

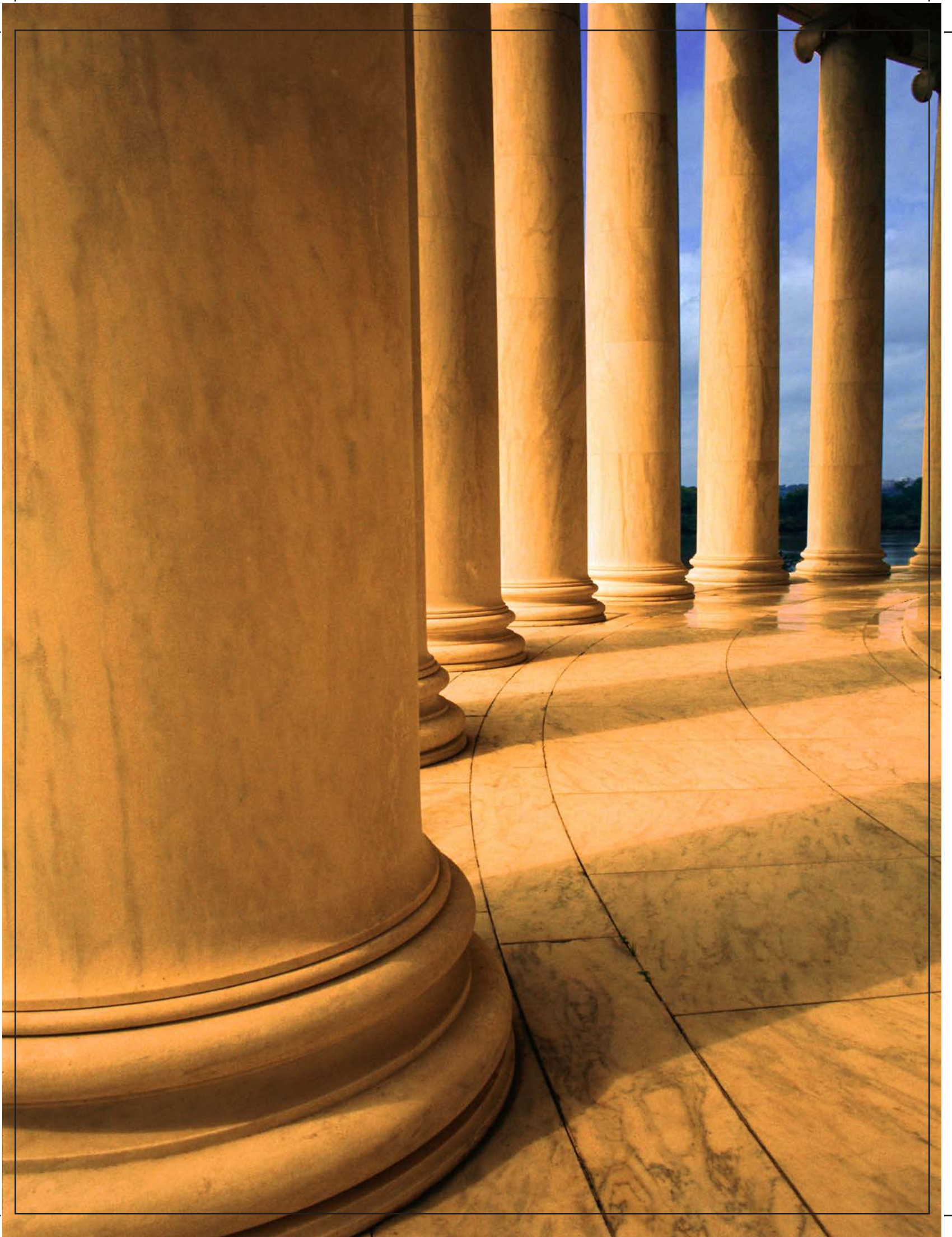
Annual Report 2012



Serving
Reliably



Reliance Insurance Company Limited



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Company Profile

Reliance Insurance Company Limited, was incorporated in Pakistan in the year 1981 with a Share Capital of Rs. 5.0 Million by two Leading Industrial Houses of Pakistan, namely (i) Al-Noor Group and (ii) Amin Bawany Group. Al-Noor Group is headed by renowned industrialist Mr. Ismail H. Zakaria, who is also the Chairman of Reliance Insurance, while Amin Bawany Group is headed by Mr. Mohammed Amin Ahmed Bawany, who is also the Director of Reliance Insurance. Both the groups having successfully implemented a number of projects are currently reputed industrial groups of Pakistan.

It underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire, Accident, Motor, Marine (Import & Exports), Loss of Profits, Personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Cash-in-Safe or in Transit etc., it also transacts non-traditional covers such as Machinery Breakdown, and Loss of Profits following Machinery Breakdown, Terrorism, Contractors All Risks, Erection All Risks, Bond, Aviation and the like.



The Present Authorised Capital of the Company is Rs. 500 Million while Paid-up Capital has increased to 318.939 million.

Reliance is one of the leading General Insurance Company of Pakistan having a network of 25 Branches at all important places throughout Pakistan employing a full time work force of 205 persons.

Since its establishment Reliance has progressed smoothly and steadily. Its Gross Premium Income has increased from Rs. One Million in 1983 to Rs. 613.725 Million in the year 2012. At the end of 2011 General Reserve stood at Rs. 90.00 Million and Technical Reserves at Rs. 465.334 Million.

Our Vision

To be recognized as a professional and dependable business entity committed to play a meaningful role in the development of insurance industry in Pakistan and to safeguard the legitimate interests of all stakeholders, namely policy-holders, shareholders, reinsurers employees and all other business associates / partners.



Our Mission

To provide quality service and protection to its clients aiming at achieving a respectable volume of business and become a prominent player through good governance and sound professionalism focusing to become a well-known and respected Corporate entity in the eyes of Society and Government.

Directors' Profile



Ismail H. Zakaria
Chairman

Mr. Ismail H. Zakaria is Chairman of the Board of Directors of Reliance Insurance Company Limited since its inception. He has diversified experience of over forty five years covering various industrial, commercial and financial sectors. He is also Chairman of First Al Noor Modaraba, Al Noor Sugar Mills Limited, and Shahmurad Sugar Mills Limited. The depth of knowledge and breadth of experience of Mr. Ismail H. Zakaria is an invaluable asset and a guiding force to the Board of Reliance Insurance. He also holds the office of Honorary Consul General of Mauritius.

Mr. Muhammad Amin Ahmed Bawany is a non-executive Director of Reliance Insurance Company Limited since its inception. He obtained his secondary education from St.Patrick School, Karachi and acquired his professional education from Tokyo University, Yokohama, Japan. He has rich and diversified experience in trade and commerce including textile, sugar and financial sector. He is also Chairman of Faran Sugar Mills Limited.



Muhammad Amin Ahmed Bawany
Director



A. Aziz Ayoob
Director

Mr. A. Aziz Ayoob is a Non-Executive Director since 1995. He is also Chairman of the Audit Committee. Mr. A. Aziz Ayoob is a graduate having over 45 years of diversified industrial and commercial experience in various fields. He is also a Director on the Board of First Al Noor Modaraba, Al Noor Sugar Mills Limited and Shahmurad Sugar Mills Limited.

Mr. Irfan Zakaria Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 1991. He is CEO of Anam Fabrics (Pvt.) Limited. He has served on The Board of Pioneer Cables Limited from 1983 to 1991. He has diversified experience in Electrical Cable Manufacturing and Textile made up business. After receiving a B.B.A. (accounting) from The University of Houston, USA, he was certified as a Fellow Member of the Texas Society of Certified Public Accountants. He is a certified Director from Pakistan Institute of Corporate Governance (P.I.C.G.)



Irfan Zakaria Bawany
Director

Directors' Profile



Muhammad Omer Bawany
Director

Mr. Muhammad Omer Bawany is a Non-Executive Director of Reliance Insurance Company Limited, since 1995. He acquired his early education from Karachi American School and proceeded to American College, Switzerland and obtained an Associate Degree in Business Administration. He has extensive experience in textile, sugar and financial sectors. He is on the Board of Directors of Faran Sugar Mills Limited since 1984, and is currently its Vice chairman. He is also the Chief Executive of B.F. Modaraba.

Mr. Zohair Zakaria is a Non-Executive Director of Reliance Insurance Company Limited since 1998. He is also serving on the Board of Directors of Al-Noor Sugar Mills Limited, Shahmurad Sugar Mills Limited, First Al-Noor Modaraba. Mr. Zohair Zakaria has diversified experience of working in senior management positions. He holds BBA Degree from Boston. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)



Zohair Zakaria
Director



Ahmed Ali Bawany
Director

Mr. Ahmed Ali Bawany is a Non-Executive Director of Reliance Insurance Company Limited since 2001. He acquired his early education from CAS, Karachi and degree in business entrepreneurship from University of Southern California. His special field of interest includes finance, procurement and marketing. He is the Chief Executive of Faran Sugar Mills Limited and Chairman of B.F. Modaraba. He is a Certified Director from Pakistan Institute of Corporate Governance. (P.I.C.G)

Mr. Noor Mohammed Zakaria is a Non-Executive Director since 2003. He has over 40 years of diversified industrial and commercial experience. He is B.A. (Hons) from University of Karachi. He is also on the Board of (Non-Executive Director) Al Noor Sugar Mills Limited. He is socially very well connected and active and is a member of various Clubs of Karachi.



Noor Mohammed Zakaria
Director

Directors' Profile



Ashfaq Patel
Director

Mr. Ashfaq Patel is a Non-Executive Director since 2007. He comes from a well reputed business family, having extensive and diversified experience in business and commerce. He is also Director of M/s. Irfan Ashfaq Co.(Pvt.) Limited. He is Managing Trustee of Patel Hospital Karachi.

Mr. Yasin Siddik is an independent Non-Executive Director since 2007. He belongs to a well reputed business family. After completion of his Masters in International Marketing Research from IBA, Karachi he commenced his practical carrier in Ship Breaking. In 1987 Mr. Yasin entered into Textile Spinning Business under the title of Premium Textile Mills Limited which presently is having 3 units under production and 4th is expected to commence production in May 2013. In addition to the above Mr. Yasin is also running business of Iron & Steel under the title of Y.S. (PVT) Limited and Zaid Traders. Mr. Yasin is currently holding the portfolio of Chairman APTMA Sindh, Baluchistan Region since last 2 terms.



Yasin Siddik
Director



A. Razak Ahmed
Chief Executive & M.D.

Mr. A. Razak Ahmed is the Chief Executive Officer/Managing Director of the Company since 1st November 1995. He has over 40 years of extensive and varied experience-both in public & private sectors. Prior to joining Reliance he had worked with Adamjee Insurance, Pakistan Insurance Corporation (now PRCL) National Insurance Corporation & Premier Insurance Company. He has been on the Executive Committee of the Insurance Association of Pakistan (IAP) several times and had also been the Chairman of Accident & Fire Committees for several terms, beside being Council Member of the Karachi Insurance Institute and member standing committee on Banking and Insurance of the Federation of Pakistan Chamber of Commerce & Industry. He is a Commerce Graduate and a fellow of the Chartered Insurance Institute (FCII) London. He is a Chartered Insurer.

Company Information

BOARD OF DIRECTORS

CHAIRMAN
ISMAIL H. ZAKARIA

DIRECTORS

MOHAMMED AMIN AHMED BAWANY
A. AZIZ AYOOB
IRFAN ZAKARIA BAWANY
MUHAMMAD OMER BAWANY
ZOHAIK ZAKARIA
AHMED ALI BAWANY
NOOR M. ZAKARIA
ASHFAQ PATEL
YASIN SIDDIK

CHIEF EXECUTIVE & MANAGING DIRECTOR

A. RAZAK AHMED

CHIEF ACCOUNTANT AND COMPANY SECRETARY

HAROON A. SHAKOOR

AUDIT COMMITTEE

A. AZIZ AYOOB	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
ZOHAIK ZAKARIA	MEMBER

INVESTMENT COMMITTEE

IRFAN ZAKARIA BAWANY	CHAIRMAN
ZOHAIK ZAKARIA	MEMBER
AHMED ALI BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

HUMAN RESOURCE & REMUNERATION COMMITTEE

ZOHAIK ZAKARIA	CHAIRMAN
IRFAN ZAKARIA BAWANY	MEMBER
A. RAZAK AHMED	MEMBER

AUDITORS

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

ABDUL SATTAR PINGAR

BANKERS

HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN
MCB BANK LIMITED
ALLIED BANK LIMITED
UNITED BANK LIMITED
NIB BANK LIMITED
BANK ALFALAH LIMITED
FAYSAL BANK LIMITED
HABIB METROPOLITAN BANK LIMITED
THE BANK OF PUNJAB
JS BANK LIMITED

REGISTERED OFFICE

96-A, Sindhi Muslim Co-operative
Housing Society, Karachi.

HEAD OFFICE

Reliance Insurance House,
181-A, Sindhi Muslim Co-operative Housing
Society,
P.O. Box No. 13356,
Karachi-74400.
Phone : 34539415-17
Fax : 92-21-34539412
E-mail : reli-ins@cyber.net.pk
ric-re@cyber.net.pk.
Website: www.relianceins.com

SHARES REGISTRAR

M/s. C&K Management Associates (Pvt.) Ltd.
404-Trade Tower, Abdullah Haroon Road,
Near Hotel Metropole, Karachi-75530.
Tel: (021) 35687839 & 5685930

Our Services

Reliance Insurance Company Limited underwrites all classes of General Insurance and enjoys reputation second to none. Apart from the traditional covers such as Fire and Allied perils, Accident, Motor, Marine (Import and Exports), Loss of Profits, personal Accident, Group Hospitalization, Workmen's Compensation, Burglary, Fidelity Guarantee, Public Liability, Products Liability, Cash-in-Safe or in Transit etc.



RICL also transact non-traditional covers such as Machinery Breakdown and Loss of Profits following Machinery Breakdown, Contractors All Risks, Erection All Risks, Bonds, Aviation Hull and Liabilities, Terrorism Insurance and the like.



Fire Insurance

The Standard Fire Policy covers loss and / or damage caused by fire and lightning. The basic fire policy can be extended to include a number of additional/extraneous risks known as 'special perils' or 'allied perils'. These include: riot and strike damage, malicious damage, atmospheric disturbance (including flood), earthquake fire and shock, explosion, impact damage, aircraft damage. The property insured normally includes residential/commercial buildings, factory/warehouse buildings, household goods, stock and stock in process, fixtures and fitting, plant and machinery etc.

Consequential Loss Due to Fire

RICL also provides this coverage in conjunction with Fire Policy. It provides protection against Loss of Profit incurred as a result of business interruption or interference in Business caused by an event indemnifiable under Fire Policy.

Cargo Insurance

Marine cargo insurance provides protection to Imports and Exports of goods by any mode of transport viz by Sea, by Air or by Road/Rail. Cargo is usually insured on a warehouse (of departure) to warehouse (of arrival) basis and usually covering all risks as per Institute Cargo Clauses "A". For lesser risk Institute Cargo Clauses "B" & "C" are available. Even cover on TLO (Total Loss only, due to total loss of the vessel/aircraft) basis is also available. Marine Inland Transit insurance policy provides adequate cover to protect goods in transit by any mode of transport within the territory of Pakistan.



Motor Insurance

The minimum requirement by law under Motor Vehicles Act 1939 is in respect of legal liability to pay damages arising out of bodily injury caused to any third party person. The following policies are available under this section: Act Liability only : provides cover in respect of liability incurred through death or injury to a third party person. This is minimum legal cover available under Motor Vehicles Act, 1939. Third Party: provides cover as above plus damage to third party property. Comprehensive Insurance: provides cover for third party liability plus protection against loss and/or damage to the car/vehicle itself as well as snatching/theft. The policy can be extended to include accidental personal injuries to and death of the Driver and Passengers.

Engineering Insurance

Engineering policies mainly cover damage to, or breakdown of specific items of plant and machinery, cost of repair of own/surrounding property, legal liability for damage to property of others, caused by the aforesaid damage or breakdown. Cover for loss of profits and standing charges following machinery breakdown is also available. Cover against Contractor's All Risks (CAR), Erection All Risks (EAR), Contractor's Plant and Machinery insurance, Boiler & Pressure vessel insurance, Electronic Equipment insurance etc. are also available.



Bond & Surety Insurance

Contractors undertaking the construction of public works like buildings, roads, bridges, dams, civil works etc., are usually required to furnish guarantees/bonds guaranteeing the fulfillment of their contractual obligations to the principals. Traditionally, Bid Bonds, Advance Payments/Mobilization Bonds, Performance Bonds, Supply Bonds, Maintenance Bonds & Customs and Excise Bonds are available.

Aviation Insurance

Reliance Insurance is amongst the few Pakistani insurance companies who offer aviation insurance plans to the commercial as well as private airlines. Our comprehensive aviation insurance plan protects the insured from probable risks. Reliance Insurance provides amongst others following aviation insurance products:

- 1 Aviation Hull All Risks
- 1 Aviation Legal Liabilities
- 1 Aviation Hull War & Allied Perils
- 1 Loss of License of Pilots
- 1 Aircraft's Ferry Flight Insurance
- 1 Crew Legal Liabilities
- 1 Airline's Airport Booth Insurance



Miscellaneous Insurance



The wide range of products available under miscellaneous head includes, but not limited to, Personal Accident Insurance, House-breaking and Burglary Insurance, Travel Insurance, Cash-in-safe/Cash-in-transit Insurance, Public Liability and Products Liability Insurance General Third Party Liability, Fidelity Guarantee, Workmen's Compensation/Employer's Liability Insurance, Professional Indemnity, Group Hospitalization Insurance, Plate glass Insurance, Baggage Insurance etc.

Notice of the Thirty First Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of the Shareholders of RELIANCE INSURANCE COMPANY LIMITED will be held on Tuesday the 30th April, 2013 at 12.00 noon at the Head Office of the Company at RELIANCE INSURANCE HOUSE 181-A Sindhi Muslim Housing Society Near Mehdi Tower, off: Sharah-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the 30th Annual General Meeting of the company held on 30th April, 2012.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2013. The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To elect 10 (Ten) Directors in accordance with the provisions of Section 178 of the Companies Ordinance 1984, for a term of three years commencing from the date of holding of AGM i.e. April 30, 2013. As fixed by the Board of Directors at its March 2013 meeting the number of Directors to be elected will be 10 (Ten).

The following are retiring directors and have offered themselves for re-election:

Mr. Ismail H. Zakaria
Mr. Mohammed Amin Ahmed Bawany
Mr. A. Aziz Ayoob
Mr. Irfan Zakaria Bawany
Mr. Mohammad Omer Bawany

Mr. Zohair Zakaria
Mr. Ahmed Ali Bawany
Mr. Noor M. Zakaria
Mr. Ashfaq Patel
Mr. Yasin Siddik .

SPECIAL BUSINESS:

5. To approve the issuance of bonus shares @ 15% i.e. 15 ordinary shares for every 100 ordinary shares held, out of the profit for the year ended December 31, 2012, as recommended by the Directors by passing the following Ordinary Resolution:

"Resolved that a sum of Rs.47,840,960 out of the Company's Reserve for the issue of Bonus Shares be capitalized and applied to the issue of 4,784,096 ordinary shares of Rs.10/- each and allotted as fully paid up Bonus Shares to the Members who are registered in the Book of the Company as at close of business on April 16, 2013 in the proportion of 15 new shares for every 100 existing ordinary shares held and that such new Shares shall rank pari passu with existing ordinary shares of the Company.

Further, resolved that Bonus Shares forming part of such fraction holding which is not in exact multiple of 15:100 shares will be sold in the Stock Market and to pay the proceeds of sale when realized to a Charitable Institution .

That for the purpose of giving effect to the foregoing, the Chief Executive and Company Secretary be and hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fraction."

6. To consider and approve remuneration of the Chief Executive of the Company for a further period of three years as approved by the Board of Directors.

The Statement Under Section 160(1) (b) of the Companies Ordinance, 1984, pertaining to the special business referred to above is being circulated to the members alongwith the Notice of the Meeting.

OTHER BUSINESS:

7. To transact any other business with the permission of the Chair.
The Share Transfer Books of the Company will remain closed from 17th April, 2013 to 30th April, 2013 (both days inclusive).

By order of the Board

HAROON A. SHAKOOR
Chief Accountant & Company Secretary

Notice of the Thirty First Annual General Meeting

NOTES:

1. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE HEAD OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Any member desirous to contest the election of Directors shall file the following with Company Secretary of the Company at its Head Office located at 181-A, Sindhi Muslim Co-operative Housing Society Karachi, not later than 14 days before the date of the above said Annual General Meeting.
 - (a) His/Her intention to offer himself/herself for the election in terms of Section 178(3) of the Companies Ordinance 1984. He/She should also confirm that:
 - (i) He/She is not ineligible to become a director of the Company under any applicable laws and regulations (Including listing regulations of Stock Exchanges.)
 - (ii) Neither he/she nor his /her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
 - (iii) He/She is not serving as a director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.
 - (iv) His/her name is borne in the register of national tax payers (except where he/she is a non-resident).
 - (b) Consent to act as Director on Form 28 under Section 184 of the Companies Ordinance, 1984. A copy of the relevant documents may be obtained from the office of the Company Secretary of the Company or may be Downloaded from the website of SECP.
3. 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:

- i) In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) 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:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original CNIC or Original Passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
4. Securities & Exchange Commission of Pakistan (SECP) vide its S.R.O.779 (i) 2011 dated August 18, 2011 has directed all listed Companies to ensure that Dividend Warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CINC/NTNs (in case of corporate entities) are requested to send the same directly to the aforesaid Registrar of the Company at the earliest.
5. Shareholders are requested to inform the Company of any change in their address, if any immediately.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984 PERTAINING TO THE SPECIAL BUSINESS

The statement set 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 30, 2013.

ITEM NO. 5 AND 6 OF THE AGENDA

"Further Resolved that the decision of the Board of Directors of the Company to issue 4,784,096 ordinary shares of Rs. 10 each by capitalizing Rs. 4,784,960 out of the Free Reserve of the Company and allotted as fully paid up bonus shares to the members of the company who were registered in the book of the company on 16th April, 2013 in the ratio of 15 shares such new shares for every 100 existing ordinary shares held ranking pari passu with the existing ordinary shares of the Company".

None of the Directors of the Company are interested in this business except to the extent of their entitlement to bonus shares as shareholders. Shareholders' approval will be sought for the payment of remuneration and provision of certain facilities to the Chief Executive/Managing Director, as approved by the Board in their meeting held on 26th March, 2013. The Chief Executive is interested only in the remuneration payable to him. It is proposed to move the following resolution at the meeting.

Resolved that the Company hereby approve and authorize payment as remuneration to the Chief Executive/Managing Director as follows:

- i) Monthly Basic Salary Rs. 333,300/-. The Chairman be and is hereby authorized to determine annual increases.
- ii) All fringe benefits and other perquisites as are allowed to Senior Executives of the Company.

Directors' Report

Your Directors take pleasure in presenting the Thirty First Annual Report alongwith the Audited Accounts of the Company for the year ended December 31, 2012.

OVERVIEW

Year 2012 was yet another challenging year, as economic growth remained sluggish due to security concerns, escalating prices particularly of food items, upwards revision of electricity, gas and fuel tariffs, power shortages, deteriorating law and order situation, frequent closure of business and trade activities - all contributing to below performance of economy of its potential. The primary drivers for the growth continues to be Agricultural and Service Sectors. Value of Pak Rupee continues to depreciate and remains under pressure vis-à-vis US\$.

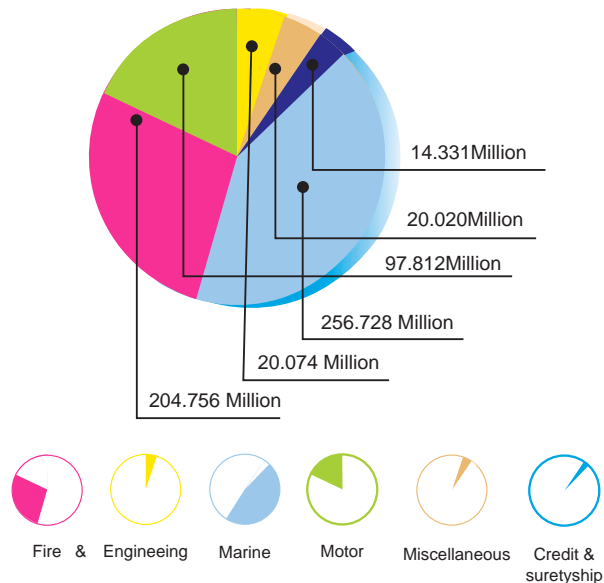
However despite these challenging and adversary environment, your Company managed to increase the Gross Premium by over Rs. 70 million - an increase of 12.94% over previous year..

OPERATIONAL RESULTS FOR THE YEAR 2012

The comparative financial highlights of your Company for the year ended 31st December, 2012 are as follows :

	2012	2011
	Rs. in Million	
Gross Premium	613.725	543.397
Net Premium	240.703	238.706
Net Incurred Claims including IBNR	83.096	86.322
Management Expenses	106.778	99.150
Underwriting Profit	17.044	15.243
Investment Income	110.252	94.857
Profit before Taxation	93.905	83.317
Profit after Taxation	87.205	76.817
Earnings per Share (EPS)	2.73	2.41

Gross Premium by Class of Business -2012



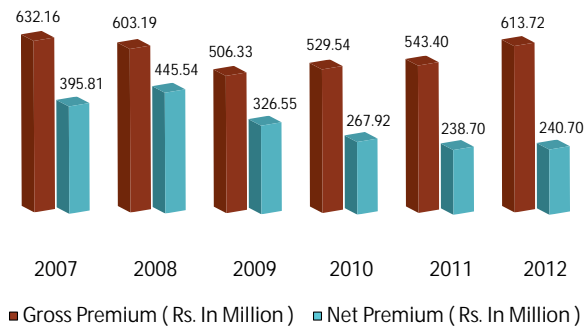
Your Company underwrote gross premium of Rs. 613.725 million against Rs. 543.397 million of the last year showing an increase of 12.94%. The net premium has marginally increased to Rs. 240.703 from Rs. 238.706 million.

Fire & Engineering contributing 33.61% and Marine & Aviation 41.83% of total premium, contributing to underwriting profit of Rs. 12.70 and Rs. 11.51 million respectively.

Claims incurred during the year were Rs. 83.096 million against Rs. 86.322 million of the previous year, showing decrease of 3.74%. However Management Expenses and General & Administration Expenses increased from Rs. 128.946 million to 142.759 - an increase of 10.71%.

Over the years, we have been constantly highlighting the fierce competition culminating pressure on premium rates. This trend does not augur well for the insurance industry. The industry also continues to be adversely affected by increased cost of doing business/high inflationary pressures as well as increased reinsurance cost. The scenario is further clouded by arbitrarily fixing of the so called 'Bank Limits' and delisting / non listing by some Banks, DFI's, Financial institutions and other Authorities/Bodies, depriving level playing field to all the players in the market. This scenario needs to be addressed seriously and immediately for the larger and best interest of the industry.

Gross & Net Premium



INVESTMENT

The year 2012 was an excellent year for the KSE Index and was considered to be best performing market in the world. The market remained largely positive throughout the year reaching all time high of 100 index 16,905.33 points - thanks to improved corporate results and handsome payouts by blue chips scrips.

The activity during the First Half of the Financial Year 2012, however, remained sluggish with declining Index movement and thin volumes mainly due to pressures on external front like rupee depreciation against US Dollar lesser foreign interest and depressed economic activity in the country.

The investment policy of your company continues to be unchanged emphasizing preference to Shariah Compliant long term investment securing risk - free returns.

Considering the volatile nature of stock market, the shares portfolio of RICL is well spread and diversified amongst various sectors primarily focusing on blue chip scrips paying regular cash dividend and bonus shares. The portfolio remains under constant review.

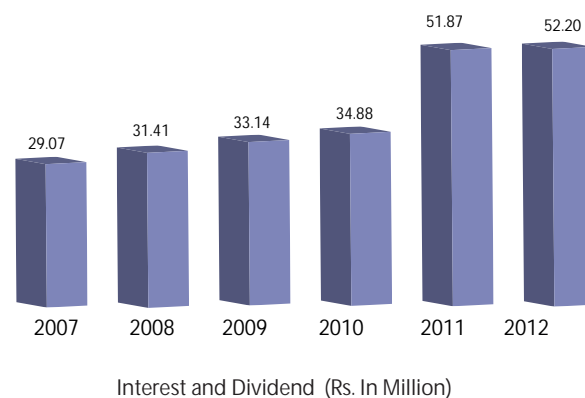
Investment Portfolio in held for trading investments was restated to conform to the requirements of IAS - 39. Consequently, the restated Investments and unappropriated profit as at December 2011 and December 2010 are higher by Rs. 64.867 million and Rs. 64.094 million respectively, and profit and investment income for the year ended December 31, 2011 is higher by Rs. 0.773 million. Further, earning per share for the year ended December 31, 2011 is higher by Rs. 0.03 per share.

Investment Portfolio Surged to Rs.436.862 Million and Investment Income to Rs.110.252 Million

Dividend Income had increased to Rs. 36.62 million in 2012 compared with previous year of Rs. 34.26 showing an increase of 6.887%. Your company has also realized capital gain of Rs. 9.988 million (Rs.15.635 - 2011) and booked unrealized gain for Rs. 47.071 for year 2012, as compared with previous year of Rs. 26.600 million showing an increase of 76.959 % on re-measurement of investment classified as financial assets at fair value through profit and loss account.

Your company continues to endeavour generating a significant portion of its investment income from sustainable sources such as interest & dividends, capital gain - generating healthy cash flow. The market value of Investment portfolio stood at Rs. 441.938 million as at 31st December, 2012 and investment in Bank Deposits Accounts stood at Rs. 25.342 million.

Interest and Dividend



Appropriation of Profit :

Amount brought forward from previous years	Rs.	82,567,988
Profit after tax for the year ended 31st December 2012	Rs.	87,205,090
Un-appropriated amount available for appropriation	Rs.	<u>169,773,078</u>

Your directors recommended that the profit be appropriated in the following manner:

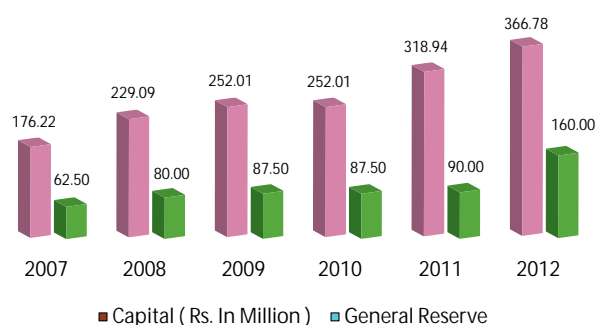
Appropriation:

Proposed bonus shares 15%	Rs.	47,840,960
Transfer to General Reserve	Rs.	70,000,000
Un-appropriated balance carried forward	Rs.	51,932,118
	Rs.	<u>169,773,078</u>

ENHANCED PAID- UP CAPITAL AND GENERAL RESERVES

Your Directors strongly believe in strengthening the Capital base and Reserves commensurate with the growth of the Company. Following this strategy, the Board of Directors approved above appropriations resulting in increase in Paid-up Capital to Rs. 366.780 million and General Reserve to Rs.160.00 million.

Capital & Reserve



Appropriation would increase Paid up Capital Rs. 366.781 Million and General Reserve to Rs.160.000 Million

INFORMATION TECHNOLOGY (IT)

Computerization work continues to be in progress on an ongoing basis with a view to meet the ever growing needs of present day requirements and to optimize quality and standard of services to our valued clients. Your company has already implemented Oracle based General Insurance & General Ledger software bringing branches on line through web base system. The new software system would ensure regular reporting and timely MIS reports to management, facilitating prompt and meaningful decision making.

REINSURANCE

Your Company has successfully concluded its reinsurance programme for the year 2013 with sound and reputed reinsurers, despite stressed global reinsurance market particularly in view of worldwide natural calamities/catastrophes.

JCR VIS CREDIT RATING

JCR VIS Credit Rating Company Limited - an affiliate of Japan Credit Rating Agency Limited has reaffirmed your Company's Insurer Financial Strength (IFS) Rating at A- (single A minus).

The outlook for the year 2012 has been revised from 'Stable' to 'Positive'. The rating denotes High Capacity to meet policy holders and contract obligations.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant to the year ended December 31, 2012 have been duly complied with. A statement to this effect is annexed with the report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company has been in compliance with the provision set out by the Securities and Exchange Commission of Pakistan and the listing rules of the Stock Exchanges of Karachi and Lahore. There has been no material departure from best practices of the Corporate Governance, as detailed in the listing regulation

- a) The financial statements prepared by the management of the Company fairly present its state of affairs, the results of the operations, cash flow and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statement and any departure there-from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The pattern of shareholding as at 31st December, 2012 is annexed to the accounts.
- g) There are no significant doubts upon the Company's ability to continue as a going concern.
- h) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- i) Key operating and financial data for the last Ten years in summarized form is annexed.
- j) The Value of investments based on the unaudited accounts as at 31st December 2012, in respect of the Provident Fund stands at Rs. 25,482,927 /=

Related Party Transactions

All related party transactions are put up before the Audit Committee and Board for their review and approval. These transactions have been reviewed/recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. All transactions executed with related parties are on arm's length basis.

CORPORATE GOVERNANCE LEADERSHIP SKILL PROGRAMME:

Following three directors have successfully completed Corporate Governance Leadership skills (CGLS) programme of Pakistan Institute of Corporate Governance (PICG).

1. Mr. Irfan Zakaria Bawany
2. Mr. Zohair Zakaria
3. Mr. Ahmed Ali Bawany

BOARD OF DIRECTOR'S MEETINGS

During the year Four (4) meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder :

Name of Directors	No. of meetings attended
1. Mr. Ismail H. Zakaria	3
2. Mr. Mohammad Amin Ahmed Bawany	3
3. Mr. A. Aziz Ayoob	3
4. Mr. Irfan Zakaria Bawany	4
5. Mr. Mohammad Omer Bawany	3
6. Mr. Zohair Zakaria	3
7. Mr. Ahmed Ali Bawany	4
8. Mr. Noor M. Zakaria	2
9. Mr. Ashfaq Patel	2
10. Mr. Yasin Siddik	2

Leave of absence was granted to the Directors who could not attend some of the Board meetings due to their busy schedules/prior engagements.

TRADING OF COMPANY'S SHARES

No trading in the shares of the Company was carried-out by the Directors, CEO, CFO/ Company Secretary and their spouses and minor children.

STATEMENT OF THE ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed and are required to observe these rules of conduct.

BOARD COMMITTEES

The Board has constituted Audit, Investment and Human Resource & Remuneration Committees, comprising of the following Non Executive Directors.

AUDIT COMMITTEE

- | | | |
|----|--------------------------|----------|
| 1. | Mr. A. Aziz Ayooob | Chairman |
| 2. | Mr. Irfan Zakaria Bawany | Member |
| 3. | Mr. Zohair Zakaria | Member |

INVESTMENT COMMITTEE

- | | | |
|----|--------------------------|----------|
| 1. | Mr. Irfan Zakaria Bawany | Chairman |
| 2. | Mr. Zohair Zakaria | Member |
| 3. | Mr. Ahmed Ali Bawany | Member |
| 4. | Mr. A. Razak Ahmed | Member |

HUMAN RESOURCE & REMUNERATION COMMITTEE

- | | | |
|----|--------------------------|-----------|
| 1. | Mr. Zohair Zakaria | Chairman |
| 2. | Mr. Irfan Zakaria Bawany | Member |
| 3. | Mr. A. Razak Ahmed | Member |
| 4. | Mr Masood Alam | Secretary |

MANAGEMENT COMMITTEES

The Board has also constituted three Management Committees - namely underwriting, claims and reinsurance and co-insurance committees comprising of its executives which met as and when required during the year.

Reinsurance and Co-insurance Committee

- | | |
|--------------------|----------|
| Mr. A. Razak Ahmed | Chairman |
| Mr. Ishaq Azeem | Member |
| Mr. Abdul Rahim | Member |

Underwriting Committee

- | | |
|--------------------------|----------|
| Mr. A. Razak Ahmed | Chairman |
| Mr. Ishaq Azeem | Member |
| Mr. Muhammad Amin Bawany | Member |
| Mr. Iqbal Khan | Member |

Claims Committee

- | | |
|----------------------------|-----------|
| Mr. A. Razak Ahmed | Chairman |
| Mr. Saddurddin Husain | Member |
| Mr. Haroon A. Shakoor | Member |
| Mr. Sheikh Muhammad Siddiq | Secretary |

AUDITORS

Our present Auditors, M/s. BDO Ebrahim & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment for the financial year ending 31st December 2013, at a fee to be mutually agreed. The Audit Committee has recommended and the Board has endorsed the reappointment of M/s. BDO Ebrahim & Co., Chartered Accountants as auditors for the year ending 31st December 2013.

FUTURE OUTLOOK

The year 2013 would be yet another crucial year for Pakistan as the economy is under severe stress due to domestic as well as external factors. The challenges being faced by the country can be successfully tackled provided urgent and concrete policy decisions and actions are taken. The Government needs to take urgent action to avert energy crisis and to boost Pakistan's sinking economy. The GDP growth rate for the year 2013 is expected to be 3.5% against the target 4.30%. The impact preceding the forthcoming national elections are likely to further aggravate already unsatisfactory scenario. We are however optimistic about the improvement in economic condition of the country and future government's endeavor for improving the Law and Order situation. The Company will focus on long-term profitable growth through consolidation, improvement in systems and quality management information systems facilitating prudent and timely decisions.

ACKNOWLEDGMENT

We would like to thank our valued customers for their continued patronage and support. We also avail this opportunity to thank all our Reinsurers and Brokers including Pakistan Reinsurance Company Limited for extending their guidance and valuable support.

We would also like to record our appreciation for the continued co-operation and assistance extended by the Securities & Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for their professional guidance, assistance and support over the years.

The Directors wish to place on record their appreciation for the untiring efforts put in by Officers, Field Force and Staff for their dedication, sincerity and hard work for their continued contribution to the growth of the Company. Your Directors are also grateful to the shareholders for the confidence, support and understanding.

By Order of the Board

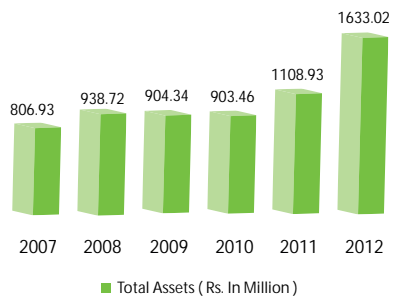


A. Razak Ahmed
Chief Executive & Managing Director

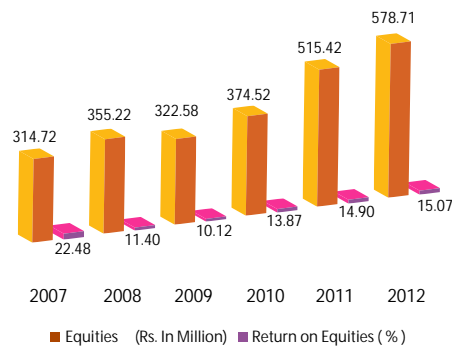
Karachi: 26 March, 2013

Graphical Presentation

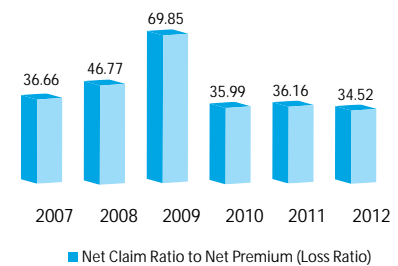
Total Assets (Rs. In Million)



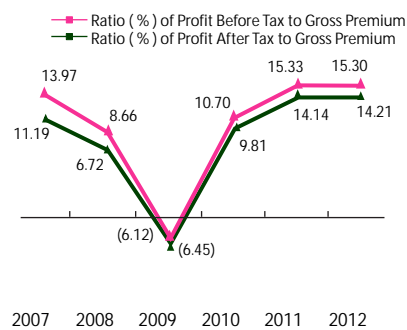
Equities & Return on Equities



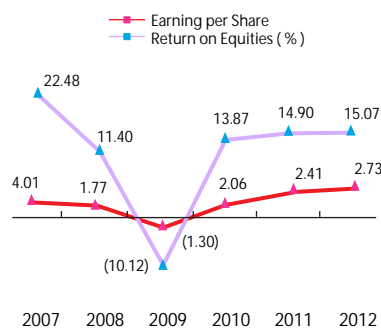
Net Claim Ratio to Net Premium (Loss Ratio)



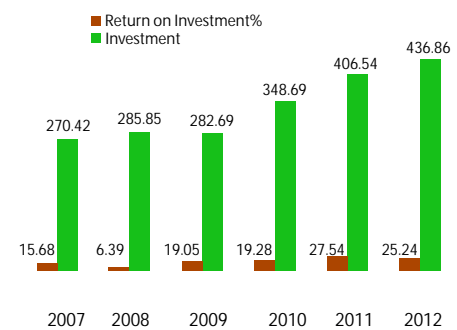
Ratio of Profit Before & After Tax to Gross Premium



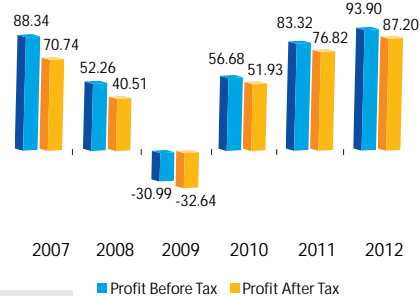
Return on Equity & Earning per Share



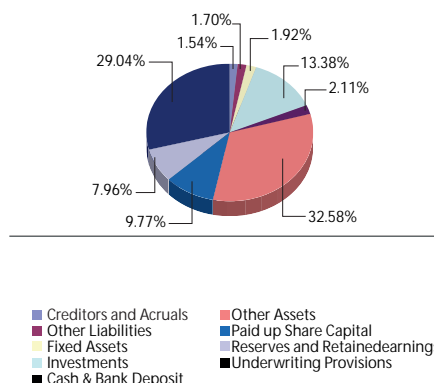
Return on Investment



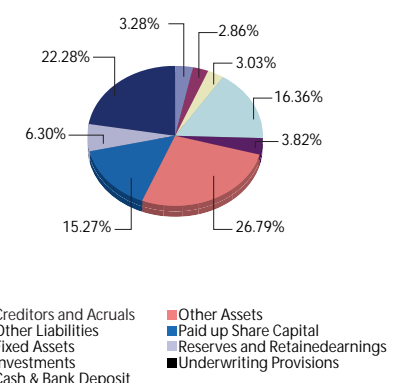
Profit Before Tax & After Tax



Assets, Liabilities & Equities - 2012



Assets, Liabilities & Equities - 2011



Shareholders' Information

Registered Office

96-A, Sindhi Muslim Co-operative Housing Society Karachi.

Head Office

Reliance Insurance House, 181-A, Sindhi Muslim Co-operative Housing Society, Karachi

Share Registrar Office

C&K Management Associates (Pvt.) Ltd. 404-Trade Tower, Abdullah Haroon Road, Near Hotel Metropole, Karachi-75530. Tel: (021) 35687839 & 53685930

Listing on Stock Exchanges

Reliance Insurance Company is listed on Karachi and Lahore Stock Exchanges

Listing Fees

The annual listing fee for the financial year 2012-2013 has been paid to both the stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of RIC at KSE and in LSE is RICL

Statutory Compliance

During the year the Company has complied with all applicable provisions, filed all returns / forms and furnished all relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

Book Closure Dates

The register of Member and share transfer books of the Company will remain closed from 17th April 2013 to 30th April 2013, (both days inclusive).

31st Annual General Meeting

Date : 30th April, 2013
Time : 12:00 Noon
Venue : Reliance Insurance House, 181-A, SMCHS, Karachi

Website of the Company

A website of your Company has been developed which allows the users to get the Company related information about its financial, history, types of insurance available with the Company and list of reinsurers etc.

Annual, half yearly and quarterly financial statements of the Company are available at <http://www.relianceins.com>

CNIC Number

Securities and Exchange Commission of Pakistan (SECP) has directed vide Notification No.SRO.831(1)/2012 of July 5, 2012 in supersession of earlier Notification No.SRO.779(1)2911 of August 18, 2011 to issue dividend warrants only crossed as "A/c Payee only" and should bear the valid Computerized National Identity card (CNIC) number of the registered Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company Share Registrar.

Dividend Mandate Option

As directed by SECP vide Circular No.18 of 2012 dated June 5, 2012 we give the shareholders the opportunity to authorize the Company to directly credit in their bank account with Cash dividend, if any, declared by the Company in future. If they wish that the cash dividend if declared by the Company be directly credited into their bank account, instead of issuing a dividend warrant, please provide the following details :

Title of Bank Account	Branch Name and address
Bank Account Number	Cell number of Shareholder
Bank's Name	Landline number of Shareholder, if any

Change of Address

Members are requested to immediately notify the change of address, if any, to the Company's Registrar.

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KEY FINANCIAL DATA

10 Years Growth At A Glance

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PAID-UP CAPITAL	318.93	318.93	252.01	252.01	229.09	176.25	132.50	100.00	88.40	80.36
SHARE HOLDER'S EQUITY	578.71	515.42	374.52	322.58	355.23	314.72	243.97	185.64	143.40	124.91
GENERAL RESERVE	90.00	90.00	87.50	87.50	80	62.50	62.50	48.00	38.00	23.00
CASH AND BANK DEPOSIT	68.76	79.82	57.54	63.05	85.03	94.95	105.23	87.21	74.02	43.73
INVESTMENT	436.86	406.54	348.69	282.68	285.85	298.94	234.97	168.16	95.38	63.37
UNDERWRITING PROVISIONS	947.90	465.33	437.16	493.36	527.08	354.07	273.24	233.83	177.60	135.86
TOTAL ASSETS	1633.02	1108.93	967.55	904.35	938.72	712.73	575.38	460.90	349.52	286.50
GROSS PREMIUM	613.72	543.40	529.54	506.34	603.19	632.16	526.88	427.08	336.12	237.38
NET PREMIUM	240.70	238.70	267.92	326.55	445.54	395.81	315.02	250.44	183.95	136.20
RATIO TO GROSS PREMIUM	39.22%	43.93%	50.59%	64.49%	73.86%	62.61%	59.79%	58.64%	54.73%	57.38%
NET CLAIMS INCURRED	83.09	86.32	96.43	227.46	208.36	156.97	100.21	82.66	64.75	48.37
RATIO TO NET PREMIUM	34.52%	36.16%	35.99%	69.65%	46.77%	39.66%	31.81%	33.01%	35.20%	35.51%
EXPENSES	142.76	128.95	130.78	140.59	153.65	148.43	128.06	113.21	86.52	66.20
RATIO TO GROSS PREMIUM	23.26%	23.73%	24.70%	27.77%	25.47%	23.48%	24.31%	26.51%	25.74%	27.89%
RATIO TO NET PREMIUM	59.31%	54.02%	48.81%	43.05%	34.49%	37.50%	40.65%	45.20%	47.03%	48.60%
INVESTMENT INCOME	110.25	94.86	54.86	53.86	18.26	43.23	30.41	23.62	9.85	7.93
RETURN ON INVESTMENT	25.24%	23.33%	15.73%	19.05%	6.39%	14.46%	12.94%	14.04%	10.33%	5.84%
U/W PROFIT/(LOSS)	17.04	15.24	31.93	(51.98)	48.17	58.53	62.46	44.08	35.82	19.60
PRE TAX PROFIT	93.90	83.31	56.68	(30.99)	52.26	88.34	80.63	57.44	36.03	19.46
PERCENTAGE TO GROSS PREMIUM	14.21%	14.14%	9.81%	(6.45)%	6.71%	11.19%	11.07%	9.90%	7.89%	4.37%
PROFIT AFTER TAX	87.21	76.82	51.93	(32.64)	40.51	70.75	58.33	42.24	26.53	10.38
PERCENTAGE TO NET PREMIUM	36.23%	32.18%	19.38%	(10.00)%	9.09%	17.87%	18.52%	16.87%	14.42%	7.62%
EARNINGS PER SHARE	2.73	2.41	2.06	(1.30)	1.77	3.09	4.40	4.22	3.00	1.29
DIVIDEND /BONUS	15%(B)	12.5%(B)7.5%(C)	12.5%(B)	NIL	10%(B)	30%(B)	33%(B)	32.5%(B)	13.13%(B)	10%(C)
BREAK UP VALUE PER SHARE	18.15	16.16	14.86	12.80	15.50	13.74	11.36	18.56%	16.22	13.22
RETURN ON EQUITY	15.07%	14.90%	13.86%	(10.11)%	11.40%	22.48%	23.90%	22.75%(B)	18.50%	8.88%

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance, (the Code) contained in Regulation No.35 of listing regulations of Karachi & Lahore Stock Exchanges Limited 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 Code in the following manner:

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

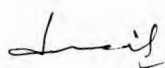
Sr. No	Directors	Independent	Executive	Non-Executive
1	Mr. Ismail H. Zakaria			
2	Mr. Mohammad Amin Ahmed Bawany			
3	Mr. A. Aziz Ayoob			
4	Mr. Irfan Zakaria Bawany			
5	Mr. Mohammad Omer Bawany			
6	Mr. Zohair Zakaria			
7	Mr. Ahmed Ali Bawany			
8	Mr. Noor M. Zakaria			
9	Mr. Ashfaq Patel			
10	Mr. Yasin Siddik			
11	Mr. A. Razak Ahmed			

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
- All the resident directors of the Company are registered taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy arose in the Board during the year under consideration.
- 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.
- 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.
- All the powers of the Board has been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and nonexecutive directors, have been taken by the Board.
- 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 one 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.
- The Board has been provided information and presentation on the Code of Corporate Governance 2012. Three directors have successfully completed Corporate Governance Leadership Skills (CGLS) program of the Pakistan Institute of Corporate Governance (PIGC). Three directors meet the criteria of exemption under Clause (xi) of the Code and are accordingly exempted from Directors' Training Program (DTP)
- The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment of Company Secretary or Head of Internal Audit was made during the year.

Statement of Compliance with the Code of Corporate Governance

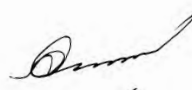
for the year ended December 31, 2012

11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an Audit Committee. It comprises of (3) three non-executive directors including the Chairman of the Committee.
16. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed.
17. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resource & Remuneration Committee. It comprises of three members of whom two are non-executive directors including the Chairman of the Committee.
19. The Board has set-up an effective internal audit function, manned by experienced and qualified staff who are fully conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles enshrined in the Code have been complied with.



ISMAIL H. ZAKARIA
Chairman

Karachi: 26 March, 2013



A. RAZAK AHMED
Chief Executive & Managing Director

Review Report to the Members on Statement of Compliance

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2012 prepared by the Board of Directors of Reliance Insurance Company Limited to comply with the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

As 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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



BDO Ebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Karachi: 26 March, 2013

Auditor's Report to the Members

We have audited the annexed financial statements comprising of:

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

of RELIANCE INSURANCE COMPANY LIMITED ("the Company") as at December 31, 2012 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors / management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved International 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 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;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- 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.

The financial statements for the year ended December 31, 2011 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated March 26, 2012.

As part of our audit of the financial statements for the year ended December 31, 2012, we also reviewed the adjustments described in note 29 that were applied to amend the financial statements for the year ended December 31, 2011. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit or apply any procedure to the financial statements for the year ended December 31, 2011 of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2011 taken as a whole.



BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

Karachi: 26 March, 2013



Financial Statements

Balance Sheet


as at December 31, 2012


	Note	2012 Rupees	2011 (Restated) Rupees	2010 (Restated) Rupees
Share Capital and Reserves				
Authorised capital		<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and Paid-up share capital	6	318,939,720	318,939,720	252,001,750
Retained earnings		169,773,078	106,488,467	99,108,959
Reserves	7	90,000,000	90,000,000	87,500,000
		<u>578,712,798</u>	<u>515,428,187</u>	<u>438,610,709</u>
Underwriting provisions				
Provision for outstanding claims (including IBNR)		628,606,536	188,020,711	148,990,324
Provision for unearned premium		288,385,550	248,462,632	258,879,604
Commission income unearned		30,905,965	28,851,158	29,292,558
		<u>947,898,051</u>	<u>465,334,501</u>	<u>437,162,486</u>
Total Underwriting Provisions				
Creditors and accruals				
Amounts due to other insurers/reinsurers		53,489,751	57,653,423	49,552,405
Accrued expenses		1,452,148	1,859,270	2,137,978
Taxation - provision less payments		556,401	-	-
Other Creditors and Accruals		50,342,685	68,551,518	39,974,347
		<u>105,840,985</u>	<u>128,064,211</u>	<u>91,664,730</u>
Short Term Borrowings				
Running Finance	8	-	-	-
Other liabilities				
Unclaimed dividend		572,523	107,491	115,331
Contingencies and Commitments				
	9			
TOTAL EQUITY AND LIABILITIES		<u>1,633,024,357</u>	<u>1,108,934,390</u>	<u>967,553,256</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

	Note	2012 Rupees	2011 (Restated) Rupees	2010 (Restated) Rupees
Cash and bank deposits				
Cash and other equivalent		203,898	99,428	147,888
Current and other accounts		43,214,130	54,681,745	32,318,846
Deposit maturing within 12 months		25,342,411	25,043,103	25,075,000
	10	68,760,439	79,824,276	57,541,734
Loans				
To employees	11	1,565,607	921,589	755,614
Investments				
	12	436,862,458	406,540,759	348,698,818
Current Assets - others				
Premiums due but unpaid	14	209,872,122	214,582,758	176,919,203
Amounts due from other insurers/reinsurers		22,171,296	4,525,770	4,659,779
Accrued investment income		6,324,203	5,412,912	3,790,906
Reinsurance recoveries against outstanding claims		586,678,431	136,531,530	98,242,108
Deferred commission expense		46,561,733	44,788,637	45,943,667
Prepaid reinsurance premium ceded		189,196,255	150,788,640	159,777,804
Taxation - provision less payments		-	210,370	5,283,460
Trade deposits and prepayments		780,319	975,465	534,069
Sundry receivables		450,839	598,432	746,971
		1,062,035,198	558,414,514	495,897,967
Fixed Assets				
Tangible				
Land and buildings	15.1	12,641,419	14,046,021	15,606,690
Furniture, fixtures and office equipment		8,109,490	8,325,947	9,694,181
Motor vehicles		41,890,471	38,542,735	36,412,409
		62,641,380	60,914,703	61,713,280
Intangible				
Computer software	15.2	1,159,275	2,318,549	2,945,843
TOTAL ASSETS		<u>1,633,024,357</u>	<u>1,108,934,390</u>	<u>967,553,256</u>


Ismail H. Zakaria
Chairman


A. Aziz Ayoob
Director


Mohammad Omer Bawany
Director


A. Razak Ahmed
Chief Executive & Managing Director

Karachi 26 March, 2013

Profit & Loss Account

FORM GB
(Amount in Rs.)

for the year ended December 31, 2012

	Note	Fire & Property	Marine Aviation & Transport	Motor	Miscellaneous	2012 Aggregate	2011 Aggregate (Restated)
Revenue Account							
Net Premium Revenue		74,997,430	56,421,324	98,377,876	10,906,226	240,702,856	238,706,282
Net Claims		(13,373,094)	(14,658,164)	(53,513,814)	(1,551,357)	(83,096,429)	(86,322,165)
Management Expenses	16	(33,269,634)	(25,029,082)	(43,641,441)	(4,838,115)	(106,778,272)	(99,150,239)
Net Commission		(15,652,337)	(5,219,672)	(14,504,704)	1,592,644	(33,784,069)	(37,990,373)
		<u>12,702,365</u>	<u>11,514,406</u>	<u>(13,282,083)</u>	<u>6,109,398</u>	<u>17,044,086</u>	<u>15,243,505</u>
Underwriting result							
Investment Income						110,252,604	94,857,862
Other Income	17					2,590,110	3,011,999
Financial Charges						(624,667)	(453,492)
General and administration expenses	18					(35,357,043)	(29,342,396)
Profit before tax						<u>93,905,090</u>	<u>83,317,478</u>
Provision for Taxation							
Current	19					(6,700,000)	(6,500,000)
Profit after tax						<u>87,205,090</u>	<u>76,817,478</u>
Profit and Loss Appropriation Account							
Balance at Commencement of the year						106,488,467	99,108,959
Profit after tax for the year						87,205,090	76,817,478
Cash dividend for the year 2011: 7.5%						(23,920,479)	-
Transfer to reserves (General Reserve)						-	(2,500,000)
Bonus Shares for the year 2010: 12.5%						-	(31,500,220)
Interim Bonus Shares during the year 2011: 12.5%						-	(35,437,750)
Balance Unappropriated profit at the end of year						<u>169,773,078</u>	<u>106,488,467</u>
Earnings per Share - Basic and Diluted	20					<u>2.73</u>	<u>2.41</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

Ismail H. Zakaria
Chairman

A. Aziz Ayoob
Director

Mohammad Omer Bawany
Director

A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Comprehensive Income

for the year ended December 31, 2012

	2012 Rs.	2011 (Restated) Rs.
Profit after tax	87,205,090	76,817,478
Other comprehensive income		
Total comprehensive income for the year	<u>87,205,090</u>	<u>76,817,478</u>

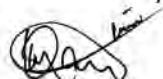
The annexed notes from 1 to 31 form an integral part of these financial statements.



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Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Changes in Equity

for the year ended December 31, 2012

(Amount in Rs.)

	Share Capital	General Reserves	Unappropriated profit	Total
Balance as at January 01, 2011 (as reported)	252,001,750	87,500,000	35,014,918	374,516,668
Correction of prior period error (note 29)	-	-	64,094,041	64,094,041
Balance as at January 01, 2011 (restated)	252,001,750	87,500,000	99,108,959	438,610,709
Total comprehensive income for the year (as reported)	-	-	76,044,413	76,044,413
Correction of prior period error (note 29)	-	-	773,065	773,065
Issuance of bonus shares and transfer to general reserve	66,937,970	2,500,000	(69,437,970)	-
Balance as at December 31, 2011 (restated)	318,939,720	90,000,000	106,488,467	515,428,187
Total comprehensive income for the year	-	-	87,205,090	87,205,090
Cash dividend	-	-	(23,920,479)	(23,920,479)
Balance as at December 31, 2012	318,939,720	90,000,000	169,773,078	578,712,798

The annexed notes from 1 to 31 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Cash Flow

for the year ended December 31, 2012

FORM GC
January to December

	2012 Rs.	2011 (Restated) Rs.
Operating Cash Flow		
a) Underwriting activities		
Premium received	618,151,122	500,538,307
Reinsurance premium paid	(393,316,020)	(297,884,062)
Claims paid	(484,920,379)	(185,583,147)
Reinsurance and other recoveries received	392,262,874	100,001,947
Commission paid	(101,684,880)	(94,708,025)
Commission received	68,467,017	62,626,983
Net cash generated from underwriting activities	<u>98,959,734</u>	<u>84,992,003</u>
b) Other operating activities		
Income tax paid	(5,933,229)	(1,426,910)
General management expenses paid	(106,778,272)	(99,150,239)
Other operating payments	(24,759,772)	(19,116,617)
Loans advanced / repayment received	(644,018)	(165,975)
Other payments on operating assets	(18,615,955)	28,298,463
Other receipts in respect of operating assets	342,739	(292,857)
Net cash used in other operating activities	<u>(156,388,507)</u>	<u>(91,854,135)</u>
Net cash used in operating activities	<u>(57,428,773)</u>	<u>(6,862,132)</u>
Investment activities		
Interest / Dividend received	51,100,629	49,917,710
Payments for Investments	(61,555,444)	(173,435,094)
Proceeds from disposal of investments	89,474,429	158,911,298
Fixed Capital Expenditures	(13,823,664)	(12,073,034)
Proceeds from disposal of fixed assets	5,249,100	6,285,126
Net cash generated outflow from Investing activities	<u>70,445,050</u>	<u>29,606,006</u>
Financing activities		
Dividend paid	(23,455,447)	-
Unclaimed dividend paid	-	(7,840)
Financial charges	(624,667)	(453,492)
Net cash flows used in financing activities	<u>(24,080,114)</u>	<u>(461,332)</u>
Net (decrease) / increase in cash and cash equivalent	<u>(11,063,837)</u>	<u>22,282,542</u>
Cash and cash equivalent at the beginning of the period	79,824,276	57,541,734
Cash and cash equivalent at the end of the period	68,760,439	79,824,276

Statement of Cash Flow

for the year ended December 31,2012

FORM GC
January to December

	2012 Rs.	2011 (Restated) Rs.
Reconciliation to profit and loss account		
Operating cash flow	(57,428,773)	(6,862,132)
Depeciation / amortization expense	(10,597,271)	(10,225,779)
Financial charges	(624,667)	(453,492)
Profit on disposal of fixed assets	2,590,110	3,011,999
Increase in assets other then cash	503,353,411	61,060,516
Increase in liabilities other then running finance	(460,340,324)	(64,571,496)
Investment income	110,252,604	94,857,862
Profit after taxation	87,205,090	76,817,478
Definition of cash		
Cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	203,898	99,428
Current and other accounts	43,214,130	54,681,745
Deposits maturing within 12 months	25,342,411	25,043,103
	68,760,439	79,824,276


The annexed notes from 1 to 31 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March,2013

Statement of Premiums

for the year ended December 31, 2012

FORM GD
(Amount in Rs.)

Business underwritten inside Pakistan.

Class	Premium written	Unearned Premium		Premium earned	Reinsurance ceded	Prepaid Reins Premium		Reinsurance expenses	2012 Net Premium revenue	2011 Net Premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	224,831,354	121,440,768	124,771,437	221,500,685	154,043,069	79,494,520	87,034,334	146,503,255	74,997,430	81,358,804
Marine, aviation & transport	256,728,645	67,472,643	100,789,455	223,411,833	198,787,444	60,932,422	92,729,357	166,990,509	56,421,324	58,914,315
Motor	97,812,665	48,519,105	45,992,321	100,339,449	1,938,686	967,802	944,915	1,961,573	98,377,876	94,385,890
Miscellaneous	34,352,317	11,030,116	16,832,337	28,550,096	16,737,623	9,393,896	8,487,649	17,643,870	10,906,226	4,047,273
Grand Total	613,724,981	248,462,632	288,385,550	573,802,063	371,506,822	150,788,640	189,196,255	333,099,207	240,702,856	238,706,282

The annexed notes from 1 to 31 form an integral part of these financial statements.

Ismail H. Zakaria
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Director

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A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Claims

for the year ended December 31, 2012

FORM GE
(Amount in Rs.)

Business underwritten inside Pakistan.

Class	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	2012 Net Claims expenses	2011 Net Claims expenses
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	105,704,962	105,390,785	88,920,574	89,234,751	92,998,944	92,257,672	75,120,385	75,861,657	13,373,094	9,501,809
Marine, aviation & transport	302,805,045	47,741,884	521,779,673	776,842,834	290,029,296	36,664,280	508,819,654	762,184,670	14,658,164	15,927,881
Motor	69,145,580	27,606,955	14,509,401	56,048,026	4,617,286	2,937,900	854,826	2,534,212	53,513,814	58,066,123
Miscellaneous	7,264,792	7,281,087	3,396,888	3,380,593	4,617,348	4,671,678	1,883,566	1,829,236	1,551,357	2,826,352
Grand Total	484,920,379	188,020,711	628,606,536	925,506,204	392,262,874	136,531,530	586,678,431	842,409,775	83,096,429	86,322,165

The annexed notes from 1 to 31 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Expenses

for the year ended December 31, 2012

FORM GF
(Amount in Rs.)

Business underwritten inside Pakistan.

Class	Commissions paid or payable	Opening Deferred commission	Closing Deferred commission	Net commission Expense	Other Management Expenses	Underwriting Expenses	Commission from reinsurers	2012 Net underwriting expense	2011 Net underwriting expense
Direct and facultative									
Fire and property damage	59,137,606	32,687,603	33,466,195	58,359,014	33,269,634	91,628,648	42,706,677	48,921,971	51,016,251
Marine, aviation & transport	23,430,441	2,837,748	3,166,869	23,101,320	25,029,082	48,130,402	17,881,648	30,248,754	33,456,651
Motor	14,150,850	7,277,865	6,898,848	14,529,867	43,641,441	58,171,308	25,163	58,146,145	52,878,217
Miscellaneous	5,250,478	1,985,421	3,029,821	4,206,078	4,838,115	9,044,193	5,798,722	3,245,471	(210,507)
Grand Total	101,969,375	44,788,637	46,561,733	100,196,279	106,778,272	206,974,551	66,412,210	140,562,341	137,140,612

The annexed notes from 1 to 31 form an integral part of these financial statements.

Ismail H. Zakaria
Chairman

A. Aziz Ayoob
Director

Mohammad Omer Bawany
Director

A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Statement of Investment Income

for the year ended December 31, 2012

Form GG
(Amount in Rs.)

	2012	2011 (Restated)
Income from non-trading investments		
Held to maturity		
Return on government securities	10,374,264	11,817,192
Return on other fixed income, securities and deposits	4,714,793	5,313,480
Amortization of premium-net	488,488	480,924
	<u>15,577,545</u>	<u>17,611,596</u>
Available for sale		
Dividend income	1,322,466	1,755,898
Gain on sale of available for sale investments	686,127	595,487
Impairment reversal	1,180,955	1,082,494
	<u>3,189,548</u>	<u>3,433,879</u>
Income from trading investments		
Held for trading		
Dividend Income	35,300,140	32,506,972
Gain on sale of investments	9,302,378	15,040,101
Unrealized gain on held for trading investments	47,071,224	26,600,064
	<u>91,673,742</u>	<u>74,147,137</u>
Less: Investments related expenses	(188,231)	(334,750)
	<u>110,252,604</u>	<u>94,857,862</u>
Net investments income transferred to profit and loss account		

The annexed notes from 1 to 31 form an integral part of these financial statements.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Notes to the Financial Statements

for the year ended December 31, 2012

1. STATUS AND NATURE OF BUSINESS

Reliance Insurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on November 4, 1981. The Company is engaged in general insurance business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore. The registered office of the Company is situated at 96-A, Sindhi Muslim Co-operative Housing Society, Karachi.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Insurance Ordinance, 2000 and the formats prescribed under Insurance Rules vide SRO 938(1) dated December 12, 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

Notes to the Financial Statements

for the year ended December 31, 2012

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

Effective date (annual periods beginning on or after)

IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 12	Income Taxes	January 01, 2012

3.2 Amendments not yet effective

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

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2013

Notes to the Financial Statements

for the year ended December 31, 2012

IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01,2015
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01,2013
IFRS 10	Consolidated Financial Instruments - Amendments for investment entities	January 01,2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01,2013
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01,2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative equipment)	January 01,2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (Serving equipment)	January 01,2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01,2013
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01,2014
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01,2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01,2013
IAS 34	Interim Financial Reporting: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01,2013

Notes to the Financial Statements

for the year ended December 31, 2012

3.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 9	Financial Instruments	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

4.1 Classification of investments

In classifying investments as held to maturity, the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

In classifying investments as held for trading, the Company has determined securities, which are acquired with the intention to trade, taking advantage of short-term market / interest rate movements.

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 the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP in December 12, 2002).

4.2 Income tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

Notes to the Financial Statements for the year ended December 31, 2012

4.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Changes in Accounting Policies, Changes in accounting Estimates and Errors".

4.4 Impairment in available for sale investments

The Company determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged, requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

4.5 Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

4.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. 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 pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

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

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

In addition to direct insurance, at times the Company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

Notes to the Financial Statements

for the year ended December 31, 2012

5.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

Premiums due but unpaid

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

5.1.2 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 contracts are not offset against expenses or income from related insurance assets.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired. The Company assesses its reinsurance assets for impairment on balance sheet date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit and loss account. In addition, the Company also monitors the financial ratings of its reinsurers on each reporting date.

5.1.3 Claims expense

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

Notes to the Financial Statements

for the year ended December 31, 2012

The Company recognizes liability in respect of all claims incurred up to the balance sheet date, which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incidence giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for 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.

5.1.4 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.

5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as assets and liability as under:

a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.

5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual 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 balance sheet date. The movement in the premium deficiency reserve is recognised as an expense in the profit and loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

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 balance sheet date. Hence, no reserve for the same has been made in these financial statements.

Notes to the Financial Statements for the year ended December 31, 2012

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

5.3 Cash and bank balances

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short-term placements with banks and are carried in the balance sheet at nominal amount.

5.4 Taxation

5.4.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

5.4.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted, or substantially enacted, at the balance sheet date.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

5.5 Staff retirement benefits

The Company maintains recognized contributory provident fund for all permanent employees for which contribution equal to one month's basic pay plus cost of living allowance per annum is charged to profit and loss account.

5.6 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include transaction costs, except for investments at fair value through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

5.6.1 Held to maturity

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

Notes to the Financial Statements for the year ended December 31, 2012

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

5.6.2 Available for sale

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

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 vide SRO 938 dated December 12, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

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

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

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. These are measured at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

5.7 Operating fixed assets

a) Tangible

These are stated at cost less accumulated depreciation computed on the reducing balance method on yearly basis applying the rates as mentioned in note 15.

Depreciation on addition to fixed assets during the year is provided from the date of purchase while no depreciation is charged on disposal of assets during the year. Gains and losses on disposal of fixed assets is taken to profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

b) Intangible

Computer software license acquired is capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Notes to the Financial Statements for the year ended December 31, 2012

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

The assets' residual values, useful lives and method for amortization are reviewed at each financial year end and adjusted if impact on amortization is significant.

c) **Capital work in progress**

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

5.8 **Revenue recognition**

Premium including administrative surcharge under a policy are recognised as revenue at the time of issuance of insurance policy.

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

Entitlement of bonus shares is recognized when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statement either in terms of cost or value thereof.

Gains and losses on sale of investments is charged to profit and loss account for the year at the time of disposal / sale.

Income on bank deposits and Defence Saving Certificates is recognized on accrual basis.

Income on held to maturity investments is recognized on time proportion basis using effective interest method.

5.9 **Management expenses**

Management expenses are allocated to various class of business in proportion of the respective net premium income for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

5.10 **Dividend, bonus shares and reserves appropriation**

Dividend to shareholders is recognized as liability in the period in which it is declared. Similarly, reserve for issue of bonus share is recognized in the year in which such issue is declared. Reserve appropriation are recognized when approved.

5.11 **Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments, namely, fire, marine, motor and miscellaneous.

Notes to the Financial Statements

for the year ended December 31, 2012

The perils covered under fire insurance include damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and terrorism.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provide comprehensive car coverage and indemnity against third party loss.

Miscellaneous insurance provides cover against health, burglary, loss of cash in safe and in transit, travel, personal accident, money, engineering losses and other covers.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

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

5.12 Offsetting of financial assets and liabilities

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

5.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to the profit and loss account.

5.14 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such an indication exists, the recoverable amount of such assets is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provision for impairment is reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.15 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

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

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

Notes to the Financial Statements for the year ended December 31, 2012

5.16 Related party transactions and transfer pricing

Transactions with related parties of the Company mainly consist of entering into the insurance contracts. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties. For transactions carried out other than at arm's length approval is obtained from the Board of Directors under the Listing Regulations.

5.17 Foreign currency translations

Transactions in foreign currency, if any, are converted into Rupees at the rate of exchange prevailing on the date of transaction.

5.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amount. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash and stamps in hand, cash at bank in current and saving accounts, bank deposits and other short term highly liquid investments in the balance sheet.

5.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

				2012 Rs	2011 Rs
2012 (Number of shares)	2011				
1,156,680	1,156,680	Ordinary shares of Rs. 10 each issued as fully paid in cash		11,566,800	11,566,800
30,737,292	30,737,292	Ordinary shares of Rs.10 each issued as fully paid bonus shares		307,372,920	307,372,920
<u>31,893,972</u>	<u>31,893,972</u>			<u>318,939,720</u>	<u>318,939,720</u>

6.1 4,672,074 (2011: 4,997,103) ordinary shares of Rs. 10 each are held by associates amounting to Rs. 46.720 million (2011: Rs. 49.971 million).

Notes to the Financial Statements

for the year ended December 31, 2012

	Note	2012 Rs	2011 Rs
7.	RESERVES		
	General reserve	90,000,000	90,000,000
7.1	The movement of general reserve is as follows:		
	Balance as at January 01	90,000,000	87,500,000
	Transfer from unappropriated profit	-	2,500,000
	Balance as at December 31	90,000,000	90,000,000
8.	SHORT TERM BORROWINGS		
	Secured		
	From banking companies		
	Running finances	-	-
8.1	These facilities are secured against lien marking / pledge of advantage account with 9.9% margin and lien over Pakistan Investment Bonds amounting to Rs. 11.2 million with a margin of 10% over and above the mark to market value of PIB's. The facilities carry markup at rates of 2% over from the profit rate to be paid on the advantage account and 3 months KIBOR plus 175bps. Total sanctioned limit of the facilities amounts to Rs. 20.00 million (2011: Rs. 20.00 million).		
9.	CONTINGENCIES AND COMMITMENTS		
	There are no contingencies and commitments as at the balance sheet date.		
10.	CASH AND BANK DEPOSITS		
	Cash and other equivalent		
	Policy stamps and bond paper in hand	203,898	99,428
	Current and other accounts		
	Current accounts	9,243,477	22,429,810
	PLS saving accounts	33,970,653	32,251,935
		43,214,130	54,681,745
	Deposit maturing within 12 months	25,342,411	25,043,103
		68,760,439	79,824,276
10.1	This includes an amount of nil (2011: Rs. 5.00 million) placed with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.		
10.2	Profit on PLS saving accounts carry mark-up at rates ranging from 5% to 6% per annum (2011: 5% to 7% per annum).		
10.3	The rate of return on term deposit certificates issued by various banks ranging from 5.8% to 12% per annum (2011: 5% to 12% per annum) due on maturity. These deposits include an advantage account amounting to Rs. 11.10 million (2011: Rs. 11.10 million) which is pledged against the running finance facility availed from a commercial bank.		

Notes to the Financial Statements for the year ended December 31, 2012

	Note	2012 Rs	2011 Rs
11. LOANS			
(Secured - considered good)			
To employees	11.1	<u>1,565,607</u>	<u>921,589</u>
11.1	These represents interest free loans to employees in accordance with the terms of their employment secured against their retirement benefits and are recoverable in monthly installments.		
12. INVESTMENTS			(Restated)
Held to maturity			
Government securities	12.1	91,572,979	89,717,825
Term finance certificates - quoted	12.2	6,790,950	8,310,184
Certificate of investment	12.3	<u>2,500,000</u>	<u>2,500,000</u>
		100,863,929	100,528,009
Available for sale			
Related parties	12.4	6,558,148	6,558,148
Others	12.5	10,935,448	19,700,775
Provision for impairment - net of reversal	12.6	<u>(3,610,230)</u>	<u>(4,791,186)</u>
		13,883,366	21,467,737
Investments at fair value through profit or loss - held for trading			
Quoted shares		<u>322,115,163</u>	<u>284,545,013</u>
		<u>436,862,458</u>	<u>406,540,759</u>
12.1 Government securities			
Pakistan Investment Bonds	12.1.1	29,706,313	34,217,825
WAPDA Sukuk Bonds	12.1.2	4,166,666	15,000,000
GOP Ijara Sukuk Bonds	12.1.3	<u>57,700,000</u>	<u>40,500,000</u>
		<u>91,572,979</u>	<u>89,717,825</u>

12.1.1 Pakistan Investment Bonds

Particular	Face value (Rs)	Coupon rate %	Maturity date	2012 (Rs)	2011 (Rs)
Pakistan Investment Bond - 5 years	5,000,000	11.50	22/08/2012	-	4,970,091
Pakistan Investment Bond - 5 years	10,000,000	11.50	30/08/2013	9,826,471	9,592,501
Pakistan Investment Bond - 5 years	4,000,000	11.50	03/09/2014	3,952,593	3,928,442
Pakistan Investment Bond - 5 years	5,000,000	11.50	22/07/2015	4,711,332	4,623,545
Pakistan Investment Bond - 5 years	11,000,000	11.50	22/07/2015	10,276,777	10,172,709
Pakistan Investment Bond - 5 years	1,000,000	11.50	22/07/2015	939,140	930,537
				<u>29,706,313</u>	<u>34,217,825</u>

The market value of Pakistan Investment Bonds amounted to Rs. 31.638 million (2011: Rs. 35.156 million). The profit on PIB's are received on semi annual basis.

Notes to the Financial Statements for the year ended December 31, 2012

12.1.2 WAPDA Sukuk Bonds

Particular	Value per certificate (Rs)	Profit rate %	Profit payment	2012 (Rs)	2011 (Rs)
WAPDA First Sukuk Certificates 7 years	5,000	6 months KIBOR plus 35bp	Semi annually	-	10,000,000
WAPDA Second Sukuk Certificates 7 years	5,000	6 months KIBOR minus 25bp	Semi annually	4,166,666	5,000,000
				<u>4,166,666</u>	<u>15,000,000</u>

The market value of WAPDA Sukuk Bonds amounted to Rs. 4.087 million (2011: Rs. 14.801 million).

12.1.3 GOP Ijara Sukuk Bonds

Particular	Value per certificate (Rs)	Profit rate %	Profit payment	Maturity date	2012 (Rs)	2011 (Rs)
GOP Ijara Sukuk Bond - 3 years	100,000	9.264	Semi annually	16/05/2014	17,500,000	17,500,000
GOP Ijara Sukuk Bond - 3 years	100,000	9.264	Semi annually	16/05/2014	15,000,000	15,000,000
GOP Ijara Sukuk Bond - 3 years	100,000	9.225	Semi annually	15/11/2013	3,000,000	3,000,000
GOP Ijara Sukuk Bond - 3 years	100,000	9.284	Semi annually	26/12/2014	5,000,000	5,000,000
GOP Ijara Sukuk Bond - 3 years	100,000	10.431	Semi annually	02/03/2015	7,200,000	-
GOP Ijara Sukuk Bond - 3 years	100,000	10.431	Semi annually	02/03/2015	10,000,000	-
					<u>57,700,000</u>	<u>40,500,000</u>

The market value of GOP Ijara Sukuk amounted to Rs. 59.260 million (2011: Rs. 40.803 million).

12.1.4 Pakistan Investment Bonds with market value to Rs. 19.362 million (2011: Rs. 24.072 million) and GOP Ijara Sukuk Bonds with market value to Rs. 17.500 million (2011: Rs. 17.500 million) are placed with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

12.2 Term finance certificates - quoted

2012	2011	Face value per certificates (Rs)	Name of investee	Profit rate (note 12.2.1)	Maturity date	2012	2011
Number of certificates	Number of certificates					(Rs)	(Rs)
600	600	5000	Askari Bank Limited	Base rate plus 1.5% per annum	31/10/2013	2,991,600	2,992,800
379	379	5000	Standard Chartered bank Limited	Base rate plus 2.0% per annum	01/02/2013	473,750	1,324,984
400	400	5000	Pakistan Mobile Communication Limited	Base rate plus 2.85% per annum	31/05/2013	332,800	998,400
600	600	5000	Allied Bank Limited	Base rate plus 1.90% per annum	06/12/2014	2,992,800	2,994,000
						<u>6,790,950</u>	<u>8,310,184</u>

12.2.1 Profit on these term finance certificates are on semi annual basis and have base rate of 6 months KIBOR.

12.2.2 Market value of quoted term finance certificates amounts to Rs. 6.874 million (2011: Rs. 8.338 million).

Notes to the Financial Statements

for the year ended December 31, 2012

12.3 Certificate of investment

2012	2011	Face value per certificates (Rs)	Name of investee	Profit rate %	Maturity date	2012 (Rs)	2011 (Rs)
05	05	500,000	Orix Leasing Pakistan Limited	17.30	14/02/2014	2,500,000	2,500,000
						<u>2,500,000</u>	<u>2,500,000</u>

12.3.1 Profit on certificate of investment will be received on maturity.

12.4 Related parties

Investment in associated companies

2012	2011	Face value per share (Rs)	Name of investee	2012	2011
				Book value (Rs)	
521,220	521,220	10	Al -Noor Modaraba	5,212,200	5,212,200
115,724	115,724	10	B.F. Modaraba	512,566	512,566
15,870	15,870	10	Faran Sugar Mills Ltd.	369,220	369,220
23,551	23,551	10	Shahmurad Sugar Mills Ltd.	464,162	464,162
<u>676,365</u>	<u>676,365</u>			<u>6,558,148</u>	<u>6,558,148</u>

Market value of these shares / units amounted to Rs. 3.728 million (2011: Rs. 3.180 million).

12.5 Others

2012	2011	Face value per share (Rs)	Name of investee	2012	2011
				Book value (Rs)	
300,000	300,000	10	Meezan Balanced Funds	3,000,000	3,000,000
69,763	40,763	10	PICIC Investment Fund	825,469	661,469
127,666	71,268	10	JS Growth Fund	1,423,853	1,039,306
66,741	157,830	100	Askari Islamic Income Fund*	5,686,126	15,000,000
<u>564,170</u>	<u>569,861</u>			<u>10,935,448</u>	<u>19,700,775</u>

* This represents units in open end mutual fund.

Market value of these shares / units amounted to Rs.11.736 million (2011: Rs.19.207 million).

12.6 Provision for impairment

	2012	2011 (Restated)
Opening balance as at January 01	4,791,185	5,873,679
Charge for the year	-	-
Reversal during the year	4,791,185 (1,180,955)	5,873,679 (1,082,494)
	<u>3,610,230</u>	<u>4,791,185</u>

13. DEFERRED TAXATION

Deferred tax arising due to timing differences calculated at current rate of taxation amounts to Rs. 26.767 million debit (2011: Rs. 21.084 million debit). Deferred tax asset has not been recognized in these financial statements as in the opinion of the management there is no certainty regarding realizability of the amount.

Notes to the Financial Statements for the year ended December 31, 2012

	Note	2012 Rs.	2011 Rs.
14. PREMIUMS DUE BUT UNPAID			
Unsecured			
Considered good		209,872,122	214,582,758
Considered doubtful		10,000,000	10,000,000
		219,872,122	224,582,758
Provision for doubtful balances	14.1	(10,000,000)	(10,000,000)
		209,872,122	214,582,758
14.1 Provision for doubtful balances			
Opening balance as at January 01		10,000,000	10,000,000
Provision made during the year		-	-
		10,000,000	10,000,000

15. FIXED ASSETS

15.1 Tangible assets

	Land and buildings	Furniture and fixtures	Motor vehicles	Office equipments	Office computers	Total
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Net carrying value basis as at December 31, 2012

Opening net book value (NBV)	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703
Addition (at cost)	-	40,500	12,523,775	227,500	1,031,889	13,823,664
Disposal	-	-	(2,658,990)	-	-	(2,658,990)
Depreciation	(1,404,602)	(506,415)	(6,517,049)	(592,429)	(417,502)	(9,437,997)
Closing net book value	12,641,419	2,895,173	41,890,471	3,498,323	1,715,994	62,641,380

Gross carrying value basis as at December 31, 2012

Cost	30,218,901	11,233,727	75,376,866	12,098,919	6,623,035	135,551,448
Accumulated depreciation	(17,577,482)	(8,338,554)	(33,486,395)	(8,600,596)	(4,907,041)	(72,910,068)
Net book value	12,641,419	2,895,173	41,890,471	3,498,323	1,715,994	62,641,380

Net carrying value basis as at December 31, 2011

Opening net book value (NBV)	15,606,690	3,954,226	36,412,409	4,315,600	1,424,356	61,713,281
Addition (at cost)	-	-	11,205,191	210,463	125,400	11,541,054
Disposal	-	-	(3,273,127)	-	-	(3,273,127)
Depreciation	(1,560,669)	(593,138)	(5,801,738)	(662,811)	(448,149)	(9,066,505)
Closing net book value	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703

Gross carrying value basis as at December 31, 2011

Cost	30,218,901	11,193,227	69,621,904	11,871,419	5,591,146	128,496,597
Accumulated depreciation	(16,172,880)	(7,832,139)	(31,079,169)	(8,008,167)	(4,489,539)	(67,581,894)
Net book value	14,046,021	3,361,088	38,542,735	3,863,252	1,101,607	60,914,703
Depreciation rate per annum	10%	15%	15%	15%	30%	

Notes to the Financial Statements for the year ended December 31, 2012

15.2 Disposal of assets - by negotiation

Serial Number	Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceed	Gain / (loss)	Sold to
Motor cars							
1	Honda Civic - LWE-981	1,232,500	769,272	463,228	1,000,000	536,772	Mr. Muzzafar Hussain, Near Dorul Puqar Begum, Pura House Number - 6, Street -5, Lahore.
2	Suzuki Alto - LEB-7577	508,400	235,207	273,193	500,000	226,807	Mr. Muhammad Ali Chughtai, House Number - 448/E/11, Street No. 10, WAPDA Town Sato Katla, Lahore.
3	Toyota Corolla - LWR-325	1,101,813	703,040	398,773	730,000	331,227	Mr. Matloob Hussain, Mohra Bhatian Ngla Colony, P.O. Khas, Distt. Mir Pur.
4	Honda Citi - FSJ-752	833,200	568,759	264,441	695,000	430,559	Mr. Tahir Habib, House - P-260/1, Nawaz Colony Jaranwala, Faisalabad.
5	Suzuki Cultus - FDZ - 777	540,000	386,655	153,345	440,000	286,655	Mr. Shaikh Waseem, House Number -P450-6, Mustafabad, Faisalabad.
6	Honda Citi - LRB-9400	825,000	61,875	763,125	760,000	(3,125)	Mr. Muhammad Ashfaq Afridi, House - 64/D, University Town Jamaluddin Afghani Road, Peshawar.
7	Toyota Corolla - RNM-729	739,000	666,104	72,896	600,000	527,104	Mr. Zulfiqar Ahmed, House - 19 Shahi Road, Rahim Yar Khan.
8	Honda Citi - LZT-0198	860,000	606,208	253,792	510,000	256,208	Mr. Shah Zaib House - 98 Block M, Murghzar Colony, Multan Road, Lahore.
Motor cycles							
1	Pak Hero - LZL-2998	37,500	27,269	10,231	7,500	(2,731)	Mr. Waheed Gul House - 4/G, Pesir Complex Laborato ries, Lahore.
2	Yamaha - BRE-2633	37,000	34,084	2,916	2,600	(316)	Mr. Malik Masood Mazhar, House -386/Dk, Street - 26, Dhok Kashmirin Road, Rawalpindi.
3	Yamaha 100 - IDF 3094	54,400	51,350	3,050	4,000	950	Mr. Malik Masood Mazar House - 382/Dk, Street - 26 Dhok Kashmirin Road, Rawalpindi.
Total - Rs		<u>6,768,813</u>	<u>4,109,823</u>	<u>2,658,990</u>	<u>5,249,100</u>	<u>2,590,110</u>	

Notes to the Financial Statements for the year ended December 31, 2012

15.3 Intangible assets

	2012		2011	
	Computer software (Rs)	Total	Computer software (Rs)	Total
Net carrying value basis as at December 31				
Opening net book value (NBV)	2 318 549	2,318,549	2,945,843	2,945,843
Additions (at cost)	-	-	531,980	531,980
Amortization	(1,159,274)	(1,159,274)	(1,159,274)	(1,159,274)
Closing net book value	<u>1,159,275</u>	<u>1,159,275</u>	<u>2,318,549</u>	<u>2,318,549</u>
Gross carrying value basis as at December 31				
Cost	3,477,823	3,477,823	3,477,823	3,477,823
Accumulated amortization	(2,318,548)	(2,318,548)	(1,159,274)	(1,159,274)
Net book value	<u>1,159,275</u>	<u>1,159,275</u>	<u>2,318,549</u>	<u>2,318,549</u>
Amortization rate per annum	33%		33%	

	Note	2012 Rs.	2011 Rs.
16. MANAGEMENT EXPENSES			
Salaries, wages and other benefits	16.1	54,726,125	52,160,003
Rent, taxes, electricity, gas etc.		6,800,007	6,574,217
Communication		3,506,002	3,863,936
Printing and stationery		2,403,063	2,934,589
Travelling and entertainment		4,688,186	4,334,792
Repairs and maintenance		2,727,981	2,822,863
Advertisement and sales promotion		4,196,147	4,259,643
Fees and subscription		1,040,150	1,862,653
Gifts and donation		156,380	83,680
Vehicle running and maintenance		21,636,603	14,656,639
Others		4,727,771	5,413,011
Books and periodicals		169,857	184,213
		<u>106,778,272</u>	<u>99,150,239</u>
16.1	This includes salaries, wages and benefits amounting to Rs. 1.892 million (2011: Rs. 1.812 million) in respect of provident contribution paid by the Company.		
17. OTHER INCOME			
Gain on sale of tangible fixed assets		<u>2,590,110</u>	<u>3,011,999</u>
18. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and other benefits		14,316,684	9,696,876
Depreciation expense	15.1	9,437,997	9,066,505
Amortization of computer software	15.3	1,159,274	1,159,274
Auditor's remuneration	18.1	375,000	275,000
Fees and subscription		2,537,141	1,773,290
Workers' Welfare Fund		1,779,696	1,630,415
Directors' fee		145,000	155,000
Bonus to staff		5,387,791	5,189,737
Legal and professional expense		218,460	396,299
		<u>35,357,043</u>	<u>29,342,396</u>

Notes to the Financial Statements

for the year ended December 31, 2012

	Note	2012 Rs.	2011 Rs.																																																																																	
18.1	Auditor's remuneration																																																																																			
	Audit fee	300,000	250,000																																																																																	
	Interim review	75,000	25,000																																																																																	
		<u>375,000</u>	<u>275,000</u>																																																																																	
19.	PROVISION FOR TAXATION																																																																																			
	Current	<u>6,700,000</u>	<u>6,500,000</u>																																																																																	
	Income tax assessment of the Company has been finalized up to the Tax Year 2011.																																																																																			
19.1	Relationship between tax expense and accounting profit																																																																																			
	Profit before taxation	93,905,090	83,317,478																																																																																	
	Tax at the applicable rate of 35% (2011: 35%)	32,866,782	29,161,117																																																																																	
	Tax effect of expenses that are not allowable in determining taxable income	1,132,848	416,505																																																																																	
	Tax effect of capital gains exempt from tax	(20,552,467)	(14,511,905)																																																																																	
	Tax effect of income subject to lower rates	(9,155,651)	(8,565,717)																																																																																	
	Others - minimum tax	2,408,488	-																																																																																	
		<u>6,700,000</u>	<u>6,500,000</u>																																																																																	
20.	EARNINGS PER SHARE - BASIC AND DILUTED																																																																																			
	Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:																																																																																			
	Profit after tax for the year	87,205,090	76,817,478																																																																																	
	Weighted average number of shares of Rs. 10 each	31,893,972	31,893,972																																																																																	
	Basic earning per share of Rs. 10 each	<u>2.73</u>	<u>2.41</u>																																																																																	
	No figures for diluted earnings per share has been presented as the Company has not issued any instrument which would have dilutive effect on earnings per share when exercised.																																																																																			
21.	REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES																																																																																			
		<table border="1"> <thead> <tr> <th></th> <th colspan="2">Chief Executive</th> <th colspan="2">Directors</th> <th colspan="2">Executives</th> <th colspan="2">Total</th> </tr> <tr> <th></th> <th>2012</th> <th>2011</th> <th>2012</th> <th>2011</th> <th>2012</th> <th>2011</th> <th>2012</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Fees</td> <td>-</td> <td>-</td> <td>145,000</td> <td>155,000</td> <td>-</td> <td>-</td> <td>145,000</td> <td>155,000</td> </tr> <tr> <td>Managerial remuneration</td> <td>3,999,600</td> <td>3,435,600</td> <td>-</td> <td>-</td> <td>3,759,300</td> <td>3,872,700</td> <td>7,758,900</td> <td>7,308,300</td> </tr> <tr> <td>Bonus</td> <td>999,900</td> <td>858,900</td> <td>-</td> <td>-</td> <td>946,725</td> <td>926,775</td> <td>1,946,625</td> <td>1,785,675</td> </tr> <tr> <td>House rent allowance</td> <td>1,794,420</td> <td>1,546,020</td> <td>-</td> <td>-</td> <td>1,691,600</td> <td>1,741,200</td> <td>3,486,020</td> <td>3,287,220</td> </tr> <tr> <td>Others</td> <td>199,980</td> <td>171,780</td> <td>-</td> <td>-</td> <td>2,146,792</td> <td>2,198,772</td> <td>2,346,772</td> <td>2,370,552</td> </tr> <tr> <td></td> <td><u>6,993,900</u></td> <td><u>6,012,300</u></td> <td><u>145,000</u></td> <td><u>155,000</u></td> <td><u>8,544,417</u></td> <td><u>8,739,447</u></td> <td><u>15,683,317</u></td> <td><u>14,906,747</u></td> </tr> <tr> <td>Number of persons</td> <td><u>1</u></td> <td><u>1</u></td> <td><u>10</u></td> <td><u>10</u></td> <td><u>6</u></td> <td><u>6</u></td> <td><u>17</u></td> <td><u>17</u></td> </tr> </tbody> </table>			Chief Executive		Directors		Executives		Total			2012	2011	2012	2011	2012	2011	2012	2011	Fees	-	-	145,000	155,000	-	-	145,000	155,000	Managerial remuneration	3,999,600	3,435,600	-	-	3,759,300	3,872,700	7,758,900	7,308,300	Bonus	999,900	858,900	-	-	946,725	926,775	1,946,625	1,785,675	House rent allowance	1,794,420	1,546,020	-	-	1,691,600	1,741,200	3,486,020	3,287,220	Others	199,980	171,780	-	-	2,146,792	2,198,772	2,346,772	2,370,552		<u>6,993,900</u>	<u>6,012,300</u>	<u>145,000</u>	<u>155,000</u>	<u>8,544,417</u>	<u>8,739,447</u>	<u>15,683,317</u>	<u>14,906,747</u>	Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>10</u>	<u>6</u>	<u>6</u>	<u>17</u>	<u>17</u>
	Chief Executive		Directors		Executives		Total																																																																													
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21.1 In addition, Chief Executive and some executives are provided with Company maintained cars and residential telephone.

Notes to the Financial Statements for the year ended December 31, 2012

22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise companies having common directorship, group companies, directors, key management personnel and retirement benefit funds. Investment in related parties have been disclosed in the relevant notes. Directors fees and remuneration to the key management personnel are included in note 20 to these financial statements and are determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in the financial statements, are as follows:

Relation with the Company	Nature of transaction	Note	2012 Rs.	2011 Rs.
Transactions during the year				
Associated companies	Premium underwritten		46,940,063	52,480,932
	Premium collected		46,531,775	60,725,376
	Claims paid		29,026,359	20,484,952
	Dividend received		549,840	614,113
	Dividend paid		3,729,498	-
Balances as at the year end				
Associated companies	Premium due but unpaid		48,126,051	45,851,628
	Provision for outstanding claims		10,908,852	29,860,800
Key management personnel	Remuneration and other benefits	21	15,683,317	14,906,747
Staff retirement benefits	Contribution to provident fund		1,892,086	1,811,988

23. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

23.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

Notes to the Financial Statements for the year ended December 31, 2012

23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

The Company is exposed to market risk with respect to its investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The market risks associated with the Company's business activities are interest rate risk and price risk. The Company is not exposed to material currency risk.

23.3 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	2012 Effective interest rate (%)	2011	2012 (Rs)	2011 (Rs)
Fixed rate instruments				
Government securities	9.22 to 11.50	8.15 to 14.35	91,572,979	89,717,825
Term deposits	5.80 to 12.00	6.00 to 12.00	25,342,411	25,043,103
Certificate of investment	12.00 to 17.30	11.50 to 17.30	2,500,000	2,500,000
Variable rate instruments				
Term finance certificate	11.00 to 12.50	12.00 to 15.00	6,790,950	8,310,184
PLS accounts	5.00 to 06.00	05.00 to 07.00	33,970,653	32,251,935

Sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Profit and loss		Equity	
100 bp increase	100 bp decrease	100 bp increase	100 bp decrease

As at December 31, 2012				
Cash flow sensitivity	407,616	(407,616)	264,950	(264,950)
As at December 31, 2011				
Cash flow sensitivity	405,621	(405,621)	263,654	(263,654)

Notes to the Financial Statements

for the year ended December 31, 2012

23.4 Foreign currency risk

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

23.5 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 rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities amounting to Rs. 335.998 million (2011: Rs. 306.012 million) as at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long term. Thus 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 Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. The Company manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

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

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

Sensitivity analysis

The analysis summarizes Company's price risk as at 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Sensitivity analysis of investments as at the reporting date is as follows:

For held for trading investments, in case of 10% increase or decrease in prices at the reporting date, the net income and equity would have been higher or lower by Rs. 32.212 million (2011: Rs. 28.455 million).

For available for sale investments, in case of 10% decrease in prices at the reporting date, the net income and equity would have been lower by Rs. 1.388 million (2011: Rs. 2.146 million) if the decline is considered permanent.

Notes to the Financial Statements for the year ended December 31, 2012

23.6 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policy holder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

	Within one year	Over one year to five years	Over five years	2012 Total (Rs)
Financial liabilities				
Provision for outstanding claims	628,606,536	-	-	628,606,536
Amounts due to other insurers / reinsurers	53,489,751	-	-	53,489,751
Accrued expenses	1,452,148	-	-	1,452,148
Other creditors and accruals	50,342,685	-	-	50,342,685
Unclaimed dividend	572,523	-	-	572,523
	<u>734,463,643</u>	<u>-</u>	<u>-</u>	<u>734,463,643</u>

	Within one year	Over one year to five years	Over five years	2011 Total (Rs)
Financial liabilities				
Provision for outstanding claims	188,020,711	-	-	188,020,711
Amounts due to other insurers / reinsurers	57,653,423	-	-	57,653,423
Accrued expenses	1,859,270	-	-	1,859,270
Other creditors and accruals	68,551,518	-	-	68,551,518
Unclaimed dividend	107,491	-	-	107,491
	<u>316,192,413</u>	<u>-</u>	<u>-</u>	<u>316,192,413</u>

23.7 Credit risk

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

Exposure to credit risk

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

	Note	2012 Rs.	2011 Rs.
Cash and bank deposits	10	68,760,439	79,824,276
Loans to employees	11	1,565,607	921,589
Investments	12	436,862,458	406,540,759
Premiums due but unpaid	13	209,872,122	214,582,758
Amounts due from other insurers / reinsurers		22,171,296	4,525,770
Accrued investment income		6,324,203	5,412,912
Reinsurance recoveries against outstanding claims		586,678,431	136,531,530
Trade deposits		574,069	787,965
Sundry receivables		450,839	598,432
		<u>1,333,259,464</u>	<u>849,725,991</u>

Notes to the Financial Statements for the year ended December 31, 2012

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

Rating		Rating agency
Short term	Long term	

Banks

Habib Bank Limited	A-1+	AAA	JCR-VIS
National Bank of Pakistan	A-1+	AAA	JCR-VIS
MCB Bank Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AA+	PACRA
United Bank Limited	A-1+	AA+	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
NIB Bank Limited	AA-		PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
The Bank of Punjab	A1+	AA-	PACRA
Askari Bank Limited	A1+	AA	PACRA
AlBaraka Bank (Pakistan) Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA
The Bank of Khyber	A2	A-	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Summit Bank Limited	A-2	A-	JCR-VIS
JS Bank Limited	A1	A+	PACRA
Barclays Bank PLC, Pakistan	A-1	A+	Standard & Poor's
Standard Chartered Bank Limited	A1+	AAA	PACRA

The credit quality of Company's investment in term finance certificate can be assessed with reference to external credit ratings as follows:

Rating	Rating agency
--------	---------------

Name of investee company

Askari Bank Limited (II)	AA-	PACRA
Standard Chartered Bank Limited (III)	AAA	JCR-VIS
Pakistan Mobile Communication Limited (I)	AA-	PACRA
Allied Bank Limited (I)	A	JCR-VIS

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

Notes to the Financial Statements for the year ended December 31, 2012

	2012 Rs.	2011 Rs.
Sector		
Chemical and pharmaceutical	3,340,366	16,039,454
Textile composite and garments	7,469,818	35,786,143
Paper and board	7,255,326	17,817,884
Communication and information technology	1,920,120	6,195,246
Engineering industry	2,024,965	6,270,487
Sugar industry	17,902,926	29,418,120
Banks, FI's and DFI's	8,116,573	10,975
Cement	3,409,164	2,956,911
Food, oil and edibles	26,018,602	4,625,585
Fertilizer	76,060	437,017
Miscellaneous and others	132,338,202	95,024,936
	<u>209,872,122</u>	<u>214,582,758</u>

Impaired assets

During the year no assets have been impaired other than premium due but unpaid and available for sale investments amounting to Rs. 10.000 million and Rs. 3.610 million respectively against which provision of Rs. 13.610 million has been held.

23.8 Financial instruments

Interest / mark-up bearing			Non-interest bearing			2012 Total (Rs)	2011 Total (Rs)
Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total		

Financial assets

Investments	13,993,137	86,870,792	100,863,929	335,998,529	-	335,998,529	436,862,458	406,540,759
Loans	-	-	-	1,565,607	-	1,565,607	1,565,607	921,589
Premium due but unpaid	-	-	-	209,872,122	-	209,872,122	209,872,122	214,582,758
Amount due from other insurers and re-insurers	-	-	-	22,171,296	-	22,171,296	22,171,296	4,525,770
Accrued investments income	-	-	-	6,324,203	-	6,324,203	6,324,203	5,412,912
Reinsurance recoveries and outstanding claims	-	-	-	586,678,431	-	586,678,431	586,678,431	136,531,530
Sundry receivables	-	-	-	450,839	-	450,839	450,839	598,432
Cash and bank deposits	59,313,064	-	59,313,064	9,447,375	-	9,447,375	68,760,439	79,824,276
	<u>73,306,201</u>	<u>86,870,792</u>	<u>160,176,993</u>	<u>1,172,508,402</u>	<u>-</u>	<u>1,172,508,402</u>	<u>1,332,685,395</u>	<u>848,938,026</u>

Financial liabilities

Provision for outstanding claims (including IBNR)	-	-	-	628,606,536	-	628,606,536	628,606,536	188,020,711
Amounts due to other insurers / reinsurers	-	-	-	53,489,751	-	53,489,751	53,489,751	57,653,423
Other creditors and accruals	-	-	-	50,342,685	-	50,342,685	50,342,685	68,551,518
Unclaimed dividend	-	-	-	572,523	-	572,523	572,523	107,491
	-	-	-	733,011,495	-	733,011,495	733,011,495	314,333,143
On balance sheet gap	<u>73,306,201</u>	<u>86,870,792</u>	<u>160,176,993</u>	<u>439,496,907</u>	<u>-</u>	<u>439,496,907</u>	<u>599,673,900</u>	<u>534,604,883</u>

Notes to the Financial Statements for the year ended December 31, 2012

23.9 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements are appropriate to their fair values except for non-trading investments. Fair value is determined on the basis of the objective evidence at each required date.

24. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and Securities and Exchange Commission (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2012 and December 31, 2011, unallocated capital expenditure and non-cash expenses during the year:

	Fire and property		Marine aviation and transport		Motor		Miscellaneous		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
SEGMENT ASSETS										
Segment assets	<u>282,171,219</u>	<u>126,254,686</u>	<u>212,280,258</u>	<u>94,230,367</u>	<u>370,138,086</u>	<u>164,302,833</u>	<u>41,033,714</u>	<u>18,214,703</u>	<u>905,623,277</u>	<u>402,002,592</u>
Uncollected corporate assets									<u>727,401,080</u>	<u>706,931,798</u>
Consolidated total assets									<u>1,633,024,357</u>	<u>1,108,934,390</u>
SEGMENT LIABILITIES										
Segment liabilities	<u>328,320,656</u>	<u>202,249,430</u>	<u>246,998,945</u>	<u>146,454,791</u>	<u>430,674,608</u>	<u>234,633,396</u>	<u>47,744,827</u>	<u>10,061,095</u>	<u>1,053,739,036</u>	<u>593,398,712</u>
Uncollected corporate liabilities									<u>572,523</u>	<u>107,491</u>
Consolidated total liabilities									<u>1,054,311,559</u>	<u>593,506,203</u>
CAPITAL EXPENDITURE										
Uncollected capital expenditure									<u>13,823,664</u>	<u>12,073,034</u>
Consolidated capital expenditure									<u>13,823,664</u>	<u>12,073,034</u>
Unallocated depreciation / amortization									<u>10,597,271</u>	<u>10,225,779</u>

25. INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected 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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Notes to the Financial Statements

for the year ended December 31, 2012

a) Frequency and severity of claims

Political, environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example, fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, travel and personal accident, money losses, engineering losses and other events) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which are divided into direct and facultative arrangements are further subdivided into four segments: fire, marine, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contracts in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable rating agencies, as prescribed by the Securities and Exchange Commission of Pakistan to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional facultative reinsurance arrangements are in place to protect the net account in case of a major catastrophe.

The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional reinsurance arrangements, any loss over and above the said limit would be recovered under non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The Company has claims department dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

b) Sources of uncertainty in the estimation of future claims payment

Claims reported and otherwise are analysed separately. The development of large losses / catastrophes is analyzed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlement costs and a provision for unexpired risks at the end of the reporting period.

Notes to the Financial Statements for the year ended December 31, 2012

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weight is given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-to-case basis separately.

c) **Process used to decide on assumptions**

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in Pakistan only.

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year in respect of each class of business depends upon the assessment of technique that has been most appropriate to observe historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

d) **Changes in assumptions**

The Company has not changed its assumptions for the insurance contracts as disclosed above in (b) and (c).

e) **Sensitivity analysis**

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims given past experience. The key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

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 recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

Notes to the Financial Statements for the year ended December 31, 2012

	Pre tax profit		Shareholders' equity	
	2012 (Rs)	2011 (Rs)	2012 (Rs)	2011 (Rs)
10% increase in loss				
Fire and property	(1,337,309)	(950,181)	(869,251)	(617,618)
Marine, aviation and transport	(1,465,816)	(1,592,788)	(952,780)	(1,035,312)
Motor	(5,351,381)	(5,806,612)	(3,478,398)	(3,774,298)
Miscellaneous	(155,136)	(282,635)	(100,838)	(183,713)
	<u>(8,309,642)</u>	<u>(8,632,216)</u>	<u>(5,401,267)</u>	<u>(5,610,941)</u>
10% decrease in loss				
Fire and property	1,337,309	950,181	869,251	617,618
Marine, aviation and transport	1,465,816	1,592,788	952,780	1,035,312
Motor	5,351,381	5,806,612	3,478,398	3,774,298
Miscellaneous	155,136	282,635	100,838	183,713
	<u>8,309,642</u>	<u>8,632,216</u>	<u>5,401,267</u>	<u>5,610,941</u>

Concentration of insurance risk

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

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.

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

	Gross sum insured		Reinsurance		Net Amount	
	2012	2011	2012	2011	2012	2011
----- (Rupees in 000) -----						
Fire and property	126,406,566	134,534,879	109,807,529	107,773,212	16,599,037	26,761,667
Marine, aviation and transport ¹ ,	1,254,690,684	122,998,779	1,211,060,763	80,508,125	43,629,921	42,490,654
Motor	3,773,873	3,953,129	43,393	3,469	3,730,480	3,949,660
Miscellaneous	8,615,576	3,697,642	3,150,580	3,213,222	5,464,996	484,420
	<u>1,393,486,699</u>	<u>265,184,429</u>	<u>1,324,062,265</u>	<u>191,498,028</u>	<u>69,424,434</u>	<u>73,686,401</u>

Claim development tables

The following table shows the development of claims over the period. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Notes to the Financial Statements for the year ended December 31, 2012

Analysis on gross basis

Accident year

	2008	2009	2010	2011	2012	Total
	----- (Rupees in 000) -----					
Estimate of ultimate claims cost:						
At the end of accident year	184,500	113,956	207,095	215,277	553,997	1,274,835
One year later	136,422	83,337	96,689	15,294	-	331,742
Two year later	151,575	24,878	21,987	-	-	198,440
Three year later	23,806	16,961	-	-	-	40,767
Four year later	10,523	-	-	-	-	10,523
Current estate of cumulative claims	14,780	21,230	46,966	126,619	894,087	1,103,682
Cumulative payment to date	(4,257)	(4,269)	(24,979)	(111,325)	(340,090)	(484,920)
Liability recognised in the balance sheet	<u>10,523</u>	<u>16,961</u>	<u>21,987</u>	<u>15,294</u>	<u>553,997</u>	618,762
Liability in respect of pri or years						9,844
Total liability recognised in balance sheet						<u>628,606</u>

The above balance includes a claim lodged during the year with an aggregate sum assured amounting to Rs. 78.500 million. The Company has recorded a claim of Rs. 41.000 million on the basis of methodology detailed in note 25(a) and 25(b) to the financial statements.

Sensitivity analysis

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and revenue account.

December 31, 2012	Change in Claims Assumption	Impact on gross liabilities (Rs)	Impact on revenue account (Rs)
Current claims	+10%	127,484	(127,484)
	-10%	(127,484)	127,484

26. REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

Notes to the Financial Statements for the year ended December 31, 2012

An analysis of all reinsurance assets recognised by the rating of the entity from which it is due are as follows:

Rating	Amount due from other insurer / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2012 (Rs)	2011 (Rs)
A or above including Pakistan Reinsurance Company Limited	22,122,294	581,508,434	189,196,255	792,826,983	291,462,402
BBB	49,002	5,169,997	-	5,218,999	383,538
	<u>22,171,296</u>	<u>586,678,431</u>	<u>189,196,255</u>	<u>798,045,982</u>	<u>291,845,940</u>

26.1 This includes reinsurance assets amounting to Rs. 449.350 million outstanding from a reinsurer on account of significant claim lodged during the year relating to aviation segment under fronting arrangement amounting to Rs. 744.200 million. As of the balance sheet date, an amount of Rs. 476.408 is outstanding in relation to the reinsurers.

27. CAPITAL RISK MANAGEMENT

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

28. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Board of Directors in its meeting held on 26th March, 2013 has announced bonus shares 15% (December 31, 2011: nil) amounting to Rs. 47.840 million. The Board has also approved transfer of Rs. 70 million (December 31, 2011: nil) to general reserve from unappropriated profits. These financial statements for the year ended December 31, 2012 do not include the effect of appropriations which will be accounted for subsequent to the year end.

29. PRIOR PERIOD ERROR

During the year, the Company has corrected the accounting treatment for held for trading investments to conform to the requirements of IAS 39 "Financial Instruments-Recognition and Measurement" and restated retrospectively as per the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". As a result of the above mentioned restatement, investments and unappropriated profit as at December 31, 2011 and December 31, 2010 are higher by Rs. 64.867 million and Rs. 64.094 million respectively, and profit and investment income for the year ended December 31, 2011 is higher by Rs. 0.773 million. Further, earnings per share for the year ended December 31, 2011 is higher by Rs. 0.03 per share.

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 26th March, 2013 by the Board of Directors of the Company.

31. GENERAL

Figures have been rounded off to the nearest rupee.



Ismail H. Zakaria
Chairman



A. Aziz Ayoob
Director



Mohammad Omer Bawany
Director



A. Razak Ahmed
Chief Executive & Managing Director

Karachi: 26 March, 2013

Pattern of Shareholding as at December 31, 2012

Number of Shareholders	Shareholdings		Total shares held
	From	To	
315	1	100	6,380
168	101	500	47,582
120	501	1000	93,368
236	1001	5000	593,844
70	5001	10000	503,855
38	10001	15000	476,387
15	15001	20000	264,792
8	20001	25000	174,065
10	25001	30000	274,456
8	30001	35000	256,356
7	35001	40000	260,721
3	40001	45000	129,837
3	45001	50000	141,418
3	50001	55000	159,551
4	60001	65000	252,539
4	65001	70000	268,016
3	70001	75000	217,983
1	75001	80000	78,750
1	80001	85000	84,358
1	85001	90000	88,890
3	90001	95000	277,097
1	100001	105000	104,000
4	115001	120000	460,850
1	120001	125000	120,644
2	125001	130000	253,748
2	130001	135000	264,735
6	135001	140000	827,290
2	145001	150000	293,256
1	150001	155000	151,528
1	155001	160000	155,142
1	160001	165000	163,753
1	170001	175000	170,826
1	190001	195000	192,079
3	200001	205000	602,280
1	215001	220000	216,004
2	235001	240000	479,385
1	240001	245000	240,783
1	265001	270000	268,666
1	295001	300000	297,671
1	315001	320000	318,841
1	320001	325000	323,271
2	335001	340000	674,006
1	350001	355000	352,119
1	390001	395000	393,849
1	425001	430000	429,331
2	425001	430000	429,331
1	455001	460000	913,706
1	485001	490000	486,955
1	505001	510000	507,092
1	575001	580000	575,229
1	595001	600000	599,637
1	600001	605000	603,609
1	650001	655000	652,943
1	740001	745000	742,057
1	930001	935000	931,178
1	960001	965000	962,861
1	1020001	1025000	1,022,199
1	1190001	1195000	1,191,503
1	1225001	1230000	1,228,682
1	1245001	1250000	1,247,587
1	1370001	1375000	1,372,305
1	1915001	1920000	1,919,469
1	4530001	4535000	4,532,658
<u>1078</u>			<u>31,893,972</u>

Sr. No.	Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held
1	INDIVIDUALS	1042	25,171,381	78.92%
2	INVESTMENT COMPANIES	6	459	0.00%
3	INSURANCE COMPANIES	1	375	0.00%
4	JOINT STOCK COMPANIES	21	5,668,785	17.77%
5	FINANCIAL INSTITUTIONS	2	603,933	1.89%
6	STOCK EXCHANGE	1	1,170	0.00%
7	WELFARE SOCIETY	1	37,968	0.12%
8	CHARITABLE TRUSTS	1	90,674	0.28%
9	MODARABA MANAGEMENT COMPANIES	1	1	0.00%
10	WAKF ALAL AULAD	1	318,841	1.00%
11	TRADE	1	385	0.00%
		<u>1078</u>	<u>31,893,972</u>	<u>100%</u>

Categories of Shareholding

as at December 31, 2012

Information required under the Code of Corporate Governance

Categories of share holders	Number of share holders	Number of shares held	Percentage of shares held
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Anam Fabrics	1	139,416	0.44%
Irfan Ashfaq & Co. (Pvt.) Ltd.,	1	4,532,658	14.21%
NIT / ICP/ IDBP			
Investment Corporation of Pakistan, IDBP ICP Units	6	615	0.00%
DIRECTORS, CEO & OTHER SPOUSES AND MINOR CHILDREN			
The detail are as under:	22	9,910,899	31.07%
MR. ISMAIL H. ZAKARIA	1	323,271	
MR. MOHD. AMIN AHMED BAWANY	1	37,294	
MR. A. AZIZ AYOOB	1	136,445	
MR. IRFAN ZAKARIA BAWANY	1	1,985,060	
MR. MOHD. OMER BAWANY	1	192,079	
MR. ZOHAIK ZAKARIA	1	145,652	
MR. AHMED ALI BAWANY	1	51,323	
MR. NOOR M. ZAKARIA	1	128,471	
MR. ASHFAQ PATEL	1	575,229	
MR. YASIN SIDDIK	1	4,047	
MRS. ZARINA BAI ISMAIL	1	297,671	
MRS. ROSHANARA AMIN	1	599,637	
MRS. MEHRUNNISA A. AZIZ	1	151,528	
MRS. SHEHLA IRFAN	1	1,920,472	
MRS. RUKHSANA BAI OMER	1	652,943	
MRS. AMBREEN AHMED ALI	1	1,247,587	
MRS. SHAHNAZ NOOR MOHAMMAD	1	201,211	
ANAM IRFAN ZAKARIA	1	170,826	
BILAL OMER	1	47,370	
RABEEHA OMER	1	36,676	
ALTAMASH AHMED ALI	1	74,929	
MOIN NOOR MOHAMMAD	1	931,178	
EXECUTIVE			
	-	-	
PUBLIC SECTOR COMPANIES AND CORP.			
	-	-	
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTION, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS			
	4	604,153	1.89%
JOINT STOCK COMPANIES			
	19	996,711	3.13%
INDIVIDUALS			
	1,020	15,260,482	47.85%
STOCK EXCHANGE			
Islambad Stock Exchange Limited	1	1,170	0.00%
CHERITABLE TRUSTS			
Trustees Adamjee Foundation	1	90,674	0.28%
WAKF ALAL AULAD			
Trustees Mohammad Amin	1	318,841	1.00%
WAKF WELFARE SOCIETY			
Pakistan Memon Educational	1	37,968	0.12%
TRADE			
Haral Sons (Pvt.) Limited	1	385	0.00%
TOTAL :-	1,078	31,893,972	100%
Shareholders holding 5% or more voting interest			
M/s.Irfan Ashfaq & Company (Pvt.) Ltd.,	1	4,532,658	14.21%
Mr. Irfan Zakaria Bawany	1	1,985,060	6.22%
Mrs.Shehla Irfan	1	1,920,472	6.02%

Offices

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181-A, Sindhi Muslim Co-operative
Housing Society,
Karachi.

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Web : www.relianceins.com

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Chief Executive & Managing Director

Direct : 34539413, 34539414
Extension : 204

Mr. Haroon A. Shakoor
Chief Accountant &
Company Secretary

Direct : 34539409
Extension : 203

Mr. M. Amin Bawany
Vice President (Marine & Accident)

Direct : 34557079
Extension : 201

Mr. Muhammad Ishaque Azim
Vice President (Fire)

Direct : 34304068
Extension : 212

Mr. Sadruddin Hussain
Vice President (Claims)

Direct : 34550403
Extension : 208

Mr. Ghulam Mujaddid
Chief Manager (Accounts)

Extension : 205

Mr. Abdul Rahim Patni
Deputy Chief Manager (Reinsurance)

Direct : 34539411
Extension : 215

Mr. Muhammad Saleem Memon
Deputy Chief Manager (Investment/shares)

Extension : 214

Mr. Muhammad Masood Ali
Deputy Chief Manager (I.T. Deptt.)

Extension : 202

Mr. Muhammad Masood Alam
Manager (Administration)

Direct : 34539411
Extension : 206

Mr. Mahmood Shuza Baig
Internal Auditor

Extension : 209

South Zone Offices & Branches

Business Plaza Branch

407, 4th floor, Business Plaza,
Off. I.I.Chundrigar Road, Karachi.

Mr. Muhammad Iqbal Dhedhi
Executive Vice President

Ph (021) 32419581, 32419582
Fax (021) 32421314, 32421317

Tariq Road Branch

Room No. A-2 & A-3,
1st Floor, Rahat Jo Daro,
Plot No.172/L, Block-2, PECHS,
Main Tariq Road, Karachi.

Mr. Zafar A. Pasha
Executive Vice President

Ph (021) 34527806, 34532427
34525376, 34322642
Fax (021) 34522829

Offices

Namco Centre Branch

1-A, 5th Floor, Campbell Street,
Karachi.

Mr. Iqbal Umer Bawany
Vice President

Ph (021) 32625716, 32624427
Fax (021) 32624783

Land Mark Plaza Branch

405, 4th Floor, Land Mark Plaza,
Off. I. I. Chundrigar Road,
Karachi.

Mr. Muhammad Reza Rajani
Assistant Vice President

Ph (021) 32628777, 32628778
Fax (021) 32628779

M. A. Jinnah Road Branch

101, Japan Plaza,
M. A. Jinnah Road, Karachi.

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Ph (021) 32727076, 32729961
Fax (021) 32722601

Hyderabad Branch

1st Floor, Al-Falah Chamber,
Tilak Road, Hyderabad.

Mr. Abdullah Ahmed
Regional Manager

Ph (022) 2615774
Fax (022) 2623029

North Zone Offices & Branches

Zonal Office, Lahore (North Zone)

4th Floor, Gardee Trust Building. No.2,
Napier Road, Lahore.

Mr. Sh. Khushnood Ashraf
Executive Vice President

PABX (042) 37239063, 37353292
37234255, 37351353
Direct (042) 37354689
Fax (042) 37312526

Regional Office, Lahore

90-A/3, 1st Floor, Canal Park,
Gulberg-II, Lahore.

Mr. Fahd Barlas
Vice President

Ph (042) 35761077, 35761078
35763446, 35763447
Fax (042) 35761235

Gulberg Branch

House No.17-A, Block-E/1,
Gulberg-III, Lahore.

Mr. Tehseen Ahmed Khan
Executive Vice President

Ph (042) 35752245, 35752989
35751971, 35756557
Fax (042) 35756217

Al-Rehman Branch

2nd Floor, Al-Rehman Building,
Regal Cinema Lane, 65, The Mall,
Lahore

Mr. Nisar Ahmed Chughtai
Senior Vice President

Ph (042) 37323113, 37322473
37354848
Fax (042) 37247925

Eden Centre Branch

321, Eden Centre,
43 Ghausal Azam Road, (Jail Road)
Lahore.

Mr. Ch. H.S. Asghar
Vice President

Ph (042) 37599277, 37599377
37589669
Fax (042) 37576032

Garden Town Branch

Suit No.17, 1st Floor, Shan Arcade,
New Garden Town, Lahore.

Mr. Basit Anwar Butt
Executive Vice President

Ph (042) 35889258, 35889259
Fax (042) 35889260

Khan Plaza Branch

4th Floor, Khan Plaza,
G. T. Road, Gujranwala.

Mr. Sohailuddin Zafar
Assistant Vice President

Ph (055) 4215422, 4216422
Fax (055) 4448139

Model Town Branch

438/1-B, Mini Market,
Model Town, Gujranwala.

Mr. Amjad Rafique Dhilllo
Branch Manager

Ph (055) 3254415, 3840750
Fax (055) 3253086

Offices

Gujrat Branch

Marhaba Tower (Top Floor) Opp.
Ram Piary Mahal Near Fawara Chawk,
Gujrat.

Mr. Muhammad Nawaz

Ph (053) 3522127

Faisal Complex Branch

3rd Floor, Faisal Complex,
Bilal Road, Civil Lines, Faisalabad.

Mr. A. Majeed Abid
Senior Vice President

Ph (041) 2611938, 2611939
2626480
Fax (041) 2621033

Taj Plaza Branch

Room No.16, 2nd Floor, Taj Plaza,
Kotwali Road, Faisalabad.

Mr. Muhammad Akhlaq
Vice President

Ph (041) 2617277, 2622182
2615922
Fax (041) 2412010

Rawalpindi Branch

3,3rd Floor, United Plaza,
Shamsabad, Murree Rd. Rawalpindi.

Mr. Abdul Karim Siddiqi
Vice President

Ph (051) 4854200
Fax (051) 4580008

Peshawar Branch

T-3 & 4, Bilour Shopping Plaza,
3rd Floor, Saddar Road, .
Peshawar Cantt.

-

Ph (091) 5274617, 5277328
5250830
Fax (091) 5284683

Regional Office Multan

1st Floor, 5-Commercial Plaza,
Opp. Civil Hospital, Abdali Road,
Multan.

Mr. Syed Mohsin Bukhari
Assistant Manager

Ph (061) 4517349
Fax (061) 4510049

Khanpur Branch

Old Ghalla Mandi, Khanpur,
Distt. Rahimyar Khan.

Mr. Abdul Razzak Choudhry
Vice President

Ph (068) 5572772
Fax (068) 5572772

Hasilpur Branch

27-B, 1st Floor, Main Bazar,
Hasilpur.

Mr. Muhammad Shafi Anjum
Senior Vice President

Ph (062) 2442473
Fax (062) 2448073

Sialkot Branch

Room No.4 & 5, 1st Floor,
Mughal Plaza, Kutchery Road,
Sialkot.

Mr. Ghulam Rasool Farrukh Zahidi
Branch Manager

Ph (052) 4296075, 4296076
Fax (052) 4296077

Gojra Branch

P-132, Post Office Road,
Gojra.

Mrs. Shahnaz Akhtar
Branch Manager

Ph (046) 3511917
Fax (046) 3513111

Rahimyar Khan

Gulshan-e-Iqbal

Mr. Shamsul Haq Chaudhry
Resident Representative

Ph (068) 5887770
Cell 0300-8717172

Sukkur

Minara Road, Sukkur

Mr. Anees Memon
Resident Representative Sukkur

Ph (071) 5622619
Cell 0300-3138090

Notes:

Annual General Meeting

on Tuesday the 30th April 2013 at 12:00 a.m

at "RELIANCE INSURANCE HOUSE"

181-A Sindhi Muslim Co-operative Housing Society Karachi



Reliance Insurance Company Limited

181-A, Sindhi Muslim Co-operative Housing Society,
Karachi-74400.