Annual Report
2013

GROWING IN THE RIGHT DIRECTION

At Adamjee Insurance, we see every day as an opportunity to look to the future, to grow and, most importantly, to better the lives of those we insure.

As one of the leading insurance companies in Pakistan, we take it upon ourselves to continually set the benchmarks of insurance excellence. Combining experience with expertise, reliability with integrity - we're moving forward on the right path towards progress.

adamjee insurance

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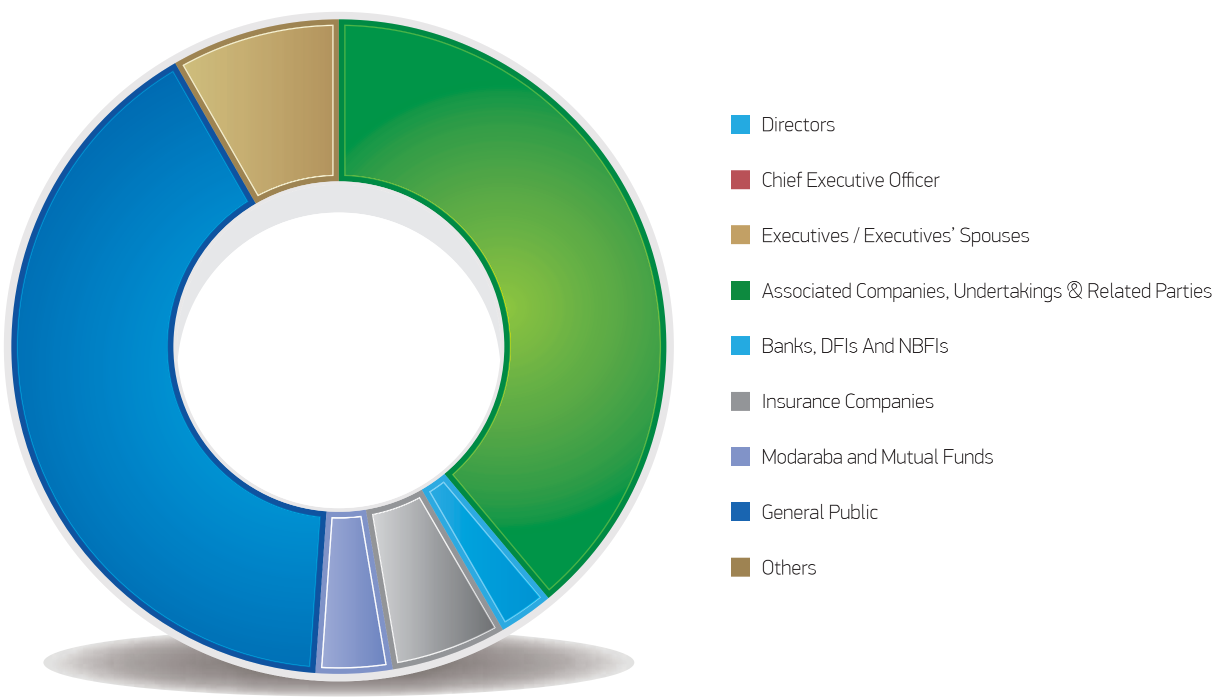
adamjee insurance

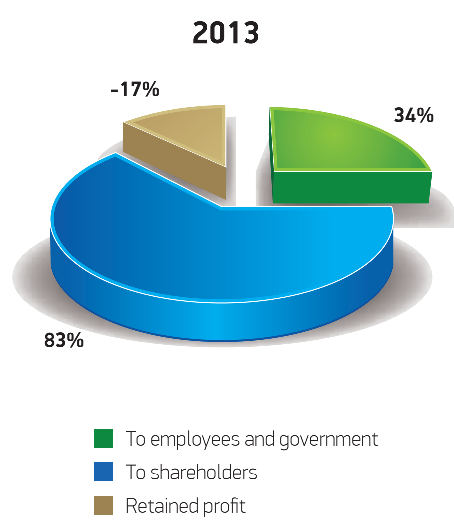
CATEGORIES OF SHAREHOLDERS AND FINANCIAL HIGHLIGHTS

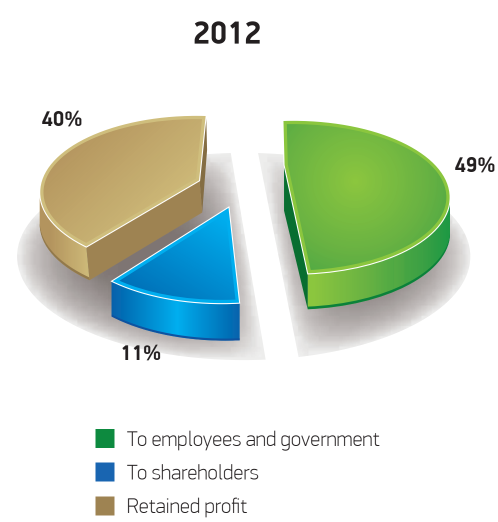


CATEGORIES OF SHAREHOLDERS	Number of Shares	Stake (%)
Directors	239,152	0.068
Chief Executive Officer	7,073	0.002
Executives / Executives' Spouses	52,024	0.015
Associated Companies, Undertakings & Related Parties	136,046,241	38.870
Banks, DFIs And NBFIs	9,314,428	2.661
Insurance Companies	19,993,570	5.713
Modaraba and Mutual Funds	13,282,161	3.795
General Public	141,947,293	40.556
Others	29,118,058	8.320
	350,000,000	100.000

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2013		2012	
WEALTH GENERATED	(Rupees in '000')	%	(Rupees in '000')	%
Gross premium earned	10,113,379		10,425,926	
Investment and other income	2,510,323		1,496,822	
	12,623,702		11,922,748	
Management and other expenses	(9,357,857)		(10,300,750)	
	3,265,845	100.00	1,621,998	100.00
WEALTH DISTRIBUTED				
To employees	878,326	26.89	751,252	46.32
To government	244,236	7.48	42,365	2.61
	1,122,562	34.37	793,617	48.93
To shareholders				
Cash dividend	432,967	13.26	185,557	11.44
Bonus shares	2,262,955	69.29	-	-
	2,695,922	82.55	185,557	11.44
Retained in business				
Depreciation and amortization	148,046	4.53	192,575	11.87
Retained profit / loss	(700,685)	(21.45)	450,249	27.76
	(552,639)	(16.92)	642,824	39.63
	3,265,845	100.00	1,621,998	100.00

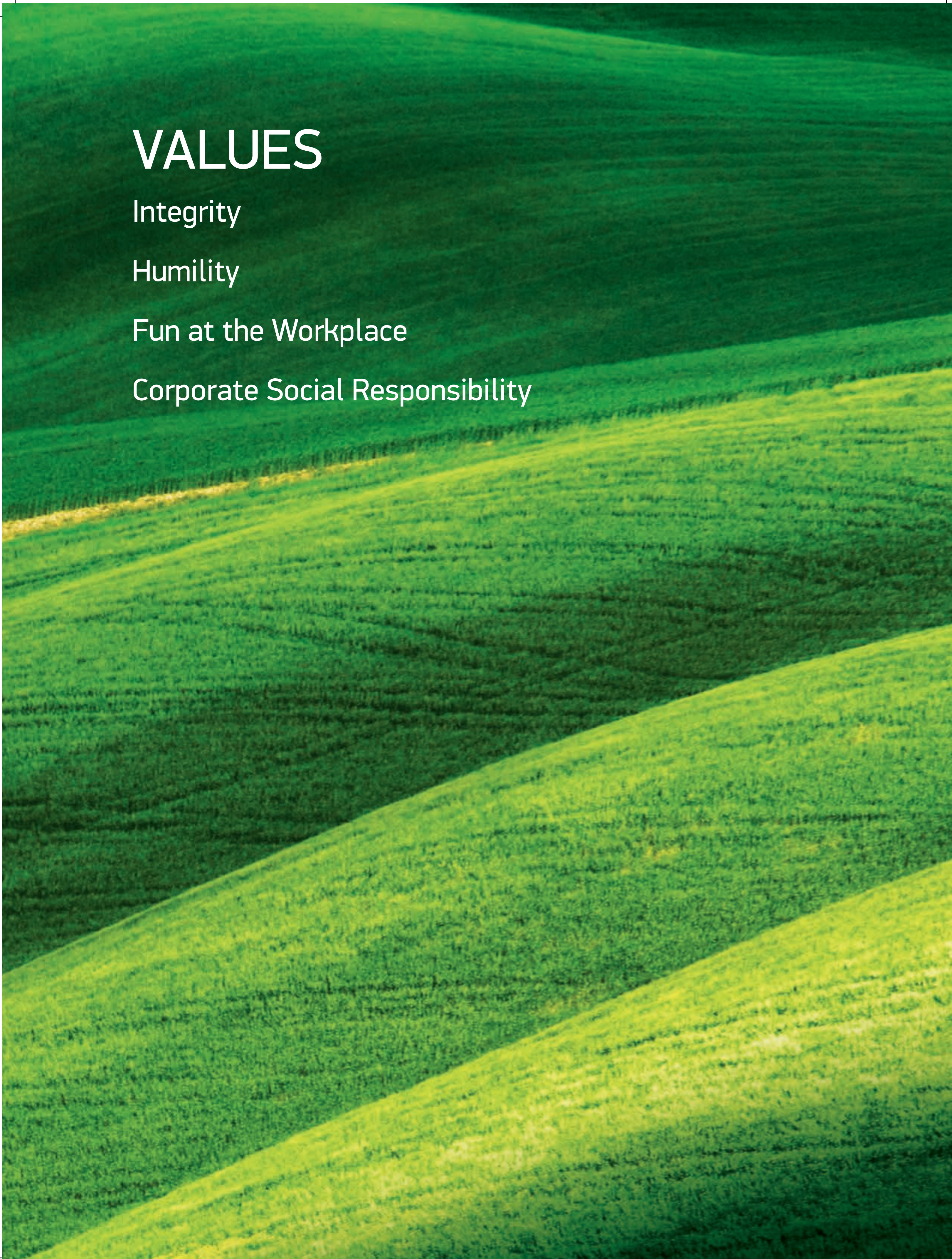




VISION

Our will is to explore,
innovate and differentiate.

Our passion is to provide leadership
to the insurance industry.



VALUES

Integrity

Humility

Fun at the Workplace

Corporate Social Responsibility

COMPANY INFORMATION

BOARD OF DIRECTORS

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

ADVISOR

Mian Muhammad Mansha

AUDIT COMMITTEE

Shaikh Muhammad Jawed	Chairman
Ahmed Ebrahim Hasham	Member
Ali Munir	Member
Ibrahim Shamsi	Member
Umer Mansha	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Umer Mansha	Chairman
Ibrahim Shamsi	Member
Kamran Rasool	Member
Muhammad Ali Zeb	Member

UNDERWRITING COMMITTEE

Umer Mansha	Chairman
Fredrik Coenrard de Beer	Member
Muhammad Ali Zeb	Member
Head of Technical	Member

CLAIM SETTLEMENT COMMITTEE

Shaikh Muhammad Jawed	Chairman
Ahmed Ebrahim Hasham	Member
Muhammad Ali Zeb	Member
Head of Claims	Member

RE-INSURANCE COMMITTEE AND CO-INSURANCE

Ali Munir	Chairman
Muhammmd Umar Virk	Member
Muhammad Ali Zeb	Member
Head of Re-Insurance	Member

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

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

EXECUTIVE MANAGEMENT TEAM
Adnan Ahmad Chaudhry
Amir A. Hamid
Asif Jabbar
Muhammad Ali Zeb
Muhammad Salim Iqbal
Najib Nasir Syed
Rehan Ahmad Khan

AUDITORS
M/s Riaz Ahmad & Company
Chartered Accountants
108 -109, 1st Floor, Park Avenue,
Block-6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi - 75400

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

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

REGISTERED OFFICE
4th Floor, 27-C-III, Tanveer Building,
M.M. Alam Road, Gulberg-III,
Lahore - 54000, Pakistan
Phone: (92-42) 35772960-79
Fax: (92-42) 35772868
Email: info@adamjeeinsurance.com
Website: www.adamjeeinsurance.com

NOTICE OF THE 53RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 53rd Annual General Meeting (AGM) of Adamjee Insurance Company Limited (the "Company") will be held at the Institute of Chartered Accountants of Pakistan, Thoker Niaz Baig, Raiwind Road, Lahore on Monday, April 28, 2014 at 11 a.m. to transact the following business:

ORDINARY:

1. To receive, consider and adopt the Audited Annual Separate and Consolidated Financial Statements of the Company for the year ended December 31, 2013 and the Directors' and Auditors' reports thereon.

2. To declare final cash dividend at Rupee 1/- per share i.e. @ 10%.

3. To appoint auditors and fix their remuneration:
   A member has given notice under Section 253 of the Companies Ordinance, 1984 for appointing KPMG Taseer Hadi & Company, Chartered Accountants as auditors of the Company for the next term in place of retiring auditors M/s Riaz Ahmed & Company, Chartered Accountants. Audit Committee and the Board of Directors have also recommended their appointment for consideration by the members.

SPECIAL:

4. To consider and approve equity investment of up to PKR 500 million in Nishat Hotels and Properties Ltd., an associated company and pass the following resolution as special resolution under Section 208 of the Companies Ordinance, 1984 with or without modification(s), addition(s) or deletion(s):

   RESOLVED THAT "pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Adamjee Insurance Company Limited (the "Company") be and is hereby authorized to make long term equity investment of up to PKR 500 million (Rupees five hundred million only) by way of acquisition of 50 million shares of Nishat Hotels and Properties Limited, an associated company".

   FURTHER RESOLVED THAT "this special resolution shall be valid for three (3) years and the Chief Executive Officer and / or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Nishat Hotels and Properties Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of this special resolution for making investments from time to time".

   FURTHER RESOLVED THAT "subsequent to the above said equity investment, Chief Executive Officer and / or Company Secretary of the Company be and are hereby authorized singly to dispose of, through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company".

Lahore: 7 April 2014

By Order of the Board

Tameez-ul-Haque
Secretary

NOTES

1) The share transfer books of the Company will remain closed from April 22, 2014 to April 28, 2014 (both days inclusive) to determine the entitlement of the members for payment of final cash dividend and to attend the meeting. Transfers received in order at M/s Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., off Shahrah-e-Quaideen, Karachi, the Independent Share Registrar of the Company by the close of business on April 21, 2014 will be treated in time.
2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as proxy to attend and vote instead of him / her. A proxy must be a member of the Company. A corporation or a company being a member of the Company may appoint any of its officers or any other person through a resolution of its board of directors to attend and vote at the meeting.
3) The instrument appointing a proxy must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of nominee shall be submitted within the above time limit.
4) Members who have deposited their shares in the Central Depository System of the Central Depository Company of Pakistan Limited will have to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting

a. In case of individuals, the account holder and / or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his / her identity by showing his / her original CNIC or original Passport along with Participant ID number and the Account number at the time of attending the Meeting.
b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and / or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

5. NOTICE to Shareholders who have not provided CNIC

The directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831 (I) / 2012 dated 05 July, 2012 requires that the dividend warrants should bear the Computerized National Identity Card Numbers (CNIC) of the registered shareholders or the authorized person except in the case of minor(s) and corporate shareholders.

CNIC numbers of the shareholders are, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the following address: M/s Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi without any further delay.

6. Mandate for E-DIVIDENDS FOR SHAREHOLDERS

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged when shareholders can get amount of the dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 28, 2014.

Investment in Nishat Hotels and Properties Limited

Nishat Hotels and Properties Limited (NHPL) was incorporated on October 04, 2007 as a public company limited by shares. The present authorized share capital of the Company is Rs. 5,500 million. The main object of NHPL is to establish hotels and hospitality business in Pakistan. NHPL has undertaken the project of a hotel and a prime shopping mall with name of "Emporium Mall". The project is estimated to be completed in three years' time with estimated cost of around Rs. 16 billion. The development consists of a high quality state-of-the-art shopping mall of international standard as well as a hotel and a large banquet hall.

Adamjee Insurance Company Limited (AICL) is planning to make an equity investment up to Rs. 500 million in NHPL. It is expected that this investment will result in significant returns in the long term which will eventually enhance the profitability of AICL.

The Directors have carried out their due diligence for the proposed investment and duly signed recommendation of due diligence report shall be available for inspection of members in the general meeting along with latest audited accounts of the associated company.

Information under Clause (a) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012.

Ref. No.	Requirement	Information
i	Name of associated company	Nishat Hotels and Properties Limited
	Criteria of associated relationship	Common directorship
ii	Purpose	To participate in the growing hotel business of the country through equity investment
	Benefits	To earn return on equity through dividend income from investment in associated company and capital appreciation
	Period of investment	Strategic long-term investment
iii	Maximum amount of investment	Rs. 500 million (Rupees Five Hundred Million Only)
iv	Maximum price / share	The price to be paid for the equity investment will be par value of Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants
v	Maximum number of shares to be acquired	50 million shares
vi	Shareholding before investment	No. of shares: NIL Shareholding percentage: NIL
	Shareholding after investment	No. of shares: 50 million Shareholding percentage: 9.09%
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Hotels and Properties Limited is an unlisted company
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 53.62 per share
ix	Break-up value of shares	Rs. 10.04 per share as at 30 June, 2013
x	Earnings per share for the last three years	30 June, 2013 was the Company's first year of operations. Loss per share for the year 2012-13 is Re. 0.17
xi	Sources of fund from which shares will be acquired	Own funds of the Company
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable
xiii	Salient features of agreement(s) entered into with the associated company	Agreement may be executed after passing of special resolution
xiv	Direct / Indirect interest of Directors in the associated company	One director of Adamjee Insurance Co. Ltd, Umer Mansha currently holds 29.56% shares in Nishat Hotels and Properties Limited. The brothers of Umer Mansha, Hassan Mansha & Raza Mansha, also each hold 29.56% shares in Nishat Hotels and Properties Limited. Three directors of the associated company are interested in the investing company to the extent of their shareholdings which in aggregate is 0.07% of the total paid-up share capital of the Company. No other shareholder of the Company has any shareholding in NHPL.
xv	Any other important detail	None
xvi	Description of the project	Three to four star hundred room hotel, banquet halls, shopping mall, cineplex, etc.
	Starting date of work	15 March, 2013
	Completion of work	14 September, 2015
	Commercial operations date	15 September, 2015
	Expected time by which the project shall start paying return on investment	Financial year 2015 -16

STATUS OF PENDING INVESTMENT DECISIONS:

The decision to make investment in MCB Bank Limited under the authority of a special resolution passed on July 8, 2008 pursuant to provision of Section 208 of the Companies Ordinance, 1984 was partially implemented.

Total investment approved	Rs. 6 billion
Amount of investment made up December 31, 2013	Rs. 2.49 billion

Reason for not having made complete investment so far:

Prior to issue of The Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2012 ("Regulations, 2012") there was no time limit of making investments under the authority of a special resolution.

To meet the requirement of Regulation 8 of the Regulations, 2012, the members in the extraordinary general meeting held on May 31, 2012 have approved the remaining amount to be invested within a period of three years i.e. up to May 31, 2015. The remaining amount will be invested when overall economic situation improves and depending upon the market price of share.

Material change in financial statements:

a) Breakup value:

2007 Rs. 54.31
2013 Rs. 96.13

b) EPS

2007 Rs. 18.26
2013 Rs. 21.24

BOARD OF DIRECTORS

Umer Mansha
Chairman

Umer Mansha has been the Chief Executive and Chairman of Nishat Mills Ltd. since September, 2007. He is a Director of MCB Bank Ltd. and also the Chairman of the Risk Management & Portfolio Review Committee and a member of the Business Strategy & Development Committee and Physical Planning and Contingency Arrangements of the Bank. Mr. Umer Mansha completed his education from Babson College, Boston, USA. He also serves as a Director of Nishat Dairy (Pvt.) Ltd., Nishat Developers (Pvt.) Ltd., Adamjee Life Assurance Company Ltd., Nishat Agriculture Farming (Pvt.) Ltd. and Nishat Hotels & Properties Ltd.

Ahmed Ebrahim Hasham
Director

Ahmed Ebrahim Hasham is the Chief Operating Officer of Mehran Sugar Mills which he joined in 2000. He is a graduate in International Relations (IR) and Economics from Tufts University, USA. He is an active contributor towards Social and Academic Services. He is a member on the Board of Pakistan Molasses Company Limited, Unicol Limited, Mehran Sugar Mills and Hasham (Pvt.) Ltd. In addition, he is also a member of the Executive Committee of the Pakistan Sugar Mills Association.

Ali Munir
Director

Ali Munir has over 30 years' experience and is presently the Senior Executive Vice President and Group Head Strategic Planning & Investments at MCB Bank Limited. He joined MCB in 1999 and his responsibilities have included information technology, operations, financial control, cash management and corporate affairs. Previously, he has served in senior positions at Citibank, Saudi American Bank and Habib Bank Ltd. Mr. Munir is a Lawyer and Chartered Accountant from England. He has a B.A. Degree from Government College, Lahore and a TTFL Degree from the University of Punjab, Lahore. He was awarded the Muzzafar Memorial Medal by the State Bank of Pakistan in 2005 for contributions to the banking industry in Pakistan. Ali serves as a Director at Hub Power Co. Ltd., MNET Services (Pvt.) Ltd, MCB Employees Security System & Services (Pvt.) Ltd. and MCB Leasing Company CJSC. He is a Member of the Institute of Chartered Accountants in England and Wales, as well as the Institute of Chartered Accountants of Pakistan. He was also the Chairman of the SBP Committee for Agricultural Finance.

Fredrik Coenrard de Beer
Director

Fredrik started his working career at Cape Town and later transferred to the Northern part of South Africa, Pretoria, one of the capitals of South Africa. He holds professional qualifications from SAAF (Aircraft Maintenance) and Rand Afrikaans University (Human Resource Development Certification). Current studies include his Master's from Cumbria University in Zurich. He started his insurance career in 1984 and attended various Senior Management Development programs with Old Mutual (CDC / MDC I & II) and industry related training institutes. He was awarded the prestigious "Best Leader of the Year" award by Old Mutual. He acted in the capacity of Director during his management career in South Africa with MDBCS, as well as internationally during his career in the UAE. He is currently the CEO of Adamjee Life Assurance Company Limited.

Kamran Rasool
Director

Kamran Rasool joined the Civil Service of Pakistan in 1972 after doing his Master's in English Literature from Punjab University. In 1978, he obtained a Postgraduate Diploma in Development Administration from Manchester University, UK. He served in various fields and Secretariat appointments in Punjab, where he was appointed Chief Secretary in 2003. Earlier, he served as Chairman, Bank of Punjab for a period of about one year. He served as Secretary in various Ministries of the Federal Govt., including Cabinet Secretary, Defence Secretary and retired in 2008. Kamran is currently serving as Group Head, Security and CSR in MCB Bank Ltd. He is on the Board of Directors of Pakgen Power Ltd., PASSCO, MCB Employees Security System & Services (Pvt.) Ltd. and Lalpir Power Ltd.

Ibrahim Shamsi
Director

Ibrahim Shamsi is the Chief Executive of Aladin Water & Amusement Park, Karachi and Joyland, Lahore and is also the Chairman of Cotton Web (Pvt.) Ltd. He is involved in social services as trustee of Jamiat-e-Taleem ul Quran and has served on the editorial board of college & university publications. Ibrahim earned his MBA from the Lahore University of Management Sciences. He serves as the Director of Joyland (Pvt.) Ltd., Dupak Developers Pakistan (Pvt.) Ltd., Siddiqsons Ltd., Siddiqsons Tin Plate Ltd., A.A. Joyland (Pvt.) Ltd. and Dupak Tameer Ltd.

Imran Maqbool
Director

Imran Maqbool holds an MBA Degree from IBA, Karachi and a MS in Management from Sloan School of Management, MIT, USA. He started his career from Bank of America, where he worked at various positions in Relationship Management, Corporate and Investment Banking over a period of 15 years. Later, he joined Citibank, Lahore as Regional Manager for a period of 2 years. He has been a part of MCB for over 10 years. During this period, he worked as Corporate Head before moving to Colombo as Country Head of MCB's Sri Lanka Operations. In Pakistan, he headed the Islamic Banking and Special Assets Management Group. He was Group Head Commercial Banking, MCB Bank Ltd. before becoming President and CEO of the Bank. Prior to joining the banking industry, Imran served a brief stint with Exxon Chemical Ltd., Multan. He also serves as Director in MCB Financial Services and MNET Services (Pvt.) Ltd.

Muhammad Umar Virk
Director

Muhammad Umar Virk is the Chairman of Hira Textile Mills Limited. He is a qualified & seasoned professional with over 25 years' experience in textile trade and industry. Umar founded Hira Textile Mills in 1995 by acquiring a spinning unit near Lahore. He successfully turned around the unit by skillful expansion and upgradation. Mr. Muhammad Umar Virk did his graduation in Textile Engineering in 1976. He serves as the Director of Hira Textile Mills Ltd. & Hira Terry Mills Ltd.

Shahid Malik
Director

Shahid Malik joined the Pakistan Foreign Service in 1972. During his service tenure of over 35 years, he has held prominent positions in Pakistan Missions abroad including Tokyo, Rome, Washington, New Delhi and Ottawa. He also served as High Commissioner of Pakistan to Canada with concurrent accreditation as Ambassador to Venezuela and High Commissioner to Guyana, Trinidad and Tobago, and as High Commissioner of Pakistan to India from 2007 - 2012. Shahid has participated in various international conferences on strategic issues, including the UN General Assembly, NAM, etc. He has been a regular speaker at various international forums on current affairs and international security. He is on the Board of Directors of MCB Leasing Company CJSC, Nishat Chunian Power Ltd., Nishat Chunian Ltd. and Pakgen Power Ltd.

Shaikh Muhammad Jawed
Director

Shaikh Muhammad Jawed was the Director of Din Leather (Pvt.) Ltd. and has a vast experience in running a most modern tannery. Due to his technical expertise, Din Leather has received several export performance awards, merits as well as best export performance trophies for the export of Finished Leather from Pakistan and the Company's contribution is earning valuable foreign exchange for the country. Due to excellence in quality and supply, the Company has also received a Gold Medallion Award from the International Export Association, UK. He has technical education in Leather Technology from Leather Sellers College, UK. He also serves as a Director of Adamjee Life Assurance Company Ltd.

Muhammad Ali Zeb
Managing Director & CEO

Muhammad Ali Zeb has over 18 years of experience in Manufacturing, Financial and Insurance sectors. Ali is a Fellow member of Institute of Chartered Accountants of Pakistan and was awarded a gold medal in Cost Accounting. He started his professional career in 1995 at Nishat Mills, where he rose to the position of Financial Controller. He then joined Adamjee Insurance as Chief Financial Officer in 2005 and later became the Executive Director, Finance. He was appointed Chief Executive Officer in September, 2008. Ali left Adamjee Insurance in March, 2011. He then served at City School (Pvt.) Ltd. as Chief Financial Officer from 2012 till April, 2013. He rejoined Adamjee Insurance in May, 2013. He is on the Board of Directors of MCB Bank Ltd. and Adamjee Life Assurance Co. Ltd.

MANAGEMENT TEAM

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Muhammad Ali Zeb has over 18 years of diversified experience in the Manufacturing, Financial and Insurance sectors. He started his professional career in 1995 from Nishat Mills where he rose to the position of Financial Controller. In 2005, he joined Adamjee Insurance as Chief Financial Officer and was promoted to Executive Director Finance. In 2008, he was appointed as Chief Executive Officer and worked on this position till March, 2011. He then served at City School (Pvt.) Ltd. as Chief Financial Officer from 2012 till April, 2013. He rejoined Adamjee Insurance in May, 2013.

Ali is a Fellow member of the Institute of Chartered Accountants of Pakistan and was awarded a gold medal in Cost Accounting.

Rehan Ahmad Khan
Executive Director
Finance

Rehan Ahmad Khan has over 21 years of experience in Health, Financial, Banking and Insurance sectors.

Rehan started his career in 1992 from M/s Latif Memorial Hospital after which he joined M/s Sidat Hyder Morshed Associates as Management Consultant in 1994. He then joined M/s Creative Group as Chief Financial Officer in 1997 from where he moved to Saudi Pak Commercial Bank as Regional Head Audit in 2000. He left the Bank in 2007 as Head of Compliance and joined Adamjee Insurance in 2007 as General Manager Internal Audit. He is currently serving as Executive Director Finance.

Rehan is a Fellow member of Institute of Chartered Accountants of Pakistan.

Adnan Ahmad Chaudhry
Executive Director
Commercial

Adnan Ahmad Chaudhry has over 20 years of experience in Engineering, Manufacturing & Insurance sectors. He started his career in 1993 from Arden Engineering & Automation after which he moved to ALSTOM in 1994. He then joined Al Hassan Group of Companies, Oman as Manager Abu Dhabi Branch in 1999. In 2000, he joined KSB Pumps Company Limited as Branch Head. He joined Classic Needs Pakistan (Pvt.) Ltd. as an Executive Director in 2003. Adnan joined Adamjee Insurance in 2008 as Head of Motor Department, became General Manager Operations in 2010 and is currently serving as Executive Director Commercial.

Asif Jabbar
Executive Director
Technical

Asif has over 20 years of insurance experience in the areas of Technical, Operations and Sales functions. He started his career in 1993 with Adamjee Insurance Company Limited and worked for almost 19 years in different functions at mid and senior level positions. He also worked with Marsh Pakistan as Chief Operating Officer from October, 2012 till July, 2013. Since August, 2013 he is serving in Adamjee Insurance as Executive Director Technical.

Asif is a Chartered Insurer and Associate of Chartered Insurance Institute, London. He is a Chartered Member of Institute of Logistics and Transport, London and Member of Claims Faculty of Chartered Insurance Institute, London. Asif is a member of the Karachi Insurance Institute as well.

Muhammad Salim Iqbal
Executive Director
Re-Insurance

Muhammad Salim Iqbal has over 27 years of experience in the Insurance sector. Salim started his career in 1987 from Wahidis Associates (Pvt.) Ltd. He then joined Adamjee Insurance in 1989 as Deputy Chief Manager after which he joined Al-Dhafra Insurance Company in 1995 as Manager Marine Aviation and Re-insurance. Salim then joined New Jubilee Insurance Company in 2005. He moved on to IGI Insurance Limited in 2009 as Head of Underwriting and rejoined Adamjee Insurance in 2010 as General Manager Technical. Salim is currently serving as Executive Director Re-Insurance.

Muhammad Salim Iqbal is an Associate Member & Fellow member of Chartered Insurance Institute. He is a member of IAP's Fire Section Committee & Engineering Insurance Sub-committee. He is also a member of Marine Technical Committee of Emirates Insurance Association.

Najib Nasir Syed
Executive Director
Compliance & Claims

Najib Nasir Syed has over 27 years of experience in Insurance and Banking sectors. Najib started his career from Adamjee Insurance in 1987. He is a US qualified MBA and graduated from The College of Insurance, New York.

He has also served the Central Bank (State Bank of Pakistan) as Joint Director and, before joining Adamjee Insurance in 2012, was the Chief Operating Officer of UBL Insurers Limited. He has served in the capacity of General Manager Technical in the Company and is currently serving as Executive Director Compliance and Claims.

Najib Nasir Syed was a member of the Executive Committee of IAP & also the Chairman of the Engineering & Property Committee of IAP.

Amir A. Hamid
Executive Director
Human Resources

Amir A. Hamid has over 18 years of diversified experience of local and international markets in the Information Technology, Banking and Food & Beverage industries. The initial four years of his career were in Customer Services with IBM and Bank of America. He started his HR career in 1999 with Bank of America as HR Manager. He progressed in his career and worked with Union Bank Limited as Compensation & Benefits Manager, United Bank Limited as VP HR Services for Pakistan and International Operations and with Emirates Global Islamic Bank as HR Head. His last assignment was with PepsiCo, as Compensation and Benefits Manager for West Asia & North Asia and Head of HR for their Beverages and Foods businesses in Pakistan. He is associated with Adamjee Insurance since May, 2013, as Executive Director HR.

Amir is an MBA in Human Resources and a member of multiple HR forums and associations.

CEO'S MESSAGE

> "We aim to set new standards of customer service excellence through exploring and innovating new products for our valued customers"

At AICL, our commitment to our stakeholders, customers and suppliers has been the key to our success. Our pursuit of the best practices has led us to new levels of professionalism and together, we have managed to turn challenges into opportunities and excelled as a team.

We believe our human resources are our true assets, and will continue to invest in them. Their dedication and effort has helped AICL go from strength to strength.

We aim to set new standards of customer service excellence through exploring and innovating new products for our valued customers, and are committed to meeting their expectations through operational excellence and customer service that works to strengthen relationships.

On behalf of the Board and Management Committee, I would like to express my sincere gratitude for the valued support provided by our employees, suppliers and customers in helping us achieve our corporate goals. We hope the coming year sees our relationships stronger than ever.

Sincerely,

Muhammad Ali Zeb
Managing Director & CEO

QUALITY POLICY

The management and employees of Adamjee Insurance demonstrate commitment to satisfying customer needs by managing risk assessment in General Insurance.

In alignment with satisfaction of customer needs, processes are established to support the vision and values of the Company. We use QMS-9001 as a tool to continually review and improve the effectiveness of our implemented systems.

We regularly assess our processes and practices to build on our relationship with all our stakeholders including customers, shareholders, strategic partners and employees.

COMPANY PROFILE

Adamjee Insurance Company Limited (AICL) is a general insurance giant, incorporated as a Public Limited Company on September 28, 1960. AICL, one of the leading insurance companies in Pakistan, has a regional presence in United Arab Emirates (UAE) and maintains its standing through an unwavering commitment to its corporate philosophy. AICL's competitive competency is achieved by combinations of voluminous assets, notable paid-up capital, sizable reserves, a varied portfolio and consequently, remarkable growth rates. AICL is listed with all three stock exchanges of Pakistan, establishing its credibility. The Company retains a strong regional presence in the UAE (Dubai and Abu Dhabi).

A Truly Dynamic Business Setting

AICL aims to deliver innovative customer solutions, owing to its wide-ranging line of products. Its employees are dedicated to performing their best for its valued customers, trained with all the skills necessary for a truly outstanding customer service. The Company's focus on strengthening and expanding its global presence is reflected in its tapping the potential available in the UAE market along with the consolidation of business in Dubai & Abu Dhabi. AICL collaborated with Hollard International, based in South Africa, to commence Life Assurance operations under a separate entity name, today known as Adamjee Life Assurance Company Limited.

Delivering Value to Customers

AICL is broadly involved in underwriting the following Classes of Business:

- Fire and Property
- Marine Aviation and Transport
- Motor
- Miscellaneous Insurance

AICL's well-founded confidence lies in the large number of banking and financial sector clients that AICL insures. Some of AICL's high risk-value projects include risk-coverage provision to Petrochemical Factories and Industrial Risk projects. AICL also specializes in insuring Engineering and Telecom concerns. Alternatively, AICL serves Pakistan's primary industry by providing coverage to the Textile and Sugar sectors. As a pioneer in the coverage of Oil & Gas (upstream & midstream), Wind and Thermal Energy Risks, AICL has successfully assumed the role of the leading player in Pakistan's insurance industry. The Company has also managed to secure business being brought in by foreign investors entering Pakistan to execute construction or infrastructure development projects. AICL is proud to be the premier insurer of Kidnap & Ransom, Professional Indemnity, Product Liability and other specialized lines in Pakistan.

AICL's customer-centric approach drives it forward in customer care. The Company's financial strength allows the timely remuneration and settlement of hefty claims. A competent team of professionals works tirelessly to ensure comprehensive customer satisfaction and a 24/7 dedicated customer care call center is always on call.

Achievements Through the Year

- IFS rating of AA (Double 'A') by PACRA
- Best General Insurance Company for four consecutive years by the Consumer Association of Pakistan
- Certificate of ISO 9001 by Lloyd's Register Quality Assurance
- Fire & Safety Award 2013
- Best Business Excellence Award – CSR Awards 2013
- Brand of the Year Award for three consecutive years


CSR

CORPORATE SOCIAL RESPONSIBILITY

Adamjee Insurance's Corporate Social Responsibility (CSR) Program aims to address key concerns in society, such as health and education. The Company also stresses on reassuring its chief stakeholders of overall sustainability through compliance, ethics and corporate citizenship. These elements combined, form the basis of AICL's corporate philosophy and CSR.

AICL's CSR is primarily focused on achieving compliance, upholding ethical standards, actively participating in corporate citizenship and maintaining overall sustainability. AICL has undertaken an array of initiatives, including improved communication and extensive training, to cultivate these aspects of its operations.

Compliance and Ethics

Regulations are becoming increasingly complex in light of high transparency prerequisites being enforced globally. AICL has continually striven to develop its capabilities until it can be at par with international players in the global insurance industry, meeting all necessary standards and checks. AICL's edge in the market at home lies in its strict and efficient compliance of international standards.

AICL has incessantly reiterated that its Compliance Performance Standards are applied to all areas of business. AICL ensures to increase compliance and ethical understanding throughout its management hierarchy. Initiatives taken include internal awareness campaigns, specific trainings in detailed regulatory areas and focused efforts on sensitive areas such as conflict of interest.

Health, Safety & Environment

Health, Safety and Environmental (HSE) responsibilities constitute an essential part of Adamjee Insurance operations. These become the core of the Company's activities. Adamjee management and employees share the belief that good HSE contributes positively and productively to business development and success. It is this belief that then urges Adamjee Insurance to increase team efforts, endeavoring for better HSE for employees, customers and neighbours. The Company also hopes to safeguard people's health and minimize the environmental impact of their jobs. AICL's HSE policy observes all existing laws, regulations and amendments.

Committed to Excellence

In an era of intense hectic competition, AICL stays afloat with its unwavering commitment to operational and financial discipline in producing unparalleled results, keeping its promises and continually fulfilling its customers' needs.

Major Donations Over the Year

- Balochistan Earthquake Relief Fund
- Hunar Foundation's HAK Technical Institute (Tando Alayar) – IT Laboratory

SIX YEARS AT A GLANCE

PARTICULARS	2013	2012	2011	2010	2009	2008
	Rupees in million					
Balance Sheet						
Paid-Up Capital	3,500	1,237	1,237	1,237	1,125	1,022
Reserves	1,440	1,442	1,242	1,164	1,137	1,078
Equity	13,047	11,486	10,835	11,000	10,781	8,559
Investments (Book Value)	11,360	9,948	9,452	9,407	9,658	7,577
Investments (Market Value)	18,391	13,189	9,557	10,003	10,152	6,735
Fixed Assets	1,197	1,118	1,063	1,101	1,050	940
Cash & Bank Deposits	2,546	2,507	2,379	2,705	2,157	1,724
Other Assets	12,099	11,034	11,173	14,674	8,747	8,763
Total Assets	27,202	24,607	24,067	27,887	21,612	19,004
Total Liabilities	14,155	13,121	13,232	16,887	10,831	10,444
Operating Data						
Gross Premium	10,077	10,059	11,064	11,564	10,321	10,205
Net Premium	5,507	5,672	6,983	6,883	6,807	7,488
Net Claims	3,487	4,143	4,626	4,868	4,453	5,173
Net Commission	348	359	476	515	500	741
Underwriting Result	137	(412)	166	246	679	367
Underwriting Expenses	1,535	1,583	1,715	1,255	1,175	1,207
Gen. & Admin. Expenses	445	411	1,202	635	722	511
Financial Charges	2	6	15	19	-	-
Total Management Expenses	1,983	2,000	2,932	1,909	1,897	1,718
Investment Income	2,357	1,332	852	779	2,479	1,098
(Loss) / Profit Before Tax	2,210	670	(42)	542	2,595	1,176
Profit After Tax	1,966	628	132	484	2,434	1,099
Share Information						
Break Up Value Per Share (Rs.)	37.3	92.8	87.6	88.9	95.9	83.7
No. Of Shares	350	123.7	123.7	123.7	112.5	102.2
Share Price At End (Rs.)	37.4	68.1	46.5	87.5	123.3	101.8
Highest Share Price During Year (Rs.)	106.4	81.6	96.4	135.2	130.4	416.9
Lowest Share Price During Year (Rs.)	37.0	45.0	42.1	63.1	41.6	101.8
KSE 100 Index	25,284	16,905	11,347	12,022	9,387	5,865
Market Price To Break Up Value	1.0	0.7	0.5	1.0	1.3	1.2
Distribution						
(*)Dividend Per Share (Rs.)	3.5	1.5	2.5	3.3	3.3	3.0
(*)Total Dividend - Amount	433.0	185.6	309.3	404.9	373.2	337.4
Cash Dividend %	35.0	15.0	25.0	23.6	24.1	30.0
Bonus Shares %	182.9	-	-	9.1	9.1	-
Total Dividend %	217.9	15.0	25.0	32.7	33.2	30.0

PARTICULARS	2013	2012	2011	2010	2009	2008
	Rupees in million					
Financial Ratios						
Profitabilty						
(Loss) / Profit Before Tax / Gross Premium (%)	21.9	6.7	(0.4)	4.7	25.1	11.5
(Loss) / Profit Before Tax / Net Premium (%)	40.1	11.8	(0.6)	7.9	38.1	15.7
Profit After Tax / Gross Premium (%)	19.5	6.2	1.2	4.2	23.6	10.8
Profit After Tax / Net Premium (%)	35.7	11.1	1.9	7.0	35.8	14.7
Combined Ratio	97.5	107.3	97.6	96.4	90.0	95.1
Management Expenses / Gross Premium (%)	19.7	19.9	26.5	16.5	18.4	16.8
Management Expenses / Net Premium (%)	36.0	35.3	42.0	27.7	27.9	22.9
Underwriting Result / Net Premium (%)	2.5	(7.3)	2.4	3.6	10.0	4.9
Net Claims / Net Premium (%)	63.3	73.0	66.3	70.7	65.4	69.1
Investment Income / Net Premium (%)	42.8	23.5	12.2	11.3	36.4	14.7
Return To Shareholders						
Return On Average Capital Employed (%)	16.0	5.6	1.2	4.4	25.2	13.6
Return On Equity - PBT (%)	16.9	5.8	(0.4)	4.9	24.1	13.7
Return On Equity - PAT (%)	15.1	5.5	1.2	4.4	22.6	12.8
Earning Per Share (Rs.)	5.6	5.1	1.1	3.9	21.6	9.8
P/E Ratio	6.7	13.4	43.6	22.4	5.7	10.4
Return On Capital Employed (%)	15.1	5.5	1.2	4.4	22.6	12.8
Dividend Yield (%)	9.4	2.2	5.4	3.8	2.7	2.9
Dividend Payout (%)	62.3	29.5	234.3	84.3	15.3	30.7
Return On Total Assets (%)	7.2	2.6	0.5	1.7	11.3	5.8
Liquidity / Leverage						
Total Assets Turnover (Times)	0.4	0.4	0.5	0.4	0.5	0.5
Fixed Assets Turnover (Times)	8.4	9.0	10.4	10.5	9.8	10.9
Total Liabilities / Equity (%)	108.5	114.2	122.1	153.5	100.5	122.0
Paid-Up Capital / Total Assets (%)	12.9	5.0	5.1	4.4	5.2	5.4
Equity / Total Assets (%)	48.0	46.7	45.0	39.4	49.9	45.0

(*) Including Bonus Dividend

DIRECTORS' REPORT
TO THE MEMBERS ON UNCONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 53rd Annual Report of your Company together with the audited unconsolidated financial statements for the year ended 31 December, 2013.

ECONOMIC OVERVIEW

The year started with sluggish economic activity in the wake of power and gas shortages along with other internal and external challenges. The circular debt remains high despite of temporary adjustments by Government, building pressure on fiscal side. The working of Public Sector Enterprises (PSEs) also deteriorated, resulting in further burden on the economy. The adverse impact of these challenges were compounded by the ongoing security situation and caused significant loss to the economy.

On a positive note, the second half of the financial year saw improvement in investor's sentiment and confidence restoration owing to smooth and peaceful election and change of Government. Inflation fell significantly in the current financial year and large scale manufacturing shows sign of recovery. Fiscal year started with the single digit inflation and likely to remain in controlled range in foreseeable future.

The economy has recorded a GDP growth of 4.4%, where service sector continued to be the major contributor in GDP growth.

Pakistan's equity market reached the highest ever mark, as KSE 100 index gained 49.6% over 2012 index, to close at 25,284.

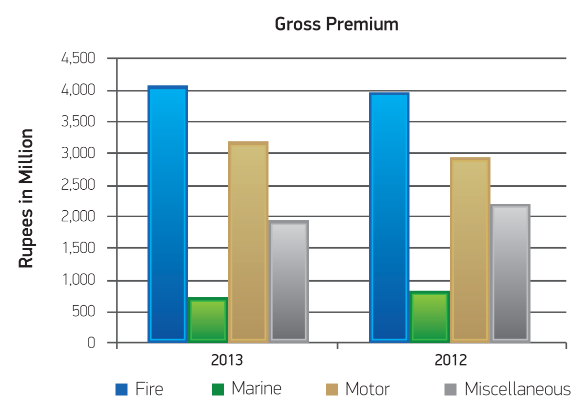
The insurance sector continued to face challenges due to slow GDP growth, slow manufacturing activity in the wake of energy shortages and declining investment in physical capital. The overall profitability of the sector improved on the back of record breaking performance by the stock market, whilst the profitability from the core operations improved during the year.

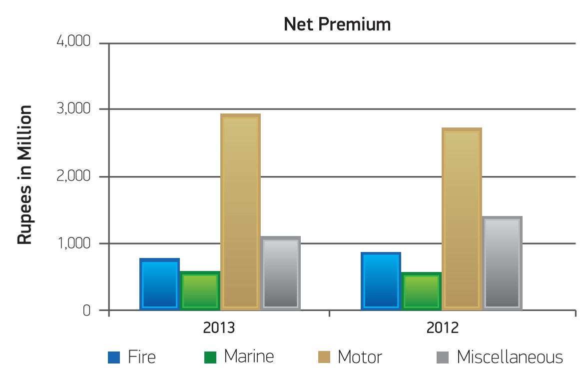
COMPANY PERFORMANCE REVIEW

In the year 2013, reduction in prices of insurance products continued to pose pressure on the revenue; however Company was able to sustain similar level of revenue as seen in 2012.

In 2013, the gross premium increased by 0.2% to Rs. 10,077 million as compared to Rs. 10,059 million in 2012. The net premium retention was 55% amounting Rs. 5,507 million of total gross premium underwritten as compared to the net premium retention of 56% amounting Rs. 5,672 million in last year.

The net claim ratio has decreased by 10% to 63% compared to 73% last year. Management expenses and net commission expenses each have reduced by 3% over the corresponding year. The underwriting results improved by 133% to a profit of Rs. 137 million from loss of Rs. 412 million in the preceding year.





This year, the return on the investment portfolio has increased to Rs. 2,357 million after taking effect of the reversal of impairment of Rs. 195 million as compared to Rs. 1,332 million last year.

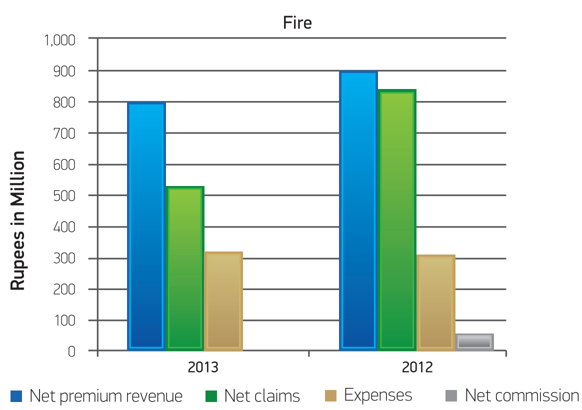
The general and administration expenses have increased to Rs. 445 million in 2013 as compared to Rs. 411 million during last year. This increase of 8% in general and administrative expenses was primarily due to increase in provision for workers' welfare fund in the current period by Rs. 32 million.

Profit before tax is reported at 2,210 million compared to profit before tax at 670 million last year, while profit after tax is Rs. 1,966 against profit after tax of Rs. 628 million in 2012.

PORTFOLIO ANALYSIS

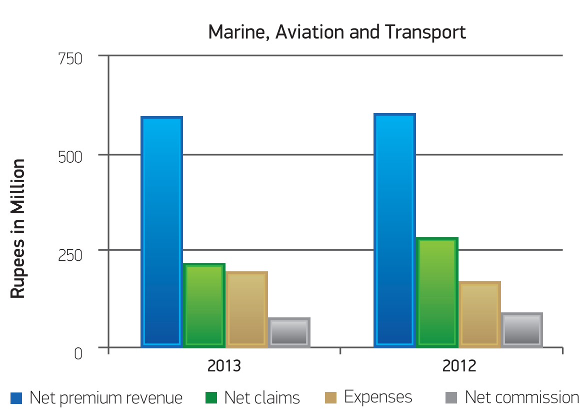
Fire & Property

Fire and property class of business constitutes 41% of the total portfolio. During the year, the Company has under-written a gross premium of Rs. 4,115 million (2012: Rs. 4,004 million). The ratio of net claims to net premium is 66% this year as compared to 94% last year. The Company incurred an underwriting loss of Rs. 56 million as compared to an underwriting loss of Rs. 308 million in 2012.



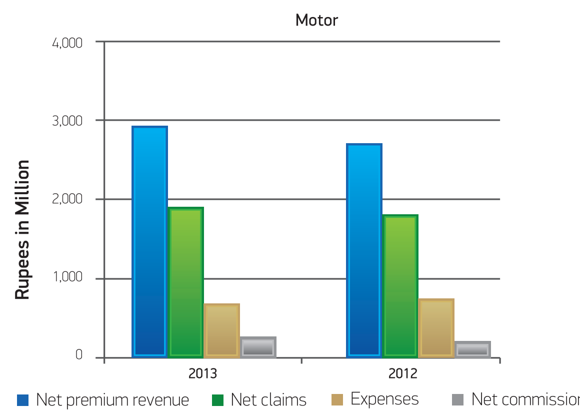
Marine, Aviation & Transport

This class of business constitutes 7% of the total portfolio. The Company has underwritten a gross premium of Rs. 748 million in current year as compared to Rs. 837 million in the last year. The net claims ratio is 37% as against 47% last year, which resulted in an underwriting profit of Rs. 94 million against Rs. 66 million last year.



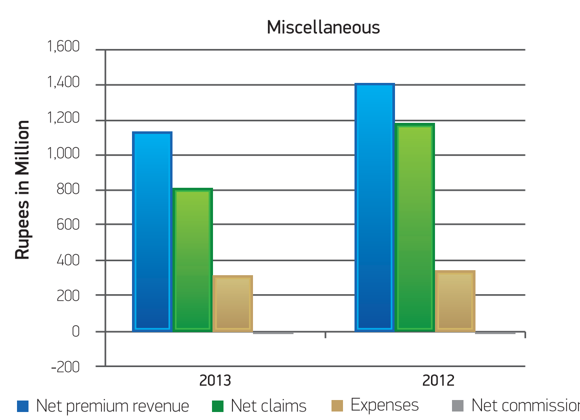
Motor

This class of business constitutes 32% of the total portfo-lio. During the year, the Company has underwritten a Gross Premium of Rs. 3,233 million as compared to Rs. 2,983 million in last year. The ratio of net claims to net premium for the current year is 65% as compared to 66% in 2012. Prudent management of motor class of business has resulted in an underwriting profit of Rs. 92 million as compared to an underwriting loss of Rs. 48 million in 2012.



Miscellaneous

The miscellaneous class of business constitutes 20% of the total portfolio. The gross premium showed a decrease of 11% over last year with a gross premium written of Rs. 1,981 million (2012: Rs. 2,235 million). The ratio of net claims to net premium is 72% as against 84% last year. The portfolio showed an underwriting profit of Rs. 6.4 million in current year against an underwriting loss of Rs. 122 million in last year.



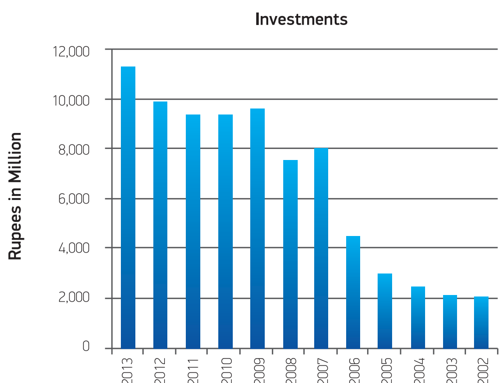
INVESTMENT INCOME

During the year, market capitalization and the trading volumes in KSE-100 index increased significantly as compared to previous year. The KSE-100 index increased by 49.6%, closing at 25,284 in 2013 as compared to 16,905 in 2012.

Income from investments increased from Rs. 1,332 million to Rs. 2,357 million in 2013 i.e. an increase of 77% over previous year.

This increase was largely due to increase in dividend income and on gain earned on sale of 'available-for-sale' investments.

The rise in KSE-100 index to the 25,284 mark at the year-end date, as against 16,905 points on 31 December, 2012, together with other factors warranted a reversal of impairment in the investment portfolio held by the Company of Rs. 195 million which was recognized in the financial statements for 2013

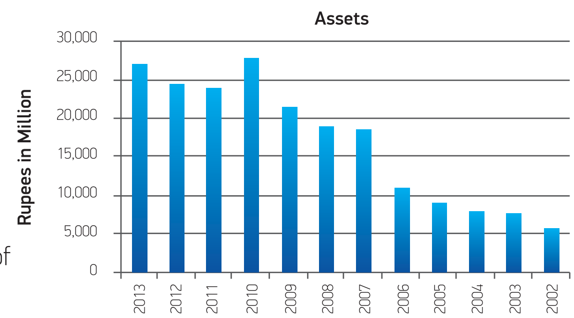


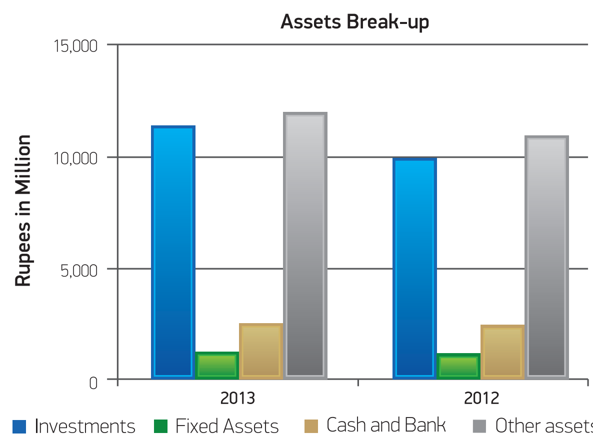
The break-up of investment income is as under:

	2013	2012
	(Rupees in million)	
Dividend income	936	797
Return on TFCs	11	18
Return on Treasury bills	6	12
Return on PIBs	11	6
Gain on sale of 'available for sale' investment	1,198	143
	2,162	976
Reversal of impairment	195	356
Net investment income	**2,357**	**1,332**

COMPANY'S ASSETS

The total assets of the Company as on 31 December, 2013 stood at Rs. 27,202 million against Rs. 24,607 million last year showing an increase of 11% mainly due to increase in the value of investments. The total cash and bank balance at the end of year was Rs. 2,546 million as against Rs. 2,507 million last year, an increase of 2%. The management ensures optimum utilization of funds and to make use of better investment opportunities.





RISK MITIGATION

Underwriting risk includes the risks of inappropriate underwriting which includes inadequate pricing, inappropriate terms and conditions and ineffective physical risk management. To manage this risk, the Company pays particular attention to the underwriting controls and risk surveys.

The underwriting heads of each department are responsible for managing and controlling the underwriting operations under their respective domains. Underwriting is conducted in accordance with a number of technical controlling protocols. This includes defined underwriting authorities, guidelines by class of business, rate monitoring, underwriting peer reviews and practice for seeking guidance on large and intricate risks from REG (Risk Exposure Group). This Group is represented by Executive Director Technical, Executive Director Commercial, Executive Director Claims and Compliance and Executive Director Re-Insurance. By making use of Cresta Zones and Geo Coding the Company monitors the risk of accumulation arising from catastrophic events.

The exposure is protected by a comprehensive re-insurance programme that has the capacity to respond to different possible catastrophic events.

The Company also has a separate Physical Risk inspection department which carries out a large number of high risk and large and medium risks surveys before underwriting them. The surveys are conducted both on set schedules and on case to case basis. The department by far carries out the largest number of surveys in the market and provides an insight of the risk to the underwriters thus assisting them in making right decisions.

HUMAN RESOURCE

At Adamjee Insurance "It's all about People", as we truly believe that our employees are the greatest strength we have. Talent Management is a continuous process and we ensure that we hire right people on right jobs. Rewards are based on performance culture, culture is engaging and based on ethical values and ample career growth opportunities are provided to our employees. The Career Working Groups have focused on improving bench-strength at middle and senior management level, creatting opportunities for high potential employees, through development programmes

As a result, all key employees' satisfaction indicators i.e. employee productivity, engagement index, employee turnover and female diversity for 2013 are encouraging.

ISO 9001 CERTIFICATION

Adamjee Insurance has always endeavored to enhance customer satisfaction through continually improving its practices, processes and Standards. By upgrading to ISO 9001:2008, Adamjee has once again assured its commitment to the customers in fulfilling their insurance requirements.

This year we have successfully completed our third Certificate Renewal audit ISO 9001:2008.

UAE OPERATIONS

UAE operations showed an increase of 16% in gross premium underwritten which stood at Rs. 2,171 million against Rs. 1,871 million in the previous year. The underwriting results decreased by 217% from a profit of Rs. 21 million to a loss of Rs. 25 million primarily due to increase in net claims in motor class by Rs. 384 million in the current year.

CSR ACTIVITIES

The CSR initiatives taken during the year 2013 have been separately mentioned in the report.

PACRA ASSIGNS "AA" RATING

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

DIRECTORS

The shareholders elected eleven Directors for the term of three years. The tenure of the Directors elected in May, 2010 expired on May 29, 2013. An Extra Ordinary General Meeting was held on May 28, 2013. Thirteen persons offered for the election and eleven were elected by balloting. The eleven persons elected as Directors were:

- Ahmed Ebrahim Hasham
- Ali Munir
- Fredrik Coenrard de Beer
- Ibrahim Shamsi
- Imran Maqbool
- Kamran Rasool
- Muhammad Ali Zeb
- Muhammad Umar Virk
- Shahid Malik
- Shaikh Muhammad Jawed
- Umer Mansha

CHIEF EXECUTIVE

The Directors in the Board meeting held on June 4, 2013 appointed Mr. Muhammad Ali Zeb as Chief Executive Officer for a period of three years.

AUTHORIZED AND PAID-UP CAPITAL

The authorized capital of the Company was increased from Rs. 1.5 billion to Rs. 3.75 billion. The capital was increased to facilitate further issue of shares.

The paid up capital was also increased from Rs. 1.237 billion to Rs. 3.5 billion by way of issuing bonus shares in the ratio of 1.82932212 shares for one share held. The capital was raised equivalent to AED 100 million as required by Insurance Regulators of United Arab Emirates. The Company is operating with 2 branches in UAE. An extraordinary general meeting was called on December 18, 2013 to approve increase in authorized and paid-up capital. The shares were credited in CDC account on December 24, 2013. Allotment letters along with fractional warrants were also dispatched the same day to shareholders.

APPROPRIATIONS

An interim dividend @ 25% (Rupee 2.5/ per share) (2012: @ 15% [Rupee 1.5/ per share]) was paid during the year. The Board recommended final cash dividend @ 10% (Rupee 1/- per share) (2012: @10% [Rupee 1/-per share]). Bonus shares were issued during the current year @ 182.93% amounting Rs. 2,263 million (2012: Nil). No other appropriations were made during the year.

EARNINGS PER SHARE

During the year under review, pre-tax basic earnings per share was Rs. 6.32 and after tax basic earnings per share was Rs. 5.62 (2012: Rs. 1.92 and Rs. 1.79, respectively). Detailed working has been reported in Note 24 to the financial statements in this regard.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

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

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

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

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

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

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

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at December 31, 2013, except as those disclosed in the financial statements.

- The value of investments including accrued income of provident and gratuity funds on the basis of un-audited accounts as on December 31, 2013 is as follows:

	(Rupees in '000')
Provident Fund	763,716
Gratuity Fund	134,555

- During the year 2013, six meetings of the Board of Directors were held and attended by the Directors as under:

Umer Mansha - 6, Ahmad Ebrahim Hasham - 5, Ali Munir - 4, Fredrik Coenrard de Beer - 4, Ibrahim Shamsi - 5, Imran Maqbool - 6, Kaman Rasool - 5, Manzar Mushtaq - 2*, Muhammad Ali Zeb - 4, Muhammad Umar Virk - 5, Shaikh Muhammad Jawed - 4, Shahid Malik - 5.

*Mr. Manzar Mushtaq was the Chief Executive Officer till June 4, 2013 and he did not file his intention to offer himself for the election of Directors. He attended two meetings held during his tenure.

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

BOARD COMMITTEES

Audit Committee

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

The Committee consists of five members, one of them is independent Director. During the year 2013, five meetings of the Committee were held and attended by the members as under:

Name of member	No. of meetings attended
Shaikh Muhammad Jawed	5
Ahmed Ebrahim Hasham	5
Ali Munir	5
Ibrahim Shamsi	4
Umer Mansha	5

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

Human Resource & Remuneration Committee

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

- The Committee consists of four members.

- During the year one meeting of Human Resource and Remuneration Committee was held and was attended by all the members namely:

- Ibrahim Shamsi
- Kamran Rasool
- Muhammad Ali Zeb
- Umer Mansha

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

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

Two meetings of Claim Committee and one each of Re-insurance & Underwriting Committees were held during 2013 and attended by all the members as under:

Underwriting Committee

Fredrik Coenrard de Beer
Muhammad Ali Zeb
Umer Mansha
Head of Technical

Claim Settlement Committee

Ahmed Ebrahim Hasham
Muhammad Ali Zeb
Shaikh Muhammad Jawed
Head of Claims

Re-Insurance Committee & Co-Insurance

Ali Munir
Muhammad Ali Zeb
Muhammad Umar Virk
Head of Re-insurance

DIRECTORS' TRAINING PROGRAMME
One Director attended the Directors' training programme during the year. Two Directors have earlier attended the training programme. Two Directors are exempted due to 14 years of education and 15 years of experience on the board of a listed company.

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

TRADING IN COMPANY'S SHARES
Except as stated below, no trading in the shares of the Company was carried out by the Directors / Executives, CEO, CFO, Company Secretary, other employees and their spouses and minor children. Staff in the cadre of Deputy General Manager and above is included in "other employees" as per threshold set by Board of Directors.

Name of Director	Shares purchased during the year
Muhammad Ali Zeb	2,500

AUDITORS
A shareholder of the Company under Section 253 (2) of the Companies Ordinance, 1984 read with clause (xxxvii) (a) of the Code of Corporate Governance has proposed the name of KPMG Taseer Hadi & Company Chartered Accountants as auditors for the next term. The Board of Directors on the suggestion of Audit Committee recommended the appointment of KPMG Taseer Hadi & Company Chartered Accountants as statutory auditors till the conclusion of next Annual General Meeting. Present auditors Riaz Ahmed & Company Chartered Accountants shall stand retired on the day of the 53rd Annual General Meeting scheduled on April 28, 2014.

LOOKING FORWARD
The economic indicators such as inflation, CPI, fiscal deficit, industrial production and GDP together with structural issues such as worsening energy crisis are not expected to be dissimilar to 2013. Emphasis would be placed on effective risk management, prudent underwriting and improving claim management.

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

On behalf of the Board

Muhammad Ali Zeb
Managing Director &
Chief Executive Officer

Lahore: 20 March 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance("the Code") prepared by the Board of Directors of ADAMJEE INSURANCE COMPANY LIMITED ("the Company") for the year ended 31 December 2013 to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 20 March 2014
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

Category	Names
Independent Directors	Ahmed Ebrahim Hasham Muhammad Umar Virk
Executive Director	Muhammad Ali Zeb
Non-Executive Directors	Ali Munir Fredrik Coenrard de Beer Ibrahim Shamsi Imran Maqbool Kamran Rasool Shahid Malik Shaikh Muhammad Jawed Umer Mansha

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

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

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

4. No casual vacancy occurred on the Board during the year 2013.

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

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

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

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

9. The Board arranged one training programme for its directors during the year.

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

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of 5 members, of whom 4 are non-executive directors and 1 is independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company 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 4 members, of whom 3 are non-executive directors and the Chairman of the Committee is non-executive director.

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

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

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

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

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

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

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

Lahore : 20 March 2014

STATEMENT UNDER SECTION 46 (6) OF THE INSURANCE ORDINANCE, 2000

The incharge of the management of the business was Mr. Manzar Mushtaq, Managing Director & Chief Executive Officer, from January 1, 2013 to June 4, 2013 and Mr. Muhammad Ali Zeb, Managing Director & Chief Executive Officer, from June 4, 2013 to date and the report on the affairs of business during the year 2013 signed by Mr. Muhammad Ali Zeb and approved by the Board of Directors is part of the Annual Report 2013 under the title of "Directors' Report to Members" and

a. in our opinion the annual statutory accounts of the Adamjee Insurance Company Ltd. set out in the forms attached to the statement have been drawn up in accordance with Ordinance and any rules made thereunder.

b. Adamjee Insurance Company Ltd. has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements; and

c. as at the date of the statement, the Adamjee Insurance Company Ltd. continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and re-insurance arrangements.

Umer Mansha Chairman	**Kamran Rasool** Director	**Muhammad Umar Virk** Director	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer

Lahore : 20 March 2014

UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated financial statements comprising of:

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

of ADAMJEE INSURANCE COMPANY LIMITED ("the Company") as at 31 December 2013 together with the notes forming part thereof, for the year then ended, in which are incorporated the results and balances of UAE branch, audited by another firm of auditors.

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

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

In our opinion:

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

b) the unconsolidated financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes referred to in Note 2.3.2 with which we concur;

c) the unconsolidated financial statements together with the notes thereon, present fairly, in all material respects, the state of the Company's affairs as at 31 December 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 20 March 2014
KARACHI

UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
			(Restated)	(Restated)
Share capital and reserves				
Authorised share capital	3.1	**3,750,000**	1,500,000	1,500,000
Paid-up share capital	3.2	**3,500,000**	1,237,045	1,237,045
Retained earnings		**8,106,138**	8,806,823	8,356,574
Reserves	4	**1,440,409**	1,441,879	1,241,625
		9,546,547	10,248,702	9,598,199
TOTAL EQUITY		**13,046,547**	11,485,747	10,835,244
Underwriting provisions				
Provision for outstanding claims (including IBNR)	5	**7,322,673**	6,361,653	5,548,018
Provision for unearned premium		**4,044,831**	3,961,293	4,328,346
Commission income unearned		**182,184**	313,279	371,687
		11,549,688	10,636,225	10,248,051
Deferred liabilities				
Staff retirement benefits	6	**40,477**	31,042	22,011
Creditors and Accruals				
Premiums received in advance		**153,420**	113,689	80,142
Amounts due to other insurers / reinsurers		**641,197**	496,887	1,151,088
Accrued expenses		**112,572**	117,593	158,185
Other creditors and accruals - restated	7	**1,613,727**	1,665,435	1,480,879
		2,520,916	2,393,604	2,870,294
Borrowings				
Liabilities against assets subject to finance lease	8	**6,683**	24,987	58,567
Other liabilities				
Unclaimed dividends		**37,675**	35,558	33,495
TOTAL LIABILITIES		**14,155,439**	13,121,416	13,232,418
CONTINGENCIES AND COMMITMENTS	9			
TOTAL EQUITY AND LIABILITIES		**27,201,986**	24,607,163	24,067,662

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
				(Restated)
Cash and bank deposits	10			
Cash and other equivalents		4,411	1,099	21,566
Current and other accounts		1,385,675	1,479,939	1,415,207
Deposits maturing within 12 months		1,156,190	1,026,373	942,194
		2,546,276	2,507,411	2,378,967
Loans				
To employees	11	16,151	12,791	17,175
Investments	12	11,359,717	9,948,294	9,451,731
Deferred taxation		105,401	241,171	195,068
Current assets - others				
Premiums due but unpaid	13	2,658,071	3,197,422	3,568,167
Amounts due from other insurers / reinsurers	14	1,093,985	591,566	679,631
Salvage recoveries accrued		179,703	169,671	165,718
Premium and claim reserves retained by cedants		23,252	23,252	23,252
Accrued investment income	15	15,877	20,329	21,626
Reinsurance recoveries against outstanding claims	16	5,574,428	4,330,229	3,799,366
Taxation - payments less provision		78,249	85,273	7,501
Deferred commission expense		390,649	422,203	472,399
Prepayments	17	1,766,507	1,734,149	2,033,763
Sundry receivables (2011: restated)	18	197,048	205,751	190,428
		11,977,769	10,779,845	10,961,851
Fixed Assets - Tangible & Intangible	19			
Owned				
Land and buildings		445,207	464,050	271,731
Furniture and fixtures		140,695	100,272	59,855
Motor vehicles		262,808	221,410	211,173
Machinery and equipment		113,428	97,717	211,450
Computers and related accessories		42,923	44,582	50,475
Intangible asset - computer software		68,674	45,336	37,068
Capital work in progress - Tangible		89,310	91,855	133,378
		1,163,045	1,065,222	975,130
Leased				
Motor vehicles		33,627	52,429	87,740
TOTAL ASSETS		27,201,986	24,607,163	24,067,662

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2013	31 December 2012
		Rupees in thousand						
								(Restated)
Revenue account								
Net premium revenue		801,219	598,026	2,964,939	1,142,372	-	**5,506,556**	5,671,977
Net claims		(530,623)	(221,507)	(1,916,298)	(818,433)	-	**(3,486,861)**	(4,142,667)
Expenses	20	(322,909)	(201,164)	(693,660)	(317,736)	-	**(1,535,469)**	(1,582,916)
Net commission		(3,430)	(81,433)	(263,000)	197	-	**(347,666)**	(358,665)
Underwriting result		(55,743)	93,922	91,981	6,400	-	**136,560**	(412,271)
Investment income							**2,357,262**	1,331,791
Rental income							**4,947**	545
Other income	21						**148,114**	164,486
							2,646,883	1,084,551
General and administration expenses-restated	22						**(445,354)**	(411,342)
Exchange gain							**10,647**	2,792
Finance charges on lease liabilities							**(1,781)**	(5,581)
Profit before tax - restated							**2,210,395**	670,420
Provision for taxation	23						**(244,236)**	(42,365)
Profit after tax - restated							**1,966,159**	628,055
Balance at the commencement of the year - restated							**8,806,823**	8,356,574
Profit after tax for the year - restated							**1,966,159**	628,055
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share) [2011: Nil]							**(123,705)**	-
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share) [2012: @15% (Rupees 1.5/- per share)]							**(309,262)**	(185,557)
Issue of bonus shares @ 182.93% (2012: Nil)							**(2,262,955)**	-
Other comprehensive income: Remeasurement of defined benefit obligation							**29,078**	7,751
Balance unappropriated profit at the end of the year - restated							**8,106,138**	8,806,823

	2013	2012
	Rupees in thousand	
		(Restated)
Earnings per share - basic and diluted (Note 24)	5.62	1.79

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2013	31 December 2012
	Rupees in thousand						
							(Restated)
Revenue account							
Net premium revenue	778,225	580,120	1,229,516	1,122,920	-	**3,710,781**	4,312,964
Net claims	(509,415)	(220,881)	(561,152)	(812,695)	-	**(2,104,143)**	(3,151,656)
Expenses	(301,291)	(190,309)	(477,924)	(297,514)	-	**(1,267,038)**	(1,350,139)
Net commission	(9,391)	(79,192)	(92,730)	3,094	-	**(178,219)**	(244,566)
Underwriting result	(41,872)	89,738	97,710	15,805	-	**161,381**	(433,397)
Investment income						**2,357,262**	1,331,791
Rental income						**-**	545
Other income						**116,364**	117,670
						2,635,007	1,016,609
General and administration expenses- restated						**(368,204)**	(345,738)
Exchange gain						**10,870**	2,628
Finance charges on lease liabilities						**(1,781)**	(5,581)
Profit before tax - restated						**2,275,892**	667,918

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	31 December 2013	31 December 2012
	Rupees in thousand						
Revenue account							
Net premium revenue	22,994	17,906	1,735,423	19,452	-	**1,795,775**	1,359,013
Net claims	(21,208)	(626)	(1,355,146)	(5,738)	-	**(1,382,718)**	(991,011)
Expenses	(21,618)	(10,855)	(215,736)	(20,222)	-	**(268,431)**	(232,777)
Net commission	5,961	(2,241)	(170,270)	(2,897)	-	**(169,447)**	(114,099)
Underwriting result	(13,871)	4,184	(5,729)	(9,405)	-	**(24,821)**	21,126
Rental income						**4,947**	-
Other income						**31,750**	46,816
						11,876	67,942
General and administration expenses						**(77,150)**	(65,604)
Exchange (loss) / gain						**(223)**	164
Profit / (loss) before tax						**(65,497)**	2,502

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Rupees in thousand	
		(Restated)
Profit after tax for the year - restated	1,966,159	628,055
Other comprehensive income		
Items that will not be reclassified into profit or loss		
Remeasurement of defined benefit obligation - restated	29,078	7,751
Items that may be reclassified subsequently to profit or loss	-	-
Effect of translation of net investment in foreign branches	(1,470)	200,254
	27,608	208,005
Total comprehensive income for the year - restated	1,993,767	836,060

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Capital Reserves				Revenue Reserves		Total
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Exchange translation reserve	General reserve	Retained earnings	
	Rupees in thousand							
Balance as at 31 December 2011	1,237,045	-	22,859	3,764	278,502	936,500	8,422,236	10,900,906
Effect of change in accounting policy (Note 2.3.2)	-	-	-	-	-	-	(65,662)	(65,662)
Balance as at 31 December 2011 - restated	**1,237,045**	**-**	**22,859**	**3,764**	**278,502**	**936,500**	**8,356,574**	**10,835,244**
Comprehensive income for the year ended 31 December 2012								
Profit for the year ended 31 December 2012 - restated	-	-	-	-	-	-	628,055	628,055
Other comprehensive income - restated	-	-	-	-	200,254	-	7,751	208,005
Total comprehensive income for the year - restated	-	-	-	-	200,254	-	635,806	836,060
Interim dividend @ 15% (Rupee 1.5/- per share)	-	-	-	-	-	-	(185,557)	(185,557)
Balance as at 31 December 2012 - restated	**1,237,045**	**-**	**22,859**	**3,764**	**478,756**	**936,500**	**8,806,823**	**11,485,747**
Comprehensive income for the year ended 31 December 2013								
Profit for the year ended 31 December 2013	-	-	-	-	-	-	1,966,159	1,966,159
Other comprehensive income	-	-	-	-	(1,470)	-	29,078	27,608
Total comprehensive income for the year	-	-	-	-	(1,470)	-	1,995,237	1,993,767
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	(123,705)	(123,705)
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share)	-	-	-	-	-	-	(309,262)	(309,262)
Transferred to reserve for issue of bonus shares	-	2,262,955	-	-	-	-	(2,262,955)	-
Issue of bonus shares @ 182.93%	2,262,955	(2,262,955)	-	-	-	-	-	-
Balance as at 31 December 2013	**3,500,000**	**-**	**22,859**	**3,764**	**477,286**	**936,500**	**8,106,138**	**13,046,547**

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Rupees in thousand	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	10,705,222	10,518,542
Reinsurance premiums paid	(4,486,766)	(5,103,176)
Claims paid	(6,813,101)	(6,359,925)
Surrenders paid	(49,559)	(55,257)
Reinsurance and other recoveries received	2,501,250	2,584,142
Commissions paid	(1,170,199)	(1,071,296)
Commissions received	534,855	771,617
Other underwriting payments	(1,153,147)	(1,158,268)
Net cash flow from underwriting activities	68,555	126,379
b) Other operating activities		
Income tax paid	(101,443)	(89,755)
General and other expenses paid	(360,143)	(376,039)
Loans disbursed	(39,217)	(32,200)
Loan repayments received	35,115	30,600
Other receipts	60,459	35,647
Net cash used in other operating activities	(405,229)	(431,747)
Total cash used in all operating activities	(336,674)	(305,368)
Investment activities		
Profit / return received	96,701	111,089
Dividends received	943,124	793,094
Payments for investments	(4,182,672)	(4,708,134)
Proceeds from disposal of investments	4,164,980	4,711,049
Fixed capital expenditure - Tangible assets	(205,138)	(320,038)
Fixed capital expenditure - Intangible assets	(40,793)	(30,027)
Proceeds from disposal of fixed assets	18,650	57,530
Rentals received	4,947	545
Income received on PIBs	11,388	2,006
Income received on treasury bills	3,694	21,276
Income received on TFCs	11,593	18,079
Total cash flow from investing activities	826,474	656,469
Financing activities		
Lease rentals paid	(20,085)	(39,161)
Dividends paid	(430,850)	(183,496)
Total cash used in financing activities	(450,935)	(222,657)
Net cash inflow from all activities	38,865	128,444
Cash at the beginning of the year	2,498,335	2,369,891
Cash at the end of the year	2,537,200	2,498,335

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	(336,674)	(305,368)
Depreciation expense	(130,591)	(170,816)
Provision for gratuity	(9,435)	(9,031)
Other income - bank deposits	98,516	111,590
(Loss) / gain on disposal of fixed assets	(214)	18,973
Provision for impairment on trackers	-	(64,152)
Finance charges on lease obligations	(1,781)	(5,581)
Rental income	4,947	545
Increase / (decrease) in assets other than cash	1,208,658	(314,818)
Increase in liabilities other than running finance - restated	(1,045,304)	(359,362)
	(211,878)	(1,098,020)
Others		
Profit on sale of investments	1,197,934	143,391
Amortization expense	(17,455)	(21,759)
(Increase) / decrease in unearned premium	(83,538)	367,053
Decrease in loans	4,102	1,601
Income tax paid	101,443	89,755
Profit on PIBs	11,405	6,240
Reversal of impairment in value of investments	195,394	355,742
Dividend, investment and other income	996,763	796,770
Income on treasury bills	5,463	12,246
Income on TFCs	10,762	17,401
	2,422,273	1,768,440
Profit before taxation - restated	2,210,395	670,420

Definition of cash:
Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2012: Rupees 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2013	31 December 2012
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	4,411	1,099
Current and other accounts	1,385,675	1,479,939
Deposits maturing within 12 months	1,147,114	1,017,297
Total cash and cash equivalents	2,537,200	2,498,335

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2013	31 December 2012
	Rupees in thousand	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	8,471,834	8,740,647
Reinsurance premiums paid	(4,109,906)	(4,656,902)
Claims paid	(4,774,599)	(4,860,572)
Surrenders paid	(49,559)	(55,257)
Reinsurance and other recoveries received	1,856,238	1,918,057
Commissions paid	(923,657)	(893,354)
Commissions received	489,891	704,352
Other underwriting payments	(980,564)	(994,886)
Net cash used in underwriting activities	(20,322)	(97,915)
b) Other operating activities		
Income tax paid	(101,443)	(89,755)
General and other expenses paid	(310,423)	(307,636)
Loans disbursed	(31,841)	(23,735)
Loan repayments received	27,121	24,781
Other receipts	53,297	14,577
Net cash used in other operating activities	(363,289)	(381,768)
Total cash used in all operating activities	(383,611)	(479,683)
Investment activities		
Profit / return received	74,361	83,704
Dividends received	943,124	793,094
Payments for investments	(4,182,672)	(4,708,134)
Proceeds from disposal of investments	4,164,980	4,711,049
Fixed capital expenditure - Tangible assets	(183,727)	(236,866)
Fixed capital expenditure - Intangible assets	(40,793)	(30,027)
Proceeds from disposal of fixed assets	17,667	56,961
Rentals received	-	545
Income received on PIBs	11,388	2,006
Income received on treasury bills	3,694	21,276
Income received on TFCs	11,593	18,079
Total cash flow from investing activities	819,615	711,687
Financing activities		
Lease rentals paid	(20,085)	(39,161)
Dividends paid	(430,850)	(183,496)
Total cash used in financing activities	(450,935)	(222,657)
Net cash (outflow) / inflow from all activities	(14,931)	9,347
Cash at the beginning of the year	1,289,119	1,279,772
Cash at the end of the year	1,274,188	1,289,119

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

	31 December 2013	31 December 2012
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	(383,611)	(479,683)
Depreciation expense	(104,256)	(160,161)
Other income - bank deposits	73,475	83,486
Gain on disposal of fixed assets	461	21,167
Provision for impairment on trackers	-	(64,152)
Finance charges on lease obligations	(1,781)	(5,581)
Rental income	-	545
Increase / (decrease) in assets other than cash	610,946	(681,815)
(Increase) / decrease in liabilities other than running finance	(358,565)	102,199
	(163,331)	(1,183,995)
Others		
Profit on sale of investments	1,197,934	143,391
Amortization expense	(17,455)	(21,759)
(Increase) / decrease in unearned premium	(67,206)	453,406
Increase / (decrease) in loans	4,720	(1,279)
Income tax paid	101,443	89,755
Profit on PIBs	11,405	6,240
Reversal of impairment in value of investments	195,394	355,742
Dividend, investment and other income	996,763	796,770
Income on treasury bills	5,463	12,246
Income on TFCs	10,762	17,401
	2,439,223	1,851,913
Profit before taxation - restated	2,275,892	667,918

Definition of cash:
Cash comprises cash in hand, bank balances excluding Rupees 9.076 million (2012: Rupees 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

	31 December 2013	31 December 2012
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	4,182	835
Current and other accounts	1,264,803	1,283,549
Deposits maturing within 12 months	5,203	4,735
Total cash and cash equivalents	1,274,188	1,289,119

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	Kamran Rasool	Muhammad Umar Virk	Muhammad Ali Zeb
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2013	31 December 2012
	Rupees in thousand	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	2,233,388	1,777,895
Reinsurance premiums paid	(376,860)	(446,274)
Claims paid	(2,038,502)	(1,499,353)
Reinsurance and other recoveries received	645,012	666,085
Commissions paid	(246,542)	(177,942)
Commissions received	44,964	67,265
Other underwriting payments	(172,583)	(163,382)
Net cash flow from underwriting activities	88,877	224,294
b) Other operating activities		
General and other expenses paid	(49,720)	(68,403)
Loans disbursed	(7,376)	(8,465)
Loan repayments received	7,994	5,819
Other receipts	7,162	21,070
Net cash used in other operating activities	(41,940)	(49,979)
Total cash flow from all operating activities	46,937	174,315
Investment activities		
Profit / return received	22,340	27,385
Dividends received	-	-
Payments for investments	-	-
Proceeds from disposal of investments	-	-
Fixed capital expenditure - Tangible assets	(21,411)	(83,172)
Fixed capital expenditure - Intangible assets	-	-
Proceeds from disposal of fixed assets	983	569
Rentals received	4,947	-
Income received on PIBs	-	-
Income received on treasury bills	-	-
Income received on TFCs	-	-
Total cash flow from / (used in) investing activities	6,859	(55,218)
Financing activities		
Dividends paid	-	-
Lease rentals paid	-	-
Total cash flow from financing activities	-	-
Net cash inflow from all activities	53,796	119,097
Cash at the beginning of the year	1,209,216	1,090,119
Cash at the end of the year	1,263,012	1,209,216

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

	31 December 2013	31 December 2012
	Rupees in thousand	
Operating cash flows	46,937	174,315
Depreciation expense	(26,335)	(10,655)
Provision for gratuity	(9,435)	(9,031)
Other income - bank deposits	25,041	28,104
Loss on disposal of fixed assets	(675)	(2,194)
Provision for impairment on trackers	-	-
Finance charges on lease obligation	-	-
Rental income	4,947	-
Increase in assets other than cash	597,712	366,997
Increase in liabilities other than running finance	(686,739)	(461,561)
	(48,547)	85,975
Others		
Profit on sale of investments	-	-
Amortization expense	-	-
Increase in unearned premium	(16,332)	(86,353)
(Decrease) / increase in loans	(618)	2,880
Income tax paid	-	-
Profit on PIBs	-	-
Reversal for diminution in value of investments	-	-
Dividend, investment and other income	-	-
Income on treasury bills	-	-
Income on TFCs	-	-
	(16,950)	(83,473)
(Loss) / profit before taxation	(65,497)	2,502

Definition of cash:
Cash comprises cash in hand, bank balances excluding Rupees Nil (2012: Rupees Nil) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day- to-day basis.

	31 December 2013	31 December 2012
	Rupees in thousand	
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	229	264
Current and other accounts	120,872	196,390
Deposits maturing within 12 months	1,141,911	1,012,562
Total cash and cash equivalents	1,263,012	1,209,216

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded
		Opening	Closing	Currency translation effect		
	Rupees in thousand					
Direct and facultative						
Fire and property damage	4,114,709	1,858,769	1,854,900	7,074	4,125,652	3,300,222
Marine, aviation and transport	748,457	66,461	55,695	530	759,753	155,870
Motor	3,232,608	1,489,035	1,504,870	110,033	3,326,806	366,340
Miscellaneous	1,980,807	547,028	629,366	2,699	1,901,168	808,644
Total	10,076,581	3,961,293	4,044,831	120,336	10,113,379	4,631,076
Treaty						
Proportional	-	-	-	-	-	-
Total	-	-	-	-	-	-
Grand Total	10,076,581	3,961,293	4,044,831	120,336	10,113,379	4,631,076

Class	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
	Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand					
Direct and facultative						
Fire and property damage	1,377,042	1,358,743	5,912	3,324,433	**801,219**	894,243
Marine, aviation and transport	12,978	7,378	257	161,727	**598,026**	608,630
Motor	107,564	125,874	13,837	361,867	**2,964,939**	2,743,847
Miscellaneous	158,463	209,775	1,464	758,796	**1,142,372**	1,425,257
Total	1,656,047	1,701,770	21,470	4,606,823	**5,506,556**	5,671,977
Treaty						
Proportional	-	-	-	-	**-**	-
Total	-	-	-	-	**-**	-
Grand Total	1,656,047	1,701,770	21,470	4,606,823	**5,506,556**	5,671,977

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha Chairman	**Kamran Rasool** Director	**Muhammad Umar Virk** Director	**Muhammad Ali Zeb** Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF PREMIUMS

FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
Direct and facultative												
Fire and property damage	3,972,310	1,802,996	1,787,707	-	3,987,599	3,182,071	1,330,294	1,302,991	-	3,209,374	**778,225**	874,970
Marine, aviation and transport	727,826	62,059	51,249	-	738,636	155,110	10,244	6,838	-	158,516	**580,120**	589,514
Motor	1,257,637	601,815	606,262	-	1,253,190	23,281	598	205	-	23,674	**1,229,516**	1,444,412
Miscellaneous	1,947,547	522,777	611,637	-	1,858,687	790,942	145,224	200,399	-	735,767	**1,122,920**	1,404,068
Total	7,905,320	2,989,647	3,056,855	-	7,838,112	4,151,404	1,486,360	1,510,433	-	4,127,331	**3,710,781**	4,312,964
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	-	-	**-**	-
Grand Total	7,905,320	2,989,647	3,056,855	-	7,838,112	4,151,404	1,486,360	1,510,433	-	4,127,331	**3,710,781**	4,312,964

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
Direct and facultative												
Fire and property damage	142,399	55,773	67,193	7,074	138,053	118,151	46,748	55,752	5,912	115,059	**22,994**	19,273
Marine, aviation and transport	20,631	4,402	4,446	530	21,117	760	2,734	540	257	3,211	**17,906**	19,116
Motor	1,974,971	887,220	898,608	110,033	2,073,616	343,059	106,966	125,669	13,837	338,193	**1,735,423**	1,299,435
Miscellaneous	33,260	24,251	17,729	2,699	42,481	17,702	13,239	9,376	1,464	23,029	**19,452**	21,189
Total	2,171,261	971,646	987,976	120,336	2,275,267	479,672	169,687	191,337	21,470	479,492	**1,795,775**	1,359,013
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	-	-	**-**	-
Grand Total	2,171,261	971,646	987,976	120,336	2,275,267	479,672	169,687	191,337	21,470	479,492	**1,795,775**	1,359,013

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
Direct and facultative												
Fire and property damage	2,587,967	2,884,545	3,516,994	5,347	3,215,069	1,912,954	2,142,921	2,919,240	4,827	2,684,446	**530,623**	840,372
Marine, aviation and transport	351,744	269,872	176,944	635	258,181	37,088	127,373	126,959	-	36,674	**221,507**	284,200
Motor	2,572,706	2,012,919	2,612,650	162,587	3,009,850	619,193	1,460,234	2,068,984	134,391	1,093,552	**1,916,298**	1,821,660
Miscellaneous	1,300,146	1,173,985	995,753	33	1,121,881	433,896	769,372	638,948	24	303,448	**818,433**	1,196,435
Total	6,812,563	6,341,321	7,302,341	168,602	7,604,981	3,003,131	4,499,900	5,754,131	139,242	4,118,120	**3,486,861**	4,142,667
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
Total	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
Grand Total	6,812,563	6,361,653	7,322,673	168,602	7,604,981	3,003,131	4,499,900	5,754,131	139,242	4,118,120	**3,486,861**	4,142,667

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
Direct and facultative												
Fire and property damage	2,522,447	2,816,319	3,454,234	-	3,160,362	1,864,087	2,079,054	2,865,914	-	2,650,947	**509,415**	822,345
Marine, aviation and transport	350,867	262,210	168,844	-	257,501	37,034	127,373	126,959	-	36,620	**220,881**	286,114
Motor	624,020	265,637	227,331	-	585,714	15,739	44,031	52,854	-	24,562	**561,152**	850,618
Miscellaneous	1,276,727	1,173,464	995,490	-	1,098,753	416,295	769,001	638,764	-	286,058	**812,695**	1,192,579
Total	4,774,061	4,517,630	4,845,899	-	5,102,330	2,333,155	3,019,459	3,684,491	-	2,998,187	**2,104,143**	3,151,656
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
Total	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
Grand Total	4,774,061	4,537,962	4,866,231	-	5,102,330	2,333,155	3,019,459	3,684,491	-	2,998,187	**2,104,143**	3,151,656

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries received	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
Direct and facultative												
Fire and property damage	65,520	68,226	62,760	5,347	54,707	48,867	63,867	53,326	4,827	33,499	**21,208**	18,027
Marine, aviation and transport	877	7,662	8,100	635	680	54	-	-	-	54	**626**	(1,914)
Motor	1,948,686	1,747,282	2,385,319	162,587	2,424,136	603,454	1,416,203	2,016,130	134,391	1,068,990	**1,355,146**	971,042
Miscellaneous	23,419	521	263	33	23,128	17,601	371	184	24	17,390	**5,738**	3,856
Total	2,038,502	1,823,691	2,456,442	168,602	2,502,651	669,976	1,480,441	2,069,640	139,242	1,119,933	**1,382,718**	991,011
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	-	-	**-**	-
Grand Total	2,038,502	1,823,691	2,456,442	168,602	2,502,651	669,976	1,480,441	2,069,640	139,242	1,119,933	**1,382,718**	991,011

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2013	31 December 2012
	Rupees in thousand									
Direct and facultative										
Fire and property damage	422,085	252,708	188,330	1,179	487,642	322,909	810,551	484,212	**326,339**	362,104
Marine, aviation and transport	94,905	(5,160)	3,163	309	86,891	201,164	288,055	5,458	**282,597**	258,410
Motor	319,075	118,926	150,110	9,937	297,828	693,660	991,488	34,828	**956,660**	970,645
Miscellaneous	138,004	55,729	49,046	229	144,916	317,736	462,652	145,113	**317,539**	350,422
Total	974,069	422,203	390,649	11,654	1,017,277	1,535,469	2,552,746	669,611	**1,883,135**	1,941,581
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	974,069	422,203	390,649	11,654	1,017,277	1,535,469	2,552,746	669,611	**1,883,135**	1,941,581

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN INSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2013	31 December 2012
	Rupees in thousand									
Direct and facultative										
Fire and property damage	400,184	243,588	176,680	-	467,092	301,291	768,383	457,701	**310,682**	337,983
Marine, aviation and transport	92,600	(5,486)	2,946	-	84,168	190,309	274,477	4,976	**269,501**	242,446
Motor	97,604	43,949	48,702	-	92,851	477,924	570,775	121	**570,654**	694,651
Miscellaneous	134,117	53,544	47,883	-	139,778	297,514	437,292	142,872	**294,420**	319,625
Total	724,505	335,595	276,211	-	783,889	1,267,038	2,050,927	605,670	**1,445,257**	1,594,705
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	724,505	335,595	276,211	-	783,889	1,267,038	2,050,927	605,670	**1,445,257**	1,594,705

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013

BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN

Class	Commissions paid or payable	Deferred commission			Net Commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2013	31 December 2012
	Rupees in thousand									
Direct and facultative										
Fire and property damage	21,901	9,120	11,650	1,179	20,550	21,618	42,168	26,511	**15,657**	24,121
Marine, aviation and transport	2,305	326	217	309	2,723	10,855	13,578	482	**13,096**	15,964
Motor	221,471	74,977	101,408	9,937	204,977	215,736	420,713	34,707	**386,006**	275,994
Miscellaneous	3,887	2,185	1,163	229	5,138	20,222	25,360	2,241	**23,119**	30,797
Total	249,564	86,608	114,438	11,654	233,388	268,431	501,819	63,941	**437,878**	346,876
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
Total	-	-	-	-	-	-	-	-	**-**	-
Grand Total	249,564	86,608	114,438	11,654	233,388	268,431	501,819	63,941	**437,878**	346,876

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

UNCONSOLIDATED STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Income from non-trading investments			
Available-for-sale			
Return on Term Finance Certificates		10,762	17,401
Return on Treasury Bills		5,463	12,246
Return on Pakistan Investments Bonds		11,405	6,240
Dividend income			
- associated undertakings		573,804	503,166
- others		362,500	293,604
		936,304	796,770
		963,934	832,657
Gain on sale of 'available-for-sale' investments			
- associated undertakings		221,938	108,771
- others		975,996	34,621
		1,197,934	143,392
		2,161,868	976,049
Reversal of impairment in value of 'available-for-sale' investment	12.2	195,394	355,742
Net investment income		2,357,262	1,331,791

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. THE COMPANY AND ITS OPERATIONS

Adamjee Insurance Company Limited ("the Company") is a public limited company incorporated in Pakistan on 28 September 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on all stock exchanges in Pakistan and is engaged in the non-life insurance business. The registered office of the Company is situated at Tanveer Building, 27-C-III, MM Alam Road, Gulberg III, Lahore.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

a) Statement of compliance

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

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

b) Basis of presentation

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

c) Accounting convention

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

d) Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Provision for doubtful receivables

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

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

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

v) Defined benefit plans

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

vi) Classification of investments

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

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

e) Functional and presentation currency

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

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

The following standards, amendments and interpretations are effective for the year ended 31 December 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IAS 1 ' Financial statements presentation' has been amended effective 01 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments) or not. The specified changes has been made in the statement of comprehensive income for the year.

IAS 19 Employee Benefits (revised) which became effective for annual periods beginning on or after 01 January 2013 amends accounting for employees benefits. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

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

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

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

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

IAS 32 'Financial Instruments: Presentation' (effective for the annual periods beginning on or after 01 January 2014). This amendment clarifies the meaning of "currently has a legally enforceable right to setoff". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of setoff be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IAS 36 (Amendments) "Impairment of Assets" (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's unconsolidated financial statements.

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

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant impact on these unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

2.2 Insurance contracts

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

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

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

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

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

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

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

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

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

2.2.1 Premium

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

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

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

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

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

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

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

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

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

2.2.2 Reinsurance ceded

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

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

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

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

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

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

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

2.2.3 Provision for outstanding claims including IBNR

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

Provision for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually incurred subsequent to the balance sheet date.

The Company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period. Provision for IBNR claims pertaining to Accident and Health Insurance, that is included in Miscellaneous Category, is determind on actuary's advice.

2.2.4 Reinsurance recoveries against outstanding claims

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

2.2.5 Commission expense and other acquisition costs

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

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

2.2.6 Premium deficiency reserve

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

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

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

	2013	2012
Fire and property damage	**69.92%**	78.93%
Marine, aviation and transport	**47.19%**	53.75%
Motor	**64.68%**	66.17%
Miscellaneous	**80.99%**	78.72%

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

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

2.3 Staff retirement benefits

2.3.1 Defined contribution plan

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

2.3.2 Defined benefit plans

The Company operates the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these unconsolidated financial statements on the basis of actuarial valuation carried out by an independent actuary using the projected unit credit method.

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, the actuarial gains and losses were amortized over the expected future service of the current members in accordance with the International Accounting Standard – 19 ' Employee Benefits' . According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account 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 obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	2013	2012	2011
	Rupees in thousand		
Impact on unconsolidated balance sheet			
Increase in other creditors and accruals	22,161	54,049	50,932
Decrease in sundry receivables	-	-	14,730
Decrease in retained earnings	22,161	54,049	65,662
Impact on unconsolidated profit and loss account			
Decrease in general and administration expenses		3,862	12,672
Increase in profit after tax		3,862	12,672
Increase in earnings per share		0.01	0.04

2.4 Employees' compensated absences

The Company accounts for these benefits in the period in which the absences are earned. The provision has been made in accordance with the actuarial valuation. The valuation uses a discount rate of 12% (2012: 11.5%) and assumes a salary increase average of 10% (2012: 9.5%) in the long term.

2.5 Creditors, accruals and provisions

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

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

2.6 Cash and cash equivalents

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

2.7 Investments

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

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

Available-for-sale

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

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

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

2.8 Taxation

2.8.1 Current

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

2.8.2 Deferred

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

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

2.9 Fixed assets

2.9.1 Tangible

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

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

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

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

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

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

2.9.2 Intangible

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

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

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

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

2.10 Expenses of Management

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

2.11 Investment income

From available-for-sale investments

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

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

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

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

2.12 Foreign currencies

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

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

2.13 Financial instruments

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

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

2.14 Dividend and other appropriations

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

2.15 Off setting of financial assets and financial liabilities

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

2.16 Earnings per share

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

2.17 Impairment

Financial assets

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

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

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

Non financial assets

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

2.18 Segment reporting

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

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

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

2.19 Borrowing cost

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

2.20 Share capital

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SHARE CAPITAL

3.1 Authorized share capital

31 December 2013	31 December 2012		31 December 2013	31 December 2012
Number of shares			Rupees in thousand	
375,000,000	150,000,000	Ordinary shares of Rupees 10 each	**3,750,000**	1,500,000

3.2 Paid-up share capital

Issued, subscribed and fully paid:

31 December 2013	31 December 2012		31 December 2013	31 December 2012
Number of shares			Rupees in thousand	
250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
123,454,543	123,454,543	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,234,545**	1,234,545
		Issued during the year		
226,295,457	-	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**2,262,955**	-
350,000,000	123,704,543		**3,500,000**	1,237,045

3.3 As at 31 December 2013, MCB Bank Limited and Nishat Mills Limited, associated undertakings, held 102,812,165 (2012: 36,338,092) and 102,809 (2012: 36,337) ordinary shares of the Company of Rupees 10 each, respectively.

4. RESERVES

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**477,286**	478,756
		503,909	505,379
Revenue reserve			
General reserve		**936,500**	936,500
		1,440,409	1,441,879

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

5. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)

	31 December 2013	31 December 2012
	Rupees in thousand	
Related parties	199,060	283,240
Others	7,123,613	6,078,413
	7,322,673	6,361,653

6. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity

	31 December 2013	31 December 2012
Opening balance	31,042	22,011
Charge for the year	3,948	7,989
	34,990	30,000
Gratuity paid	(1,038)	(1,014)
Exchange loss	6,525	2,056
Present value of defined benefit obligation at the end of the year	40,477	31,042

6.1 The above provision relates to the Company's operations in UAE branches. Actuarial valuation is carried out as at 31 December 2013 by an independent actuary - Zahid & Zahid.
The following significant assumptions have been used for valuation of this scheme:

	Rate per Annum	
	2013	2012
- Valuation discount rate	4.50%	4.50%
- Expected rate of increase in salary level	4.00%	5.00%

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

	31 December 2013	31 December 2012
	Rupees in thousand	
	Restated	Restated
Current service cost	4,936	6,740
Interest on obligation	1,607	1,249
Expense for the year	6,543	7,989

6.3 The amounts charged to other comprehensive income are as follows:

	31 December 2013	31 December 2012
Remeasurements of the present value of defined benefit obligation:		
Actuarial gains arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	(1,455)	-
Actuarial gains arising from experience adjustments	(1,140)	-
	(2,595)	-

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
7. OTHER CREDITORS AND ACCRUALS			(Restated)	(Restated)
Cash margin against performance bonds		**646,744**	651,492	612,067
Sundry creditors		**216,859**	161,164	137,679
Commission payable		**402,464**	598,594	531,396
Workers' welfare fund		**146,052**	100,942	11,762
Federal insurance fee		**37,920**	35,809	35,471
Federal excise duty		**105,114**	51,044	101,572
Staff Gratuity Fund - restated	7.1	**57,770**	65,432	50,932
Payable to Employees' Provident Fund	7.2	**804**	958	-
		1,613,727	1,665,435	1,480,879

7.1 Staff Gratuity Fund

The Company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2013 by an independent actuary - Zahid & Zahid.

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

	Rate per annum		
	2013	2012	2011
- Valuation discount rate	**12.00%**	11.50%	13.00%
- Expected rate of increase in salary level	**10.00%**	9.50%	10.75%
- Rate of return on plan assets	**10.79%**	11.50%	13.00%

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

	31 December 2013	31 December 2012	31 December 2011
	Rupees in thousand		
Present value of defined benefit obligation	**198,316**	194,589	196,137
Plan assets	**(140,546)**	(129,157)	(145,205)
Net liability - restated	**57,770**	65,432	50,932
7.1.1 Amounts recognized in the balance sheet			
Liabilities - restated	**57,770**	65,432	50,932
7.1.2 Amounts charged to profit and loss account			
Current service cost	**11,296**	15,848	16,291
Net interest cost - restated	**7,525**	6,403	6,086
Curtailment cost	**-**	-	4,039
	18,821	22,251	26,416

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	31 December 2013	31 December 2012	31 December 2011
	Rupees in thousand		
7.1.3 Amounts charged to other comprehensive income			
Remeasurements of the present value of defined benefit obligation:			
Actuarial losses arising from changes in demographic assumptions	**-**	8,132	-
Actuarial losses arising from changes in financial assumptions	**799**	-	-
Actuarial gains arising from experience adjustments	**(13,811)**	(16,089)	(2,812)
Return on plan assets	**(13,471)**	206	(2,423)
	(26,483)	(7,751)	(5,235)
7.1.4 Total defined benefit (income) / cost	**(7,662)**	14,500	21,181
7.1.5 Changes in present value of defined benefit obligations			
Present value of defined benefit obligation at the beginning of the year	**194,589**	196,137	215,970
Current service cost	**11,296**	15,848	16,291
Interest cost	**21,457**	23,427	26,386
Curtailment cost	**-**	-	4,039
Remeasurements of the present value of defined benefit obligation:			
Actuarial (gains) / losses arising from changes in demographic assumptions	**-**	8,132	-
Actuarial (gains) / losses arising from changes in financial assumptions	**799**	-	-
Actuarial (gains) / losses arising from experience adjustments	**(13,811)**	(16,089)	(2,812)
Benefits paid	**(16,014)**	(32,866)	(63,737)
Present value of defined benefit obligation at the end of the year	**198,316**	194,589	196,137
7.1.6 Changes in fair value of plan assets			
Fair value of plan assets at the beginning of the year	**129,157**	145,205	186,219
Interest income	**13,932**	17,025	20,300
Remeasurements of the fair value of plan assets:			
Return on plan assets	**13,471**	(206)	2,423
Benefits paid	**(16,014)**	(32,867)	(63,737)
Fair value of plan assets at the end of the year	**140,546**	129,157	145,205

7.1.7 Fund Investment

	31 December 2013		31 December 2012		31 December 2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%	(Rupees in thousand)	%
Government Bonds	**73,388**	**52.22**	-	-	9,872	6.80
Corporate Bonds	**23,497**	**16.72**	24,908	19.29	-	-
Shares and deposits	**31,933**	**22.72**	97,327	75.36	92,172	63.48
Unit Trusts	**14,291**	**10.17**	9,536	7.38	52,555	36.19
Creditors	**(2,563)**	**(1.82)**	(2,614)	(2.02)	(9,394)	(6.47)
	140,546	**100**	129,157	100	145,205	100

7.2 During the year, an amount of Rupees 20.487 million (2012: Rupees 20.791 million) has been charged to the profit and loss account in respect of the Company's contributions to the Employees' Provident Fund.

	31 December 2013	31 December 2012
	Rupees in thousand	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**6,683**	24,987
8.1 Minimum lease payments		
Not later than 1 year	**6,951**	17,831
Later than 1 year and not later than 5 years	**-**	9,463
	6,951	27,294
Future finance charges on finance lease	**(268)**	(2,307)
Present value of finance lease liability	**6,683**	24,987
8.2 Present value of finance lease liabilities		
Not later than 1 year	**6,683**	15,547
Later than 1 year and not later than 5 years	**-**	9,440
	6,683	24,987

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

8.4 Lease payments bear variable mark-up rates including finance charges at 3 months KIBOR + 2% to 2.5% (2012: 3 months KIBOR + 2% to 2.5%) per annum. KIBOR is determined on quarterly basis.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

i) The Deputy Commissioner Inland Revenue issued an order under section 161/205 of the Income Tax Ordinance, 2001 for the year 2012 whereby a tax demand aggregating to Rs 8.649 million was raised against the Company on account of non-deduction of tax on dividend. The Company challenged the said order before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer for fresh proceedings. The management is confident that the matter will eventually be decided in favour of the Company, and has consequently not made any provision there against.

ii) The Deputy Commissioner Inland Revenue passed an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2005 raising a tax demand of Rs 3.103 million for alleged non-payment of tax deducted on salaries during the year. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer with the direction to provide the Company a proper opportunity of being heard. The same was challenged by the Company before Appellate Tribunal Inland Revenue. Hearing of the case has not yet commenced. However, a positive outcome is expected by the Company; hence, no provision has been made by the Company in this regard.

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

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

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

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

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

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

Pending resolution of the above-mentioned appeals filed by the Company, no provision has been made in these unconsolidated financial statements for the aggregate amount of Rupees 98.690 million (2012: 86.938 million) as the management is confident that the eventual outcome of the above matters will be in favour of the Company.

9.2 Commitments

There were no capital or other commitments as at 31 December 2013 (2012: Nil).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	Note	31 December 2013	31 December 2012
		Rupees in thousand	
10. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		**4,411**	1,099
Current and other accounts			
Current accounts		**508,688**	212,465
Savings accounts		**876,987**	1,267,474
		1,385,675	1,479,939
Deposits maturing within 12 months			
Fixed and term deposits	10.1	**1,156,190**	1,026,373
		2,546,276	2,507,411

10.1 These include fixed deposits amounting to Rupees 197.716 million (AED 6.916 million) [2012: Rupees 180.545 million (AED 6.844 million)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rupees 9.076 million (2012: Rupees 9.076 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Company for claims under litigation filed against the Company.

10.2 Cash and bank deposits include an amount of Rupees 876.596 million (2012: Rupees 663.460 million) held with related parties.

	Note	31 December 2013	31 December 2012
11. LOANS - considered good			
Secured			
Executives	11.2	**5,220**	6,700
Employees	11.2	**28,447**	22,865
		33,667	29,565
Less: Recoverable within one year shown under sundry receivables			
Executives	18	**4,871**	5,985
Employees	18	**12,645**	10,789
		17,516	16,774
		16,151	12,791

11.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase / construction of houses which carry interest at the rate of 5% (2012: 5%) per annum.

11.2 Reconciliation of carrying amount of loans

	2013			2012		
	Executives	Others	Total	Executives	Others	Total
	Rupees in thousand					
Opening balance	**6,700**	**22,865**	**29,565**	3,274	24,691	27,965
Disbursements	**13,622**	**25,595**	**39,217**	12,861	19,339	32,200
Repayments	**(15,102)**	**(20,013)**	**(35,115)**	(9,435)	(21,165)	(30,600)
Closing balance	**5,220**	**28,447**	**33,667**	6,700	22,865	29,565

12. INVESTMENTS

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
In related parties			
Available-for-sale	12.3		
Marketable securities			
Listed		**7,477,264**	6,333,561
Unlisted		**-**	412,796
		7,477,264	6,746,357
Investment in Subsidiary - Adamjee Life Assurance Company Limited		**694,895**	494,564
		8,172,159	7,240,921
Others	12.3		
Available-for-sale			
Marketable securities		**3,408,448**	3,123,657
Less: Provision for impairment in value of investments		**(220,890)**	(416,284)
		3,187,558	2,707,373
		11,359,717	9,948,294

12.1 On 31 December 2013, the fair value of available-for-sale securities was Rupees 18,391.034 million (2012: Rupees 13,188.693 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2013 would have been higher by Rupees 7,031.317 million (2012: higher by Rupees 3,240.399 million).

12.2 Reconciliation of provision for impairment in value of investments

	31 December 2013	31 December 2012
	Rupees in thousand	
Opening provision	**416,284**	772,026
Reversal for the year	**(195,394)**	(355,742)
Closing provision	**220,890**	416,284

	Note	31 December 2013 Cost	31 December 2013 Provision there against	31 December 2013 Carrying Value	31 December 2012 Carrying Value
		Rupees in thousand			
12.3 Available-for-sale					
In related parties:	12.3.1				
- Listed shares		5,290,151	-	5,290,151	5,089,278
- Unlisted shares		-	-	-	412,796
- Investment in Subsidiary - Adamjee Life Assurance Company Limited		694,895	-	694,895	494,564
- Mutual Fund Certificates		2,187,113	-	2,187,113	1,244,283
		8,172,159	-	8,172,159	7,240,921
Others:					
- Listed shares	12.3.2	2,954,211	(220,890)	2,733,321	2,424,188
- Term Finance Certificates	12.3.3	49,927	-	49,927	107,778
- Mutual Fund Certificates	12.3.4	40,145	-	40,145	40,145
- NIT Units		161	-	161	161
- Government treasury bills		274,695	-	274,695	36,307
- Pakistan Investment Bonds		89,309	-	89,309	98,794
		3,408,448	(220,890)	3,187,558	2,707,373
		11,580,607	(220,890)	11,359,717	9,948,294

No. of Shares / Certificates 31 December 2013	No. of Shares / Certificates 31 December 2012	Face value Rupees	Company's name	31 December 2013 Rupees in thousand	31 December 2012 Rupees in thousand
12.3.1 Related parties				**Cost**	**Cost**
Listed Shares:					
1,258,650	1,258,650	10	Nishat Mills Limited [Equity held 0.36% (2012: 0.36%)]	34,211	34,211
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2012: 0.01%)]	3,224	3,224
29,914,034	28,641,486	10	MCB Bank Limited [Equity held 2.96% (2012: 3.42%)]	4,454,396	4,691,395
440,000	400,000	10	Hira Textile Mills Limited [Equity held 0.50% (2012: 0.50%)]	5,000	5,000
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.89% (2012: 6.89%)]	355,448	355,448
27,348,388	-	10	Lalpir Power Limited [Equity held 7.20% (2012: Nil)]	371,516	-
3,396,340	-	10	MCB-Arif Habib Savings & Investment Limited [Equity held 4.72% (2012: Nil)]	66,356	-
				5,290,151	5,089,278
Unlisted Shares:					
-	27,624,635	10	Lalpir Power Limited [Equity held Nil (2012: 8.00%)]	-	412,796
				-	412,796
Investment in Subsidiary-unlisted					
69,489,545	49,456,373	10	Adamjee Life Assurance Limited [Equity held 74.28% (2012: 67.20%)]	694,895	494,564
Mutual Fund Certificates					
10,202,734	9,404,179	100	MCB Dynamic Cash Fund [Units held 9.35 % (2012: 10.16%)]	943,345	847,504
10,565,767	4,123,322	100	MCB Cash Management Optimizer Fund [Units held 7.38 % (2012: 4.89%)]	993,768	396,779
5,193,482	-	50	Metro Bank Pakistan Sovereign Fund [Units held 48.66 % (2012: Nil)]	250,000	-
				2,187,113	1,244,283

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FOR THE YEAR ENDED 31 DECEMBER 2013

No. of Shares / Certificates 31 December 2013	No. of Shares / Certificates 31 December 2012	Face value Rupees	Company's name	31 December 2013 Rupees in thousand	31 December 2012 Rupees in thousand
12.3.2 Other - listed shares				**Cost**	**Cost**
			Investment Bank/ Investment Companies / Security Companies		
-	2,310,840	10	MCB-Arif Habib Savings & Investment Limited	-	47,086
			Commercial Banks		
3,358,480	1,731,346	10	Allied Bank Limited	176,805	75,492
777,022	1,936,884	10	Askari Bank Limited	21,359	71,871
6,565,208	7,132,709	10	Bank Al-Habib Limited	154,660	130,982
354,890	322,628	10	Habib Bank Limited	38,447	38,447
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	87,327	87,327
6,968,950	6,059,957	10	National Bank of Pakistan	319,034	319,034
4,330,544	3,830,544	10	United Bank Limited	342,973	296,886
			Insurance		
3,000	3,000	10	EFU General Insurance Company Limited	211	211
305,188	305,188	10	International General Insurance Company of Pakistan	22,888	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	6,326	6,326
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited	3,913	3,913
			Oil And Gas Marketing Companies		
100,000	100,000	10	Attock Refinery Limited	15,157	15,157
2,213,095	2,011,905	10	Sui Northern Gas Pipelines Limited	127,666	127,666
			Oil And Gas Exploration Companies		
10,000	10,000	10	Oil and Gas Development Company Limited	1,067	1,067
213,485	488,785	10	Pakistan Oilfields Limited	62,392	142,849
978,428	1,510,958	10	Pakistan Petroleum Limited	96,220	178,308
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	43,030	43,030
340,996	394,544	10	Millat Tractors Limited	25,239	35,335
			Cables And Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	27,717	27,717
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	116,770	116,770
			Industrial Metals and Mining		
88,000	88,000	10	Aisha Steel Mills Limited	-	-
			Fertilizer		
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	85,611	85,611
6,429,140	3,889,140	10	Fauji Fertilizer Company Limited	614,226	296,385
			Pharmaceutical		
1,170,996	1,242,596	10	Abbott Laboratories Pakistan Limited	143,131	151,883
985,147	814,172	10	GlaxoSmithKline Pakistan Limited	84,811	84,811
			Chemical		
-	110,401	10	Clariant Pakistan Limited	-	11,762
968,000	968,000	10	Arif Habib Corporation Limited	98,981	98,981
110,401	-	10	Archroma Pakistan Limited	11,762	-
			Food And Personal Care Products		
709,868	777,535	10	Murree Brewery Company Limited	30,168	34,565
-	32,783	10	Nestle Pakistan Limited	-	18,980
66,290	54,870	10	Rafhan Maize Products Limited	90,271	44,644
-	34,456	50	Unilever Pakistan Limited	-	118,141
			Cement		
2,707,944	2,707,944	10	D.G. Khan Cement Company Limited	106,049	106,049
				2,954,211	2,840,174

adamjee insurance

No. of Shares / Certificates		Face value	Company's name	31 December 2013	31 December 2012
31 December 2013	31 December 2012	Rupees		Rupees in thousand	
				Cost	Cost
12.3.3 Others- Term Finance Certificates					
1,995	3,990	5,000	Allied Bank Limited (06/12/2006)	9,976	19,952
-	6,649	5,000	Bank Alfalah Limited (25/11/2005)	-	33,245
2,996	2,996	5,000	Bank Alfalah Limited (02/12/2009)	14,976	14,982
4,995	4,999	5,000	KESC AZM Certificate (12/11/2012)	24,975	24,995
-	998	5,000	Pakistan Mobile Communication Limited (31/05/2006)	-	4,992
-	984	5,000	Faysal Bank Limited (10/02/2005)	-	4,922
-	998	5,000	Soneri Bank Limited (5/05/2005)	-	4,988
				49,927	108,076
12.3.4 Others- Mutual Fund Certificates					
			Open- Ended- Mutual Funds		
1,672,184	1,562,559	10	ABL Income Fund	13,938	13,938
8,041	7,405	500	Atlas Income Fund	2,725	2,725
38,310	35,254	100	KASB Cash Fund	3,482	3,482
312,602	279,805	50	Meezan Islamic Income Fund	10,000	10,000
1,416,817	1,303,057	10	NIT Government Bond Fund	10,000	10,000
				40,145	40,145

		Note	31 December 2013	31 December 2012
			Rupees in thousand	
13.	**PREMIUMS DUE BUT UNPAID - Unsecured**			
	Considered good		2,658,071	3,197,422
	Considered doubtful		369,231	359,147
			3,027,302	3,556,569
	Less: Provision for doubtful balances	13.1	(369,231)	(359,147)
			2,658,071	3,197,422
13.1	**Reconciliation of provision for doubtful balances**			
	Opening provision		359,147	309,821
	Exchange loss		10,084	8,426
	Charge for the year		-	40,900
	Closing provision		369,231	359,147
13.2	Premiums due but unpaid include an amount of Rupees 164 million (2012: Rupees 556 million) held with related parties.			
14.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - Unsecured**			
	Considered good		1,093,985	591,566
	Considered doubtful		322,810	326,327
			1,416,795	917,893
	Less: Provision for doubtful balances	14.1	(322,810)	(326,327)
			1,093,985	591,566
14.1	**Reconciliation of provision for doubtful balances**			
	Opening provision		326,327	276,327
	Charge for the year		-	50,000
	Written off during the year		(3,517)	-
	Closing provision		322,810	326,327
15.	**ACCRUED INVESTMENT INCOME**			
	Return accrued on Term Finance Certificates		733	1,564
	Return accrued on Treasury Bills		2,957	1,187
	Return accrued on Pakistan Investment Bonds		4,605	4,991
	Dividend income			
	- associated undertakings		-	-
	- others		20	6,840
			20	6,840
	Return on deposit accounts			
	- associated undertakings		-	-
	- others		7,562	5,747
			7,562	5,747
			15,877	20,329
16.	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**			
	These are unsecured and considered to be good.			
17.	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		1,701,770	1,656,047
	Others		64,737	78,102
			1,766,507	1,734,149
18.	**SUNDRY RECEIVABLES**			
	Considered good			
	Current portion of long-term loans			
	Executives	11	4,871	5,985
	Employees	11	12,645	10,789
	Other advances		113,077	131,849
	Security deposits		21,410	21,085
	Miscellaneous		45,045	36,043
			197,048	205,751
19.	**FIXED ASSETS**			
	Owned assets - tangible	19.1	1,005,061	928,031
	Owned assets - intangible	19.1	68,674	45,336
			1,073,735	973,367
	Leased assets	19.1	33,627	52,429
	Capital work in progress	19.2	89,310	91,855
			1,196,672	1,117,651

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19.1 The following is a statement of operating fixed assets :

	2013										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible	Total owned	Tangible		
	Land & Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software		Motor vehicles	Total leased	
	Rupees in thousand										
At 01 January 2013											
Cost	532,493	144,924	413,925	197,238	172,420	1,461,000	121,593	1,582,593	89,221	89,221	1,671,814
Accumulated depreciation / amortisation	68,443	44,652	192,515	99,521	127,838	532,969	76,257	609,226	36,792	36,792	646,018
Net book value	464,050	100,272	221,410	97,717	44,582	928,031	45,336	973,367	52,429	52,429	1,025,796
Year ended 31 December 2013											
Opening net book value	464,050	100,272	221,410	97,717	44,582	928,031	45,336	973,367	52,429	52,429	1,025,796
Additions	15,722	61,534	79,887	34,672	15,868	207,683	40,793	248,476	-	-	248,476
Disposals											
Cost	-	101	10,134	2,813	327	13,375	-	13,375	22,121	22,121	35,496
Depreciation / amortisation	-	61	4,908	1,414	241	6,624	-	6,624	10,008	10,008	16,632
	-	40	5,226	1,399	86	6,751	-	6,751	12,113	12,113	18,864
Depreciation / amortisation charge for the year	34,565	21,071	33,263	17,562	17,441	123,902	17,455	141,357	6,689	6,689	148,046
Closing net book value	445,207	140,695	262,808	113,428	42,923	1,005,061	68,674	1,073,735	33,627	33,627	1,107,362
At 31 December 2013											
Cost	548,215	206,357	483,678	229,097	187,961	1,655,308	162,386	1,817,694	67,100	67,100	1,884,794
Accumulated depreciation / amortisation	103,008	65,662	220,870	115,669	145,038	650,247	93,712	743,959	33,473	33,473	777,432
Net book value	445,207	140,695	262,808	113,428	42,923	1,005,061	68,674	1,073,735	33,627	33,627	1,107,362
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in thousand					
Furniture & Fixtures						
Items Having Book Value Below Rupees 50,000	101	61	40	39		
	101	61	40	39		
Motor Vehicles						
Owned						
Honda Civic VTi (AJF-028)	1,287	900	387	650	Negotiation	Shamsul Haque, Company Employee
Honda Civic VTi (AUK-397)	1,935	706	1,229	1,245	Negotiation	Manzar Mushtaq, Company Employee
Toyota Corolla GLi (PY-519)	1,384	630	754	730	Negotiation	Musaddar Muhsin Ali, Company Employee
Toyota Corolla GLi (AJZ-837)	901	650	251	258	Negotiation	Saeed Muzaffar Zuberi, Company Employee
Honda Citi (ASD-079)	1,485	797	688	1,000	Insurance claim	IGI Insurance Co. Ltd.
Honda Citi (LWH-385)	931	670	261	787	Auction	Naseer Ahmad
Items Having Book Value Below Rupees 50,000	2,211	555	1,656	982		
	10,134	4,908	5,226	5,652		
Leased						
Suzuki Cultus (ASE-503)	805	348	457	433	Negotiation	Hanif Aliani, Company Employee
Suzuki Mehran (ASA-639)	534	242	292	266	Negotiation	M.Abdul Rehman Khan, Company Employee
Honda Civic VTi PT SR (ASS-096)	1,882	783	1,099	1,051	Negotiation	Rehan Ahmed Khan, Company Employee
Suzuki Mehran (ASA-371)	534	242	292	266	Negotiation	Nazish Shafiq, Company Employee
Suzuki Mehran (ASC-681)	537	232	305	280	Negotiation	Aaliya Zia, Company Employee
Suzuki Mehran (ASC-697)	534	230	304	278	Negotiation	Muhammad Tariq, Company Employee
Toyota Corolla GLi (ASN-129)	1,390	689	701	636	Negotiation	Amir Nayab Ahmed, Company Employee
Suzuki Mehran (ASC-695)	534	230	304	269	Negotiation	Israr Ahmed, Company Employee
Suzuki Cultus (ASB-853)	805	348	457	418	Negotiation	M. Raheel Khan, Company Employee
Suzuki Mehran (ASA-357)	534	242	292	249	Negotiation	Farrukh Adnan, Company Employee
Suzuki Mehran (ASC-532)	529	228	301	255	Negotiation	Zahid Ahmed, Company Employee
Suzuki Mehran (LEB-09-8976)	541	245	296	256	Negotiation	Tanveer Ahmed, Company Employee
Suzuki Mehran (ASD-452)	534	230	304	261	Negotiation	Hassan Mahmood, Company Employee
Suzuki Mehran (ASD-451)	534	230	304	261	Negotiation	Aqeel Quadari, Company Employee
Suzuki Mehran (ASC-148)	534	230	304	261	Negotiation	Asif Ehtisham, Company Employee
Suzuki Cultus (ASA-142)	844	364	480	518	Insurance claim	IGI Insurance Co. Ltd.
Suzuki Mehran (ASA-618)	534	269	265	252	Negotiation	Shakeel Anwer, Company Employee
Suzuki Mehran (ASC-476)	534	238	296	243	Negotiation	Naima Shabab, Company Employee
Honda Civic VTi PT SR (AST-325)	1,882	825	1,057	908	Negotiation	Absar Burney, Company Employee
Suzuki Mehran (LEB-09-8963)	541	257	284	247	Negotiation	Arif Malik, Company Employee
Honda Civic VTi PT SR (AST-324)	1,882	825	1,057	1,056	Negotiation	Manzar Mushtaq, Company Employee
Suzuki Mehran (ASC-682)	534	246	288	226	Negotiation	Anis Ahmed Ashrafi, Company Employee
Suzuki Mehran (ASE-315)	534	250	284	217	Negotiation	Raheel Rasheed, Company Employee
Toyota Corolla Altis (ASM-607)	1,881	924	957	1,220	Insurance claim	IGI Insurance Company Limited
Suzuki Cultus (ASE-508)	805	407	398	323	Negotiation	Muhammad Rafiq, Company Employee
Toyota Corolla GLi (ASM-629)	1,389	654	735	573	Negotiation	Syed Muhammad Iqbal, Company Employee
	22,121	10,008	12,113	11,223		
Machinery & Equipment						
Items Having Book Value Below Rupees 50,000	2,813	1,414	1,399	1,679		
	2,813	1,414	1,399	1,679		
Computer						
Items Having Book Value Below Rupees 50,000	327	241	86	57		
Grand Total	35,496	16,632	18,864	18,650		

19.2 Capital Work In Progress represents capital expenditure in respect of IT infrastructure.

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		Note	31 December 2013	31 December 2012
			Rupees in thousand	
				Restated
20.	**EXPENSES**			
	Salaries and wages	22.1	810,085	707,163
	Rent, rates and taxes		54,328	66,746
	Utilities		30,286	32,716
	Communication		21,941	28,516
	Printing and stationery		34,789	41,320
	Traveling and entertainment		60,192	58,849
	Repairs and maintenance		143,636	169,508
	Advertisement and sales promotion		28,387	33,332
	Depreciation	19.1	110,533	154,571
	Tracking and monitoring charges		93,886	127,437
	Legal and professional expenses		24,905	18,050
	Others		122,501	144,708
			1,535,469	1,582,916
21.	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits		98,516	111,590
	Interest on loans to employees		358	373
	Income from non financial assets			
	(Loss) / gain on sale of fixed assets		(214)	18,973
	Miscellaneous		49,454	33,550
			148,114	164,486
22.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and wages - restated	22.1	97,319	51,840
	Rent, rates and taxes		14,204	3,138
	Depreciation	19.1	20,058	16,245
	Communication		11,758	361
	Utilities		3,960	1,216
	Repairs and maintenance		40,500	6,487
	Advertisement and sales promotion		16,448	4,056
	Traveling and entertainment		20,028	25,837
	Directors' fee		440	310
	Legal and professional expenses		98,184	83,430
	Auditors' remuneration	22.2	5,683	5,403
	Donations	22.3	6,481	294
	Provision for doubtful balances		-	90,900
	Amortization of intangible asset	19.1	17,455	21,759
	Provision for impairment on trackers		-	64,152
	Provision for worker's welfare fund		45,110	12,695
	Others		47,726	23,219
			445,354	411,342

22.1 Management expenses and General and Administration expenses include Rupees 45.851 million (2012: Rupees 54.893 million) in respect of staff retirement benefits.

22.2 Auditors' remuneration

Inside Pakistan:		
Audit fee	2,380	2,197
Half yearly review	450	424
Other certifications	370	330
Out of pocket expenses	520	436
	3,720	3,387
Outside Pakistan:		
Audit fee	1,728	1,717
Out of pocket expenses	235	299
	1,963	2,016
	5,683	5,403

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

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
23. PROVISION FOR TAXATION			
Current	23.1	**108,466**	88,468
Deferred	23.2	**135,770**	(46,103)
		244,236	42,365

23.1 Relationship between tax expense and accounting profit

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

23.2 Deferred tax effect due to temporary differences of:

	31 December 2013	31 December 2012
Tax depreciation allowance	**(68,501)**	(69,046)
Provision for gratuity	**13,307**	10,865
Assets subject to finance lease	**(9,161)**	(9,644)
Carried forward tax losses	**169,756**	308,996
	105,401	241,171
Less: Opening balance of deferred tax asset	**241,171**	195,068
	(135,770)	46,103

24. EARNINGS PER SHARE - BASIC AND DILUTED

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

	31 December 2013	31 December 2012
Net profit after tax for the year - restated	**1,966,159**	628,055
	(Number of shares)	
		(Restated)
Weighted average number of shares - restated	**350,000,000**	350,000,000
	Rupees	
Basic earnings per share - restated	**5.62**	1.79

25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees in thousand							
Fee	**-**	**440**	**-**	**440**	-	310	-	310
Managerial remuneration	**5,608**	**-**	**123,788**	**129,396**	5,400	-	124,872	130,272
Allowances and perquisites	**5,959**	**-**	**154,571**	**160,530**	4,420	-	112,800	117,220
	11,567	**440**	**278,359**	**290,366**	9,820	310	237,672	247,802
Number	**1**	**10**	**128**	**139**	1	10	132	143

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

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

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26. TRANSACTIONS WITH RELATED PARTIES

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

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in notes 11, 18 and 25 to these unconsolidated financial statements. Particulars of transactions with the Company's staff retirement benefit schemes are disclosed in note 6, 7.1 and 7.2. Investments in and balances outstanding with related parties have been disclosed in the relevant notes to the unconsolidated balance sheet. Other transactions with related parties not else where disclosed are summarized as follows:

	31 December 2013	31 December 2012
	Rupees in thousand	
Premium underwritten	**1,040,926**	1,359,920
Premium received	**1,156,900**	1,413,559
Claims paid	**440,135**	373,870
Rent paid	**3,815**	11,603
Rent received	**4,947**	-
Dividends received	**573,805**	503,166
Dividend paid	**138,727**	72,217
Income on deposit accounts	**18,241**	29,711
Sale of fixed assets	**-**	900
	Number of shares	
Bonus shares received	**5,666,611**	2,603,771
Bonus shares issued	**66,540,545**	-

27. SEGMENT REPORTING

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

	2013														
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousand														
OTHER INFORMATION															
Segment assets	5,708,947	190,382	386,545	10,849	533,403	3,209,264	1,555,476	26,992	-	-	-	-	8,184,371	3,437,487	11,621,858
Unallocated assets	-	-	-	-	-	-	-	-	-	-	14,051,217	1,528,911	14,051,217	1,528,911	15,580,128
Total assets	5,708,947	190,382	386,545	10,849	533,403	3,209,264	1,555,476	26,992	-	-	14,051,217	1,528,911	22,235,588	4,966,398	27,201,986
Segment liabilities	5,633,773	157,179	270,550	15,024	919,898	3,520,445	1,784,373	22,731	20,332	-	-	-	8,628,926	3,715,379	12,344,305
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,590,929	220,205	1,590,929	220,205	1,811,134
Total liabilities	5,633,773	157,179	270,550	15,024	919,898	3,520,445	1,784,373	22,731	20,332	-	1,590,929	220,205	10,219,855	3,935,584	14,155,439
Capital expenditure													224,520	21,411	245,931

	2012														
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
	Rupees in thousand														
OTHER INFORMATION															
Segment assets	4,940,171	189,471	402,771	14,990	519,036	2,587,598	1,692,442	43,911	-	-	-	-	7,554,420	2,835,970	10,390,390
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,733,719	1,483,054	12,733,719	1,483,054	14,216,773
Total assets	4,940,171	134,386	402,771	14,990	519,036	2,587,598	1,692,442	43,911	-	-	12,733,719	1,483,054	20,288,139	4,319,024	24,607,163
Segment liabilities	5,085,856	144,964	371,472	14,096	940,683	2,790,394	1,849,656	29,348	20,332	-	-	-	8,267,999	2,978,802	11,246,801
Unallocated liabilities - restated	-	-	-	-	-	-	-	-	-	-	1,651,584	223,031	1,651,584	223,031	1,874,615
Total liabilities - restated	5,085,856	144,964	371,472	14,096	940,683	2,790,394	1,849,656	29,348	20,332	-	1,651,584	223,031	9,919,583	3,201,833	13,121,416
Capital expenditure													266,893	83,172	350,065

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The individual risk wise analysis is given below:

28.1 Credit risk and concentration of credit risk

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

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

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

	31 December 2013	31 December 2012
	Rupees in thousand	
Bank deposits	**2,541,865**	2,506,312
Investments	**11,359,717**	9,948,294
Premiums due but unpaid	**2,658,071**	3,197,422
Amounts due from other insurers / reinsurers	**1,093,985**	591,566
Salvage recoveries accrued	**179,703**	169,671
Loans	**33,667**	29,565
Accrued investment income	**15,877**	20,329
Reinsurance recoveries against outstanding claims	**5,574,428**	4,330,229
Sundry receivables	**179,532**	188,977
	23,636,845	20,982,365

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year, receivables of Rupees Nil (2012: Rupees 109.326 million) were further impaired and provided for. The movement in the provision for doubtful debt account is shown in note 13.1 and 14.1.

	31 December 2013	31 December 2012
	Rupees in thousand	
The age analysis of receivables from other than related parties is as follows:		
Upto 1 year	**2,048,532**	2,087,445
1-2 year & prior years	**814,293**	913,114
	2,862,825	3,000,559
The age analysis of receivables from related parties is as follows:		
Upto 1 year	**146,389**	536,399
1-2 year & prior years	**18,088**	19,611
	164,477	556,010

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

	Rating		Rating	2013	2012
	Short term	Long term	Agency	Rupees in thousand	
Allied Bank Limited	A-1+	AA+	PACRA	**9**	9
Askari Bank Limited	A-1+	AA	PACRA	**46**	46
Bank Alfalah Limited	A-1+	AA	PACRA	**550**	182,825
Bank Al Habib Limited	A-1+	AA+	PACRA	**23,125**	22,740
Barclays Bank PLC, Pakistan	P-1	A2	Moody's	**-**	100
Citibank N.A.	P-2	A3	Moody's	**9,595**	14,360
Habib Bank Limited	A-1+	AA+	JCR-VIS	**142,305**	301,263
Industrial Development Bank of Pakistan	-	-	-	**831**	766
FINCA Micro Finance Bank Limited	A-3	BBB+	JCR-VIS	**953**	907
MCB Bank Limited	A-1+	AAA	PACRA	**876,596**	771,655
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**4,163**	10,524
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	**2,537**	2,353
The Punjab Provincial Cooperative Bank Limited	-	-	-	**66,672**	-
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	**1,000**	1,000
The Bank of Punjab	A-1+	AA-	PACRA	**-**	64,469
Soneri Bank Limited	A-1+	AA-	PACRA	**1**	2
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	**5,644**	5,644
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	**1,000**	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	**1,057,384**	931,638
Zarai Taraqiati Bank Limited	B	B+	JCR-VIS	**349,454**	195,011
				2,541,865	2,506,312

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

	Amount due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	2013	2012
	Rupees in thousand			
A or above (including PRCL)	1,261,619	5,123,904	**6,385,523**	5,246,341
BBB	24,331	98,817	**123,148**	112,780
Others	130,845	531,410	**662,255**	58,672
Total	1,416,795	5,754,131	**7,170,926**	5,417,793

28.2 Liquidity risk

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

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

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims	**7,322,673**	**7,322,673**	**7,322,673**	**-**
Amount due to insurers / reinsurers	**641,197**	**641,197**	**641,197**	**-**
Accrued expenses	**112,572**	**112,572**	**112,572**	**-**
Unclaimed dividend	**37,675**	**37,675**	**37,675**	**-**
Other creditors and accruals	**1,266,067**	**1,266,067**	**1,266,067**	**-**
Liabilities against assets subject to finance lease	**6,683**	**6,951**	**6,951**	**-**
	9,386,867	**9,387,135**	**9,387,135**	**-**

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

28.3 Market risk

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

a) Interest / mark-up rate risk

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

	2013	2012	2013	2012
	Effective interest rate (%)		Carrying amounts	
Fixed rate financial instruments			Rupees in thousand	
Financial assets				
Investments-PIBs and Treasury Bills	**8.98% - 11.50%**	10.20% - 12.10%	**364,004**	135,101
Loans	**5%**	5%	**33,667**	29,565
Floating rate financial instruments				
Financial assets				
Bank deposits	**5% - 10.25%**	5%-11.25%	**2,033,177**	2,293,847
Investments -TFCs	**10.95%-14.75%**	10.95%-14.85%	**49,927**	107,778
Financial liabilities				
Liabilities against assets subject to finance lease	**3 month KIBOR plus**	2% - 2.5 %	**6,683**	24,987

Sensitivity analysis

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

	Profit and loss	
	Increase	Decrease
	Rupees in thousand	
As at 31 December 2013 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	(67)	67
Cash flow sensitivity-variable rate financial assets	20,831	(20,831)
As at 31 December 2012 - Fluctuation of 100 bps		
Cash flow sensitivity-variable rate financial liabilities	(250)	250
Cash flow sensitivity-variable rate financial assets	24,016	(24,016)

b) **Price risk**

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

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

The Company has investments in quoted equity securities amounting to Rupees 8,244.362 million (2012: Rupees 7,929.450 million) at the reporting date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date . Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

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

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2013		
Effect of increase in share price	49,405	44,465
Effect of decrease in share price	(80,939)	(72,845)
2012		
Effect of increase in share price	50,508	45,457
Effect of decrease in share price	(135,747)	(122,172)

c) **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 4,966.398 million (2012: Rupees 4,319.023 million) and Rupees 3,934.246 million (2012: Rupees 3,201.833 million), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2013	2012
Rupees per US Dollar		
Average rate	**101.55**	93.40
Reporting date rate	**105.00**	96.90
Rupees per AED		
Average rate	**27.65**	25.43
Reporting date rate	**28.59**	26.38

28.4 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

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

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

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

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

a) Geographical concentration of insurance risk

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

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

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

b) Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2013	2012	2013	2012	2013	2012
	Rupees in thousand					
Fire	**3,103,185,747**	2,709,048,038	**2,547,961,089**	2,164,465,797	**555,224,658**	544,582,241
Marine	**1,543,234,345**	3,018,667,882	**316,216,719**	676,525,320	**1,227,017,626**	2,342,142,562
Motor	**47,200,586**	40,498,649	**877,325**	855,654	**46,323,261**	39,642,995
Miscellaneous	**185,264,693**	169,242,965	**73,917,352**	72,673,026	**111,347,341**	96,569,939
	4,878,885,371	5,937,457,534	**2,938,972,485**	2,914,519,797	**1,939,912,886**	3,022,937,737

c) Sources of uncertainty in estimation of future claim payments

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

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

d) Neutral assumptions for claim estimation

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

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

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

e) Sensitivity analysis

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

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

	Pre tax profit / (loss)		Shareholders' equity	
	2013	2012	2013	2012
	Rupees in thousand			
10% increase in loss				
Net:				
Fire	**(53,062)**	(84,037)	**(34,490)**	(54,624)
Marine	**(22,151)**	(28,420)	**(14,398)**	(18,473)
Motor	**(191,630)**	(182,166)	**(124,560)**	(118,408)
Miscellaneous	**(81,843)**	(119,644)	**(53,198)**	(77,769)
	(348,686)	(414,267)	**(226,646)**	(269,274)
10% decrease in loss				
Net:				
Fire	**53,062**	84,037	**34,490**	54,624
Marine	**22,151**	28,420	**14,398**	18,473
Motor	**191,630**	182,166	**124,560**	118,408
Miscellaneous	**81,843**	119,644	**53,198**	77,769
	348,686	414,267	**226,646**	269,274

f) **Claims development table**

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

Accident year	2011	2012	2013	Total
	Rupees in thousand			
Estimate of ultimate claims cost:				
At end of accident year	6,593,318	6,702,042	**7,689,784**	20,985,144
One year later	2,784,589	4,083,676	-	6,868,265
Two years later	925,903	-	-	925,903
Estimate of cumulative claims	925,903	4,083,676	**7,689,784**	12,699,363
Less: Cumulative payments to date	375,475	2,976,813	**3,099,219**	6,451,507
Liability recognized	550,428	1,106,863	**4,590,565**	6,247,856

29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: Quoted Market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non market observable)

30. FINANCIAL INSTRUMENT BY CATEGORIES

As at 31 December 2013

	Loans and receivables	Available-for-sale	Total
	Rupees in thousand		
Financial assets			
Cash and other equivalents	4,411	-	4,411
Current and other accounts	1,385,675	-	1,385,675
Deposits maturing within 12 months	1,156,190	-	1,156,190
Loans to employees	33,667	-	33,667
Investments	-	11,359,717	11,359,717
Premiums due but unpaid	2,658,071	-	2,658,071
Amounts due from other insurers / reinsurers	1,093,985	-	1,093,985
Salvage recoveries accrued	179,703	-	179,703
Accrued investment income	15,877	-	15,877
Reinsurance recoveries against outstanding claims	5,574,428	-	5,574,428
Sundry receivables	179,532	-	179,532
	12,281,539	11,359,717	23,641,256

As at 31 December 2013

	Financial liabilities at amortized cost
Financial liabilities	Rupees in thousand
Provision for outstanding claims (including IBNR)	7,322,673
Amount due to other insurers / reinsurers	641,197
Accrued expenses	112,572
Other creditors and accruals	1,266,067
Unclaimed dividends	37,675
Liabilities against assets subject to finance lease	6,683
	9,386,867

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

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

31. CAPITAL RISK MANAGEMENT

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

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

32. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on March 20, 2014 proposed a final cash dividend for the year ended 31 December 2013 @ 10% i.e. Rupee 1/- share (2012 : @ 10% i.e. Rupee 1/- share). This is in addition to the interim cash dividend @ 25% i.e. Rupees 2.5/- share (2012: @ 15% i.e. Rupees1.5/- share) resulting in a total cash dividend for the year ended 31 December 2013 of Rupees 3.5/- share (2012: Rupees 2.5/- share) and interim bonus shares issued @ 182.932212%. The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2013 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending 31 December 2014.

33. PROVIDENT FUND RELATED DICLOSURE

The following information is based on un-audited financial statements for the year ended 31 December 2013 and audited financial statements for the year ended 31 December 2012:

	2013	2012
	Rupees in thousand	
Size of the fund - Total assets	**849,653**	736,558
Cost of investments	**685,560**	619,400
Percentage of investments made	**97%**	94%
Fair value of investments	**824,131**	691,449

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

	2013	2012	2013	2012
	Percentage		Rupees in thousand	
Deposits and bank balances	**20.6%**	34.6%	**169,694**	239,266
Term finance certificates	**5.6%**	9.9%	**46,346**	68,595
Treasury bills	**43.0%**	17.8%	**354,390**	122,822
Mutual funds	**18.4%**	26.3%	**151,556**	181,664
Listed securities	**12.4%**	11.4%	**102,145**	79,102
	100%	100%	**824,131**	691,449

33.2 The above investment / placement of funds in special bank account has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

34. NUMBER OF EMPLOYEES

The number of employees as at / average during the year are as follws:

	2013	2012
	Rupees in thousand	
At year end	**782**	748
Average during the year	**765**	788

35. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were approved and authorized for issue on March 20, 2014 by the Board of Directors of the Company.

36. GENERAL

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

- No significant reclassification / rearrangement of the corresponding figures have been made except as disclosed in note 2.3.2 and 7.1 to these financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

adamjee insurance

Directors' Report to the Members On Consolidated Financial Statements

For the year ended 31 December 2013

On behalf of the Board, I am pleased to present the fourth report on consolidated financial statements of Adamjee Insurance Company Limited for the year ended 31 December 2013.

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

	31 December 2013	31 December 2012
	Rupees in thousand	
Profit before tax - restated	2,226,946	488,493
Taxation	(248,705)	(43,083)
Profit after tax	1,978,241	445,410
Profit attributable to non-controlling interest	(3,421)	(3,056)
Profit attributable to ordinary shareholders	1,974,820	442,354
Unappropriated profit brought forward	8,831,228	8,566,680
Profit available for appropriation	10,806,048	9,009,034
Appropriation		
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share) [2011: Nil]	(123,705)	-
Interim dividend @ 25% (Rupees 2.5/- per share) [2012: @ 15% (Rupees 1.5/- per share)]	(309,262)	(185,557)
Issue of bonus shares @ 182.93% (2012: Nil)	(2,262,955)	-
Other comprehensive income: Re-measurement of defined benefit obligation - restated	29,078	7,751
Total appropriation	(2,666,844)	(177,806)
Profit after appropriation	8,139,204	8,831,228
	Rupees	Rupees
		Restated
Earnings per share	5.64	1.26

On Behalf of Board of Directors

Date: 20 March 2014
Lahore

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of ADAMJEE INSURANCE COMPANY LIMITED ("the Holding Company") and its subsidiary company (together referred to as "Group") as at 31 December 2013 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, consolidated Statement of Premiums, consolidated Statement of Claims, consolidated Statement of Expenses and consolidated Statement of Investment Income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Adamjee Insurance Company Limited. The financial statements of subsidiary company Adamjee Life Assurance Company Limited were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of ADAMJEE INSURANCE COMPANY LIMITED and its subsidiary company as at 31 December 2013 and the results of their operations for the year then ended.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 20 March 2014
KARACHI

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
			(Restated)	(Restated)
Share capital and reserves				
Authorised share capital	3.1	**3,750,000**	1,500,000	1,500,000
Paid-up share capital	3.2	**3,500,000**	1,237,045	1,237,045
Retained earnings - restated		**8,139,204**	8,831,228	8,566,680
Reserves	4	**1,108,772**	1,134,570	1,023,432
		9,247,976	9,965,798	9,590,112
Equity attributable to equity holders of the parent		**12,747,976**	11,202,843	10,827,157
Non-controlling interest	5	**22,701**	28,889	77,748
Total equity		**12,770,677**	11,231,732	10,904,905
Balance of statutory funds (including policy holders' liabilities of Rupees 4,824.672 million (2012: Rupees 1,954.675 million)	6	**4,860,342**	2,017,689	509,586
Underwriting provisions				
Provision for outstanding claims (including IBNR)	7	**7,406,692**	6,412,501	5,576,211
Provision for unearned premium		**4,044,831**	3,961,293	4,328,346
Commission income unearned		**182,184**	313,279	371,687
		11,633,707	10,687,073	10,276,244
Deferred liabilities				
Staff retirement benefits	8	**56,152**	37,687	26,458
Creditors and accruals				
Premiums received in advance		**228,934**	128,142	88,159
Amounts due to other insurers / reinsurers		**662,515**	504,732	1,203,579
Accrued expenses		**114,855**	119,831	161,009
Other creditors and accruals - restated	9	**1,728,975**	1,790,324	1,567,364
		2,735,279	2,543,029	3,020,111
Borrowings				
Liabilities against assets subject to finance lease	10	**6,683**	24,987	58,567
Other liabilities				
Unclaimed dividends		**37,675**	35,558	33,495
TOTAL LIABILITIES		**14,469,496**	13,328,334	13,414,875
CONTINGENCIES AND COMMITMENTS	11			
TOTAL EQUITY AND LIABILITIES		**32,100,515**	26,577,755	24,829,366

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
				(Restated)
Cash and bank deposits	12			
Cash and other equivalents		4,531	1,200	21,597
Current and other accounts		1,698,980	1,705,386	1,527,090
Deposits maturing within 12 months		1,156,190	1,026,373	957,694
		2,859,701	2,732,959	2,506,381
Loans				
To employees	13	16,151	12,791	17,175
Investments	14	15,822,211	11,583,212	9,958,281
Deferred taxation		107,346	247,065	201,604
Current assets - others				
Premiums due but unpaid	15	2,673,944	3,217,207	3,598,905
Amounts due from other insurers / reinsurers	16	1,094,914	606,559	679,631
Salvage recoveries accrued		179,703	169,671	165,718
Premium and claim reserves retained by cedants		23,252	23,252	23,252
Accrued investment income	17	30,121	26,616	40,533
Reinsurance recoveries against outstanding claims	18	5,574,428	4,330,229	3,799,366
Taxation - payments less provision		87,428	93,130	13,024
Deferred commission expense		390,649	422,203	472,399
Prepayments	19	1,784,281	1,746,313	2,042,849
Sundry receivables (2011: restated)	20	205,305	208,776	192,666
		12,044,025	10,843,956	11,028,343
Fixed Assets - Tangible & Intangible	21			
Owned				
Land and buildings		445,207	464,050	271,731
Furniture and fixtures		156,160	114,336	76,664
Motor vehicles		272,065	224,004	217,901
Machinery and equipment		116,425	99,559	213,916
Computers and related accessories		54,507	50,348	57,351
Intangible asset - computer software		83,780	61,191	58,901
Capital work-in-progress-tangible		89,310	91,855	133,378
		1,217,454	1,105,343	1,029,842
Leased				
Motor vehicles		33,627	52,429	87,740
TOTAL ASSETS		32,100,515	26,577,755	24,829,366

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	General Insurance					Life Insurance				Total	
		Fire and Property Damage	Marine, Aviation and Transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-Unitized Investment Link Business	Unit Link Business	31 December 2013	31 December 2012
		Rupees in thousand										
Revenue account												(Restated)
Net premium revenue		801,219	598,026	2,964,939	1,142,372	-	95,457	2	547,227	3,670,002	**9,819,244**	7,862,418
Net claims		(530,623)	(221,507)	(1,916,298)	(818,433)	-	(44,600)	-	(8,698)	(554,822)	**(4,094,981)**	(4,297,657)
Expenses	22	(322,909)	(201,164)	(693,660)	(317,736)	-	(32,460)	-	(113,755)	(130,954)	**(1,812,638)**	(1,789,271)
Net commission		(3,430)	(81,433)	(263,000)	197	-	(16,907)	-	(88,023)	(830,615)	**(1,283,211)**	(975,193)
Net Investment income - statutory funds		-	-	-	-	-	10,292	13	78,318	228,239	**316,862**	154,505
Add: Policyholders' liabilities at beginning of the year		-	-	-	-	-	74,352	5	628,849	1,251,469	**1,954,675**	479,562
Less: Policyholders' liabilities at end of the year		-	-	-	-	-	(96,910)	(11)	(1,076,689)	(3,651,062)	**(4,824,672)**	(1,954,676)
Capital contribution from shareholders' fund		-	-	-	-	-	-	-	-	33,937	**33,937**	141,031
Surplus of Policyholders' funds - net		-	-	-	-	-	10,776	(9)	32,771	(16,194)	**27,344**	(32,990)
Underwriting result		(55,743)	93,922	91,981	6,400	-	-	-	-	-	136,560	(412,271)

	Note	31 December 2013	31 December 2012
Investment income - other		2,385,183	1,116,152
Rental income		4,947	545
Other income	23	149,759	165,406
		2,676,449	869,832
General and administration expenses-restated	24	(458,371)	(426,177)
Exchange gain		10,649	2,792
Finance charge on lease liabilities		(1,781)	(5,581)
Share of profit from associated companies-net		-	47,627
Profit before tax		2,226,946	488,493
Provision for taxation	25	(248,705)	(43,083)
Profit after tax		1,978,241	445,410
Profit attributable to:			
Equity holders of the parent - restated		1,974,820	442,354
Non-controlling interest		3,421	3,056
		1,978,241	445,410
Profit and loss appropriation account - Parent Company			
Balance at the commencement of the year - restated		8,831,228	8,566,680
Profit after tax for the year attributable to equity holders of the parent - restated		1,974,820	442,354
Final dividend for the year ended 31 December 2012: @ 10% (Rupee 1/- per share) [2011: Nil]		(123,705)	-
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share) [2012: @15% (Rupees 1.5/- per share)]		(309,262)	(185,557)
Issue of bonus shares @182.93% (2012: Nil)		(2,262,955)	-
Other comprehensive income: Remeasurement of defined benefit obligation - restated		29,078	7,751
Balance unappropriated profit at the end of the year - restated		8,139,204	8,831,228
		Rupees	**Rupees** (Restated)
Earnings per share - basic and diluted (Note 26)		5.64	1.26

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Rupees in thousand	
		(Restated)
Profit after tax for the year - restated	**1,978,241**	445,410
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or loss		
Effect of translation of net investment in foreign branches	**(1,470)**	200,254
Items that will not be reclassified into profit or loss		
Remeasurement of defined benefit obligation - restated	**29,078**	7,751
Capital contribution to statutory funds	**(33,937)**	(141,031)
	(6,329)	66,974
Total comprehensive income for the year - restated	**1,971,912**	512,384
Total comprehensive income attributable to:		
Equity holders of the parent - restated	**1,978,099**	561,243
Non-controlling interest	**(6,187)**	(48,859)
	1,971,912	512,384

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
Operating Cash Flows	Rupees in thousand	
a) Underwriting activities		
Premiums received	15,242,518	12,833,127
Reinsurance premiums paid	(4,498,237)	(5,153,553)
Claims paid	(7,511,079)	(6,601,061)
Surrenders paid	(49,559)	(55,257)
Reinsurance and other recoveries received	2,501,250	2,584,142
Commissions paid	(2,086,024)	(1,644,647)
Commissions received	534,855	771,617
Other underwriting payments	(1,430,301)	(1,296,280)
Net cash flow from underwriting activities	**2,703,423**	**1,438,088**
b) Other operating activities		
Income tax paid	(103,285)	(92,167)
General and other expenses paid	(659,052)	(594,426)
Loans disbursed	(39,217)	(32,200)
Loan repayments received	35,115	30,600
Other receipts	337,611	173,658
Net cash used in other operating activities	**(428,828)**	**(514,535)**
Total cash flow from all operating activities	**2,274,595**	**923,553**
Investment activities		
Profit / return received	154,356	178,582
Dividends received	945,982	714,654
Payments for investments	(24,697,093)	(11,794,313)
Proceeds from disposal of investments	22,128,041	10,678,912
Fixed capital expenditure - Tangible assets	(238,719)	(324,679)
Fixed capital expenditure - Intangible assets	(40,793)	(30,027)
Proceeds from disposal of fixed assets	20,651	60,647
Disbursement of policy loans	(2,037)	-
Settlement of policy loans	1,072	-
Rental received	4,947	545
Profit received on PIBs	11,388	2,006
Income received on treasury bills	3,694	21,276
Income received on TFCs	11,593	18,079
Total cash used in investing activities	**(1,696,918)**	**(474,318)**
Financing activities		
Lease rentals paid	(20,085)	(39,161)
Dividends paid	(430,850)	(183,496)
Total cash used in financing activities	**(450,935)**	**(222,657)**
Net cash inflow from all activities	126,742	226,578
Cash at the beginning of the year	2,723,883	2,497,305
Cash at the end of the year	**2,850,625**	**2,723,883**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Rupees in thousand	
Reconciliation to Profit and Loss Account		
Operating cash flows	2,274,595	923,553
Depreciation expense	(142,478)	(181,687)
Provision for gratuity	(9,435)	(9,031)
Other income - bank deposits	98,516	111,590
Gain on disposal of fixed assets	1,329	19,708
Provision for impairment on trackers	-	(64,152)
Finance charges on lease obligations	(1,781)	(5,581)
Rental income	4,947	545
Share of loss from associated companies	-	48,344
Increase / (decrease) in assets other than cash	1,204,595	(305,026)
Increase in liabilities other than running finance	(3,999,229)	(1,892,131)
	(568,941)	(1,353,868)
Others		
Profit on sale of investments	1,222,636	177,609
Amortization expense	(24,403)	(27,737)
Capital contribution from shareholders fund	33,937	141,031
(Increase) / decrease in unearned premium	(83,538)	367,053
Decrease in loans	4,102	1,601
Income tax paid	103,285	89,755
Profit on PIBs	11,405	6,240
Reversal of provision of impairment in value of investments	195,394	197,051
Dividend, investment and other income	1,316,844	860,111
Income on treasury bills	5,463	12,246
Income on TFCs	10,762	17,401
	2,795,887	1,842,361
Profit before taxation - restated	2,226,946	488,493

Definition of cash:

Cash comprises of cash in hand, bank balances excluding Rs.9.076 million (2012: Rs 9.076 million) held under lien and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

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

	31 December 2013	31 December 2012
Cash and other equivalent	4,531	1,200
Current and other accounts	1,698,980	1,705,386
Deposits maturing within 12 months	1,147,114	1,017,297
Total cash and cash equivalents	2,850,625	2,723,883

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Capital reserves					Revenue reserves		Equity attributable to equity holders of the parent	Non-controlling interest	Total Equity
	Issued, subscribed and paid-up	Reserve for issue of bonus shares	Reserve for exceptional losses	Investment fluctuation reserve	Capital contribution to statutory funds	Exchange translation reserve	General reserve	Retained earnings			
	Rupees in thousand										
Balance as at 31 December 2011	1,237,045	-	22,859	3,764	(218,193)	278,502	936,500	8,632,342	10,892,819	77,748	10,970,567
Effect of change in accounting policy [Note 2.5.1 (b)]	-	-	-	-	-	-	-	(65,662)	(65,662)	-	(65,662)
Balance as at 31 December 2011 - restated	1,237,045	-	22,859	3,764	(218,193)	278,502	936,500	8,566,680	10,827,157	77,748	10,904,905
Interim dividend @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	-	(185,557)	(185,557)	-	(185,557)
Comprehensive income for the year 31 December 2012											
Profit for the year - restated	-	-	-	-	-	-	-	442,354	442,354	3,056	445,410
Other comprehensive income - restated	-	-	-	-	-	200,254	-	7,751	208,005	-	208,005
Capital contribution to statutory funds	-	-	-	-	(89,116)	-	-	-	(89,116)	(51,915)	(141,031)
Total comprehensive income for the year 31 December 2012 - restated	-	-	-	-	(89,116)	200,254	-	450,105	561,243	(48,859)	512,384
Balance as at 31 December 2012 - restated	1,237,045	-	22,859	3,764	(307,309)	478,756	936,500	8,831,228	11,202,843	28,889	11,231,732
Comprehensive income for the year 31 December 2013											
Profit for the year	-	-	-	-	-	-	-	1,974,820	1,974,820	3,421	1,978,241
Other Comprehensive income	-	-	-	-	-	(1,470)	-	29,078	27,608	-	27,608
Capital contribution to statutory funds	-	-	-	-	(24,328)	-	-	-	(24,328)	(9,609)	(33,937)
Total comprehensive income for the year 31 December 2013	-	-	-	-	(24,328)	(1,470)	-	2,003,898	1,978,100	(6,188)	1,971,912
Final dividend for the year ended 31 December 2012 @ 10% (Rupee 1/- per share)	-	-	-	-	-	-	-	(123,705)	(123,705)	-	(123,705)
Interim dividend for the period ended 30 June 2013 @ 25% (Rupees 2.5/- per share)	-	-	-	-	-	-	-	(309,262)	(309,262)	-	(309,262)
Transferred to reserve for issue of bonus shares	-	2,262,955	-	-	-	-	-	(2,262,955)	-	-	-
Issue of bonus shares @ 182.93%	2,262,955	(2,262,955)	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2013	3,500,000	-	22,859	3,764	(331,637)	477,286	936,500	8,139,204	12,747,976	22,701	12,770,677

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF PREMIUMS
FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Premiums written	Unearned premium reserve			Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded			Reinsurance expense	Net premium revenue	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
General insurance:												
Direct and facultative												
Fire and property damage	4,114,709	1,858,769	1,854,900	7,074	4,125,652	3,300,222	1,377,042	1,358,743	5,912	3,324,433	**801,219**	894,243
Marine, Aviation and Transport	748,457	66,461	55,695	530	759,753	155,870	12,978	7,378	257	161,727	**598,026**	608,630
Motor	3,232,608	1,489,035	1,504,870	110,033	3,326,806	366,340	107,564	125,874	13,837	361,867	**2,964,939**	2,743,847
Miscellaneous	1,980,807	547,028	629,366	2,699	1,901,168	808,644	158,463	209,775	1,464	758,796	**1,142,372**	1,425,257
	10,076,581	3,961,293	4,044,831	120,336	10,113,379	4,631,076	1,656,047	1,701,770	21,470	4,606,823	**5,506,556**	5,671,977
Treaty												
Proportional	-	-	-	-	-	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	-	-	-	-	**-**	-
Total	10,076,581	3,961,293	4,044,831	120,336	10,113,379	4,631,076	1,656,047	1,701,770	21,470	4,606,823	**5,506,556**	5,671,977
Life insurance:												
Conventional business	200,615	-	-	-	200,615	105,158	-	-	-	105,158	**95,457**	119,382
Accident and Health Business	2	-	-	-	2	-	-	-	-	-	**2**	13
Non-unitised Investment Link Business	559,473	-	-	-	559,473	12,246	-	-	-	12,246	**547,227**	526,457
Unit Link Business	3,714,635	-	-	-	3,714,635	44,633	-	-	-	44,633	**3,670,002**	1,544,589
Total	4,474,725	-	-	-	4,474,725	162,037	-	-	-	162,037	**4,312,688**	2,190,441
Grand Total	14,551,306	3,961,293	4,044,831	120,336	14,588,104	4,793,113	1,656,047	1,701,770	21,470	4,768,860	**9,819,244**	7,862,418

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF CLAIMS

FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Total claims paid	Outstanding claims			Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims			Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing	Currency translation effect			Opening	Closing	Currency translation effect		31 December 2013	31 December 2012
	Rupees in thousand											
General insurance:												
Direct and facultative												
Fire and Property Damage	2,587,967	2,884,545	3,516,994	5,347	3,215,069	1,912,954	2,142,921	2,919,240	4,827	2,684,446	**530,623**	840,372
Marine, Aviation and Transport	351,744	269,872	176,944	635	258,181	37,088	127,373	126,959	-	36,674	**221,507**	284,200
Motor	2,572,706	2,012,919	2,612,650	162,587	3,009,850	619,193	1,460,234	2,068,984	134,391	1,093,552	**1,916,298**	1,821,660
Miscellaneous	1,300,146	1,173,985	995,753	33	1,121,881	433,896	769,372	638,948	24	303,448	**818,433**	1,196,435
	6,812,563	6,341,321	7,302,341	168,602	7,604,981	3,003,131	4,499,900	5,754,131	139,242	4,118,120	**3,486,861**	4,142,667
Treaty												
Proportional	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
	-	20,332	20,332	-	-	-	-	-	-	-	**-**	-
Total	6,812,563	6,361,653	7,322,673	168,602	7,604,981	3,003,131	4,499,900	5,754,131	139,242	4,118,120	**3,486,861**	4,142,667
Life insurance:												
Conventional Business	136,186	34,002	38,307	-	140,491	118,605	22,714	-	-	95,891	**44,600**	50,838
Accident and Health Business	-	-	-	-	-	-	-	-	-	-	**-**	-
Non-unitised Investment Link Business	7,318	2,631	10,280	-	14,967	7,579	1,310	-	-	6,269	**8,698**	1,986
Unit Link Business	554,475	14,215	35,432	-	575,692	26,604	5,734	-	-	20,870	**554,822**	102,165
Total	697,979	50,848	84,019	-	731,150	152,788	29,758	-	-	123,030	**608,120**	154,989
Grand Total	7,510,542	6,412,501	7,406,692	168,602	8,336,131	3,155,919	4,529,658	5,754,131	139,242	4,241,150	**4,094,981**	4,297,656

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013

Class	Commissions paid or payable	Deferred commission			Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing	Currency translation effect					31 December 2013	31 December 2012
	Rupees in thousand									
General insurance:										
Direct and facultative										
Fire and Property Damage	422,085	252,708	188,330	1,179	487,642	322,909	810,551	484,212	**326,339**	362,104
Marine, Aviation and Transport	94,905	(5,160)	3,163	309	86,891	201,164	288,055	5,458	**282,597**	258,410
Motor	319,075	118,926	150,110	9,937	297,828	693,660	991,488	34,828	**956,660**	970,645
Miscellaneous	138,004	55,729	49,046	229	144,916	317,736	462,652	145,113	**317,539**	350,422
	974,069	422,203	390,649	11,654	1,017,277	1,535,469	2,552,746	669,611	**1,883,135**	1,941,581
Treaty										
Proportional	-	-	-	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	-	-	**-**	-
Total	974,069	422,203	390,649	11,654	1,017,277	1,535,469	2,552,746	669,611	**1,883,135**	1,941,581
Life insurance:										
Conventional business	16,907	-	-	-	16,907	32,460	49,367	-	**49,367**	50,221
Accident and health business	-	-	-	-	-	-	-	-	**-**	43
Non-unitised Investment Link Business	88,023	-	-	-	88,023	113,755	201,778	-	**201,778**	216,468
Unit Link Business	830,615	-	-	-	830,615	130,954	961,569	-	**961,569**	556,151
Total	935,545	-	-	-	935,545	277,169	1,212,714	-	**1,212,714**	822,883
Grand Total	1,909,614	422,203	390,649	11,654	1,952,822	1,812,638	3,765,460	669,611	**3,095,849**	2,764,464

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha
Chairman

Kamran Rasool
Director

Muhammad Umar Virk
Director

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

CONSOLIDATED STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
General insurance:			
Income from non-trading investments			
Available-for-sale			
Return on Term Finance Certificates		10,762	17,401
Return on Treasury Bills		5,463	12,246
Return on Pakistan Investments Bonds		11,405	6,240
Dividend income			
- associated undertakings		573,804	423,282
- others		362,500	293,604
		936,304	716,886
		963,934	752,773
Gain on sale of 'available-for-sale' investments			
- related parties		221,938	108,771
- others		975,996	34,621
		1,197,934	143,392
		2,161,868	896,165
Reversal of impairment in value of 'available-for-sale' investments	14.2	195,394	197,051
		2,357,262	1,093,216
Life insurance:			
Shareholders' fund			
Appreciation in value of quoted securities		(74)	85
Return on Government Securities		22,538	13,256
Return on bank deposit		1,519	875
Dividend income		2,545	1,359
Gain on sale of non trading investments		1,393	6,893
Reversal of impairment in value of available-for-sale investments		-	468
		27,921	22,936
Statutory Funds			
Conventional Business			
Return on Government Securities		1,192	3,448
Realisation of discount on Government Securities		3,128	2,075
Investment income on bank deposits		5,961	4,099
Gain on sale of disposal of open-end non trading investments		11	1,065
Reversal of impairment in value of available-for-sale investments		-	59
		10,292	10,746
Accident and Health Business			
Investment income on bank deposits		13	18
Non-unitised Investment Link Business			
Appreciation in value of quoted securities		436	2,388
Return on fixed income securities		4,420	-
Realisation of discount on Government Securities		62,013	29,824
Return on Government Securities		6,950	17,440
Investment income on bank deposits		2,437	2,043
Gain on sale of disposal of trading investments		2,062	9,814
		78,318	61,509

CONSOLIDATED STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Unit Link Business			
Appreciation in value of quoted securities		14,028	8,524
Realisation of discount on Government Securities		160,311	37,952
Return on Government Securities		12,182	13,499
Return on fixed income securities		7,672	963
Dividend income		411	93
Investment income on bank deposits		12,399	4,756
Gain on disposal of open-end trading / non trading investments		21,236	16,445
		228,239	82,232
Net investment income		2,702,045	1,270,657
Net investment income - statutory funds		316,862	154,505
Net investment income - other		2,385,183	1,116,152
		2,702,045	1,270,657

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

1. THE GROUP AND ITS OPERATIONS

The group consists of:

Holding Company

Adamjee Insurance Company Limited

Subsidiary Company	Percentage held by Adamjee Insurance Company Limited	
Adamjee Life Assurance Company Limited	74.28%	(2012: 67.2%)

Adamjee Insurance Company Limited (Holding Company)

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

The registered office of the Company is situated at Tanveer Building, 27-C-III, M.M. Alam Road, Gulberg III, Lahore.

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

Adamjee Life Assurance Company Limited (Subsidiary Company)

Adamjee Life Assurance Company Limited was incorporated in Pakistan on 04 August 2008 as a public unlisted company under the Companies Ordinance, 1984 and started its operations from 24 April 2009. The registered office of the Company is located at First Floor, Islamabad Stock Exchange Tower, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is located at Third Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V. who have a holding of 74.28 % (2012: 67.20%) and 25.72 % (2012: 32.80%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited (HLA), a subsidiary of IVM Intersurer B.V., to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 Basis of preparation

a) Statement of compliance

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

(Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

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

b) Consolidation

i) Subsidiary Company

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

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

Intergroup balances and transactions have been eliminated.

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

ii) Associates

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

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

However, there was no associate during the year required to be accounted for under equity metod.

c) Accounting convention

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

d) Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Provision for doubtful receivables

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

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

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

v) Valuation discount rate

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

vi) Mortality assumption

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

vii) Claims provision

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

viii) Surrenders

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

ix) Classification of investments

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

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

e) Functional and presentation currency

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

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

The following standards, amendments and interpretations are effective for the year ended 31 December 2013. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

IAS 1 ' Financial statements presentation' has been amended effective 01 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments) or not. The specified changes has been made in the statement of comprehensive income for the year.

IAS 19 Employee Benefits (revised) which became effective for annual periods beginning on or after 01 January 2013 amends accounting for employees benefits. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

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

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

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

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

IAS 32 'Financial Instruments: Presentation' (effective for the annual periods beginning on or after 01 January 2014). This amendment clarifies the meaning of 'currently has a legally enforceable right to setoff'. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of setoff be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant impact on these consolidated financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Insurance contracts

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

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

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

Holding Company - Non Life Business

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

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

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

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

Subsidiary Company - Life Business

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

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

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

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

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

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

2.2.1 Holding Company - Non-life business

a) Premium

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

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

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

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

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

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

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

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

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

b) Reinsurance Ceded

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

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

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

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

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

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

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

c) Provision for outstanding claims including IBNR

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

Provisions for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually incurred subsequent to the balance sheet date.

The Holding Company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period. Provision for IBNR claims pertaining to accident and health insurance, that is included in Miscellaneous category, is determined on actuary's advice.

d) Reinsurance recoveries against outstanding claims

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

e) Commission expense and other acquisition costs

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

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

f) Premium deficiency reserve

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

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

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

	2013	**2012**
Fire and property damage	69.92%	78.93%
Marine, aviation and transport	47.19%	53.75%
Motor	64.68%	66.17%
Miscellaneous	80.99%	78.72%

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

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

2.2.2 Subsidiary Company - Life Business

a) Conventional Business

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

i) Individual life

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

Revenue recognition

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

Recognition of policyholders' liabilities

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

Claim expenses

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

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

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

ii) **Group life and group credit life**

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

Revenue recognition

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

Recognition of policyholders' liabilities

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

Claim expenses

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

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

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

Experience refund of premium

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

b) **Accident and Health Business**

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

Revenue recognition

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

Recognition of policyholders' liabilities

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

Claim expenses

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

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

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

c) **Non-unitised Investment Linked Business**

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

Revenue recognition

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

Recognition of policyholders' liabilities

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

Claim expense

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

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

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

d) **Unit Linked Business**

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

Revenue recognition

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

Recognition of policyholders' liabilities

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

Claim expenses

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

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

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

e) Reinsurance contracts held

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

Reinsurance premium

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

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

Amount due from / to reinsurer

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

f) Receivables and payables related to insurance contracts

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

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

2.3 Statutory funds

Subsidiary Company - Life business

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

2.4 Policyholders' liabilities

2.4.1 Subsidiary Company - Life business

a) Conventional Business

i) Individual Life

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

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using EFU (61-66) mortality table and a discounting factor interest rate of 3.75%. This table reflects the mortality expectations in Pakistan. In the opinion of the appointed actuary, the table gives the closest match to the underlying mortality of the concerned population. This is in line with the requirements under the repealed Insurance Act, 1938 and is considerably lower than the actual investment return managed on conventional portfolio. The difference between the above and actual investment return is intended to be available to the Subsidiary Company for meeting administrative expenses and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders have been based on net unearned premiums.

ii) **Group life and group credit**

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

b) **Accident and Health Business**

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

c) **Non-unitised Investment Link Business**

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

d) **Unit Link Business**

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

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

2.5 Staff retirement benefits

2.5.1 Holding Company

a) **Defined contribution plan**

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

b) **Defined benefit plans**

The Holding Company has the following defined benefit plans:

(a) an approved funded gratuity scheme for all its permanent employees in Pakistan. Annual contributions are made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme;

(b) unfunded gratuity scheme covering the employees in the UAE branches as per the requirements of the applicable regulations. Provision is made in these consolidated financial statements on the basis of actuarial valuation carried out by an independent actuary using the projected unit credit method.

During the current year, the Holding Company has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, the actuarial gains and losses were amortized over the expected future service of the current members in accordance with the International Accounting Standard (IAS) 19 'Employee Benefits'. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account 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 obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	2013	2012	2011
	Rupees in thousand		
Impact on consolidated balance sheet			
Increase in other creditors and accruals	22,161	54,049	50,932
Decrease in sundry receivables	-	-	14,730
Decrease in retained earnings	22,161	54,049	65,662
Impact on consolidated profit and loss account			
Decrease in general and administration expenses		3,862	12,672
Increase in profit after tax		3,862	12,672
Increase in earnings per share		0.01	0.04

2.5.2 Subsidiary company

a) Defined benefit scheme

The Subsidiary company operates an unfunded gratuity scheme for all permanent, confirmed and full time, employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognized on the basis of actuarial valuation carried out as at each year end using the projected unit credit method.

During the current year, the Subsidiary Company has changed its accounting policy in respect of post retirement defined benefits plans as required pursuant to amendment in International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, the actuarial gains and losses were amortized over the expected future service of the current members in accordance with the International Accounting Standard - 19 'Employee Benefits'. Amended IAS 19 requires the actuarial gains and losses to be recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account 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 obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account. However, the Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements for companies carrying the business of life insurance, which do not require OCI statement, resultantly the charge has been taken to profit and loss and revenue accounts by the Subsidiary Company.

This ammendment does not materially affect the Subsidiary Company's financial statements, therefore retrospective adjustment has not been made in the financial statements of the Subsidiary Company. Considering the immateriality of the amounts involved, this difference in accounting treatment has also been ignored in these consolidated financial statements. Accordingly, the financial statements of the Subsidiary Company has not been restated / changed in respect of this matter for the purpose of consolidation.

The effect of this amendment on the financial statements for the current year is as folows:

	2013
	Rupees in thousand
Impact on consolidated balance sheet	
Increase in deferred taxation	109
Increase in deferred liability - staff retirement benefits	3,205
Decrease in retained earnings	(212)
Decrease in balance on statutory funds	(2,884)
Impact on consolidated profit and loss account	
Increase in general and administrative expenses	321
Increase in underwriting expenses	2,884
Decrease in taxation	(109)

2.6 Employees' compensated absences

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

2.7 Creditors, accruals and provisions

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

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

2.8 Cash and cash equivalents

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

2.9 Investments

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

The above investments are classified into the following categories:

Held-to-maturity

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

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

Available-for-sale

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

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

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

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

At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management. Subsequently, these are measured at fair value and gains and losses arising from change in fair value are included in the profit and loss account / revenue account.

2.10 Taxation

Current

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

Deferred

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

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

2.11 Fixed Assets

Tangible

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

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

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

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

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

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

Intangible

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

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

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

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

2.12 Expenses of management

2.12.1 Holding Company

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

2.12.2 Subsidiary Company

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

2.13 Investment income

a) From available-for-sale investments

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

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

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

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

b) From held-to-maturity investments

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

c) From investments at fair value through profit or loss

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

d) Share of profit from associated companies

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

2.14 Foreign currencies

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

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

2.15 Financial instruments

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

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

2.16 Dividend and appropriation to reserves

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

2.17 Off setting of fund liabilities and fund assets

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

2.18 Earnings per share

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

2.19 Share capital

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

2.20 Impairment

Financial assets

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

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

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

Non financial assets

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

2.21 Segment reporting

2.21.1 Holding Company

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

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

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

2.21.2 Subsidiary Company

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

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

2.22 Borrowing cost

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

3. SHARE CAPITAL

3.1 Authorized share capital

31 December 2013	31 December 2012		31 December 2013	31 December 2012
Number of shares			Rupees in thousand	
375,000,000	150,000,000	Ordinary shares of Rupees 10 each	**3,750,000**	1,500,000

3.2 Paid-up share capital

Issued, subscribed and fully paid:

250,000	250,000	Ordinary shares of Rupees 10 each fully paid in cash	**2,500**	2,500
123,454,543	123,454,543	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**1,234,545**	1,234,545
226,295,457	-	**Issued during the year** Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**2,262,955**	-
350,000,000	123,704,543		**3,500,000**	1,237,045

3.3 As at 31 December 2013, MCB Bank Limited and Nishat Mills Limited, associated undertakings, held 102,812,165 (2012: 36,338,092) and 102,809 (2012: 36,337) ordinary shares of the Holding company of Rupees 10 each, respectively.

4. RESERVES

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Capital reserves			
Reserve for exceptional losses	4.1	**22,859**	22,859
Investment fluctuation reserve	4.2	**3,764**	3,764
Exchange translation reserve	4.3	**477,286**	478,756
Capital contribution to statutory funds	4.4	**(331,637)**	(307,309)
		172,272	198,070
Revenue reserve			
General reserve		**936,500**	936,500
		1,108,772	1,134,570

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

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

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

4.4 This represents the share of equity holders of the Parent in the capital contribution made by shareholders' fund of Subsidiary to its statutory funds.

5. NON- CONTROLLING INTEREST	31 December 2013	31 December 2012
	Rupees in thousand	
Share capital	**240,599**	240,599
Profit for the year	**3,421**	3,056
Capital contribution to statutory funds	**(240,048)**	(230,439)
Opening retained earnings	**18,729**	15,673
	22,701	28,889

6. POLICYHOLDERS' LIABILITIES	Statutory Funds				Aggregate	
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit link Business	31 December 2013	31 December 2012
Life insurance:	Rupees in thousand					
6.1 Gross of reinsurance						
Actuarial liability relating to future events	139,269	11	1,091,177	3,690,300	**4,920,757**	2,008,520
Provision for incurred but not reported claims	8,047	-	-	-	**8,047**	8,859
	147,316	11	1,091,177	3,690,300	**4,928,804**	2,017,379
6.2 Net of reinsurance						
Actuarial liability relating to future events	93,323	11	1,076,689	3,651,062	**4,821,085**	1,952,017
Provision for incurred but not reported claims	3,587	-	-	-	**3,587**	2,658
	96,910	11	1,076,689	3,651,062	**4,824,672**	1,954,675
6.3 Balance of Statutory Funds						
Policyholders' liabilities						
Balance at beginning of the year	74,352	5	628,849	1,251,469	**1,954,675**	479,562
Increase during the year	22,558	6	447,840	2,399,593	**2,869,997**	1,475,113
Balance at end of the year	96,910	11	1,076,689	3,651,062	**4,824,672**	1,954,675
Retained earnings on other than participating business						
Balance at beginning of the year	(132,987)	(1,439)	(166,271)	(174,037)	**(474,734)**	(366,694)
Surplus / (deficit) for the year	(10,776)	9	(32,770)	(17,744)	**(61,281)**	(108,040)
Surplus appropriated to shareholders' fund	-	-	-	-	-	-
Balance at end of the year	(143,763)	(1,430)	(199,041)	(191,781)	**(536,015)**	(474,734)
Capital contributed by shareholders' fund						
Balance at beginning of the year	152,708	1,511	209,492	174,038	**537,749**	396,717
Capital contribution during the year	-	-	-	33,937	**33,937**	141,031
Capital withdrawn during the year	-	-	-	-	-	-
Balance at end of the year	152,708	1,511	209,492	207,975	**571,686**	537,748
Balance of statutory funds at the year end	105,855	92	1,087,140	3,667,256	**4,860,342**	2,017,689

6.4 The appointed actuary of the Subsidiary Company has carried out a valuation of the policyholders' liabilities with respect to the Conventional Business, Accident and Health Business, Non-unitised Investment Linked Business and Unit Link Business (Statutory Funds) as per section 50 of the Insurance Ordinance, 2000. The significant assumptions used in the valuations are disclosed in note 30.4.2 to these consolidated financial statements.

The details of the significant assumptions used by the appointed actuary in computation of policyholders' liability will be specified in the Financial Condition Report for the year ended 31 December 2013 to be issued by the appointed actuary of the Subsidiary Company in accordance with the requirements set out in section 50 of the Insurance Ordinance, 2000.

	Note	31 December 2013	31 December 2012
7. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)		Rupees in thousand	
General insurance			
Related parties		**199,060**	283,240
Others		**7,123,613**	6,078,413
		7,322,673	6,361,653
Life insurance		**84,019**	50,848
		7,406,692	6,412,501
8. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity			
Opening balance		**37,687**	26,458
Charge for the year - Holding Company	8.1	**3,948**	7,989
Charge for the year - Subsidiary Company	8.2.3	**9,600**	4,496
Benefits paid - Holding Company		**(1,038)**	(1,014)
Benefits paid - Subsidiary Company		**(570)**	(2,298)
		49,627	35,631
Exchange loss - Holding Company		**6,525**	2,056
		56,152	37,687

8.1 The above provision relates to the Company's operations in UAE branches. Actuarial valuation is carried out as at 31 December 2013 by an independent actuary - Zahid & Zahid.

8.2 The Subsidiary Company operates an unfunded gratuity scheme for all permanent employees. An actuarial valuation is carried out at 31 December 2013 to determine the liability of the Subsidiary Company in respect of the scheme. The information provided in notes 8.2.1 to 8.2.5 is based upon the actuarial valuation carried out as at 31 December 2013. The following significant assumptions have been used for valuation of this scheme:

	2013	2012
	Rate per annum	
Discount rate	**13.20%**	12.10%
Expected rate of increase in salaries	**11.00%**	11.00%

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
8.2.1 Amounts recognised in the balance sheet			
Present value of the obligation - restated		**15,675**	11,824
Unrecognised actuarial loss - restated		-	(5,178)
Gratuity liability as at 31 December		**15,675**	6,646
8.2.2 Movement in the present value of the defined benefit obligation			
Obligation at the beginning of the year		**11,823**	7,088
Current service cost		**4,555**	3,178
Interest cost		**1,840**	1,217
Actuarial loss - restated		**(1,973)**	2,639
Benefits paid		**(570)**	(2,298)
Obligation at the end of the year		**15,675**	11,824
8.2.3 Amounts recognised in the profit and loss account			
Current service cost		**4,555**	3,178
Interest cost		**1,840**	1,217
Recognised actuarial loss		**3,205**	101
		9,600	4,496
8.2.4 Reconciliation of liability			
Opening net liability		**6,645**	4,447
Charge for the year		**9,600**	4,496
Benefits paid		**(570)**	(2,298)
Closing net liability		**15,675**	6,645

8.2.5 Actual return on plan assets

The Subsidiary Company does not have any plan assets as at 31 December 2013 in respect of its unfunded gratuity scheme.

	Note	31 December 2013	31 December 2012	31 December 2011
		Rupees in thousand		
9. OTHER CREDITORS AND ACCRUALS				
Cash margin against performance bonds		**646,744**	651,492	612,067
Sundry creditors		**309,780**	259,636	193,059
Commission payable		**402,464**	598,594	531,396
Workers' welfare fund		**146,574**	101,126	11,762
Staff Gratuity Fund - restated	9.1	**57,770**	65,432	50,932
Federal insurance fee		**37,920**	35,809	35,471
Federal excise duty		**105,114**	51,044	101,572
Payable to Employees' Provident Fund		**804**	958	-
Others	9.3	**21,805**	26,233	31,105
		1,728,975	1,790,324	1,567,364

9.1 Staff Gratuity Fund

The Holding Company operates an approved funded gratuity scheme for all employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at 31 December 2013 by an independent actuary - Zahid & Zahid.

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

	2013	2012	2011
	Rate per annum		
- Valuation discount rate	**12.00%**	11.50%	13.00%
- Expected rate of increase in salary level	**10.00%**	9.50%	10.75%
- Rate of return on plan assets	**10.79%**	11.50%	13.00%

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

	31 December 2013	31 December 2012	31 December 2011
	Rupees in thousand		
Present value of defined benefit obligation	**198,316**	194,589	196,137
Plan assets	**(140,546)**	(129,157)	(145,205)
Net liability - restated	**57,770**	65,432	50,932
9.1.1 Amounts recognized in the balance sheet			
Liabilities - restated	**57,770**	65,432	50,932
9.1.2 The amounts charged in profit and loss account			
Current service cost	**11,296**	15,848	16,291
Net interest cost - restated	**7,525**	6,403	6,086
Curtailment cost	-	-	4,039
	18,821	22,251	26,416
9.1.3 Amounts charged to other comprehensive income			
Remeasurements of the present value of defined benefit obligation:			
Actuarial losses arising from changes in demographic assumptions	-	8,132	-
Actuarial losses arising from changes in financial assumptions	**799**	-	-
Actuarial gains arising from experience adjustments	**(13,811)**	(16,089)	(2,812)
Return on plan assets	**(13,471)**	206	(2,423)
	(26,483)	(7,751)	(5,235)
9.1.4 Total defined benefit (income) / cost	**(7,662)**	14,500	21,181
9.1.5 Changes in present value of defined benefit obligations			
Present value of defined benefit obligation at the beginning of the year	**194,589**	196,137	215,970
Current service cost	**11,296**	15,848	16,291
Interest cost	**21,457**	23,427	26,386
Curtailment cost	-	-	4,039
Remeasurements of the present value of defined benefit obligation:			
Actuarial losses arising from changes in demographic assumptions	-	8,132	-
Actuarial losses arising from changes in financial assumptions	**799**	-	-
Actuarial gains arising from experience adjustments	**(13,811)**	(16,089)	(2,812)
	(13,012)	(7,957)	(2,812)
Benefits paid	**(16,014)**	(32,866)	(63,737)
Present value of defined benefit obligation at the end of the year	**198,316**	194,589	196,137

	31 December 2013	31 December 2012	31 December 2011
	Rupees in thousand		
9.1.6 Changes in fair value of plan assets			
Fair value of plan assets at the beginning of the year	**129,157**	145,205	186,219
Interest income	**13,932**	17,025	20,300
Remeasurements of the fair value of plan assets:			
Return on plan assets	**13,471**	(206)	2,423
Benefits paid	**(16,014)**	(32,867)	(63,737)
Fair value of plan assets at the end of the year	**140,546**	129,157	145,205

	31 December 2013		31 December 2012		31 December 2011	
	Rupees in thousand	%	Rupees in thousand	%	Rupees in thousand	%
9.1.7 Fund Investment						
Government Bonds	**73,388**	**52.22%**	-	-	9,872	6.80%
Corporate Bonds	**23,497**	**16.72%**	24,908	19.29%	-	-
Shares and deposits	**31,933**	**22.72%**	97,327	75.36%	92,172	63.48%
Unit Trusts	**14,291**	**10.17%**	9,536	7.38%	52,555	36.19%
Creditors	**(2,563)**	**-1.82%**	(2,614)	-2.02%	(9,394)	-6.47%
	140,546	**100%**	129,157	100%	145,205	100%

9.2 During the year, an amount of Rupees 20.487 million (2012: Rupees 20.791 million) has been charged to the profit and loss account in respect of the Holding Company's contributions to the Employees' Provident Fund.

9.3 This includes balance payable by Subsidiary Company to its related parties of Rupees 20.773 million (2012: Rupees 19.187 million)

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	6,683	24,987

10.1 Minimum lease payments

Not later than 1 year	6,951	17,831
Later than 1 year and not later than 5 years	-	9,463
	6,951	27,294
Future finance charges on finance lease	(268)	(2,307)
Present value of finance lease liability	6,683	24,987

10.2 Present value of finance lease liabilities

Not later than 1 year	6,683	15,547
Later than 1 year and not later than 5 years	-	9,440
	6,683	24,987

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

10.4 Lease payments bear variable mark-up rates and include finance charges at 3 month KIBOR + 2% to 2.5% (2012: 3 month KIBOR + 2% to 2.5%) per annum. KIBOR is determined on quarterly basis.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies:

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

i) The Deputy Commissioner Inland Revenue (DCIR) issued an order under section 161/205 of the Income Tax Ordinance, 2001 for the year 2012 whereby a tax demand aggregating to Rs 8.649 million was raised against the Holding Company on account of non-deduction of tax on dividend. The Holding Company challenged the said order before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer for fresh proceedings. The management is confident that the matter will eventually be decided in favour of the Holding Company, and has consequently not made any provision there against.

ii) The Deputy Commissioner Inland Revenue (DCIR) passed an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2005 raising a tax demand of Rs 3.103 million for alleged non-payment of tax deducted on salaries during the year. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) who remanded the case back to taxation officer with the direction to provide the Holding Company a proper opportunity of being heard. The same was challenged by the Holding Company before Appellate Tribunal Inland Revenue. Hearing of the case has not yet commenced. However, a positive outcome is expected by the Holding Company; hence, no provision has been made by the Holding Company in this regard.

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

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

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

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

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

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

Pending resolution of the above-mentioned appeals filed by the Holding Company, no provision has been made in these consolidated financial statements for the aggregate amount of Rupees 98.690 million (2012: 86.938 million) as the management is confident that the eventual outcome of the above matters will be in favour of the Holding Company.

Subsidiary Company
There was no contingency as at 31 December 2013 (2012: Nil).

11.2 Commitments:

Holding Company
There were no capital or other commitments as at 31 December 2013 (2012: Nil).

Subsidiary Company
There were no capital or other commitments as at 31 December 2013 (2012: Nil).

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
12. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		**4,531**	1,200
Current and other accounts			
Current accounts		**510,632**	213,080
Savings accounts		**1,188,348**	1,492,306
		1,698,980	1,705,386
Deposits maturing within 12 months			
Fixed and term deposits	12.1	**1,156,190**	1,026,373
		2,859,701	2,732,959

12.1 These include fixed deposits amounting to Rupees 197.716 million (AED 6.916 million) [2012: Rupees 180.545 million (AED 6.844 million)] kept in accordance with the requirements of Insurance Regulations applicable to the UAE branches for the purpose of carrying on business in United Arab Emirates. These also include liens against cash deposits of Rupees 9.076 million (2012: Rupees 9.076 million) with banks in Pakistan essentially in respect of guarantees issued by the banks on behalf of the Holding Company for claims under litigation filed against the Holding Company.

12.2 Cash and bank deposits include an amount of Rupees 876.596 million (2012: Rupees 663.460 million) held with related parties.

13. LOANS - considered good

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Secured			
Executives	13.2	**5,220**	6,700
Employees	13.2	**28,447**	22,865
		33,667	29,565
Less: Recoverable within one year shown under sundry receivables			
Executives	20	**4,871**	5,985
Employees	20	**12,645**	10,789
		17,516	16,774
		16,151	12,791

13.1 Loans to employees are granted in accordance with the terms of their employment for the purchase of vehicles, purchase / construction of houses and for other purposes as specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly installments over various periods and are secured by registration of vehicles, deposit of title documents of property with the Company and against provident fund balances of the employees. The loans are interest free except for those granted for the purchase/ construction of houses which carry interest at the rate of 5% (2012: 5%) per annum.

13.2 Reconciliation of carrying amount of loans

	2013			2012		
	Executives	Others	Total	Executives	Others	Total
	Rupees in thousand					
Opening balance	**6,700**	**22,865**	**29,565**	3,274	24,691	27,965
Disbursements	**13,622**	**25,595**	**39,217**	12,861	19,339	32,200
Repayments	**(15,102)**	**(20,013)**	**(35,115)**	(9,435)	(21,165)	(30,600)
Closing balance	**5,220**	**28,447**	**33,667**	6,700	22,865	29,565

14. INVESTMENTS

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
Available-for-sale			
In related parties			
Marketable securities	14.3	**7,477,264**	6,746,356
Others			
Marketable securities	14.4	**3,920,690**	3,449,616
Less: Provision for impairment in value of investments		**(220,890)**	(416,284)
		3,699,800	3,033,332
At fair value through profit or loss	14.5		
In related parties			
Marketable securities	14.5.1	**3,122**	-
Others			
Marketable securities	14.5.2	4,481	1,006
Mutual Funds	14.5.4	**456,762**	100,031
Government securities	14.5.3	**4,029,974**	1,663,179
Other fixed Income securities		**150,808**	39,308
		4,642,025	1,803,524
		15,822,211	11,583,212

14.1 On 31 December 2013, the fair value of available-for-sale securities was Rupees 22,869.40 million (2012: Rupees 14,632.466 million). As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurements' dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as at 31 December 2013 would have been higher by Rupees 7,047.186 million (2012: higher by Rupees 3,049.254 million).

14.2 Reconciliation of provision for impairment in value of investments

	31 December 2013	31 December 2012
	Rupees in thousand	
Opening provision	416,284	613,861
Reversal for the year	(195,394)	(197,577)
Closing provision	220,890	416,284

14.3 Available-for-sale

	Note	31 December 2013			31 December 2012
		Cost	Provision there against	Carrying Value	Carrying Value
		Rupees in thousand			
In related parties:	14.3.1				
- Listed shares		5,290,151	-	5,290,151	5,089,277
- Unlisted shares		-	-	-	412,796
- Mutual Fund Certificates		2,187,113	-	2,187,113	1,244,283
		7,477,264	-	7,477,264	6,746,356
Others:					
- Listed shares	14.3.2	2,972,293	(220,890)	2,751,403	2,442,271
- Term Finance Certificates	14.3.3	49,927	-	49,927	107,778
- Mutual Fund Certificates	14.3.4	66,498	-	66,498	75,145
- NIT Units		161	-	161	161
- Government treasury bills		645,064	-	645,064	183,527
- Pakistan Investment Bonds		186,747	-	186,747	164,713
- Pakistan Investment Bonds (5 Years)		-	-	-	59,737
		3,920,690	(220,890)	3,699,800	3,033,332
		11,397,954	(220,890)	11,177,064	9,779,688

No. of Shares / Certificates 31 December 2013	31 December 2012	Face value Rupees	Company's name	31 December 2013 Cost	31 December 2012 Cost
				Rupees in thousand	
14.3.1 Related parties					
Listed Shares:					
1,258,650	1,258,650	10	Nishat Mills Limited [Equity held 0.36% (2012: 0.36%)]	34,211	34,211
115,500	115,500	10	Hub Power Company Limited [Equity held 0.01% (2012: 0.01%)]	3,224	3,224
29,914,034	28,641,486	10	MCB Bank Limited [Equity held 2.96% (2012: 3.42%)]	4,454,396	4,691,395
440,000	400,000	10	Hira Textile Mills Limited [Equity held 0.50% (2012: 0.50%)]	5,000	5,000
25,631,181	25,631,181	10	Pakgen Power Limited [Equity held 6.89% (2012: 6.89%)]	355,448	355,448
27,348,388	-	10	Lalpir Power Limited [Equity held 7.20% (2012: Nil)]	371,516	-
3,396,340	-	10	MCB-Arif Habib Savings & Investment Limited [Equity held 4.72% (2012: Nil)]	66,356	-
				5,290,151	5,089,278

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No. of Shares / Certificates 31 December 2013	No. of Shares / Certificates 31 December 2012	Face value Rupees	Company's name	31 December 2013 Cost (Rupees in thousand)	31 December 2012 Cost (Rupees in thousand)
Unlisted Shares:					
-	27,624,635	10	Lalpir Power Limited [Equity held Nil (2012: 8.00%)]	-	412,796
				-	412,796
Mutual Fund Certificates					
10,202,734	9,404,179	100	MCB Dynamic Cash Fund [Units held 9.35 % (2012: 10.16%)]	**943,345**	847,504
10,565,767	4,123,322	100	MCB Cash Management Optimizer Fund [Units held 7.38 % (2012: 4.89%)]	**993,768**	396,779
5,193,482	-	50	Metro Bank Pakistan Sovereign Fund [Units held 48.66 % (2012: Nil)]	**250,000**	-
				2,187,113	1,244,283

14.3.2 Other - listed shares

No. of Shares 31 December 2013	No. of Shares 31 December 2012	Face value Rupees	Company's name	31 December 2013 Cost	31 December 2012 Cost
			Investment Bank/ Investment Companies / Security Companies		
-	2,310,840	10	MCB-Arif Habib Savings & Investment Limited	-	47,086
			Commercial Banks		
3,358,480	1,731,346	10	Allied Bank Limited	**176,805**	75,492
777,022	1,936,884	10	Askari Bank Limited	**21,359**	71,871
6,565,208	7,132,709	10	Bank Al-Habib Limited	**154,660**	130,982
378,320	343,928	10	Habib Bank Limited	**40,947**	40,947
3,901,899	3,901,899	10	Habib Metropolitan Bank Limited	**87,327**	87,327
7,048,012	6,128,707	10	National Bank of Pakistan	**322,024**	322,024
4,359,944	3,859,944	10	United Bank Limited	**345,473**	299,386
			Insurance		
3,000	3,000	10	EFU General Insurance Company Limited	**211**	211
305,188	305,188	10	International General Insurance Company of Pakistan	**22,888**	22,888
286,843	286,843	10	Pakistan Reinsurance Company Limited	**6,326**	6,326
			Power Generation & Distribution		
85,000	85,000	10	Kot Addu Power Company Limited	**3,913**	3,913
			Oil And Gas Marketing Companies		
100,000	100,000	10	Attock Refinery Limited	**15,157**	15,157
2,213,095	2,011,905	10	Sui Northern Gas Pipelines Limited	**127,666**	127,666
			Oil And Gas Exploration Companies		
10,000	10,000	10	Oil and Gas Development Company Limited	**1,067**	1,067
224,985	500,285	10	Pakistan Oilfields Limited	**67,272**	147,729
1,014,464	1,540,988	10	Pakistan Petroleum Limited	**99,384**	181,472
			Automobile Assembler		
301,378	301,378	5	Al-Ghazi Tractors Limited	**43,030**	43,030
340,996	394,544	10	Millat Tractors Limited	**25,239**	35,335
			Cables And Electrical Goods		
326,128	326,128	10	Pakistan Cables Limited	**27,717**	27,717
148,131	148,131	10	Siemens (Pakistan) Engineering Company Limited	**116,770**	116,770
			Industrial Metals and Mining		
91,300	91,300	10	Aisha Steel Mills Limited	-	-
			Fertilizer		
9,000	-		Fatima FertilizerCompany Limited	-	-
1,936,906	1,936,906	10	Fauji Fertilizer Bin Qasim	**85,611**	85,611
6,466,640	3,926,640	10	Fauji Fertilizer Company Limited	**616,274**	298,434
			Pharmaceutical		
1,170,996	1,242,596	10	Abbott Laboratories Pakistan Limited	**143,131**	151,883
985,147	814,172	10	GlaxoSmithKline Pakistan Limited	**84,811**	84,811
			Chemical		
-	110,401	10	Clariant Pakistan Limited	-	11,762
968,000	968,000	10	Arif Habib Corporation Limited	**98,981**	98,981
110,401	-	10	Archroma Pakistan Limited	**11,762**	-
			Food And Personal Care Products		
709,868	777,535	10	Murree Brewery Company Limited	**30,168**	34,565
-	32,783	10	Nestle Pakistan Limited	-	18,980
66,290	54,870	10	Rafhan Maize Products Limited	**90,271**	44,644
-	34,456	50	Unilever Pakistan Limited	-	118,141
			Cement		
2,707,944	2,707,944	10	D.G. Khan Cement Company Limited	**106,049**	106,049
				2,972,293	2,858,257

No. of Shares / Certificates 31 December 2013	No. of Shares / Certificates 31 December 2012	Face value Rupees	Company's name	31 December 2013 Rupees in thousand	31 December 2012 Rupees in thousand
14.3.4 Others- Term Finance Certificates				**Cost**	**Cost**
1,995	3,990	5,000	Allied Bank Limited (06/12/2006)	9,976	19,952
-	6,649	5,000	Bank Alfalah Limited (25/11/2005)	-	33,245
2,996	2,996	5,000	Bank Alfalah Limited (02/12/2009)	14,976	14,982
4,995	4,999	5,000	KESC AZM Certificate (12/11/2012)	24,975	24,995
-	998	5,000	Pakistan Mobile Communication Limited (31/05/2006)	-	4,992
-	984	5,000	Faysal Bank Limited (10/02/2005)	-	4,922
-	998	5,000	Soneri Bank Limited (5/05/2005)	-	4,988
				49,927	108,076
14.3.4 Others- Mutual Fund Certificates					
Open- Ended- Mutual Funds					
1,672,184	1,562,559	10	ABL Income Fund	13,938	13,938
8,041	7,405	500	Atlas Income Fund	2,725	2,725
38,310	35,254	100	KASB Cash Fund	3,482	3,482
312,602	279,805	50	Meezan Islamic Income Fund	10,000	10,000
1,416,817	1,303,057	10	NIT Government Bond Fund	10,000	10,000
182,887	261,957		MCB Cash Management Optimizer Fund	16,123	25,000
568,899	1,003,122		ABL Government Securities Fund	5,230	10,000
500,511	-		ABL Islamic Stock Fund	5,000	-
				66,498	75,145
14.5 Investment at fair value through profit or loss					
14.5.1 Listed shares - Related Parties					
27,500	-	10	The Hub Power Company Limited	1,670	-
11,000	-	10	D.G. Khan Cement Company Limited	943	-
4,000	-	10	Nishat Mills Limited	509	-
				3,122	-
14.5.2 Listed shares - Others					
			Commercial Banks		
1,964	7,590	10	Askari Bank Limited	27	131
5,055	-	10	Meezan Bank Limited	199	-
			Cement		
1,300	-	10	Kohat Cement Limited	127	-
3,000	-	10	Cherat Cement Company Limited	190	-
8,500	-	10	Maple Leaf Cement Factory Limited	233	-
			Oil and Gas Marketing Companies		
800	-	10	Pakistan State Oil Company Limited	266	-
4,220	-	10	Pakistan Petroleum Limited	903	-
1,600	-	10	Pakistan Oil fields Limited	796	-
2,000	-	10	National Refinery Limited	431	-
			Chemical		
36,300	36,300	10	Arif Habib Corporation Limited	808	875
1,000	-	10	Packages Limited	273	-
8,000	-	10	Pakistan telecommunication Limited	228	-
				4,481	1,006
14.5.3 Government securities					
3 Year Pakistan Investment Bonds				100,621	-
12 Months Treasury Bills				-	1,413,285
6 Months Treasury Bills				371,862	-
3 Months Treasury Bills				3,517,171	224,649
Ijarah Sukuks				40,320	25,245
				4,029,974	1,663,179
14.5.4 Mutual Fund Certificates - Related parties					
2,173,564	158,290	100	MCB Cash Management Optimizer Fund	217,468	15,872
255,646	265,632	100	MCB Dynamic Stock Fund	29,045	26,977
853	137,872		Pakistan Income Enhancement Fund - A	43	7,081
-	347,186		MCB Dynamic Stock Fund-Class A	-	36,788
140,397	131,351		IGI Money Market Fund	14,116	13,228
686,367	844		MCB Islamic Income Fund	68,723	85
2,543,073	-		Pakistan Cash Management Fund	127,217	-
2,994	-		Metrobank-Pakistan Sovereign Fund	150	-
				456,762	100,031

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
15. PREMIUMS DUE BUT UNPAID - Unsecured			
Considered good		2,673,944	3,217,207
Considered doubtful		369,231	359,147
		3,043,175	3,576,354
Less: Provision for doubtful balances	15.1	(369,231)	(359,147)
		2,673,944	3,217,207
15.1 Reconciliation of provision for doubtful balances			
Opening provision		359,147	309,821
Exchange loss		10,084	8,426
Charge for the year		-	40,900
Closing provision		369,231	359,147

15.2 Premiums due but unpaid include an amount of Rupees 180 million (2012: Rupees 556 million) held with related parties.

	Note	31 December 2013	31 December 2012
16. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - Unsecured			
Considered good		1,094,914	606,559
Considered doubtful		322,810	326,327
		1,417,724	932,886
Less: Provision for doubtful balances	16.1	(322,810)	(326,327)
		1,094,914	606,559
16.1 Reconciliation of provision for doubtful balances			
Opening provision		326,327	276,327
Charge for the year		-	50,000
Written off during the year		(3,517)	-
Closing provision		322,810	326,327
17. ACCRUED INVESTMENT INCOME			
Return accrued on Term Finance Certificates		5,331	1,564
Return accrued on Treasury Bills		2,957	1,187
Return accrued on Pakistan Investment Bonds		13,555	11,278
Return on ijara sukuk		675	-
Return on policy holders loan		21	-
Dividend income			
- associated undertakings		-	-
- others		20	6,840
		20	6,840
Return on bank deposit accounts			
- associated undertakings		-	-
- others		7,562	5,747
		7,562	5,747
		30,121	26,616

		Note	31 December 2013	31 December 2012
			Rupees in thousand	
18.	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**			
	These are unsecured and considered to be good.			
19.	**PREPAYMENTS**			
	Prepaid reinsurance premium ceded		1,701,770	1,656,047
	Others		82,511	90,266
			1,784,281	1,746,313
20.	**SUNDRY RECEIVABLES**			
	Considered good			
	Current portion of long-term loans			
	Executives	13	4,871	5,985
	Employees	13	12,645	10,789
	Other advances		120,260	134,809
	Security deposits		21,410	21,085
	Miscellaneous		46,119	36,108
			205,305	208,776
21.	**FIXED ASSETS**			
	Owned assets - tangible	21.1	1,044,364	952,297
	Owned assets - intangible	21.1	83,780	61,191
			1,128,144	1,013,488
	Leased assets		33,627	52,429
	Capital work-in-progress - tangible	21.2	89,310	91,855
			1,251,081	1,157,772

21.1 The following is a statement of operating fixed assets :

	2013										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible	Total owned	Tangible		
	Land and Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software		Motor vehicles	Total leased	
	Rupees in thousand										
At 01 January 2013											
Cost	532,493	165,949	422,177	201,580	192,232	1,514,431	151,481	1,665,912	89,221	89,221	1,755,133
Accumulated depreciation / amortisation	68,443	51,613	198,173	102,021	141,884	562,134	90,290	652,424	36,792	36,792	689,216
Net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
Year ended 31 December 2013											
Opening net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
Additions	15,722	66,265	89,530	36,830	26,720	235,067	46,992	282,059	-	-	282,059
Disposals											
Cost	-	101	12,138	3,063	964	16,266	-	16,266	22,121	22,121	38,387
Depreciation/ amortisation	-	61	6,523	1,620	852	9,056	-	9,056	10,008	10,008	19,064
	-	40	5,615	1,443	112	7,210	-	7,210	12,113	12,113	19,323
Depreciation/ amortisation charge for the year	34,565	24,401	35,854	18,521	22,449	135,790	24,403	160,193	6,689	6,689	166,882
Closing net book value	445,207	156,160	272,065	116,425	54,507	1,044,364	83,780	1,128,144	33,627	33,627	1,161,771
At 31 December 2013											
Cost	548,215	232,113	499,569	235,347	217,988	1,733,232	198,473	1,931,705	67,100	67,100	1,998,805
Accumulated depreciation / amortisation	103,008	75,953	227,504	118,922	163,481	688,868	114,693	803,561	33,473	33,473	837,034
Net book value	445,207	156,160	272,065	116,425	54,507	1,044,364	83,780	1,128,144	33,627	33,627	1,161,771
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

	2012										
	Owned assets								Leased assets		Total fixed assets
	Tangible						Intangible	Total owned	Tangible		
	Land and Buildings	Furniture and fixtures	Motor vehicles	Machinery and equipment	Computers and related accessories	Total tangible assets	Computer software		Motor vehicles	Total leased	
	Rupees in thousand										
At 01 January 2012											
Cost	319,926	124,069	390,364	528,712	178,000	1,541,071	121,454	1,662,525	127,106	127,106	1,789,631
Accumulated depreciation / amortisation	48,195	47,405	172,463	314,796	120,649	703,508	62,553	766,061	39,366	39,366	805,427
Net book value	271,731	76,664	217,901	213,916	57,351	837,563	58,901	896,464	87,740	87,740	984,204
Year ended 31 December 2012											
Opening net book value	271,731	76,664	217,901	213,916	57,351	837,563	58,901	896,464	87,740	87,740	984,204
Additions	217,122	54,614	53,558	24,820	16,088	366,202	30,027	396,229	-	-	396,229
Disposals											
Cost	4,555	12,734	21,745	351,952	1,856	392,842	-	392,842	37,885	37,885	430,727
Depreciation/ amortisation	2,915	10,160	10,721	287,046	1,383	312,225	-	312,225	13,410	13,410	325,635
	1,640	2,574	11,024	64,906	473	80,617	-	80,617	24,475	24,475	105,092
Depreciation/ amortisation charge for the year	23,163	14,368	36,431	74,271	22,618	170,851	27,737	198,588	10,836	10,836	209,424
Closing net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
At 31 December 2012											
Cost	532,493	165,949	422,177	201,580	192,232	1,514,431	151,481	1,665,912	89,221	89,221	1,755,133
Accumulated depreciation / amortisation	68,443	51,613	198,173	102,021	141,884	562,134	90,290	652,424	36,792	36,792	689,216
Net book value	464,050	114,336	224,004	99,559	50,348	952,297	61,191	1,013,488	52,429	52,429	1,065,917
Depreciation rate per annum	10%	15%	15%	15%&16.67%	30%		20%		15%		

21.1.1 Detail of tangible assets disposed during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Furniture & Fixtures	Rupees in thousand					
Items Having Book Value Below Rupees 50,000	101	61	40	39		
	101	**61**	**40**	**39**		
Motor Vehicles						
Owned						
Honda Civic VTi (AJF-028)	1,287	900	387	650	Negotiation	Shamsul Haque,Employee
Honda Civic VTi (AUK-397)	1,935	706	1,229	1,245	Negotiation	Manzar Mushtaq ,Employee
Toyota Corolla GLi (PY-519)	1,384	630	754	730	Negotiation	Musaddar Muhsin Ali ,Employee
Toyota Corolla GLi (AJZ-837)	901	650	251	258	Negotiation	Saeed Muzaffar Zuberi,Employee
Honda Citi (ASD-079)	1,485	797	688	1,000	Insurance claim	IGI Insurance Co. Ltd.
Honda Citi (LWH-385)	931	670	261	787	Auction	Naseer Ahmad
Vehicle - Honda Civic	1,933	1,610	323	1,878	Sold as per company policy	M Iftikhar Ahmed
Vehicle - Honda Motorcycle	71	5	66	61	Theft	Insurance recovery
Items Having Book Value Below Rupees 50,000	2,211	555	1,656	982		
	12,138	**6,523**	**5,615**	**7,591**		
Leased						
Suzuki Cultus (ASE-503)	805	348	457	433	Negotiation	Hanif Aliani,Employee
Suzuki Mehran (ASA-639)	534	242	292	266	Negotiation	M.Abdul Rehman Khan,Employee
Honda Civic VTi PT SR (ASS-096)	1,882	783	1,099	1,051	Negotiation	Rehan Ahmed Khan,Employee
Suzuki Mehran (ASA-371)	534	242	292	266	Negotiation	Nazish Shafiq,Employee
Suzuki Mehran (ASC-681)	537	232	305	280	Negotiation	Aaliya Zia,Employee
Suzuki Mehran (ASC-697)	534	230	304	278	Negotiation	Muhammad Tariq,Employee
Toyota Corolla GLi (ASN-129)	1,390	689	701	636	Negotiation	Amir Nayab Ahmed,Employee
Suzuki Mehran (ASC-695)	534	230	304	269	Negotiation	Israr Ahmed,Employee
Suzuki Cultus (ASB-853)	805	348	457	418	Negotiation	M. Raheel Khan,Employee
Suzuki Mehran (ASA-357)	534	242	292	249	Negotiation	Farrukh Adnan,Employee
Suzuki Mehran (ASC-532)	529	228	301	255	Negotiation	Zahid Ahmed,Employee
Suzuki Mehran (LEB-09-8976)	541	245	296	256	Negotiation	Tanveer Ahmed,Employee
Suzuki Mehran (ASD-452)	534	230	304	261	Negotiation	Hassan Mahmood,Employee
Suzuki Mehran (ASD-451)	534	230	304	261	Negotiation	Aqeel Quadari,Employee
Suzuki Mehran (ASC-148)	534	230	304	261	Negotiation	Asif Ehtisham,Employee
Suzuki Cultus (ASA-142)	844	364	480	518	Insurance claim	IGI Insurance Co. Ltd.
Suzuki Mehran (ASA-618)	534	269	265	252	Negotiation	Shakeel Anwer,Employee
Suzuki Mehran (ASC-476)	534	238	296	243	Negotiation	Naima Shabab,Employee
Honda Civic VTi PT SR (AST-325)	1,882	825	1,057	908	Negotiation	Absar Burney,Employee
Suzuki Mehran (LEB-09-8963)	541	257	284	247	Negotiation	Arif Malik,Employee
Honda Civic VTi PT SR (AST-324)	1,882	825	1,057	1,056	Negotiation	Manzar Mushtaq ,Employee
Suzuki Mehran (ASC-682)	534	246	288	226	Negotiation	Anis Ahmed Ashrafi,Employee
Suzuki Mehran (ASE-315)	534	250	284	217	Negotiation	Raheel Rasheed,Employee
Toyota Corolla Altis (ASM-607)	1,881	924	957	1,220	Insurance claim	IGI Insurance Co. Ltd.
Suzuki Cultus (ASE-508)	805	407	398	323	Negotiation	Muhammad Rafiq,Employee
Toyota Corolla GLi (ASM-629)	1,389	654	735	573	Negotiation	Syed Muhammad Iqbal,Employee
	22,121	**10,008**	**12,113**	**11,223**		
Machinery & Equipment						
Items Having Book Value Below Rupees 50,000	3,063	1,620	1,443	1,729		
	3,063	**1,620**	**1,443**	**1,729**		
Computer						
Items Having Book Value Below Rupees 50,000	964	852	112	69		
Grand Total	**38,387**	**19,064**	**19,322**	**20,651**		

21.2 Capital Work In Progress represents capital expenditure in respect of IT infrastructure.

		Note	31 December 2013	31 December 2012
			Rupees in thousand	
22.	**EXPENSES**			
	Salaries and wages	24.1	944,967	804,396
	Rent, rates and taxes		69,753	77,652
	Utilities		37,231	37,978
	Communication		25,267	44,303
	Printing and stationery		38,597	43,538
	Traveling and entertainment		65,746	60,255
	Repairs and maintenance		154,808	179,939
	Advertisement and sales promotion		45,980	43,845
	Depreciation	21.1	128,342	170,363
	Tracking and monitoring charges		93,886	127,437
	Legal and professional expenses		75,844	20,978
	Others		132,217	178,587
			1,812,638	1,789,271
23.	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits		98,516	111,590
	Interest on loans to employees		358	373
	Income from non financial assets			
	Gain on sale of fixed assets		1,329	19,708
	Miscellaneous		49,556	33,735
			149,759	165,406
24.	**GENERAL AND ADMINISTRATION EXPENSES**			
				(Restated)
	Salaries and wages - restated	24.1	106,112	60,646
	Rent, rates and taxes		14,904	4,350
	Depreciation	21.1	20,530	16,770
	Communication		11,774	942
	Utilities		4,247	1,648
	Repairs and maintenance		40,894	6,939
	Advertisement and sales promotion		16,459	4,059
	Traveling and entertainment		20,180	25,935
	Directors' fee		440	310
	Legal and professional expenses		98,659	83,764
	Auditors' remuneration	24.2	5,920	5,571
	Donations	24.4	6,481	294
	Provision for doubtful balances		-	99,326
	Amortization of intangible asset	21.1	18,010	22,291
	Provision for impairment on trackers		-	64,151
	Provision for workers' welfare fund		45,448	12,695
	Others		48,313	16,486
			458,371	426,177

24.1 **These include Rupees 45.851 million (2012: Rupees 61.538 million) in respect of staff retirement benefits.**

24.2 **Auditors' remuneration**

	Note	31 December 2013	31 December 2012
Holding Company			
Audit fee		4,108	3,914
Half yearly review		450	424
Other certifications and tax advisory services		370	330
Out of pocket expenses		755	735
		5,683	5,403
Subsidiary Company	24.3		
Audit fee		237	168
		5,920	5,571

24.3 **In addition, Subsidiary Company charged audit fee amounting to Rupees 1.680 million (2012: Rupees 1.517 million) to its statutory funds.**

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

	Note	31 December 2013	31 December 2012
		Rupees in thousand	
25 PROVISION FOR TAXATION			
Current		108,986	88,544
Deferred	25.2	139,719	(45,461)
		248,705	43,083

25.1 Relationship between tax expense and accounting profit

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

25.2 Deferred tax effect due to temporary differences of:

	31 December 2013	31 December 2012
Tax depreciation allowance	(67,185)	(67,669)
Provision for gratuity	13,635	10,886
Pre commencement expenses of Subsidiary Company	-	2,705
Assets subject to finance lease	(9,161)	(9,644)
Carried forward tax losses	170,057	310,787
	107,346	247,065
Less: opening balance	247,065	201,604
	(139,719)	45,461

26 EARNINGS PER SHARE - BASIC and DILUTED

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

	31 December 2013	31 December 2012
Net profit after tax for the year attributable to owners of the parent	1,974,820	442,354
	(Number of shares)	
		(Restated)
Weighted average number of shares - restated	350,000,000	350,000,000
	Rupees	
Basic earnings per share - restated	5.64	1.26

27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged for the year for remuneration including all benefits to Chief Executive Officer, directors and executives of the Holding Company is as follows:

	2013				2012			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees in thousand							
Fee	-	440	-	440	-	310	-	310
Managerial remuneration	5,608	-	123,788	129,396	5,400	-	124,872	130,272
Allowances and perquisites	5,959	-	154,571	160,530	4,420	-	112,800	117,220
	11,567	440	278,359	290,366	9,820	310	237,672	247,802
Number	1	10	128	139	1	10	132	143

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

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

28 TRANSACTIONS WITH RELATED PARTIES

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

There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 8, 9 and 27 to the consolidated financial statements. Particulars of transactions with the Holding Company's staff retirement benefit schemes are disclosed in note 8 and 9. Investments in and balances outstanding with related parties (associated undertakings) have been disclosed in the relevant consolidated balance sheet notes. Other transactions with related parties not elsewhere disclosed are summarized as follows:

	31 December 2013	31 December 2012
Holding Company	Rupees in thousand	
Premium underwritten	1,040,926	1,359,920
Premium received	1,156,900	1,413,559
Claims paid	440,135	373,870
Rent paid	3,815	11,603
Dividend received	573,805	503,166
Dividend paid	138,727	72,217
Profit on bank deposits	18,241	29,711
Sale of fixed assets	-	900
	Number of shares	
Bonus shares received	5,666,611	2,603,771
Bonus shares paid	66,540,545	-

	31 December 2013	31 December 2012
Subsidiary Company	Rupees in thousand	
Premium underwritten	79,501	78,704
Profit on bank deposits	19,011	9,560
Claims expense	36,794	53,470
Commission expense in respect of Bancassurance	855,003	572,913
Technical support fee	19,948	16,703
Investment purchased	1,142,526	168,754
Investment sold	835,677	122,653
Bank charges	78	84
Investment advisor fee	8,468	2,277
Custodian fee	2,621	1,005

29. SEGMENT REPORTING

29.1 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise assets and liabilities:

	2013																					
	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance	Life Insurance					Aggregate Life Insurance	Grand Total
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan		Shareholders' Fund	Conventional Business	Accident and Health Business	Non-unitised investment link Business	Unit link Business		
	Rupees in thousand																					
OTHER INFORMATION																						
Segment Assets																						
Reinsurance and other recoveries accrued	2,865,914	53,326	126,959	-	52,854	2,016,130	638,764	184	-	-	-	-	3,684,491	2,069,640	5,754,131	-	-	-	-	-	-	5,754,131
Deferred commission expense	176,680	11,650	2,946	217	48,702	101,408	47,883	1,163	-	-	-	-	276,211	114,438	390,649	-	-	-	-	-	-	390,649
Prepaid reinsurance premium ceded	1,302,991	55,752	6,838	540	205	125,669	200,399	9,376	-	-	-	-	1,510,433	191,337	1,701,770	-	-	-	-	-	-	1,701,770
Premiums due but unpaid	808,767	68,767	148,186	9,963	256,056	953,747	394,120	16,062	-	-	-	-	1,607,129	1,048,539	2,655,668	-	18,276	-	-	-	18,276	2,673,944
Premium and claim reserves retained by cedants	11,684	-	2,141	-	3,699	-	5,728	-	-	-	-	-	23,252	-	23,252	-	-	-	-	-	-	23,252
Amounts due from other insurers/reinsurers	542,912	888	99,475	129	171,886	12,310	266,179	207	-	-	-	-	1,080,452	13,534	1,093,986	-	-	-	928	-	928	1,094,914
Unallocated Assets																						
Cash and bank deposits	-	-	-	-	-	-	-	-	-	-	1,283,264	1,263,012	1,283,264	1,263,012	2,546,276	7,455	21,758	46	53,930	230,236	313,425	2,859,701
Loans	-	-	-	-	-	-	-	-	-	-	11,809	4,342	11,809	4,342	16,151		-	-	-	-	-	16,151
Investments	-	-	-	-	-	-	-	-	-	-	10,664,822	-	10,664,822	-	10,664,822	327,838	131,730		1,094,551	3,603,270	5,157,389	15,822,211
Deferred taxation	-	-	-	-	-	-	-	-	-	-	105,401	-	105,401	-	105,401	1,945	-	-	-	-	1,945	107,346
Accrued investment	-	-	-	-	-	-	-	-	-	-	7,211	8,666	7,211	8,666	15,877	4,769	-	-	3,103	6,372	14,244	30,121
Taxation payments less provision	-	-	-	-	-	-	-	-	-	-	78,249	-	78,249	-	78,249	9,179	-	-	-	-	9,179	87,428
Prepayments - others	-	-	-	-	-	-	-	-	-	-	63,975	762	63,975	762	64,737	14,742	-	-	-	3,032	17,774	82,511
Sundry receivables	-	-	-	-	-	-	-	-	-	-	156,345	40,703	156,345	40,703	197,048	6,274	922	-	966	95	8,257	205,305
Fixed assets	-	-	-	-	-	-	-	-	-	-	985,246	211,426	985,246	211,426	1,196,672	54,409	-	-	-	-	54,409	1,251,081
Total assets	5,708,948	190,383	386,545	10,849	533,402	3,209,264	1,553,073	26,992	-	-	13,356,322	1,528,911	21,538,290	4,966,399	26,504,689	426,611	172,686	46	1,153,478	3,843,005	5,595,826	32,100,515
Segment Liabilities																						
Provision for outstanding claims (including IBNR)	3,454,234	62,760	168,844	8,100	227,331	2,385,319	995,490	263	20,332	-	-	-	4,866,231	2,456,442	7,322,673	-	38,307	-	10,280	35,432	84,019	7,406,692
Commission income unearned	119,291	10,684	521	81	18	7,090	43,624	875	-	-	-	-	163,454	18,730	182,184	-	-	-	-	-	-	182,184
Provision for unearned premium	1,787,707	67,193	51,249	4,446	606,262	898,608	611,637	17,729	-	-	-	-	3,056,855	987,976	4,044,831	-	-	-	-	-	-	4,044,831
Premiums received in advance	77,091	-	14,126	-	24,407	-	37,796	-	-	-	-	-	153,420	-	153,420	-	3,413	9	23,513	48,579	75,514	228,934
Cash margin against performance bond	324,893	11	59,528	2	102,861	157	159,289	3	-	-	-	-	646,571	173	646,744	-	-	-	-	-	-	646,744
Commission payable	131,010	9,296	24,004	1,347	41,478	128,926	64,232	2,171	-	-	-	-	260,724	141,740	402,464	-	-	-	-	-	-	402,464
Amounts due to other insurers / reinsurers	195,450	16,542	35,811	2,397	61,880	229,428	95,825	3,864	-	-	-	-	388,966	252,231	641,197	-	20,190	1	-	1,127	21,318	662,515
Unallocated Liabilities																						
Accrued expenses	-	-	-	-	-	-	-	-	-	-	92,612	19,960	92,612	19,960	112,572	2,283	-	-	-	-	2,283	114,855
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	544,261	17,855	544,261	17,855	562,116	27,882	2,459	35	5,082	82,193	117,651	679,767
Staff retirement benefits	-	-	-	-	-	-	-	-	-	-	-	40,477	-	40,477	40,477	15,675	-	-	-	-	15,675	56,152
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	6,683	-	6,683	-	6,683	-	-	-	-	-	-	6,683
Unclaimed dividends	-	-	-	-		-	-	-	-	-	37,675	-	37,675	-	37,675	-	-	-	-	-	-	37,675
Total liabilities	6,089,676	166,486	354,083	16,373	1,064,237	3,649,528	2,007,893	24,905	20,332	-	681,231	78,292	10,217,452	3,935,584	14,153,036	45,840	64,369	45	38,875	167,331	316,460	14,469,496
Capital expenditure													224,520	21,411	245,931	33,583					33,583	279,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2012 — Rupees in thousand

	Fire and Property Damage		Marine, Aviation and Transport		Motor		Miscellaneous		Treaty		Unallocated Corporate Assets/ Liabilities		Total		Aggregate General Insurance
	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	Inside Pakistan	Outside Pakistan	
OTHER INFORMATION															
Segment Assets															
Reinsurance and other recoveries accrued	2,079,054	63,867	127,373	-	44,031	1,416,203	769,001	371	-	-	-	-	3,019,459	1,480,441	4,499,900
Deferred commission expense	243,588	9,120	(5,486)	326	43,949	74,977	53,544	2,185	-	-	-	-	335,595	86,608	422,203
Prepaid reinsurance premium ceded	1,330,294	46,748	10,244	2,734	598	106,966	145,224	13,239	-	-	-	-	1,486,360	169,687	1,656,047
Premiums due but unpaid	990,100	70,461	208,168	12,054	331,094	999,742	557,395	28,408	-	-	-	-	2,086,757	1,110,665	3,197,422
Premium and claim reserves retained by cedants	11,032	-	2,320	-	3,689	-	6,211	-	-	-	-	-	23,252	-	23,252
Amounts due from other insurers/reinsurers	286,103	(725)	60,153	(124)	95,674	(10,289)	161,066	(292)	-	-	-	-	602,996	(11,430)	591,566
Unallocated Assets															
Cash and bank deposits	-	-	-	-	-	-	-	-	-	-	1,298,195	1,209,216	1,298,195	1,209,216	2,507,411
Loans	-	-	-	-	-	-	-	-	-	-	24,970	4,595	24,970	4,595	29,565
Investments	-	-	-	-	-	-	-	-	-	-	9,453,731	-	9,453,731	-	9,453,731
Deferred taxation	-	-	-	-	-	-	-	-	-	-	241,171	-	241,171	-	241,171
Accrued investment Income	-	-	-	-	-	-	-	-	-	-	14,364	5,965	14,364	5,965	20,329
Taxation payments less provision	-	-	-	-	-	-	-	-	-	-	85,273	-	85,273	-	85,273
Prepayments - others	-	-	-	-	-	-	-	-	-	-	70,068	8,034	70,068	8,034	78,102
Sundry receivables	-	-	-	-	-	-	-	-	-	-	151,739	37,237	151,739	37,237	188,976
Fixed assets	-	-	-	-	-	-	-	-	-	-	899,644	218,007	899,644	218,007	1,117,651
Total assets	4,940,171	189,471	402,772	14,990	519,035	2,587,599	1,692,441	43,911	-	-	12,239,155	1,483,054	19,793,574	4,319,025	24,112,599
Segment Liabilities															
Provision for outstanding claims (including IBNR)	2,816,319	68,226	262,210	7,662	265,637	1,747,282	1,173,464	521	20,332	-	-	-	4,537,962	1,823,691	6,361,653
Commission income unearned	247,736	11,486	1,199	410	62	21,397	30,235	754	-	-	-	-	279,232	34,047	313,279
Provision for unearned premium	1,802,996	55,773	62,059	4,402	601,815	887,220	522,777	24,251	-	-	-	-	2,989,647	971,646	3,961,293
Premiums received in advance	53,942	-	11,341	-	18,038	-	30,368	-	-	-	-	-	113,689	-	113,689
Cash margin against performance bond	-	-	-	-	-	-	651,492	160	-	-	-	-	651,492	160	651,652
Commission payable	218,197	8,800	45,876	1,506	72,966	124,864	122,838	3,547	-	-	-	-	459,877	138,717	598,594
Amounts due to other insurers / reinsurers	164,863	9,479	34,662	1,622	55,131	134,495	92,813	3,822	-	-	-	-	347,469	149,418	496,887
Unallocated Liabilities															
Accrued expenses	-	-	-	-	-	-	-	-	-	-	94,731	22,860	94,731	22,860	117,591
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	384,939	30,249	384,939	30,249	415,188
Staff retirement benefits	-	-	-	-	-	-	-	-	-	-	-	31,042	-	31,042	31,042
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	24,987	-	24,987	-	24,987
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	35,558	-	35,558	-	35,558
Total liabilities	5,304,053	153,764	417,347	15,602	1,013,649	2,915,258	2,623,987	33,055	20,332	-	540,215	84,151	9,919,583	3,201,830	13,121,413
Capital expenditure													266,893	83,172	350,065

	Life Insurance					Aggregate Life Insurance	Grand Total
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-unitised investment link Business	Unit link Business		
OTHER INFORMATION							
Segment Assets							
Reinsurance and other recoveries accrued	-	-	-	-	-	-	4,499,900
Deferred commission expense	-	-	-	-	-	-	422,203
Prepaid reinsurance premium ceded	-	-	-	-	-	-	1,656,047
Premiums due but unpaid	-	19,785	-	-	-	19,785	3,217,207
Premium and claim reserves retained by cedants	-	-	-	-	-	-	23,252
Amounts due from other insurers/reinsurers	-	14,993	-	-	-	14,993	606,559
Unallocated Assets							
Cash and bank deposits	4,788	27,441	478	63,615	129,226	225,548	2,732,959
Loans	-	-	-	-	-	-	29,565
Investments	182,937	59,396	-	659,217	1,227,931	2,129,481	11,583,212
Deferred taxation	5,894	-	-	-	-	5,894	247,065
Accrued investment Income	3,971	607	-	311	1,398	6,287	26,616
Taxation payments less provision	7,857	-	-	-	-	7,857	93,130
Prepayments - others	10,388	1,777	-	-	-	12,165	90,267
Sundry receivables	3,025	-	-	-	-	3,025	192,001
Fixed assets	40,121	-	-	-	-	40,121	1,157,772
Total assets	258,981	123,999	478	723,143	1,358,555	2,465,156	26,577,755
Segment Liabilities							
Provision for outstanding claims (including IBNR)	-	34,002	-	2,631	14,215	50,848	6,412,501
Commission income unearned	-	-	-	-	-	-	313,279
Provision for unearned premium	-	-	-	-	-	-	3,961,293
Premiums received in advance	-	2,725	9	7,452	4,267	14,453	128,142
Cash margin against performance bond	-	-	-	-	-	-	651,652
Commission payable	-	-	-	-	-	-	598,594
Amounts due to other insurers / reinsurers	-	-	1	2,610	5,234	7,845	504,732
Unallocated Liabilities							
Accrued expenses	2,240	-	-	-	-	2,240	119,831
Other creditors and accruals	31,180	5,557	35	17,503	70,615	124,890	540,078
Staff retirement benefits	6,645	-	-	-	-	6,645	37,687
Liabilities against assets subject to finance lease	-	-	-	-	-	-	24,987
Unclaimed dividends	-	-	-	-	-	-	35,558
Total liabilities	40,065	42,284	45	30,196	94,331	206,921	13,328,334
Capital expenditure	4,640					4,640	354,705

29.2 For general insurance, each class of business has been identified as reportable segment whereas, for life insurance the statutory funds are treated as reportable segments. Following is a schedule of segment wise revenue and results:

	BUSINESS UNDERWRITTEN INSIDE PAKISTAN											BUSINESS UNDERWRITTEN OUTSIDE PAKISTAN											
	General Insurance					Life Insurance				Total		General Insurance					Life Insurance			Total		Aggregate	
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Link Business	31 December 2013	31 December 2012	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Treaty	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	Rupees in thousand																						
Revenue account																							
Net premium revenue	778,225	580,120	1,229,516	1,122,920	-	95,457	2	547,227	3,670,002	8,023,469	6,503,405	22,994	17,906	1,735,423	19,452	-	-	-	-	1,795,775	1,359,013	9,819,244	7,862,418
Net claims	(509,415)	(220,881)	(561,152)	(812,695)	-	(44,600)	-	(8,698)	(554,822)	(2,712,263)	(3,306,646)	(21,208)	(626)	(1,355,146)	(5,738)	-	-	-	-	(1,382,718)	(991,011)	(4,094,981)	(4,297,657)
Expenses	(301,291)	(190,309)	(477,924)	(297,514)	-	(32,460)	-	(113,755)	(130,954)	(1,544,207)	(1,556,494)	(21,618)	(10,855)	(215,736)	(20,222)	-	-	-	-	(268,431)	(232,777)	(1,812,638)	(1,789,271)
Net commission	(9,391)	(79,192)	(92,730)	3,094	-	(16,907)	-	(88,023)	(830,615)	(1,113,764)	(861,094)	5,961	(2,241)	(170,270)	(2,897)	-	-	-	-	(169,447)	(114,099)	(1,283,211)	(975,193)
Net investment income - statutory fund	-	-	-	-	-	10,292	13	78,318	228,239	316,862	154,505	-	-	-	-	-	-	-	-	-	-	316,862	154,505
Add: Policyholder's liabilities at beginning of the year	-	-	-	-	-	74,352	5	628,849	1,251,469	1,954,675	479,562	-	-	-	-	-	-	-	-	-	-	1,954,675	479,562
Less: Policyholder's liabilities at end of the year	-	-	-	-	-	(96,910)	(11)	(1,076,689)	(3,651,062)	(4,824,672)	(1,954,676)	-	-	-	-	-	-	-	-	-	-	(4,824,672)	(1,954,676)
Capital contribution from shareholder's fund	-	-	-	-	-	-	-	-	33,937	33,937	141,031	-	-	-	-	-	-	-	-	-	-	33,937	141,031
Surplus of Policyholders' funds	-	-	-	-	-	10,776	(9)	32,771	(16,194)	27,344	(32,990)	-	-	-	-	-	-	-	-	-	-	27,344	(32,990)
Underwriting result	(41,872)	89,738	97,710	15,805	-	-	-	-	-	161,381	(433,397)	(13,871)	4,184	(5,729)	(9,405)	-	-	-	-	(24,821)	21,126	136,560	(412,271)
Investment income - other										2,385,183	1,116,152									-	-	2,385,183	1,116,152
Rental income										-	545									4,947	-	4,947	545
Other income										118,009	118,590									31,750	46,816	149,759	165,406
										2,664,573	801,890									11,876	67,942	2,676,449	869,832
General and administration expenses										(381,221)	(360,573)									(77,150)	(65,604)	(458,371)	(426,177)
Exchange gain / (loss)										10,872	2,628									(223)	164	10,649	2,792
Finance charge on lease liabilities										(1,781)	(5,581)									-	-	(1,781)	(5,581)
Share of profit of associated companies										-	47,627									-	-	-	47,627
Profit before tax										2,292,443	485,991									(65,497)	2,502	2,226,946	488,493
Provision for taxation										(248,705)	(43,083)									-	-	(248,705)	(43,083)
Profit after tax										2,043,738	442,908									(65,497)	2,502	1,978,241	445,410

30. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

30.1 Credit risk and concentration of credit risk

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

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

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

	31 December 2013	31 December 2012
	Rupees in thousand	
Bank deposits	**2,855,170**	2,731,759
Investments	**15,822,211**	11,583,212
Premiums due but unpaid	**2,673,944**	3,217,207
Amounts due from other insurers / reinsurers	**1,094,914**	606,559
Salvage recoveries accrued	**179,703**	169,671
Loans	**33,667**	29,565
Accrued investment income	**30,121**	26,616
Reinsurance recoveries against outstanding claims	**5,574,428**	4,330,229
Sundry receivables	**187,789**	192,002
	28,451,947	22,886,820

Provision for impairment is made for doubtful receivables according to the Group's policy. The impairment provision is written off when the Group expects that it cannot recover the balance due. During the year receivables of Rupees Nil (2012: Rupees 90.900 million) were further impaired and provided for. The movement in the provision for doubtful debts account is shown in note 15.1 and 16.1.

	31 December 2013	31 December 2012
	Rupees in thousand	
The age analysis of gross receivables from other than related parties is as follows:		
Upto 1 year	**2,048,532**	2,087,445
1-2 years	**814,293**	913,114
	2,862,825	3,000,559
The age analysis of gross receivables from related parties is as follows:		
Upto 1 year	**161,598**	553,789
1 - 2 years	**18,752**	22,006
	180,350	575,795

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

	Rating		Rating Agency	2013	2012
	Short term	Long term		Rupees in thousand	
Allied Bank Limited	A-1+	AA+	PACRA	9	9
Askari Bank Limited	A-1+	AA-	PACRA	46	46
Bank Alfalah Limited	A-1+	AA	PACRA	2,859	187,331
Bank Al Habib Limited	A-1+	AA+	PACRA	23,125	22,740
Barclays Bank PLC, Pakistan	P-1	A2	Moody's	-	100
Citibank N.A.	P-1	A2	Moody's	9,599	14,364
Habib Bank Limited	A-1+	AA+	JCR-VIS	142,305	301,263
HSBC Bank Middle East Limited	P-1	A1	Moody's	-	-
Industrial Development Bank of Pakistan	-	-	-	831	766
FINCA Micro Finance Bank Limited	A-3	BBB-	JCR-VIS	953	907
KASB Bank Limited	A-2	A-	PACRA	19,114	15,143
MCB Bank Limited	A-1+	AA+	PACRA	1,150,634	969,966
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,163	10,524
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	2,537	2,353
The Punjab Provincial Cooperative Bank Limited				66,672	
Rozgar Micro Finance Bank Limited	A-3	BB+	JCR-VIS	1,000	1,000
The Bank of Punjab	A-1+	AA	PACRA	5	64,633
Soneri Bank Limited	A-1+	AA-	PACRA	1	2
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	22,471	8,660
Tameer Micro Finance Bank Limited	A-1	A	JCR-VIS	1,000	1,000
United Bank Limited	A-1+	AA+	JCR-VIS	1,057,394	931,638
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	349,454	195,011
Faysal Bank Limited	A-1+	AA	JCR-VIS	998	4,302
				2,855,170	2,731,758

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

	Amounts due from other insurers / reinsurers	Reinsurance and other recoveries against outstanding claims	31 December 2013	31 December 2012
	Rupees in thousand			
A or above (including PRCL)	1,262,548	5,123,904	**6,386,452**	5,246,341
BBB	24,331	98,817	**123,148**	112,780
Others	130,845	531,410	**662,255**	73,665
Total	1,417,724	5,754,131	**7,171,855**	5,432,786

Subsidiary Company's receivable from reinsurers is Rupees 0.929 million (2012: 14.993 million)

30.2 Liquidity risk

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

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

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims (including IBNR)	7,406,692	7,406,692	7,406,692	-
Amounts due to other insurers / reinsurers	662,515	662,515	662,515	-
Accrued expenses	114,855	114,855	114,855	-
Unclaimed dividends	37,675	37,675	37,675	-
Others creditors and accruals	1,380,793	1,380,793	1,380,793	-
Liabilities against assets subject to finance lease	6,683	6,951	6,951	-
	9,609,213	9,609,481	9,609,481	-

	2012			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rupees in thousand			
Financial liabilities				
Provision for outstanding claims (including IBNR) - restated	6,412,501	6,412,501	6,412,501	-
Amounts due to other insurers / reinsurers	504,732	504,732	504,732	-
Accrued expenses	119,831	119,831	119,831	-
Unclaimed dividends	35,558	35,558	35,558	-
Others creditors and accruals	1,535,955	1,535,955	1,535,955	-
Liabilities against assets subject to finance lease	24,987	27,294	17,831	9,463
	8,633,564	8,635,871	8,626,408	9,463

30.3 Market risk

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

a) Interest / mark-up rate risk

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

	2013	2012	2013	2012
	Effective interest rate (in %)		Carrying amounts	
Fixed rate financial instruments			Rupees in thousand	
Financial assets				
Investments- PIBs	8.98% - 11.50%	10.20% to 12.10%	287,368	407,978
Loans	5%	5%	33,667	29,565
Floating rate financial instruments				
Financial assets				
Bank deposits	5%- 10.25%	5%- 11.25%	2,344,538	2,293,847
Investments - TFCs	10.95%- 14.75%	10.95%- 14.85%	49,927	107,778
Financial liabilities				
Liabilities against assets subject to finance lease	3 month KIBOR plus 2% to 2.5 %		6,683	24,987

Sensitivity analysis

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

	Profit and loss 100 bps	
	Increase	Decrease
As at 31 December 2013 - Fluctuation of 100 bps	Rupees in thousand	
Cash flow sensitivity- variable rate financial liabilities	(67)	67
Cash flow sensitivity- variable rate financial assets	23,945	(23,945)
As at 31 December 2012 - Fluctuation of 100 bps		
Cash flow sensitivity- variable rate financial liabilities	(250)	250
Cash flow sensitivity- variable rate financial assets	28,395	(28,395)

b) Price risk

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

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

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date . Market prices are subject to fluctuation which may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

Sensitivity analysis

Group's investment portfolio has been classified in the available-for-sale and fair value through profit or loss categories, a 10% increase / decrease in redemption value and share prices at year end would have increased / decreased impairment loss of investment recognized in profit and loss account or in revenue account of both statutory funds of life insurance business as follows:

	Impact on profit before tax	Impact on equity
	Rupees in thousand	
2013		
Effect of increase in share price		
Available-for-sale	49,405	44,465
Through profit or loss	-	-
Effect of decrease in share price		
Available-for-sale	(80,939)	(72,845)
Through profit or loss	-	-
2012		
Effect of increase in share price		
Available-for-sale	50,508	32,830
Through profit or loss	-	-
Effect of decrease in share price		
Available-for-sale	(43,898)	(28,534)
Through profit or loss	-	-

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Groups' principal transactions are carried out in Pak Rupees and its exposure to foreign exchange risk arises primarily with respect to AED and US dollar in respect of foreign branches. Financial assets and liabilities exposed to foreign exchange risk amounted to Rupees 4,966.398 million (2012: Rupees 4,309.023 million) and Rupees 3,934.246 million (2012: Rupees 3,201.833 million), respectively, at the end of the year.

The following significant exchange rates were applied during the year:

	2013	2012
Rupees per US Dollar		
Average rate	**101.55**	93.40
Reporting date rate	**105.00**	96.90
Rupees per AED		
Average rate	**27.65**	25.43
Reporting date rate	**28.59**	26.38

30.4 Insurance risk

30.4.1 Holding Company

The principal risk the Holding Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Holding Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims and similar procedures are put in place to reduce the risk exposure of the Holding Company. The Holding Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Holding Company.

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

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

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

The Group principally issues the general insurance contracts e.g. marine and aviation, property, motor and general accidents and life insurance policies (by Subsidiary Company) with respect to statutory funds established in accordance with the requirements of the law i.e. for conventional business, accident and health business and non-unitised investment link business. Risks under non-life insurance policies usually cover twelve month duration which in life insurance policies covers longer terms. For general insurance contracts the most significant risks arise from accidental fire, atmospheric disaster and terrorist activities. Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks.

a) Geographical concentration of insurance risk

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

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

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

b) Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2013	2012	2013	2012	2013	2012
	Rupees in thousand					
General Insurance:						
Fire	3,103,185,747	2,709,048,038	2,547,961,089	2,164,465,797	555,224,658	544,582,241
Marine	1,543,234,345	3,018,667,882	316,216,719	676,525,320	1,227,017,626	2,342,142,562
Motor	47,200,586	40,498,649	877,325	855,654	46,323,261	39,642,995
Miscellaneous	185,264,693	169,242,965	73,917,352	72,673,026	111,347,341	96,569,939
	4,878,885,371	5,937,457,534	2,938,972,485	2,914,519,797	1,939,912,886	3,022,937,737

c) Neutral assumptions for claims estimation

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

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

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

d) Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Group considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience may differ from the expected outcome.

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

	Pre tax profit		Shareholders' equity	
	2013	2012	2013	2012
	Rupees in thousand			
General Insurance				
10% increase in loss				
Net:				
Fire	**(53,062)**	(84,037)	**(34,490)**	(54,624)
Marine	**(22,151)**	(28,420)	**(14,398)**	(18,473)
Motor	**(191,630)**	(182,166)	**(124,560)**	(118,408)
Miscellaneous	**(81,843)**	(119,644)	**(53,198)**	(77,769)
	(348,686)	(414,267)	**(226,646)**	(269,274)
10% decrease in loss				
Net:				
Fire	**53,062**	84,037	**34,490**	54,624
Marine	**22,151**	28,420	**14,398**	18,473
Motor	**191,630**	182,166	**124,560**	118,408
Miscellaneous	**81,843**	119,644	**53,198**	77,769
	348,686	414,267	**226,646**	269,274

e) Claims development table

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

Accident year	2011	2012	2013	Total
	Rupees in thousand			
Estimate of ultimate claims cost:				
At the end of accident year	6,593,318	6,702,042	**7,689,784**	20,985,144
One year later	2,784,589	4,083,676	**-**	6,868,265
Two years later	925,903	-	**-**	925,903
Estimate of cumulative claims	925,903	4,083,676	**7,689,784**	12,699,363
Less: Cumulative payments to date	375,475	2,976,813	**3,099,219**	6,451,507
Liability recognized in the balances	550,428	1,106,863	**4,590,565**	6,247,856

Since these are initial years of operations by subsidiary Company, the analysis in (e) above, is given only in respect of the Holding Company.

30.4.2 Subsidiary Company

30.4.2.1 Conventional business

a) Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. Which puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of the Chief Executive Officer of the Subsidiary Company. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

i) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	1,868	1.30	583	1.74
200,000 - 400,000	4,320	3.01	1,384	4.12
400,001 - 800,000	17,671	12.30	7,350	21.89
800,001 - 1,000,000	4,710	3.28	1,878	5.59
More than 1,000,000	115,079	80.11	22,384	66.66
Total	143,648		33,579	

Benefits assured per life	Sum assured at the end of 2012			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	2,175	1.85	625	2.42
200,000 - 400,000	3,115	2.65	935	3.62
400,001 - 800,000	11,159	9.50	3,348	12.95
800,001 - 1,000,000	4,525	3.85	1,358	5.25
More than 1,000,000	96,543	82.15	19,590	75.77
Total	117,517		25,856	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to which it refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

As per Circular No. 17 of 2013 issued by the SECP Insurance Division on 13 September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table has replaced the EFU (61-66) Mortality Table as part of the Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 4% of the total policyholders' liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

30.4.2.2 Group Life

The main risk written by the Subsidiary Company is mortality. The Subsidiary Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Subsidiary Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Subsidiary Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Subsidiary Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Subsidiary Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the Group faces. The rates are certified by the appointed actuary for large groups having a group assurance policy with annual premium of Rs 1 million or above in accordance with the requirements of Circular 9 of 2005 dated August 1, 2005. The Subsidiary Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Subsidiary Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Manager Claims and Head of Operations reviews all large claims for verification. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	1,786	0.00	536	0.00
200,000 - 400,000	-	0.00	-	0.00
400,001 - 800,000	22,250	0.01	6,675	0.01
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	195,837,770	99.99	100,056,022	99.99
Total	195,861,806		100,063,233	

Benefits assured per life	Sum assured at the end of 2012			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	22,811	0.01	15,968	0.02
200,000 - 400,000	144,500	0.05	72,250	0.08
400,001 - 800,000	-	0.00	-	0.00
800,001 - 1,000,000	-	0.00	-	0.00
More than 1,000,000	202,368,098	99.94	94,494,835	99.90
Total	202,535,409		94,583,053	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into Groups' past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the EFU (61-66) table.

d) Changes in assumptions

As per Circular No. 17 of 2013 issued by the SECP Insurance Division on 13 September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table has replaced the EFU (61-66) Mortality Table as part of the Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 10% of the total policyholders' liability. This liability will be in the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.4.2.3 Accident & Health

The main risk written by the Subsidiary Company is hospitalisation and death by accidental means. The Subsidiary Company may be exposed to the risk of unexpected claim frequency. This can be a result of high exposure in a particular geographical area, fraudulent claims and catastrophic event.

The Subsidiary Company manages these risks through its underwriting, reinsurance and claims handling policy. On the claims handling side, the Subsidiary Company ensures that payment of any fraudulent claims is avoided.

a) Frequency and severity of claims

Currently, only one product is being sold in this segment effectively which offers a fixed sum assured on hospitalisation or death due to accident. The Subsidiary Company therefore has a limited exposure to claim severity. Since this product is marketed on an individual basis, the risk of unexpected high frequency in claims due to accumulation is also expected to be low.

The table below presents the concentration of assured benefits across five bands of insured benefits per individual life assured.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	16	100	5	100
200,000 - 400,000	-	0	-	0
400,001 - 800,000	-	0	-	0
800,001 - 1,000,000	-	0	-	0
More than 1,000,000	-	0	-	0
Total	16		5	

Benefits assured per life	Sum assured at the end of 2012			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0- 200,000	1200	100	360	100
200,000 - 400,000	-	0	-	0
400,001 - 800,000	-	0	-	0
800,001 - 1,000,000	-	0	-	0
More than 1,000,000	-	0	-	0
Total	1,200		360	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than the hazard of fraudulent claims, there is no need to estimate accident rates for future years because of the short duration of the product offered under this business.

c) Process used to decide on assumptions
Experience data is not sufficient to be statistically credible, so industry and reinsurer data has been used to fix assumptions.

d) Changes in assumptions
There has been no change in assumptions.

e) Sensitivity analysis
The net unearned premium reserve for this business stands at less than 0.1% of the total (net of reinsurance) policyholders' liability. This liability will be in the Subsidiary Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

30.4.2.4 Non- unitised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Subsidiary Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Subsidiary Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Subsidiary Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Subsidiary Company to limit the maximum exposure on any one insured person. The Subsidiary Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Subsidiary Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, the Manager Claims and Head of Operations reviews all claims (within variable materiality limits) for verification, and a specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further all payments on account of claims are made after necessary approval of Chief Executive Officer of the Subsidiary Company. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increase in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	229,253	2.7	28,345	1.5
200,000 - 400,000	232,228	2.7	47,536	2.5
400,001 - 800,000	1,067,239	12.6	278,804	14.7
800,001 - 1,000,000	406,464	4.8	105,068	5.5
More than 1,000,000	6,563,820	77.2	1,443,301	75.8
Total	8,499,004		1,903,054	

Benefits assured per life	Sum assured at the end of 2012			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	62,713	1.1	18,472	1.2
200,000 - 400,000	146,520	2.5	43,324	2.9
400,001 - 800,000	804,521	13.7	235,585	15.9
800,001 - 1,000,000	242,963	4.1	71,809	4.9
More than 1,000,000	4,611,685	78.6	1,109,522	75.0
Total	5,868,402		1,478,712	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Link assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: The business is developing and actual first year persistency rates will only be measurable next year. Eventually the Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term Non-unitised Investment Link assurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The expected mortality is assumed to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

Persistency: Since the Subsidiary Company has recently started business, it has no own experience to which it refer.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Companys' current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

As per Circular No. 17 of 2013 issued by the SECP Insurance Division on 13 September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table has replaced the EFU (61-66) Mortality Table as part of the Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities.

e) Sensitivity analysis

The Subsidiary Company has recently commenced operations and sensitivity tests were carried out at the time of pricing products to try and ensure robust pricing. Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

30.4.2.5 Unit Link Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Subsidiary Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Subsidiary Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Subsidiary Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals which puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committees with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Subsidiary Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Subsidiary Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

a) Frequency and Severity of Claims

The Subsidiary Company measures concentration of risk by geographical area. Concentration of risk is not a factor of concern due to spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Subsidiary Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Subsidiary Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Subsidiary Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2013			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in thousand)	%	(Rupees in thousand)	%
0-200,000	279,740	0.85	61,876	0.83
200,000 - 400,000	847,210	2.56	225,346	3.03
400,001 - 800,000	3,736,965	11.30	1,046,695	14.08
800,001 - 1,000,000	3,551,921	10.74	991,304	13.33
More than 1,000,000	24,648,151	74.55	5,110,430	68.73
Total	33,063,987		7,435,651	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour. Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Persistency: The business is developing and actual first year persistency rates will only be measurable next year. Eventually the Subsidiary Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Subsidiary Company assumes the expected mortality to vary between 60% and 100% of EFU (61-66) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Subsidiary Companys' recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Subsidiary Companys' current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

As per Circular No. 17 of 2013 issued by the SECP Insurance Division on 13 September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table has replaced the EFU (61-66) Mortality Table as part of the Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities.

e) Sensitivity analysis

The Subsidiary Company has recently commenced operations and sensitivity tests were carried out at the time of pricing products to try and ensure robust pricing. Periodic sensitivity analyses of the Subsidiary Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

31. REINSURANCE RISK

In order to minimise the financial exposure arising from large claims, the Subsidiary Company, in the normal course of business, enters into agreement with other reinsurers.

Reinsurance ceded does not relieve the Subsidiary Company from its obligation to policy holders and as result the Subsidiary Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

In order to manage this risk, the Subsidiary Company obtains reinsurance cover only from companies with sound financial health.

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate to their fair values except for available-for-sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements.

As at 31 December 2013, the fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Government securities	467,807	467,278	272,877	275,158
Listed equities and mutual funds	44,435	59,928	53,082	59,541

33. FINANCIAL INSTRUMENTS BY CATEGORIES

As at 31 December 2013

	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	Rupees in thousand			
Financial assets				
Cash and other equivalents	4,531	-	-	4,531
Current and other accounts	1,698,980	-	-	1,698,980
Deposits maturing within 12 months	1,156,190	-	-	1,156,190
Loan to employees	33,667	-	-	33,667
Investments	-	4,645,147	11,177,064	15,822,211
Premiums due but unpaid	2,673,944	-	-	2,673,944
Amounts due from other insurers / reinsurers	1,094,914	-	-	1,094,914
Salvage recoveries accrued	179,703	-	-	179,703
Accrued investment income	30,121	-	-	30,121
Reinsurance recoveries against outstanding claims	5,574,428	-	-	5,574,428
Sundry receivables	187,789	-	-	187,789
	12,634,267	4,645,147	11,177,064	28,456,478

As at 31 December 2013

	Financial liabilities at amortised cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR)	7,406,692
Amounts due to other insurers / reinsurers	662,515
Accrued expenses	114,855
Other creditors and accruals	1,380,793
Unclaimed dividends	37,675
Liabilities against assets subject to finance lease	6,683
	9,609,213

As at 31 December 2012

	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	Rupees in thousand			
Financial assets				
Cash and other equivalents	1,200	-	-	1,200
Current and other accounts	1,705,386	-	-	1,705,386
Deposits maturing within 12 months	1,026,373	-	-	1,026,373
Loan to employees	29,565	-	-	29,565
Investments	-	1,803,524	9,779,688	11,583,212
Premiums due but unpaid	3,217,207	-	-	3,217,207
Amounts due from other insurers / reinsurers	606,559	-	-	606,559
Salvage recoveries accrued	169,671	-	-	169,671
Accrued investment income	26,616	-	-	26,616
Reinsurance recoveries against outstanding claims	4,330,229	-	-	4,330,229
Sundry receivables	192,002	-	-	192,002
	11,304,808	1,803,524	9,779,688	22,888,020

As at 31 December 2012	Financial liabilities at amortised cost
	Rupees in thousand
Financial liabilities	
Provision for outstanding claims (including IBNR)	6,412,501
Amounts due to other insurers / reinsurers	504,732
Accrued expenses	119,831
Other creditors and accruals	1,535,955
Unclaimed dividends	35,558
Liabilities against assets subject to finance lease	24,987
	8,633,564

34 SUBSEQUENT EVENTS

The Board of Directors of the Holding Company in their meeting held on March 20, 2014 proposed a final cash dividend for the year ended 31 December 2013 @ 10% i.e. Rupee 1/- share (2012: @ 10% i.e. Rupee 1/- share). This is in addition to the interim cash dividend @ 25% i.e. Rupees 2.5/- share (2012: @ 15% i.e. Rupees 1.5/- share) resulting in a total cash dividend for the year ended 31 December 2013 of Rupees 3.5/- share (2012: Rupees 2.5/- share) and interim bonus shares issued @ 182.932212%. The approval of the members for the final dividend will be obtained at the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2013 do not include the effect of final dividend which will be accounted for in the financial statements for the year ending 31 December 2014.

35. CAPITAL RISK MANAGEMENT

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

- to be an appropriately capitalised institution in compliance with the paid-up capital requirement set by the SECP. Minimum paid-up capital requirement for non-life insurers is Rupees 300 million while for life insurance it is Rupees 500 million. The Group is well in excess of the limits prescribed by the SECP and is also complying with other solvency requirements prescribed by the SECP;

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

- to maintain strong ratings and to protect the Group against unexpected events / losses; and

- to ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

36. PROVIDENT FUND RELATED DICLOSURE

The following information is based on un-audited financial statements for the year ended 31 December 2013 and audited financial statements for the year ended 31 December 2012 of provident fund of the Holding Company:

	2013	2012
	Rupees in thousand	
Size of the fund - Total assets	849,653	736,558
Cost of investments	685,560	619,400
Percentage of investments made	97%	94%
Fair value of investments	824,131	691,449

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

	2013	2012	2013	2012
	Percentage		Rupees in thousand	
Deposits and bank balances	20.6%	34.6%	169,694	239,266
Term finance certificates	5.6%	9.9%	46,346	68,595
Treasury bills	43.0%	17.8%	354,390	122,822
Mutual funds	18.4%	26.3%	151,556	181,664
Listed securities	12.4%	11.4%	102,145	79,102
	100%	100%	824,131	691,449

36.2 The above investment / placement of funds in special bank account has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37. NUMBER OF EMPLOYEES AS AT 31 DECEMBER

	2013	2012
	Number	
At year end		
Holding Company	782	748
Subsidiary Company	111	79
Average during the year		
Holding Company	765	788
Subsidiary Company	95	71

38. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were approved and authorized for issue on March 20, 2014 by the Board of Directors of the Holding Company.

39. GENERAL

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

- No significant reclassification / rearrangement of the corresponding figures have been made except as disclosed in Note 2.5.1 (b) and Note 9 to these consolidated financial statements.

Umer Mansha	**Kamran Rasool**	**Muhammad Umar Virk**	**Muhammad Ali Zeb**
Chairman	Director	Director	Managing Director & Chief Executive Officer

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2013

No. of Shareholders	Shareholdings					Total Shares Held
1040	Shareholding	From	1	To	100	29,429
1417	Shareholding	From	101	To	500	468,935
1090	Shareholding	From	501	To	1000	931,127
2814	Shareholding	From	1001	To	5000	7,283,347
881	Shareholding	From	5001	To	10000	6,470,193
364	Shareholding	From	10001	To	15000	4,595,558
175	Shareholding	From	15001	To	20000	3,120,064
124	Shareholding	From	20001	To	25000	2,828,711
102	Shareholding	From	25001	To	30000	2,857,748
77	Shareholding	From	30001	To	35000	2,517,677
58	Shareholding	From	35001	To	40000	2,192,216
43	Shareholding	From	40001	To	45000	1,811,989
29	Shareholding	From	45001	To	50000	1,397,480
28	Shareholding	From	50001	To	55000	1,462,203
24	Shareholding	From	55001	To	60000	1,377,436
28	Shareholding	From	60001	To	65000	1,752,124
16	Shareholding	From	65001	To	70000	1,090,245
15	Shareholding	From	70001	To	75000	1,086,194
7	Shareholding	From	75001	To	80000	541,177
14	Shareholding	From	80001	To	85000	1,163,576
14	Shareholding	From	85001	To	90000	1,222,154
9	Shareholding	From	90001	To	95000	824,815
17	Shareholding	From	95001	To	100000	1,681,586
11	Shareholding	From	100001	To	105000	1,125,085
8	Shareholding	From	105001	To	110000	864,172
7	Shareholding	From	110001	To	115000	791,826
3	Shareholding	From	115001	To	120000	354,588
2	Shareholding	From	120001	To	125000	245,574
7	Shareholding	From	125001	To	130000	895,514
3	Shareholding	From	130001	To	135000	395,966
4	Shareholding	From	135001	To	140000	549,837
10	Shareholding	From	140001	To	145000	1,421,418
3	Shareholding	From	145001	To	150000	443,332
2	Shareholding	From	150001	To	155000	303,004
3	Shareholding	From	155001	To	160000	470,081
1	Shareholding	From	160001	To	165000	162,199
2	Shareholding	From	165001	To	170000	333,433
5	Shareholding	From	170001	To	175000	861,102
2	Shareholding	From	175001	To	180000	357,908
4	Shareholding	From	180001	To	185000	733,205
3	Shareholding	From	185001	To	190000	563,438
3	Shareholding	From	195001	To	200000	595,737

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2013

No. of Shareholders	Shareholdings					Total Shares Held
2	Shareholding	From	200001	To	205000	402,347
2	Shareholding	From	205001	To	210000	417,552
2	Shareholding	From	210001	To	215000	424,157
3	Shareholding	From	215001	To	220000	654,633
3	Shareholding	From	220001	To	225000	669,363
1	Shareholding	From	225001	To	230000	228,249
3	Shareholding	From	235001	To	240000	713,319
2	Shareholding	From	240001	To	245000	482,574
2	Shareholding	From	245001	To	250000	497,421
2	Shareholding	From	250001	To	255000	509,276
1	Shareholding	From	255001	To	260000	256,000
1	Shareholding	From	260001	To	265000	263,126
2	Shareholding	From	265001	To	270000	539,421
2	Shareholding	From	270001	To	275000	544,239
2	Shareholding	From	275001	To	280000	555,980
3	Shareholding	From	280001	To	285000	846,104
2	Shareholding	From	285001	To	290000	574,000
2	Shareholding	From	295001	To	300000	596,225
2	Shareholding	From	300001	To	305000	604,440
3	Shareholding	From	355001	To	360000	1,072,279
2	Shareholding	From	380001	To	385000	763,916
1	Shareholding	From	400001	To	405000	401,777
1	Shareholding	From	415001	To	420000	419,070
1	Shareholding	From	420001	To	425000	424,203
1	Shareholding	From	425001	To	430000	427,227
1	Shareholding	From	435001	To	440000	438,544
1	Shareholding	From	445001	To	450000	447,454
1	Shareholding	From	460001	To	465000	460,353
1	Shareholding	From	485001	To	490000	487,788
1	Shareholding	From	500001	To	505000	500,790
1	Shareholding	From	505001	To	510000	509,277
1	Shareholding	From	550001	To	555000	554,764
2	Shareholding	From	555001	To	560000	1,110,794
3	Shareholding	From	565001	To	570000	1,697,728
1	Shareholding	From	570001	To	575000	573,002
1	Shareholding	From	580001	To	585000	580,011
1	Shareholding	From	650001	To	655000	650,705
2	Shareholding	From	660001	To	665000	1,325,561
1	Shareholding	From	665001	To	670000	666,644
1	Shareholding	From	700001	To	705000	704,001
2	Shareholding	From	705001	To	710000	1,414,660
1	Shareholding	From	740001	To	745000	742,576

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2013

No. of Shareholders	Shareholdings					Total Shares Held
1	Shareholding	From	775001	To	780000	776,558
1	Shareholding	From	815001	To	820000	816,825
2	Shareholding	From	895001	To	900000	1,796,687
2	Shareholding	From	950001	To	955000	1,904,787
1	Shareholding	From	960001	To	965000	964,798
1	Shareholding	From	975001	To	980000	976,232
1	Shareholding	From	1040001	To	1045000	1,041,000
1	Shareholding	From	1050001	To	1055000	1,053,328
1	Shareholding	From	1130001	To	1135000	1,134,592
1	Shareholding	From	1140001	To	1145000	1,143,894
1	Shareholding	From	1250001	To	1255000	1,251,191
1	Shareholding	From	1310001	To	1315000	1,313,244
1	Shareholding	From	1340001	To	1345000	1,340,807
1	Shareholding	From	1385001	To	1390000	1,386,656
1	Shareholding	From	1395001	To	1400000	1,398,536
2	Shareholding	From	1410001	To	1415000	2,829,322
1	Shareholding	From	1825001	To	1830000	1,826,191
1	Shareholding	From	1960001	To	1965000	1,960,026
1	Shareholding	From	1990001	To	1995000	1,992,403
1	Shareholding	From	2035001	To	2040000	2,038,382
1	Shareholding	From	2130001	To	2135000	2,130,502
1	Shareholding	From	2315001	To	2320000	2,319,889
1	Shareholding	From	2430001	To	2435000	2,433,217
1	Shareholding	From	4000001	To	4005000	4,003,398
1	Shareholding	From	4055001	To	4060000	4,056,229
1	Shareholding	From	4110001	To	4115000	4,111,440
1	Shareholding	From	4285001	To	4290000	4,288,279
1	Shareholding	From	6355001	To	6360000	6,355,238
1	Shareholding	From	7685001	To	7690000	7,689,472
1	shareholding	From	8085001	To	8090000	8,087,907
1	Shareholding	From	8715001	To	8720000	8,716,387
1	Shareholding	From	10015001	To	10020000	10,019,735
1	shareholding	From	14420001	To	14425000	14,424,087
1	Shareholding	From	16210001	To	16215000	16,211,396
1	Shareholding	From	16345001	To	16350000	16,346,869
1	Shareholding	From	20720001	To	20725000	20,723,378
1	Shareholding	From	102810001	To	102815000	102,812,165
8,579						350,000,000

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2013

Categories of Shareholders	Shares held		Percentage
Directors			
Ahmed Ebrahim Hasham	90,609		0.0259
Ali Munir	16,101		0.0046
Fredrik Coenrard De Beer	7,073		0.0020
Ibrahim Shamsi	16,797		0.0048
Imran Maqbool	7,073		0.0020
Kamran Rasool	8,487		0.0024
Mian Umer Mansha	60,335		0.0172
Muhammad Umar Virk	7,073		0.0020
Shaikh Muhammad Jawed	17,117		0.0049
Shahid Malik	8,487		0.0024
Chief Executive Officer			
Muhammad Ali Zeb	7,073		0.0020
Directors / CEO's spouse	-		-
Executives / Executives' spouse	52,024		0.0149
Associated Companies, Undertakings & Related parties			
MCB Bank Limited	102,812,165	*	29.3749
Trustee - MCB Provident Fund Pak Staff	16,211,396		4.6318
Trustee- MCB Employees Pension Fund	16,346,869		4.6706
Nishat Mills Limited	102,809		0.0294
Trustee- Nishat Mills Limited Provident Fund	573,002		0.1637
NIT and ICP	2,628		0.0008
Banks, DFIs and NBFIs	9,311,800		2.6605
Insurance Companies	19,993,570		5.7124
Modaraba	13,216,678		3.7764
Mutual Funds			
CDC - Trustee First Capital Mutual Fund	50,074		0.0143
Al-Meezan Mutual Fund Limited	2,062		0.0006
Confidence Mutual Fund Limited	3,601		0.0010
First Capital Mutual Fund Limited	67		-
Growth Mutual Fund Limited	1,901		0.0005
KASB Premier Fund Limited	2,778		0.0008
Pak Asian Fund Limited	5,000		0.0014
General Public			
a) Local (Individuals)	125,355,216	**	35.8158
b) Foreign Companies / Organizations / Individuals (on repatriable basis)	16,592,077		4.7406
Others			
Joint Stock Companies	23,180,502		6.6230
Pension Fund, Provident Fund etc.	5,937,556		1.6964
	350,000,000		100.0000
Shareholders holding 5% or more voting interest			
MCB Bank Ltd.	102,812,165	*	
Mian Nisar Elahi	20,723,378	**	

Lahore: March 20, 2014

Muhammad Ali Zeb
Managing Director & Chief Executive Officer

ADAMJEE INSURANCE COMPANY LIMITED

Registered Office: 4th Floor, 27-C-III, Tanveer Building, M.M. Alam Road, Gulberg-III, Lahore.

PROXY FORM

I/We .... of .... being a member of Adamjee Insurance Company Limited hereby appoint Mr. .... of .... or failing him Mr. .... of .... as my/our Proxy to vote for me/us and on my/our behalf at the Fifty Third Annual General Meeting of the Company to be held on Monday, April 28, 2014 at 11.00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP), Thoker Niaz Baig, Raiwind Road, Lahore, and at any adjournment thereof.

Signed this .... day of 2014

WITNESSES:

1- Signature ....

Name ....

Address ....

....

CNIC No. ....

2- Signature ....

Name ....

Address ....

....

CNIC No. ....

Rupees Five Revenue Stamp

Signature ....

Holder of .... Ordinary Shares

Share Register Folio No. ....

"CDC" Participant's ID No. .... A/c. No. ....

(Please See Notes on reverse)

NOTES

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

2. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the Meeting.

3. The signature on the instrument of proxy must conform to the specimen signature recorded with the Company.

4. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting

a) In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original Computerized National Identity Card or original Passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing Proxies

a) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

c) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

d) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.

e) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.