Deputy Administrator Abandoned Properties Organization	288,712	0.48
Trustees Muhammad Amin Wakf Estate	236,765	0.39
Trustees Crescent Steel & Allied Products Limited	15,180	0.03
Trustees Saeeda Amin Wakf	15,525	0.03
Trustees Rashid Latif Jamal Trust	3,036	0.01
Trustees Aziz Latif Jamal Trust	3,036	0.01
Ali Trust	55	-
Islamabad Stock Exchange (G) Limited	10,853	0.02
	60,564,269	100.00



Locations

KARACHI

Head Office:
State Life Building No. 2A
5th Floor, Wallace Road
Phones: (021) 32416331-34
Fax : (021) 32416572

3rd Floor,
Lakhani Centre
I.I. Chundrigar Road
Phone : (021) 32210866-67
Fax : (021) 32210870

QUETTA

43-Regal Plaza
2nd Floor
Circular Road
Phones: (081) 2842883

PESHAWAR

1081/A, Rehman Building
Saddar Road Cantt
Phones: (091) 5273757
Fax : (091) 5277809

SIALKOT

Room # 3 & 4, Sahib Plaza
Saga Chowk
Defence Road
Phones: (052) 3572192-3
Fax : (052) 3572194

GUJRANWALA

Block "L"
Trust Plaza
G.T. Road
Phones: (055) 3859719-20
Fax : (055) 3256432

KHANPUR

Liaison office
365, Model Town - B
Phones: (068) 5572834
Fax : (068) 5572834

LAHORE

North Zone Office:
162, Shadman II
Phones: (042) 37563160-63
Fax : (042) 37579334

F-13, Hafeez Centre, 4th Floor
Main Boulevard Gulberg
Phones: (042) 35874271/35873636
Fax : (042) 35750749

23, Shahrah-e-Quaid-e-Azam
P. O. Box No. 355
Phones: (042) 37230602-5
Fax : (042) 37235557

FAISALABAD

1st Floor Regency Arcade, 949, Mall Road
P. O. Box No. 105
Phones: (041) 2632211-13
Fax : (041) 2617802

2nd Floor, 18-S.M. Plaza, Chenab Market
Susan Road, Madina Town
Phones: (041) 8503541-42

MULTAN

4th Floor, Mehr Fatima Tower, Opp: High Court, Old
Bahawalpur Road
Phones: (061) 4515007, 4515009, 4585006
4580114, 4545008
Fax : (061) 4587143

RAWALPINDI

32, Service Plaza, The Mall
Phones: (051) 5562113, 5568907
Fax : (051) 5566900

ISLAMABAD

Masco Plaza, 64-E, 2nd Floor Blue Area,
Jinnah Avenue
Phones: (051) 2270134, 2270135, 2876967
Fax : (051) 2829654

SAHIWAL

Room No.1, Sattar Complex, Stadium Road
Phones: (040) 4220918
Fax : (040) 4220790



PROXY FORM

Annual General Meeting

I/We.....
of..... being a member of Premier Insurance Limited and holder of
.....Ordinary shares as per Registered Folio No.....
and/or CDC Participant I.D.No.....Sub-Account No.....
CNIC No.....or Passport No.....
hereby appoint..... ofwho
is also a member of the company, Folio No..... or failing him/her.....
of..... as my/our Proxy in my/our absence to attend, speak and vote for
me/us and on my/our behalf at the Annual General Meeting of the company to be held on Tuesday, April 29,
2014 at 9:30 a.m. at the Beach Luxury, Aquarius Hall, Molvi Tamizuddin Khan Road, Karachi and at any
adjournment thereof.

Signed this.....day of..... 2014

1. Witness:

Signature.....
Name
Address.....
.....
CNIC or Passport No.....



Signature of Shareholder

2. Witness:

Signature.....
Name
Address.....
.....
CNIC or Passport No.....

Note:

- 1. Proxies in order to be effective must be received at the Registered Office of the company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.
- 2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.
- 3. The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.

