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**Financial Statements
(Un-Audited)**

Half year ended June 30, 2013



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Company Information

Board of Directors

Mr. Yameen Kerai (Chairman)
Mr. Rizwan Abbas
Mr. Mohammed Basheer Janmohammed
Mr. A Fawad Hashmi
Mr. Tariq Iqbal Khan
Mr. Tufail Jawed Ahmad
Mr. Ghulam Muhammad
Mr. Muhammad Riaz

Managing Director & Chief Executive Officer

Mr. Ahmed Salahuddin

Board Audit Committee

Mr. A. Fawad Hashmi (Chairman)
Mr. Rizwan Abbas
Mr. Ghulam Muhammad
Mr. Muhammad Riaz

Board Human Resources & Remuneration Committee

Mr. Tariq Iqbal Khan (Chairman)
Mr. Tufail Jawed Ahmad
Mr. Ahmed Salahuddin

CFO & Company Secretary

Mr. Afroz Quraishi

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Syed Ali Hyder

Bankers

NIB Bank Limited
Habib Metropolitan Bank Limited

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran, Nursery
Block - 6, P.E.C.H.S. Shakra-e-Faisal
Karachi

Credit Rating

Triple B Plus "BBB+" by JCR-VIS

Registered & Head Office

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M. R. Kayani Road Karachi
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Email: info@picicinsurance.com
Website: www.picicinsurance.com

Directors' Review

The Directors would like to present the condensed un-audited interim financial statements of the Company for the half year ended June 30, 2013. The external auditors of the Company have performed a limited scope review on these financial statements.

Business Review

The gross premium written for the half year was Rs.401 million as compared to Rs.343 million for the corresponding period last year this is 17% higher than the previous year. This is mainly due to Foundation Wind Energy project amounting to Rs.86 million. The net premium revenue for the half year was Rs.175 million as against Rs.137 million of the corresponding period, which is 28% higher than last year mainly due to increase of motor, accident & health business which are written on net. The underwriting profit of the company stood at Rs. 60 million against a loss of Rs.8 million in the corresponding period of the last year. This is mainly due to improved loss ratios in all classes of business. The difference in management and administration expenses is mainly due to change in basis of allocation of DAC in line with the SECP approval.

The Company's real strength is a highly motivated management team. The marketing staff is given challenging and aggressive targets and underwriting processes have also been strengthened.

Financial Highlights

The comparative financial highlights of your Company for the half year ended June 30,2013 are as follows:

	2013	2012
Gross Premium Written	401,478	342,862
Net Premium Revenue	174,895	136,921
Net Claims including IBNR	(94,260)	(109,640)
Profit / (Loss) from underwriting business	59,622	(8,372)
Investment Income	13,657	15,829
Profit / (loss)after Taxation	24,925	(38,780)
Earnings / (loss)per share (Rupees)	0.71	(1.11)

Acknowledgement

The Directors express their sincere appreciation to all the Company's valued clients, reinsurers, brokers, business partners and collaborators, the Securities and Exchange Commission of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange and Central Depository Company for their professional approach and guidance. The Board also appreciates the hard work of the Management team and staff of the Company.

For and on behalf of the Board

Yameen Kerai

Chairman

Karachi: August 22, 2013

Ahmed Salahuddin

MD & Chief Executive Officer

Independent Auditors' Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of PICIC Insurance Limited (the Company) as at June 30, 2013, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, condensed interim statement of premiums, condensed interim statement of claims, condensed interim statement of expenses and condensed interim statement of investment income and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account, condensed interim statement of premiums, condensed interim statement of claims, condensed interim statement of expenses and condensed interim statement of investment income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 22, 2013

Karachi

Condensed Interim Balance Sheet

As at June 30, 2013

Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012 (Restated)
(Rupees in thousand)		
Share capital and reserves		
Authorised share capital [50,000,000 (December 31, 2012: 50,000,000) Ordinary shares of Rs.10/- each]	500,000	500,000
Paid-up share capital [35,000,000 (December 31, 2012: 35,000,000) Ordinary shares of Rs.10/- each]	350,000	350,000
Accumulated loss	(101,447)	(126,372)
	248,553	223,628
Underwriting provisions		
Provision for outstanding claims (including IBNR)	113,779	158,994
Provision for unearned premium	428,922	338,163
Provision for premium deficiency	2,134	2,134
Commission income unearned	18,830	23,108
	563,665	522,399
Creditors and accruals		
Amounts due to other insurers / reinsurers	225,591	164,438
Other creditors and accruals	73,441	48,208
Accrued expenses	3,894	5,500
Unclaimed dividend	195	195
	303,121	218,341
Borrowings		
Obligation under musharakah agreement	1,980	2,405
TOTAL LIABILITIES	868,766	743,145
TOTAL EQUITY AND LIABILITIES	1,117,319	966,773

Contingencies

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The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012 (Restated)
(Rupees in thousand)		
Cash and bank deposits		
Cash and other equivalents	503	184
Current and other accounts	49,262	65,351
Deposits maturing within 12 months	85,000	180,000
	134,765	245,535
Investments	8	70,442
Deferred Taxation	2,979	2,979
Current Assets - Others		
Premiums due but unpaid	439,605	187,165
Amounts due from other insurers / reinsurers	85,890	112,313
Accrued interest	275	2,150
Reinsurance recoveries against outstanding claims	33,638	55,439
Taxation - payments less provision	22,740	21,596
Deferred commission expense	29,455	30,170
Deferred acquisition costs	53,329	36,689
Prepayments	234,432	197,426
Sundry and other receivables	5,775	4,630
	905,139	647,578
Fixed assets	9	
Tangible		
Furniture and fixture	44	78
Office equipment	886	1,014
Computer equipment	775	1,060
Motor vehicles	1,743	2,281
Intangible		
Computer software	546	214
	3,994	4,647
TOTAL ASSETS	1,117,319	966,773

Condensed Interim Profit and Loss Account (Unaudited)

For the quarter and half year ended June 30, 2013

Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Credit and surety ship	Miscellaneous	Quarter ended	
							June 30, 2013	June 30, 2012
							Aggregate	Aggregate
(Rupees in thousand)								
Revenue account								
Net premium revenue	5,288	5,837	43,846	28,607	4,959	1,326	89,863	60,989
Net claims	21	(2,008)	(7,840)	(33,838)	(400)	3,646	(40,419)	(55,843)
Reversal of premium deficiency expense / (Premium deficiency expense)							-	1,312
	5,309	3,829	36,006	(5,231)	4,559	4,972	49,444	6,458
Management expenses	(291)	(3,179)	(128)	4	(633)	5,474	1,247	(3,490)
Net commission	1,081	1,497	(3,442)	769	(51)	1,610	1,464	929
	790	(1,682)	(3,570)	773	(684)	7,084	2,711	(2,561)
Underwriting results	6,099	2,147	32,436	(4,458)	3,875	12,056	52,155	3,897
Net investment income							4,760	2,651
Return on bank balances							3,853	5,666
Gain on disposal of fixed assets							8	13
Other income							(258)	607
							60,518	12,834
General and administrative expenses							(27,455)	(33,255)
Financial charges							(94)	(247)
Other charges							(78)	(22)
Profit / (loss) before taxation							32,891	(20,690)
Taxation							-	-
Profit / (loss) after taxation							32,891	(20,690)

Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Credit and surety ship	Miscellaneous	Half year ended	
							June 30, 2013	June 30, 2012
							Aggregate	Aggregate
(Rupees in thousand)								
Revenue account								
Net premium revenue	9,285	11,202	75,305	56,133	14,308	8,662	174,895	136,921
Net claims	(575)	(3,842)	(27,342)	(60,869)	(400)	(1,232)	(94,260)	(109,640)
Reversal of premium deficiency expense / (Premium deficiency expense)							-	(282)
	8,710	7,360	47,963	(4,736)	13,908	7,430	80,635	26,999
Management expenses	(4,268)	(7,252)	(7,866)	(4,897)	(3,172)	105	(27,350)	(41,914)
Net commission	8,077	2,787	(6,104)	(595)	(1,313)	3,485	6,337	6,543
	3,809	(4,465)	(13,970)	(5,492)	(4,485)	3,590	(21,013)	(35,371)
Underwriting results	12,519	2,895	33,993	(10,228)	9,423	11,020	59,622	(8,372)
Net investment income							5,039	4,893
Return on bank balances							8,618	10,936
Gain on disposal of fixed assets							9	28
Other income							254	607
							73,542	8,092
General and administrative expenses							(48,278)	(46,265)
Financial charges							(197)	(511)
Other charges							(142)	(96)
Profit / (Loss) before taxation							24,925	(38,780)
Taxation	12						-	-
Profit / (Loss) after taxation							24,925	(38,780)
Earnings / (Loss) per share - basic and diluted (Rupees)	13						0.71	(1.11)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter and half year ended June 30, 2013

	Quarter ended June 30,		Half year ended June 30,	
	2013	2012	2013	2012
	(Rupees in thousand)			
Net profit / (loss) for the period	32,891	(20,690)	24,925	(38,780)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>32,891</u>	<u>(20,690)</u>	<u>24,925</u>	<u>(38,780)</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the half year ended June 30, 2013

	Paid-up share capital	Accumulated loss	Total
	(Rupees in thousand)		
Balance as at January 01, 2012	350,000	(107,393)	242,607
Effect of change in accounting policy with respect to accounting for remeasurement gain on defined benefit plan - in Statement of Profit and Loss Account (note 5.2)	-	(917)	(917)
Effect of change in accounting policy with respect to accounting for remeasurement gain on defined benefit plan (note 5.2)	-	8,936	8,936
Balance as at January 01, 2012 - restated	350,000	(99,374)	250,626
Total comprehensive income for the period			
Net loss for the half year ended June 30, 2012	-	(38,780)	(38,780)
Balance as at June 30, 2012 - restated	350,000	(138,154)	211,846
Total comprehensive income for the period			
Net profit for the half year ended December 31, 2012	-	13,459	13,459
Effect of change in accounting policy with respect to accounting for remeasurement gain on defined benefit plan - in Statement of Profit and Loss Account (note 5.2)	-	(1,158)	(1,158)
	350,000	(125,853)	224,147
Effect of change in accounting policy with respect to accounting for remeasurement gain on defined benefit plan (note 5.2)	-	(519)	(519)
Balance as at December 31, 2012 - restated	350,000	(126,372)	223,628
Total comprehensive income for the period			
Net profit for the half year ended June 30, 2013	-	24,925	24,925
Balance as at June 30, 2013	350,000	(101,447)	248,553

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Cash Flows (Unaudited)

For the half year ended June 30, 2013

	June 30, 2013	June 30, 2012 (Restated)
	(Rupees in thousand)	
OPERATING ACTIVITIES		
a) Underwriting activities		
Premiums received	233,511	434,644
Reinsurance premiums paid	(198,154)	(199,757)
Claims paid	(161,035)	(118,800)
Reinsurance and other recoveries received	43,361	34,301
Commissions paid	(56,325)	(45,024)
Commission received	40,027	54,518
Net cash (used in)/ inflow from underwriting activities	(98,615)	159,882
b) Other operating activities		
Income tax paid	(1,144)	(1,182)
General management expenses paid	(65,468)	(75,699)
Operating receipts - net	44,446	(7,958)
Bank and other charges	(142)	(96)
Other income	254	607
Net cash used in other operating activities	(22,054)	(84,328)
Total cash (used in) / inflow from operating activities	(120,669)	75,554
INVESTMENT ACTIVITIES		
Profit / return received	10,490	10,866
Dividend received	638	488
Payments for investments	(4)	(3)
Proceeds from disposal of fixed assets	9	28
Fixed capital expenditure	(612)	(1,187)
Total cash inflow from investing activities	10,521	10,192
FINANCING ACTIVITIES		
Payments under musharakah agreement	(622)	(1,267)
Total cash used in financing activities	(622)	(1,267)
Net cash (used in)/ inflow from all activities	(110,770)	84,479
Cash at the beginning of the year	245,535	236,273
Cash at the end of the year	134,765	320,752
Reconciliation to profit and loss account		
Operating cash flows	(120,669)	75,554
Depreciation / amortisation	(1,265)	(1,794)
Gain on disposal of fixed assets	9	28
Financial charges	(197)	(511)
Investment income	5,039	4,893
Return on bank balances	8,618	10,936
Increase in assets other than cash	207,499	39,029
Increase in liabilities	(34,143)	(146,597)
Increase in unearned premium	(39,966)	(20,318)
Profit / (loss) after taxation	24,925	(38,780)
Definition of cash		
Cash comprises of cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purpose of statement of cash flows consists of:		
Cash and other equivalents		
- cash in hand	-	138
- stamps in hand	503	218
	503	356
Current and other accounts		
- current accounts	9,888	17,268
- saving accounts	39,374	133,128
	49,262	150,396
Deposits maturing within 12 months	85,000	170,000
	134,765	320,752

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Premiums (Unaudited)

For the quarter and half year ended June 30, 2013

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		Quarter ended	
									June 30, 2013	June 30, 2012
(Rupees in thousand)										
Direct and facultative										
1. Fire and property	50,166	35,256	62,565	22,857	40,665	32,236	55,332	17,569	5,288	673
2. Marine, aviation and transport	27,732	26,446	12,467	41,711	21,434	25,040	10,600	35,874	5,837	11,200
3. Motor	78,335	65,741	101,574	42,502	6,913	2,944	11,201	(1,344)	43,846	18,421
4. Accident and health	71,707	41,087	84,112	28,682	176	121	222	75	28,607	14,799
5. Credit and surety ship	1,325	21,981	9,816	13,490	1,245	14,116	6,830	8,531	4,959	10,837
6. Miscellaneous	57,534	111,588	158,388	10,734	51,543	103,420	145,555	9,408	1,326	5,059
Total	286,799	302,099	428,922	159,976	121,976	177,877	229,740	70,113	89,863	60,989

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		Half year ended	
									June 30, 2013	June 30, 2012
(Rupees in thousand)										
Direct and facultative										
1. Fire and property	60,330	50,105	62,565	47,870	51,783	42,134	55,332	38,585	9,285	11,279
2. Marine, aviation and transport	40,108	40,627	12,467	68,268	30,876	36,790	10,600	57,066	11,202	20,932
3. Motor	109,672	78,142	101,574	86,240	14,153	7,983	11,201	10,935	75,305	58,708
4. Accident and health	91,522	49,094	84,112	56,504	439	154	222	371	56,133	25,897
5. Credit and surety ship	5,595	34,836	9,816	30,615	2,817	20,320	6,830	16,307	14,308	12,296
6. Miscellaneous	94,251	85,359	158,388	21,222	86,549	71,566	145,555	12,560	8,662	7,809
Total	401,478	338,163	428,922	310,719	186,617	178,947	229,740	135,824	174,895	136,921

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Claims (Unaudited)

For the quarter and half year ended June 30, 2013

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		Quarter ended	
									June 30, 2013	June 30, 2012
(Rupees in thousand)										
Direct and facultative										
1. Fire and property	6,755	14,742	8,386	399	5,855	12,348	6,913	420	(21)	5,963
2. Marine, aviation and transport	14,427	42,229	23,797	(4,005)	9,621	33,268	17,634	(6,013)	2,008	6,918
3. Motor	24,410	58,540	41,633	7,503	724	1,474	413	(337)	7,840	26,196
4. Accident and health	31,661	25,256	27,433	33,838	-	63	63	-	33,838	12,175
5. Credit and surety ship	-	300	700	400	-	270	270	-	400	30
6. Miscellaneous	8,171	21,558	11,830	(1,557)	6,447	12,703	8,345	2,089	(3,646)	4,561
Total	85,424	162,625	113,779	36,578	22,647	60,126	33,638	(3,841)	40,419	55,843

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		June 30,	June 30,
									2013	2012
(Rupees in thousand)										
Direct and facultative										
1. Fire and property	12,989	17,942	8,386	3,433	10,828	14,883	6,913	2,858	575	8,698
2. Marine, aviation and transport	24,126	35,425	23,797	12,498	14,723	23,701	17,634	8,656	3,842	10,595
3. Motor	50,173	65,121	41,633	26,685	(126)	944	413	(657)	27,342	53,963
4. Accident and health	51,493	18,057	27,433	60,869	-	63	63	-	60,869	29,019
5. Credit and surety ship	6,725	300	700	7,125	6,725	270	270	6,725	400	30
6. Miscellaneous	15,529	22,149	11,830	5,210	11,211	15,578	8,345	3,978	1,232	7,335
Total	161,035	158,994	113,779	115,820	43,361	55,439	33,638	21,560	94,260	109,640

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Expenses (Unaudited)

For the quarter and half year ended June 30, 2013

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers *	Net underwriting expense	
		Opening	Closing					Quarter ended	
								June 30, 2013	June 30, 2012
(Rupees in thousand)									
Direct and facultative									
1. Fire and property	7,450	4,590	8,937	3,103	291	3,394	4,184	(790)	(1,756)
2. Marine, aviation and transport	2,558	1,901	657	3,802	3,179	6,981	5,299	1,682	(1,915)
3. Motor	7,248	5,415	8,978	3,685	128	3,813	243	3,570	9,407
4. Accident and health	1,156	1,836	3,739	(747)	(4)	(751)	22	(773)	561
5. Credit and surety ship	38	1,181	505	714	633	1,347	663	684	(5,073)
6. Miscellaneous	1,688	5,663	6,639	712	(5,474)	(4,762)	2,322	(7,084)	1,337
Total	20,138	20,586	29,455	11,269	(1,247)	10,022	12,733	(2,711)	2,561

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission from reinsurers *	Net underwriting expense	
		Opening	Closing					Half year ended	
								June 30, 2013	June 30, 2012
(Rupees in thousand)									
Direct and facultative									
1. Fire and property	8,061	7,863	8,937	6,987	4,268	11,255	15,064	(3,809)	2,159
2. Marine, aviation and transport	3,443	3,820	657	6,606	7,252	13,858	9,393	4,465	4,983
3. Motor	9,726	6,418	8,978	7,166	7,866	15,032	1,062	13,970	20,452
4. Accident and health	2,351	2,089	3,739	701	4,897	5,598	106	5,492	2,833
5. Credit and surety ship	224	3,445	505	3,164	3,172	6,336	1,851	4,485	3,573
6. Miscellaneous	1,911	6,535	6,639	1,807	(105)	1,702	5,292	(3,590)	1,371
Total	25,716	30,170	29,455	26,431	27,350	53,781	32,768	21,013	35,371

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

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Condensed Interim Statement of Investment Income (Unaudited)

For the quarter and half year ended June 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rupees in thousand)			
Income from investments classified as investments at fair value through profit or loss account				
Net unrealised gain / (loss) on revaluation of investments	4,470	(209)	4,407	1,716
Dividend income	292	170	635	488
Return on government securities	-	2,692	-	2,692
	<u>4,762</u>	<u>2,653</u>	<u>5,042</u>	<u>4,896</u>
Investment related expenses	(2)	(2)	(3)	(3)
Net investment income	<u>4,760</u>	<u>2,651</u>	<u>5,039</u>	<u>4,893</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

Notes to and forming part of the Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2013

1 STATUS AND NATURE OF BUSINESS

PICIC Insurance Limited (the Company) was incorporated on April 23, 2004 under the Companies Ordinance, 1984 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. It is engaged in providing all classes of non-life insurance business. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Shaheen Complex, M.R. Kayani Road, Karachi. The Company operates with 6 (December 31, 2012: 6) branches in Pakistan.

2 STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of the Companies Ordinance 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and the said directives prevail.
- 2.2** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2012.

3 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention except for investments which are carried at fair value.

This condensed interim financial information has been prepared using the accrual basis of accounting except for cash flow information.

4 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Company operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2012 except as explained in note 5.2 below:

5.1 New and amended standards and interpretations that are effective in the current period

The company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

IAS 1 - Presentation of financial statements - Presentation of items of other comprehensive income (Amendment)

IAS 19 - Employee Benefits - (Revised)

IFRS 7 - Financial instruments: Disclosure - (Amendment)

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.

The adoption of the above revision and amendments of the standards did not have any effect on the financial statements except as described in note 5.2 below.

Further, certain new standards have been issued by the IASB which are effective for accounting periods beginning on or after January 1, 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

5.2 Change in accounting policy:

IAS 19 (revised) 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the company's policy for Staff Retirement Benefits - Defined Benefit Plans stands amended as follows:

The company operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying eligible period of service of 5 years. The benefit under the gratuity scheme are payable on resignation or retirement. The latest actuarial valuation was conducted as at December 31, 2012. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Cost method is used for the actuarial valuations. The amount arising on the result of remeasurement is recognised in the Balance Sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur.

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

The company's condensed interim financial information is affected only by the 'remeasurement' relating to prior years. The effects have been summarised below:

	December 31, 2012	December 31, 2011
	(Rupees in thousand)	
Impact on Balance Sheet		
(Decrease) / increase in other liabilities	(6,342)	(8,019)
Decrease / (increase) in unappropriated profit	(6,342)	(8,019)
Impact on Statement of Changes in Equity		
Decrease / (increase) in unappropriated profit		
- Cumulative effect from prior years		(8,019)
- Impact for the year ended December 31, 2012	1,677	
Impact on Profit and Loss Account		
Decrease / (increase) in profit and loss account		
- Impact for the year ended December 31, 2011		917
- Impact for the year ended December 31, 2012	1,158	

The company has a consistent practice to conduct the actuarial valuation annually at the year end. Hence, the impact on this and comparative condensed interim financial statements are not quantifiable.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2012.

7 INSURANCE AND FINANCIAL RISK MANAGEMENT

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended December 31, 2012.

Note	June 30, 2013 (Rupees in thousand) (Un-audited)	December 31, 2012 (Rupees in thousand) (Audited)
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8 INVESTMENTS - Designated at fair value through profit or loss

Mutual funds		3,610	3,351
Listed shares		21,858	17,709
Government securities	8.1	44,974	44,974
		<u>70,442</u>	<u>66,034</u>

8.1 Government securities - Market treasury bills

These securities have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000. These carry rate of return of 11.59% (December 31, 2012: 11.59%) per annum and will mature in August 2013.

9 FIXED ASSETS

The details of additions and disposals during the half year ended June 30, 2013 are as follows:

	Additions (at cost)		Disposals (at net book value)	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rupees in thousand)			
Tangible				
Office equipment	31	292	-	52
Computer equipment	101	617	-	269
Motor vehicles	-	43	-	37
Intangible				
Computer software	480	235	-	-
	<u>612</u>	<u>1,187</u>	<u>-</u>	<u>358</u>

10 OBLIGATION UNDER MUSHARAKAH AGREEMENT

Opening balance	2,405	6,108
Obtained during the period	-	-
	<u>2,405</u>	<u>6,108</u>
Repaid during the period	(425)	(3,703)
Closing balance	<u>1,980</u>	<u>2,405</u>

10.1 This represents obligation under Musharakah agreement with a Modaraba for purchase of vehicles. The share of the Modaraba in the musharakah asset is payable in monthly installments and mark up rate on this arrangement ranges between 17% to 17.5% per annum (December 31, 2012: Ranges between 17.00% to 17.50%).

11 CONTINGENCIES

The income tax assessments of the Company have been finalised upto and including the tax year 2011. The tax returns filed are to be taken as deemed assessment in terms of Section 120 of the Income Tax Ordinance, 2001. However, while finalising the tax audit for the tax year 2007, the Taxation Officer had disallowed certain expenses claimed by the Company and raised a demand of Rs. 3.17 million. The Company has contested the amended order by filing an appeal before the Commissioner Inland Revenue (Appeals) which has been decided whereby substantial relief has been allowed. However, a second appeal has been preferred before the Appellate Tribunal Inland Revenue which is pending adjudication. The management, based on the advice of its tax advisor, is confident of a favourable outcome and accordingly no provision in this respect has been made in this condensed interim financial information.

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

12 TAXATION

No provision for current taxation has been made in this condensed interim financial information for the half year ended June 30, 2013 as the Company has brought forward aggregate tax losses amounting to Rs. 128.448 million. The deferred tax asset on unabsorbed tax losses, provision against premium due but unpaid and other temporary differences amounting to Rs. 44.957 million (December 31, 2012: Rs. 50.30 million) while the net deferred tax liability arising on remeasurement gains on defined benefit plan amounts to Rs. 2.220 million, out of the above net deferred tax debit balance of Rs. 42.737 million, Rs. 2.979 million has been recognised in this condensed interim financial information based on management's projections for future profits.

13 EARNING / (LOSS) PER SHARE - basic and diluted

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

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rupees in thousand)			
Profit / (Loss) after tax for the period	32,891	(20,690)	24,925	(38,780)
	Number in thousand			
Weighted average number of shares of Rs. 10 each	35,000	35,000	35,000	35,000
	Rupees			
Basic earnings / (loss) per share of Rs. 10 each	0.94	(0.59)	0.71	(1.11)

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

14 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated entities having directors in common, major share holders, directors and key management personnel. The transactions with related parties are as follows:

Transactions for the period	Half year ended	
	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
	(Un-audited)	(Un-audited)
Premium written	9,391	7,062
Claims paid	4,032	467
Return on bank balances	2,745	2,034
Bank charges	142	96
Remuneration of key management personnel	25,210	31,454
Contribution for staff provident fund	1,592	1,848
Charge in respect of gratuity fund	1,693	1,434

Balances outstanding at period / year end

	June 30, 2013 (Un-audited)	December 31, 2012 (Audited)
Bank deposits	49,239	65,204
Investments	3,069	2,951
Payable to gratuity fund	2,457	764
Premiums due but unpaid	696	3,731

15 SEGMENT REPORTING

	June 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Segment assets	Unallocated assets	Total assets	Segment assets	Unallocated assets	Total assets
	(Rupees in thousand)					
Fire and property damage	207,354		207,354	172,250		172,250
Marine, aviation and transport	76,862		76,862	92,574		92,574
Motor	124,409		124,409	101,916		101,916
Accident and health	93,492		93,492	31,402		31,402
Credit and surety ship	17,067		17,067	34,214		34,214
Miscellaneous	352,475		352,475	168,367		168,367
Unallocated	-	245,660	245,660	-	366,050	366,050
Total	871,659	245,660	1,117,319	600,723	366,050	966,773

	June 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Segment liabilities	Unallocated liabilities	Total liabilities	Segment liabilities	Unallocated liabilities	Total liabilities
	(Rupees in thousand)					
Fire and property damage	210,945		210,945	179,337		179,337
Marine, aviation and transport	55,332		55,332	103,337		103,337
Motor	136,643		136,643	143,771		143,771
Accident and health	113,756		113,756	67,195		67,195
Credit and surety ship	12,200		12,200	37,079		37,079
Miscellaneous	297,854		297,854	195,496		195,496
Unallocated	-	42,036	42,036	-	16,930	16,930
Total	826,730	42,036	868,766	726,215	16,930	743,145

15.1 Segment wise financial performance for the half year ended June 30, 2013 has been given in the condensed interim profit and loss account.

16 GENERAL

Figures have been rounded off to the nearest thousand rupees.

17 AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on August 22, 2013.

18 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant reclassifications were made during the current year, except as explained in note 5.2.

Yameen Kerai
Chairman

A. Fawad Hashmi
Director

Tariq Iqbal Khan
Director

Ahmed Salahuddin
MD & Chief Executive Officer

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