2012

61st ANNUAL REPORT

PREMIER INSURANCE

Contents

Company Information

Board of Directors	Khalid Bashir Zahid Bashir (Chairman) Imran Maqbool Nadeem Maqbool Shams Rafi Fakhir Rahman (Director & Chief Executive) Attaullah A Rasheed
Company Secretary	Afroz Quraishi
Audit Committee	Khalid Bashir (Chairman) Imran Maqbool Nadeem Maqbool
Human Resources & Remuneration Committee	Zahid Bashir Nadeem Maqbool (Chairman) Fakhir Rahman Attaullah A Rasheed
Auditors	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Legal Advisors	Arfin & Company Advocates
Registered & Head Office	5th Floor, State Life Building No. 2A Wallace Road, Karachi-74000, Pakistan Phones : (21) 32416331-4 Fax : (21) 32416572 Email : info@pil.com.pk Website : www.pil.com.pk
Registrar	FAMCO Associates (Pvt) Limited 1st Floor, State Life Building No.1-A I.I.Chundrigar Road, Karachi-74000, Pakistan

Vision Statement

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

Mission Statement

Our Business

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

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

Our Strengths

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

Our Strategy

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

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

Our Values

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

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

We recognize our responsibility to our stakeholders and to society.

Because we care…..

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

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

Layton Rahmatulla Benevolent Trust (LRBT)
For free, state of the art eye care accounting for about one in three of all eye OPD and surgeries across the country through 17 hospitals and 48 community eye care centres.

Sindh Institute of Urology and Transplantation (SIUT) and The Kidney Centre
Towards free, modern urology, nephrology, transplantation and liver diseases treatment and care.

Marie Adelaide Leprosy Centre (MALC)
For rehabilitation and care of leprosy, tuberculosis and blindness sufferers.

Patient's Aid Foundation (PAF) - JPMC;
Poor Patient Aid Society - Civil Hospital;
The Aga Khan Hospital & Medical College Foundations
Towards assisting treatment of millions of less privileged patients at general hospitals.

Shaukat Khanum Memorial Cancer Hospital;
Indus Hospital; Dowites '78' Operation Theatre Centre; Nigahban;
Citizens Police Liasion Committee
To help specialized and general hospitals in our major cities provide high quality medical care to those who cannot pay or need subsidies.

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

Notice of Annual General Meeting

Notice is hereby given that the 61st Annual General Meeting of the company will be held at the Beach Luxury, Aquarius Hall, Molvi Tamizuddin Khan Road, Karachi, on Monday April 29, 2013 at 2:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on April 28, 2012;

2. To receive, consider and adopt the audited financial statements of the company for the year ended December 31, 2012, the report of the Auditors thereon and the report of the Directors;

3. To approve the payment of a cash dividend @ 20% i.e. Re 1 per ordinary share of Rs 5 each, out of the profit for the year ended December 31, 2012, as recommended by the Directors;

4. To appoint Auditors of the company and fix their remuneration. The present Auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment;

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

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth status of previous approvals of investments in associated companies.

By Order of the Board

Afroz Quraishi
Company Secretary

Karachi, April 5, 2013

NOTES

i) The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the corporate members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the company are once again requested to send the same with the Folio / CDC Account Number at the earliest directly to our Registrar, FAMCO Associates (Pvt) Limited, State Life Building No. 1-A, 1st Floor, I. I. Chundrigar Road, Karachi, Pakistan. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) notification dated August 18, 2011, SRO 779(I) 2011, which mandates that the dividend warrants should bear CNIC number of the individual member or the authorized person, except in case of minor(s) and National Tax Number (NTN) of corporate members.

ii) The Share Transfer Books of the company shall remain closed from April 20, 2013 to April 29, 2013 (both days inclusive). Transfers received in order at our Registrar, FAMCO Associates (Pvt) Limited, State Life Building No. 1-A, 1st Floor, I. I. Chundrigar Road, Karachi, Pakistan by the close of business on April 19, 2013 will be treated in time for this purpose.

iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the Registered Office of the company at least 48 hours before the time of the meeting.

iv) Shareholders whose shares are deposited with the Central Depository Company (CDC) are requested to bring their original Computerized National Identity Card and account number in CDC for verification.

v) CDC account holders will further have to follow the guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

vi) Shareholders are requested to notify our Registrar immediately of any change in their addresses.

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

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

(Rupees in million)						
	Crescent Steel & Allied Products Ltd.	**Crescent Cotton Mills Ltd.**	**The Crescent Textile Mills Ltd.**	**First Equity Modaraba (Managed by Premier Financial Services (Pvt) Ltd.)**	**Shams Textile Mills Ltd.**	**Suraj Cotton Mills Ltd**
Approved investment	66.0	5.0	20.0	25.0	20.0	29.9
Investment made	3.7	2.6	16.3	4.3	14.9	27.8
(Amount in Rupees)						
Breakup value per share on the basis of last published financial statements	61.26	10.59	53.00	10.85	84.73	145.26
Annual earnings per share						
2007	12.10	(2.41)	1.78	0.340	21.83	17.21
2008	7.36	(2.08)	(1.25)	0.140	(4.69)	7.60
2009	(7.06)	(6.60)	3.64	0.003	(9.65)	2.94
2010	7.38	(2.62)	7.00	(0.014)	15.14	28.06
2011	7.64	2.22	(2.41)	0.003	0.40	28.38
2012	6.05	6.53	(2.38)	0.13	4.9	17.5

Out of the above investments First Equity Modaraba and Crescent Steel & Allied Products Ltd. are fully disposed of.

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

Key Operating and Financial Data

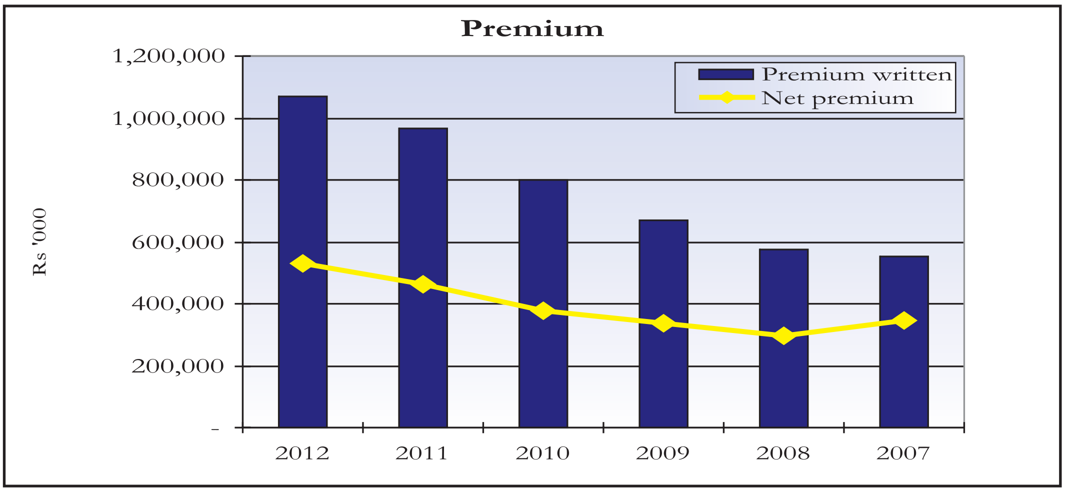
(Amounts in Rupees '000)

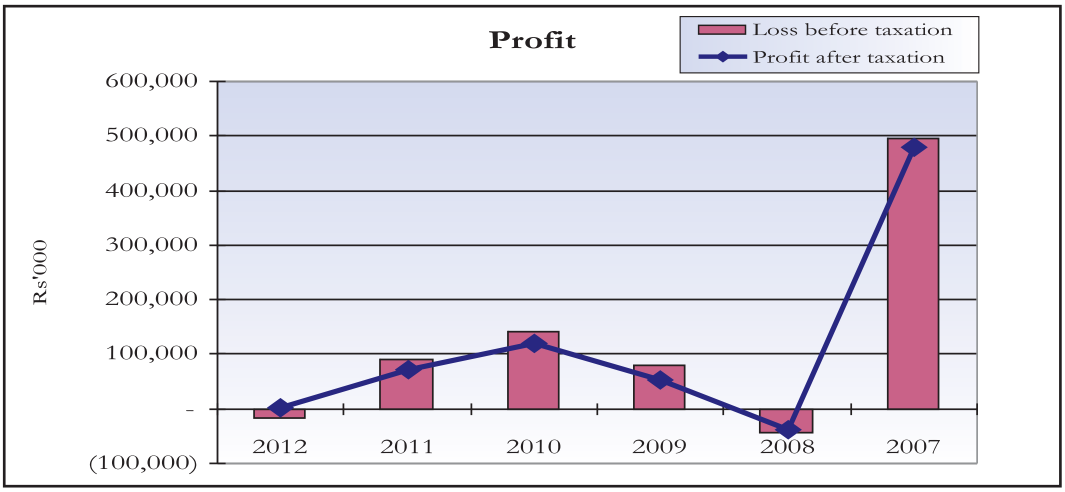
	2012	2011	2010	2009	2008	2007
Paid-up capital	302,821	302,821	302,821	263,323	239,385	199,488
Capital reserves	19,675	19,675	19,675	19,675	19,675	19,675
Revenue reserves	1,458,883	1,515,513	1,520,162	1,491,342	1,509,814	1,627,043
Total reserves	1,478,558	1,535,188	1,539,837	1,511,017	1,529,489	1,646,718
Total equity	1,781,379	1,838,009	1,842,658	1,774,340	1,768,874	1,846,206
Total assets	3,305,859	3,301,649	3,101,280	2,788,719	2,701,366	2,943,197
Premium written	1,069,011	967,866	800,555	670,430	577,114	551,699
Net premium	532,481	462,416	376,719	335,456	295,834	346,832
Investment income	89,854	156,223	162,356	222,181	185,627	542,582
Impairment of financial assets	(17,284)	(12,775)	(3,718)	(126,161)	(213,216)	-
(Loss) / profit before taxation	(15,725)	90,009	141,746	79,653	(44,911)	495,685
Profit / (loss) after taxation	3,934	71,056	120,983	53,343	(37,435)	478,939
Return on equity* (%)	0.22%	3.86%	6.69%	3.01%	(2.07%)	29.50%
Book value per share** (Rs)	29.41	30.35	30.42	33.69	36.95	46.27
Earnings / (loss) per share** (Rs)	0.06	1.17	2.00	1.01	(0.78)	12.00
Cash dividend (%)	20%	20%	25%	20%	20%	20%
Stock dividend (Bonus - %)	0%	0%	0%	15%	10%	20%

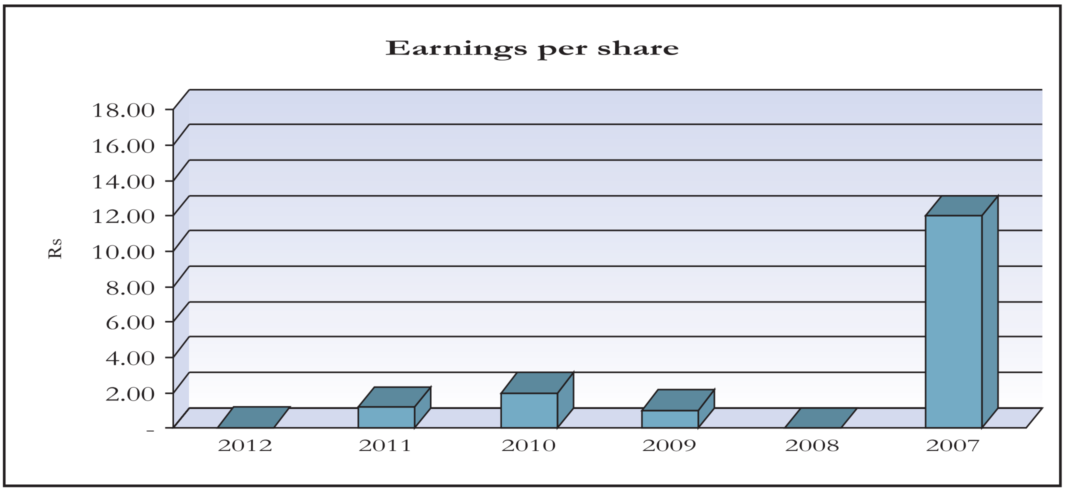
*Return based on average equity for the year

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

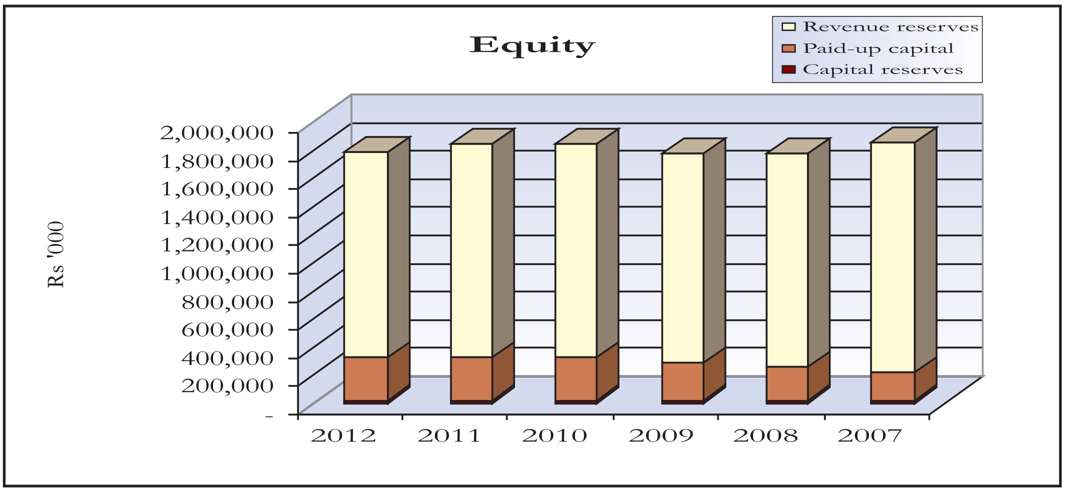
Performance at a Glance

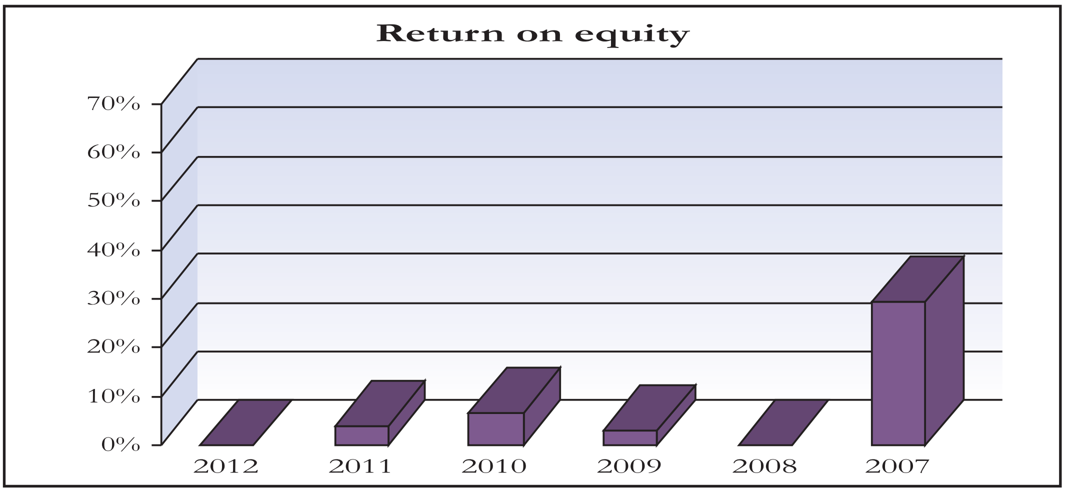


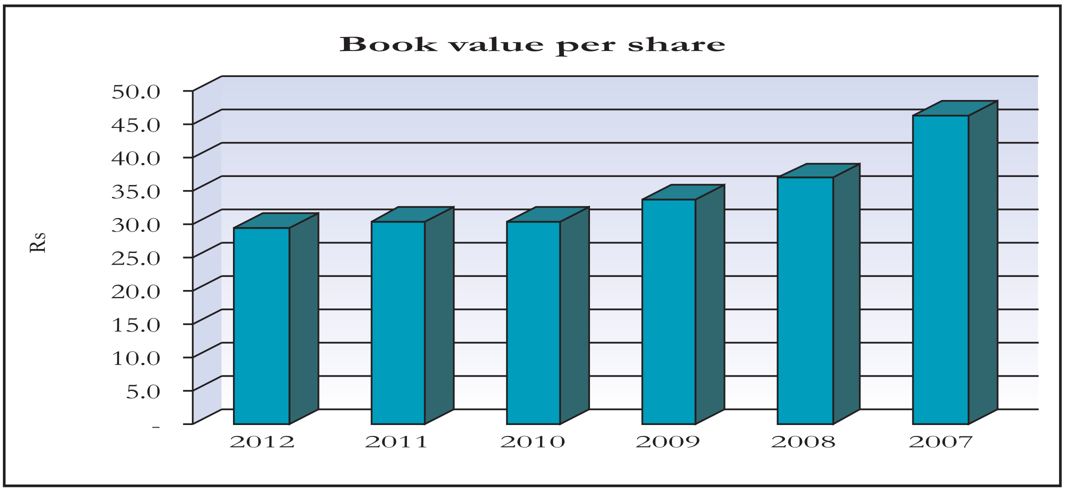




Performance at a Glance







Report of the Directors to the Members

The directors are pleased to present the 61st Annual Report of the company together with the audited financial statements for the year ended December 31, 2012.

Review

(Amounts in Rupees '000)

	2012	2011
Premium written	**1,069,011**	967,866
Net premium	**532,481**	462,416
Underwriting result	**(60,960)**	4,949
Investment income	**72,570**	143,448
(Loss) / profit before taxation	**(15,725)**	90,009
Profit after taxation	**3,934**	71,056

The year 2012 marked completion of 60 years of your company's existence with written premium crossing the Rs. 1.0 billion threshold. While written premium rose more than 10% and net premium more than 15%, net claims increased by 50% (Rs.108.6 million) to raise the claims ratio to 61% from 47% in 2011. The adverse claims experience, mainly in the fire and motor business, overcame improved expense and flat commission ratios to significantly erode the underwriting result.

The reduction in investment income due to planned portfolio restructuring and prudent provisioning for impairment resulted in the loss before taxation, despite very substantial reductions in general and administration expenses.

The Board is satisfied with the growth and positive results achieved with controllable costs and expenses in difficult business and operating environments. With normalized claims experience and investment income, better 2013 results are hoped for.

The Board has elected to reverse provisions of Rs. 26.5 million held for taxation matters that are now regarded as settled and closed. Consequently a nominal profit after tax is reported for 2012.

(Amounts in Rupees '000)

Appropriation of Profit

Profit after taxation for the year	3,934
Unappropriated profit brought forward	190,163
	194,097
Appropriations:	
Payment of cash dividend @ 20% (2011)	(60,564)
Unappropriated profit carried forward	133,533
Appropriated as follows:	
Proposed cash dividend @ 20% % (2012)	(60,564)

Outlook for the Current Year

The current economic and political situation is consistent with views clearly expressed in our earlier reports, showing our business and financial planning framework to be farsighted and well grounded in realities. Most of our expectations have come to pass. With oncoming elections, the regional and global economic and political turbulence, 2013 is expected to present yet more challenges.

We remain confident of overcoming any turmoil with a strong balance sheet, liquidity and above all a competent and pro-active management well able to capture opportunities without compromising our high standards.

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

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

Corporate Financial Reporting

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

- The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years is annexed with the report.
- The value of investments based on the audited accounts of the Provident Fund as at December 31, 2011 was Rs 28.8 million.
- During 2012 four meetings of the Board were held, with at least one in each quarter, and were attended as follows:

Name of director	Meetings attended
Mr Khalid Bashir	2
Mr Zahid Bashir (Chairman)	4
Mr Imran Maqbool	4
Mr Nadeem Maqbool	4
Mr Shams Rafi	2
Mr Fakhir Rahman	4
Mr Attaullah A Rasheed	3

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

- The directors, executives (employees with annual basic salary of Rs.0.5 million or above), their spouses and minor children, had no transactions in the shares of the company except.
- Mr. Afroz Quraishi, CFO & Company Secretary, acquired 100 shares;
- Mr. Jawaid A Siddiqui, acquired 100 shares;
- Ms. Shazia Bashir, acquired 100 shares;
- Mr. Muhammad Athar Saleem Chaudhry, acquired 100 shares.

Corporate Social Responsibility

Your company is committed to Corporate Social Responsibility (CSR) in all its forms and is humbly proud to have been ranked 13th out of 542 Public Listed Companies in corporate giving by the Pakistan Centre for Philanthropy in December, 2010. Regardless of profits, the Board endeavors to share the company's success with the community and all stakeholders without distinction.

During 2012, the company:

- Added Rs 181 million to the nation's treasury in the form of direct, indirect and withholding taxes;
- Spent Rs 4.0 million to assist the less privileged members of our communities with healthcare and education, across the country, by donating to:

	(Rupees)
Patients Aid Foundation	2.60 million
Layton Rahmatulla Benevolent Trust	0.15 million
Sindh Institute of Urology & Transplantation	0.20 million
The Indus Hospital	0.20 million
The Kidney Centre	0.10 million
Marie Adelaide Leprosy Centre	0.10 million
Dowites '78' Operation Theatre Complex	0.10 million
Shaukat Khanum Memorial Cancer Hospital	0.15 million
Poor Patient Aid Society - Civil Hospital	0.10 million
Nigahban (Civil Hospital)	0.05 million
Citizens Police Liaison Committee	0.05 million
Shalamar Hospital (Lahore)	0.05 million
The Aga Khan University Hospital	0.15 million
	4.00 million

- Continued to encourage energy conservation as a national priority and as a cost saving;

- Continued to encourage and contributed a further Rs 0.45 million to The Citizens Foundation and Patients Aid Foundation events to raise funds to provide quality education and healthcare across Pakistan and AJK.

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

Compliance with the Code of Corporate Governance

The requirements of the Code set out by the stock exchanges in their listing regulations, relevant for the year ended December 31, 2012, have been duly complied with. A statement to this effect is annexed with the report.

Statement of Ethics and Business Practices

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

Board Committees

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

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

Appointment of Auditors

As recommended by the audit committee, the directors propose that Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, be re-appointed auditors of the company for the year ending December 31, 2013.

Categories of Members / Pattern of Shareholding

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

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

Acknowledgement

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

On behalf of the Board

Zahid Bashir
Chairman

Karachi: April 5, 2013

Statement of Compliance with the Code of Corporate Governance

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

The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.

At present the Board includes;

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

The independent director(s) meeting the criteria of independence under clause i (b) of the CCG shall be appointed at the time of the next election of the Board.

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 as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

A casual vacancy occurring on the Board on March 1, 2012 was filled up by the directors on the same day.

The company has prepared a "Statement of Ethics and Business Practices" as 'Code of Conduct', which has been signed by all the directors and employees of the company. The company has ensured that appropriate steps have been taken to disseminate it throughout the company along with 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 the particulars of the significant policies along with the dates on which they were approved or amended has been maintained.

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

All the meetings of the Board were presided over by the Chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The directors of the company are experienced in various businesses, including insurance and are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and are well aware of their duties and responsibilities. However, all directors continue to be encouraged to attend specialized orientation course at company's expense. At present, one director has obtained a Certificate of Director Education from the Pakistan Institute of Corporate Governance in 2012.

The Board has approved the appointment of the CFO, Company Secretary and Internal Auditors including their remuneration and terms and conditions of employment. No new appointments were made during the year.

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

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

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.

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

The Board has formed an audit committee which comprises of three members all of whom are non-executive directors including the Chairman of the committee.

The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

The Board formed an HR and Remuneration Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the Committee is a non-executive director. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

The Board has also formed underwriting, claims, reinsurance and co-insurance and investment committees.

The Board has outsourced the internal audit function to BDO Ebrahim & Co (Chartered Accountants) who are considerably experienced and qualified for the purpose and are conversant with the policies and procedures of the company.

All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors alongwith pricing method.

The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

Material/price sensitive information has been disseminated among all market participants at once though the Stock Exchanges.

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

Zahid Bashir
Chairman

Karachi: April 5, 2013

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 (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012 prepared by the Board of Directors (the Board) of **Premier Insurance Limited** (the company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, the Listing Regulations require the Company to place before the Board 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 and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Earnst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: April 5, 2013
Karachi.

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Premier Insurance Limited** (the Company) as at **31 December 2012** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

(a) proper books of 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 except for the changes as stated in note 3, with which we concur;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

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

Date: April 5, 2013

Karachi

Balance Sheet
As at December 31, 2012

(Amounts in Rupees '000)

	Note	2012	2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
Rs 100,000,000 ordinary shares of Rs 5 each		**500,000**	500,000
Issued, subscribed and paid-up capital			
60,564,269 ordinary shares of Rs.5 each	6	**302,821**	302,821
Retained earnings		**133,533**	190,163
Reserves	7	**1,345,025**	1,345,025
Shareholders' equity		**1,781,379**	1,838,009
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**451,304**	430,567
Provision for unearned premium		**490,053**	460,867
Commission income unearned		**59,500**	54,288
Total underwriting provisions		**1,000,857**	945,722
Deferred liability			
Staff retirement benefits	8	**28,948**	26,472
Creditors and accruals			
Amounts due to other insurers / reinsurers		**95,074**	114,393
Accrued expenses		**14,500**	16,200
Taxation - provision less payments		**89,715**	115,462
Other creditors and accruals	9	**279,660**	235,359
		478,949	481,414
Other liabilities			
Unclaimed and dividend payable		**15,726**	10,032
TOTAL EQUITY AND LIABILITIES		**3,305,859**	3,301,649
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 32 form an integral part of these financial statements.

(Amounts in Rupees '000)

ASSETS	Note	2012	2011
Cash and bank deposits	11		
Cash and other equivalents		**556**	628
Current and other accounts		**146,280**	186,005
		146,836	186,633
Loans to employees		**-**	1,000
Investments	12	**1,250,871**	1,290,920
Investment properties	13	**54,773**	55,286
Other assets			
Premium due but unpaid	14	**558,817**	612,048
Amounts due from other insurers / reinsurers	15	**350,062**	269,516
Accrued investment income	16	**240**	1,354
Accrued salvage recoveries		**11,510**	8,347
Reinsurance recoveries against outstanding claims		**277,899**	278,307
Deferred commission expense		**82,774**	74,718
Prepayments	17	**285,615**	262,341
Deposits & others receivables	18	**30,890**	5,729
		1,597,807	1,512,360
Fixed assets	19		
Tangible			
Land and buildings		**145,607**	145,879
Furniture, fixtures and office equipment		**24,017**	26,998
Motor vehicles		**44,204**	46,571
Capital work in progress	20	**36,517**	33,172
Intangible			
Computer software		**5,227**	2,830
		255,572	255,450
TOTAL ASSETS		**3,305,859**	3,301,649

Zahid Bashir	Nadeem Maqbool	Imran Maqbool	Fakhir Rahman
Chairman	Director	Director	Director & Chief Executive

Profit and Loss Account
For the year ended December 31, 2012

(Amounts in Rupees '000)

	Note	Fire and property	Marine, aviation & transport	Motor	Others	Treaty	2012 Aggregate	2011 Aggregate
Revenue accounts								
Net premium revenue		146,204	69,225	280,928	36,126	(2)	**532,481**	462,416
Net claims		(58,969)	(24,090)	(218,093)	(31,371)	5,111	**(327,412)**	(218,828)
Management expenses	21	(55,447)	(26,253)	(106,541)	(13,701)	1	**(201,941)**	(187,328)
Net commission		(17,539)	(8,307)	(45,316)	7,075	(1)	**(64,088)**	(51,311)
Underwriting result		14,249	10,575	(89,022)	(1,871)	5,109	**(60,960)**	4,949
Investment income							**72,570**	143,448
Gain on disposal of fixed assets							**3,965**	434
Rental income							**3,330**	2,930
Other income							**1,301**	2,089
General and administration expenses	21						**(35,931)**	(63,841)
(Loss) / profit before tax							**(15,725)**	90,009
Provision for taxation - net	22						**19,659**	(18,953)
Profit after tax							**3,934**	71,056
Profit and loss appropriation account								
Balance at commencement of year							**190,163**	269,812
Profit after tax for the year							**3,934**	71,056
Cash dividend for 2011 @ Re 1 per share (2010 @ Rs 1.25 per share)							**(60,564)**	(75,705)
Transfer to general reserve							**-**	(75,000)
Balance unappropriated profit at the end of the year							**133,533**	190,163
Earnings per share - basic and diluted (in Rupees)	23						**0.06**	1.17

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir	Nadeem Maqbool	Imran Maqbool	Fakhir Rahman
Chairman	Director	Director	Director & Chief Executive

Statement of Comprehensive Income
For the year ended December 31, 2012

(Amounts in Rupees '000)

	2012	2011
Net profit for the year	**3,934**	71,056
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**3,934**	71,056

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir Chairman	Nadeem Maqbool Director	Imran Maqbool Director	Fakhir Rahman Director & Chief Executive

Statement of Cash Flows
For the year ended December 31, 2012

(Amounts in Rupees '000)

	2012	2011
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	**1,041,696**	836,030
Reinsurance premium paid	**(548,348)**	(474,520)
Claims paid	**(820,186)**	(519,874)
Reinsurance and other recoveries received	**513,919**	322,709
Commissions paid	**(141,347)**	(140,438)
Commissions received	**115,982**	102,671
Net cash flow from underwriting activities	**161,716**	126,578
b) Other operating activities		
Income tax paid	**(6,088)**	(19,973)
General management expenses paid	**(201,941)**	(187,328)
Other operating payments	**(19,620)**	(19,178)
Advances, deposits and sundry receivables	**(28,365)**	1,326
Other liabilities and accruals	**2,412**	5,913
Net cash used in other operating activities	**(253,602)**	(219,240)
Total cash used in operating activities	**(91,886)**	(92,662)
INVESTMENT ACTIVITIES		
Investment income received	**36,057**	140,999
Payments for investments	**(1,105,171)**	(734,984)
Proceeds from disposal of investments	**1,182,621**	810,568
Fixed capital expenditure	**(17,039)**	(21,312)
Proceeds from disposal of fixed assets	**5,348**	3,238
Rental income received	**3,842**	3,469
Other income received	**1,301**	2,089
Total cash flow from investing activities	**106,959**	204,067
FINANCING ACTIVITIES		
Dividends paid	**(54,870)**	(73,373)
Total cash used in financing activities	**(54,870)**	(73,373)
Total cash (used in) / flow from all activities	**(39,797)**	38,032
Cash and cash equivalents at beginning of the year	**186,633**	148,601
Cash and cash equivalents at the end of the year	**146,836**	186,633

Statement of Cash Flows
For the year ended December 31, 2012

(Amounts in Rupees '000)

	2012	2011
Reconciliation to profit and loss account		
Operating cash flows	**(91,886)**	(92,662)
Depreciation expense	**(15,534)**	(15,592)
Investment income	**72,570**	143,448
Gain on disposal of fixed assets	**3,965**	434
Rental income	**3,330**	2,930
Other income	**1,301**	2,089
Increase in assets other than cash	**85,013**	233,095
Increase in liabilities	**(54,825)**	(202,686)
Profit after taxation	**3,934**	71,056

Definition of cash

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

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

	2012	2011
Cash and other equivalents		
Cash	**25**	37
Stamps in hand	**531**	591
	556	628
Current and other accounts		
Current accounts	**9,117**	16,272
Savings accounts	**137,163**	169,733
	146,280	186,005
Total cash and cash equivalents	**146,836**	186,633

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir Chairman	Nadeem Maqbool Director	Imran Maqbool Director	Fakhir Rahman Director & Chief Executive

Statement of Changes in Equity
For the year ended December 31, 2012

(Amounts in Rupees '000)

	Share capital	Reserves						
		Capital reserves		Revenue reserves				
	Issued, subscribed and paid-up	Reserve for exceptional losses	Devaluation reserve	General reserve	Reserve for bad and doubtful debts	Unappro-priated profit	Total reserves	Total equity
Balance as at January 1, 2011	302,821	19,490	185	1,250,000	350	269,812	1,539,837	1,842,658
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	71,056	71,056	71,056
Cash dividend for the year ended December 31, 2010 declared subsequent to the year ended	-	-	-	-	-	(75,705)	(75,705)	(75,705)
Transferred to general reserve	-			75,000		(75,000)	-	-
Balance at January 1, 2012	302,821	19,490	185	1,325,000	350	190,163	1,535,188	1,838,009
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	3,934	3,934	3,934
Cash dividend for the year ended December 31, 2011 declared subsequent to the year ended	-	-	-	-	-	(60,564)	(60,564)	(60,564)
Balance as at December 31, 2012	**302,821**	**19,490**	**185**	**1,325,000**	**350**	**133,533**	**1,478,558**	**1,781,379**

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir
Chairman

Nadeem Maqbool
Director

Imran Maqbool
Director

Fakhir Rahman
Director & Chief Executive

Statement of Premium

For the year ended December 31, 2012

(Amounts in Rupees '000)

Business underwritten inside Pakistan

		Class	Premium written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsurance expense	**2012** Net premium revenue	2011 Net premium revenue
Direct and Facultative	1	Fire and property damage	435,019	220,532	211,664	443,887	325,187	159,379	186,883	297,683	**146,204**	153,865
	2	Marine, aviation and transport	148,705	16,556	19,395	145,866	74,210	15,481	13,050	76,641	**69,225**	63,910
	3	Motor	319,178	148,378	174,425	293,131	3,889	9,772	1,458	12,203	**280,928**	216,113
	4	Miscellaneous	166,114	75,401	84,572	156,943	125,743	67,760	72,686	120,817	**36,126**	28,529
		Total	1,069,016	460,867	490,056	1,039,827	529,029	252,392	274,077	507,344	**532,483**	462,417
Treaty	5	Proportional	(5)	-	(3)	(2)	-	-	-	-	**(2)**	(1)
		Grand Total	1,069,011	460,867	490,053	1,039,825	529,029	252,392	274,077	507,344	**532,481**	462,416

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir	Nadeem Maqbool	Imran Maqbool	Fakhir Rahman
Chairman	Director	Director	Director & Chief Executive

Statement of Claims

For the year ended December 31, 2012

(Amounts in Rupees '000)

Business underwritten inside Pakistan

		Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	2012 Net claims expense	2011 Net claims expense
Direct and Facultative	1	Fire and property damage	403,920	179,989	174,834	398,765	350,809	140,598	129,585	339,796	**58,969**	32,854
	2	Marine, aviation and transport	79,168	70,402	68,247	77,013	51,964	45,603	46,562	52,923	**24,090**	21,858
	3	Motor	201,534	65,765	83,337	219,106	1,843	993	163	1,013	**218,093**	139,136
	4	Miscellaneous	135,618	109,354	124,886	151,150	109,303	91,113	101,589	119,779	**31,371**	24,976
		Total	820,240	425,510	451,304	846,034	513,919	278,307	277,899	513,511	**332,523**	218,824
Treaty	5	Proportional	(54)	5,057	-	(5,111)	-	-	-	-	**(5,111)**	4
		Grand Total	820,186	430,567	451,304	840,923	513,919	278,307	277,899	513,511	**327,412**	218,828

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir Chairman	Nadeem Maqbool Director	Imran Maqbool Director	Fakhir Rahman Director & Chief Executive

Statement of Expenses

For the year ended December 31, 2012

(Amounts in Rupees '000)

Business underwritten inside Pakistan

		Class	Commission paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expenses	Commission from reinsurers	2012 Net underwriting expense	2011 Net underwriting expense
Direct and Facultative	1	Fire and property damage	82,079	41,044	39,940	83,183	55,447	138,630	65,644	**72,986**	83,466
	2	Marine, aviation and transport	27,724	2,997	3,615	27,106	26,253	53,359	18,799	**34,560**	32,593
	3	Motor	53,421	21,919	29,195	46,145	106,541	152,686	829	**151,857**	118,502
	4	Miscellaneous	19,689	8,758	10,024	18,423	13,701	32,124	25,498	**6,626**	4,080
		Total	182,913	74,718	82,774	174,857	201,942	376,799	110,770	**266,029**	238,641
Treaty	5	Proportional	1	-	-	1	(1)	-	-	**-**	(2)
		Grand Total	182,914	74,718	82,774	174,858	201,941	376,799	110,770	**266,029**	238,639

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

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir Chairman	Nadeem Maqbool Director	Imran Maqbool Director	Fakhir Rahman Director & Chief Executive

Statement of Investment Income
For the year ended December 31, 2012

(Amounts in Rupees '000)

	2012	2011
Income from non-trading investments		
Held to maturity		
Return on bank deposits	**12,890**	11,704
Available for sale		
Dividend income	**22,160**	119,937
Gain on sale of investments	**54,911**	24,696
	77,071	144,633
Impairment in value of investments	**(17,284)**	(12,775)
Investment management expenses	**(107)**	(114)
Investment income	**72,570**	143,448

The annexed notes from 1 to 32 form an integral part of these financial statements.

Zahid Bashir	Nadeem Maqbool	Imran Maqbool	Fakhir Rahman
Chairman	Director	Director	Director & Chief Executive

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

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

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

3. STATEMENT OF COMPLIANCE

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

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

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

3.2.1 Adoption of new and amended standards and interpretations

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

IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

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

3.2.2 Forthcoming requirements

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

IFRS 7	- Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of Financial Assets and Financial Liabilities	01 January 2013
IAS 1	- Presentation of financial statements - Presentation of items of Other Comprehensive Income	01 July 2012
IAS 19	- Employee Benefits -(Revised)	01 January 2013
IAS 32	- Offsetting Financial Assets and Financial Liabilities - (Amendment)	01 January 2014
IFRIC 20	- Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonable possible change in each significant actuarial assumption.

- While the company is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the company's accounting policy related to recognition of actuarial gains and losses (refer to note 8 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is estimated as under:

	Rupees '000
Net increase in other comprehensive income	3,262
Net decrease in profit or loss for the year	(3,262)

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

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The company expects that such improvements to the standards will not have any material impact on the company's financial statements in the period of initial application.

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

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

4. BASIS OF MEASUREMENT

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

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

4.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and expectation of future events that are believed to be reasonable under the circumstances.

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

a. Useful life of depreciable / amortizable assets (Note 5.15)
b. Impairment of assets (Note 5.13.3 & 5.15)
c. Provision for outstanding claims including claims incurred but not reported [IBNR] (Note 5.6)
d. Provision for premium deficiency reserves (Note 5.9)
e. Reinsurance recoveries against outstanding claims (Note 5.7)
f. Provision against premium due but unpaid (Note 5.4)
g. Staff retirement benefits (Note 5.11)
h. Provision for income taxes (Note 5.12)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Insurance contracts

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

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

Fire and property
Marine, aviation and transport
Motor
Miscellaneous

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

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

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

5.2 Premium income

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

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

5.3 Unexpired risk and premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

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

5.4 Receivables and payables related to insurance contracts

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

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

5.5 Reinsurance contracts held

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

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

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

5.6 Claims

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

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

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

5.7 Reinsurance recoveries against outstanding claims

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

5.8 Commissions

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

5.9 Premium deficiency reserve

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

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

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

5.10 Creditors, accruals and provisions

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

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

5.11 Staff retirement benefits

Defined benefits plan

The company operates an unfunded gratuity scheme covering all eligible employees. Provision is made on the basis of actuarial valuation carried out as at December 31, 2012 in accordance with IAS-19, Employee Benefits.

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

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

Defined contribution plan

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

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

5.12 Taxation

Current

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

Deferred

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

5.13 Investments

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

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

a. These are classified as 'at fair value through profit or loss' if (a) acquired or incurred principally for the purpose of selling or re-purchasing in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).

b. Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

5.13.2 Held to maturity

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

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

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

5.13.3 Available for sale

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

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

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

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

Under the requirements of IAS 39, Financial Instruments: Recognition and Measurement, the investments of the company would have been higher by Rs 79.3 million (2011: lower by Rs 64.0 million) and the corresponding amount would have been reflected in the equity by the same amount.

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

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

Impairment

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

De-recognition

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

5.14 Investment properties

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

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

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

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

5.15 Fixed assets

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

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

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

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

Capital work in progress

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

Impairment

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

5.16 Revenue recognition

Underwriting result

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

Dividend income

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

Gain / loss on disposal of investments

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

Return on bank accounts and term finances

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

Income from investment properties

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

5.17 Proposed dividend

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

5.18 Expenses of management

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

5.19 Foreign currency translation

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

5.20 Cash and cash equivalents

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

5.21 Segment reporting

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

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

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

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

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

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

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

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

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

(Amounts in Rupees '000)

5.22 Financial instruments

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

5.23 Offsetting of financial assets and financial liabilities

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

5.24 Zakat

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

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		**2012**	2011
Number of shares				
400,000	400,000	Ordinary shares of Rs. 5 each fully paid in cash	**2,000**	2,000
		Ordinary shares of Rs. 5 each issued as fully paid bonus shares		
60,164,269	60,164,269	As at January, 01	**300,821**	300,821
-	-	Issued during the year	**-**	-
60,164,269	60,164,269		**300,821**	300,821
60,564,269	60,564,269		**302,821**	302,821

Associates hold 7,449,708 (2010: 7,449,708) shares of the company.

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

(Amounts in Rupees '000)

	Note	2012	2011
7. RESERVES			
Capital reserves			
Reserve for exceptional losses	7.1	**19,490**	19,490
Devaluation reserve	7.2	**185**	185
		19,675	19,675
Revenue reserves			
General reserve	7.3	**1,325,000**	1,325,000
Reserves for bad and doubtful debts		**350**	350
		1,325,350	1,325,350
		1,345,025	1,345,025

7.1 Reserve for exceptional losses

This was created at 10% of premium income net of reinsurance till the year 1978 in terms of the repealed Income Tax Act, 1922.

7.2 Devaluation reserve

Consequent upon the devaluation of the Pakistani Rupee in 1972, security deposit with the Government of Lebanon and balances with overseas banks were converted at the new rates of exchange. This resulted in an increase in value which was transferred to capital reserve in the year 1973.

7.3 General reserve	Note	2012	2011
Balance at the beginning of the year		**1,325,000**	1,250,000
Transfer from profit and loss account		**-**	75,000
Balance at the end of the year		**1,325,000**	1,325,000

8. STAFF RETIREMENT BENEFITS

Gratuity	8.1	**14,934**	12,494
Employees compensated absences	8.4	**14,014**	13,978
		28,948	26,472

8.1 Movement in the net liability recognized in the balance sheet

Opening net liability		**12,494**	10,654
Expense for the year	8.2	**2,925**	2,330
		15,419	12,984
Payments during the year		**(485)**	(490)
Closing net liability		**14,934**	12,494

8.2 Expense recognized in the profit and loss account

Current service cost		**1,384**	1,089
Interest cost		**1,541**	1,250
Net actuarial gain recognized in the year		**-**	(9)
		2,925	2,330

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

(Amounts in Rupees '000)

8.3 Historical data of gratuity scheme

	2012	2011	2010	2009	2008
Present value of defined benefit obligations	**14,374**	12,324	9,612	8,229	6,882
Experience adjustment arising on plan liabilities	**390**	863	(147)	(381)	(115)

8.4 Movement in the net liability recognized in the balance sheet

	Note	2012	2011
Opening net liability		**13,978**	12,425
Expense for the year	8.5	**957**	2,704
		14,935	15,129
Payment during the year		**(921)**	(1,151)
Closing net liability		**14,014**	13,978

8.5 Expense recognized in the profit and loss account

	2012	2011
Current service cost	**748**	1,181
Interest cost	**1,747**	1,615
Net actuarial gain recognized in the year	**(1,538)**	(92)
	957	2,704

8.6 Historical data of leave encashment scheme

	2012	2011	2010	2009	2008
Present value of defined benefit obligations	**14,014**	13,978	12,425	11,936	9,696
Experience adjustment arising on plan liabilities	**(1,538)**	(92)	(1,083)	(100)	1,306

8.7 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the benefits' valuation

	Note	2012	2011
Discount rate		**11.0%**	12.5%
Expected rate of increase in salary		**10.0%**	11.5%
Average expected remaining working life of employees		**9 years**	9 years

9. OTHER CREDITORS AND ACCRUALS

	Note	2012	2011
Commissions payable		**231,806**	190,239
Federal excise duty & sales tax		**3,314**	5,364
Federal insurance fee		**215**	190
Donations		**5,935**	4,935
Workers welfare fund		**6,355**	6,355
Deposits and margins		**11,766**	10,567
Salaries payable		**2,500**	-
Others	9.1	**17,769**	17,709
		279,660	235,359

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

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

(Amounts in Rupees '000)

10. CONTINGENCIES AND COMMITMENTS

	Note	2012	2011
Commitments for capital expenditure.		**15,138**	20,257

There are no contingencies to report as at the balance sheet date.

11. CASH AND BANK DEPOSITS

	Note	2012	2011
Cash and other equivalents			
Cash		**25**	37
Stamps in hand		**531**	591
		556	628
Current and other accounts			
Current accounts		**9,117**	16,272
Savings accounts	11.1	**137,163**	169,733
		146,280	186,005
Deposits maturing within 12 months			
Deposits		**8,743**	8,743
Less: Impairment		**(8,743)**	(8,743)
		-	-
		146,836	186,633

11.1 The rate of return on saving accounts by various banks range from 6% to 10% per annum (2011: 5% to 10% per annum).

12. INVESTMENTS

Available for sale

Related Parties	Note	2012	2011
Quoted shares (market value Rs 67.6 million [2011: Rs 23.7 million])	12.1	**32,535**	33,692
Unquoted shares	12.2	**4,000**	4,000
		36,535	37,692
Others			
Quoted shares (market value Rs 208.1 million [2011: Rs 229.7 million])	12.3	**242,766**	303,478
Unquoted shares	12.4	**115,203**	115,203
Mutual funds (market value Rs 935.2 million [2011: Rs 854.3 million])	12.5	**880,930**	842,076
		1,238,899	1,260,757
Less: Impairment	12.6	**(24,563)**	(7,529)
		1,250,871	1,290,920

All investments have a face value of Rs.10 per share / certificate unless stated otherwise.

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

(Amounts in Rupees '000)

Number of shares / certificates / units 2012	2011	Name of entity	% of Equity held	2012	2011
Related parties					
12.1 Quoted					
-	333	Crescent Jute Products Limited	-	**-**	1
-	44,500	Crescent Steel & Allied Products Limited	-	**-**	1,156
200,000	200,000	Crescent Sugar Mills & Distillery Limited	0.94%	**1,050**	1,050
262,000	262,000	The Crescent Textile Mills Limited	0.53%	**8,616**	8,616
53,125	53,125	Shakarganj Mills Limited (8.5% cumulative preference shares redeemable after 5 years of issue, convertible after every financial year of investee)	0.08%	**526**	526
399,000	399,000	Shams Textile Mills Limited	4.60%	**6,694**	6,694
659,890	659,890	Suraj Cotton Mills Limited	3.70%	**15,649**	15,649
				32,535	33,692
		Market value as at December 31		**67,594**	23,695
12.2 Unquoted					
400,000	400,000	Crescent Powertec Limited Break-up value 2012: Rs 121.51 (2011: Rs 120.43) per audited accounts for the year ended June 30, 2012 Equity held : 8% Chief Executive : Mr Ahsan Bashir		**4,000**	4,000
				4,000	4,000
Others					
12.3 Quoted					
7,379	-	Akzo Nobel Pakisan Limited		**1,128**	-
-	10,936	Attock Petroleum Limited		**-**	4,070
14,900	50,000	Attock Refinery Limited		**2,121**	5,966
50,000	50,000	Bahawalpur Textile Mills Limited		**-**	250
-	100	Bawany Sugar Mills Limited		**-**	-
5,000	-	Cherat Cement Company Limited		**238**	-
-	30,000	Dewan Cement Company Limited		**-**	81
50,000	25,000	D.G. Khan Cement Company Limited		**2,672**	603
95,000	70,000	Engro Polymer & Chemicals Limited		**2,064**	1,732
268,335	157,181	Engro Corporation Limited		**32,830**	27,275
75,000	-	Fauji Cement Company Limited		**524**	-
236,038	156,038	Fauji Fertilizer Bin Qasim Limited		**11,029**	7,831
122,889	81,473	Fauji Fertilizer Company Limited		**14,109**	13,228
25,000	90,000	Fatima Fertilizer Company Limited		**654**	2,197

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

(Amounts in Rupees '000)

Number of shares / certificates / units 2012	2011	Name of entity	2012	2011
-	372	First Investec Modaraba	**-**	1
230,232	221,575	GlaxosmithKline Pakistan Limited	**21,806**	23,084
-	8,361	Habib Bank Limited	**-**	993
11,141	11,141	Hinopak Motors Limited	**1,710**	1,710
-	22,055	ICI Pakistan Limited	**-**	3,371
86,470	169,970	Kot Addu Power Company Limited	**3,799**	7,487
50,000	100,000	Karachi Electricity Supply Company Limited (Face value Rs.3.50 per share)	**334**	394
415,000	365,000	Lotte Pakistan PTA Limited	**5,688**	5,174
5,000	50,000	Lucky Cement Limited	**697**	4,119
30,580	109,703	MCB Bank Limited	**5,408**	21,525
133,285	199,350	National Bank of Pakistan	**6,110**	10,201
77,611	77,611	National Refinery Limited	**27,977**	27,977
100,000	70,000	Netsol Technologies Limited	**2,852**	2,229
-	25,000	NIB Bank Limited	**-**	126
30,000	30,000	Nishat Chunian Power Limited	**496**	496
20,000	-	Nishat Mills Limited	**1,280**	-
100,000	100,000	Nishat Power Limited	**1,693**	1,693
35,432	60,432	Packages Limited	**5,361**	9,143
499,599	499,599	Pak Oman Advantage Fund	**5,019**	5,019
135,000	140,000	Pakistan Telecommunication Company Limited	**2,416**	2,404
16,800	63,816	Pakistan Oilfields Limited	**7,062**	23,064
60,000	94,753	Pakistan Petroleum Limited	**10,604**	17,604
262,799	262,799	Pakistan Reinsurance Company Limited	**9,206**	9,206
130,482	118,319	Pakistan State Oil Company Limited	**29,651**	32,620
141,500	141,500	PICIC Energy Fund	**637**	637
268,977	268,977	PICIC Growth Fund	**3,809**	3,809
48,717	48,717	PICIC Investment Fund	**186**	186
-	10,611	Security Papers Limited	**-**	530
69,186	69,186	Shabbir Tiles & Ceramics Limited (Face value Rs 5 per share)	**969**	969
-	2,763	Shahzad Textile Mills Limited	**-**	21
75,720	60,576	Shell Pakistan Limited	**14,499**	14,499
-	20,000	Summit Bank Limited	**-**	143
80,000	51,800	The Hub Power Company Limited	**3,631**	1,961
-	131,250	Sui Northern Gas Pipelines Limited	**-**	2,986
-	300	Taj Textile Mills Limited	**-**	-
3,317	18,617	Tri-pack Films Limited	**535**	2,957
25,000	30,000	United Bank Limited	**1,962**	1,907
-				
			242,766	303,478
		Market value as at December 31	**208,128**	229,716

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

(Amounts in Rupees '000)

Number of shares / certificates / units 2012	2011	Name of entity	2012	2011
12.4 Unquoted				
9,407,275	9,407,275	Novelty Enterprises Limited Break-up value 2011: Rs.9.95 as per accounts for the year ended June30, 2012, Equity held: 16.66% Chief Executive : Mr.Maqbool Sadiq	**114,983**	114,983
517	517	Burma Soap & Oil Industries Limited	**5**	5
101,572	101,572	Central Cotton Mills Limited	**214**	214
113	113	H.M. Silk Mills Limited	**1**	1
			115,203	115,203
12.5 Mutual funds (unit trusts)				
7,924,721	-	ABL Cash Fund (Face value Rs 10 per unit)	**78,000**	-
-	250	Askari High Yield Scheme (Face value Rs 100 per unit)	**-**	25
506,201	-	First Habib Cash Fund (Face value Rs 100 per unit)	**50,000**	-
-	834	First Habib Income Fund (Face value Rs 100 per unit)	**-**	77
-	2,434	HBL Income Fund (Face value Rs 100 per unit)	**-**	222
1,115,955	776,720	HBL Money Market Fund (Face value Rs 100 per unit)	**108,841**	80,000
588,321	1,054,178	IGI Income Fund (Face value Rs 100 per unit)	**54,995**	105,570
-	786,909	IGI Money Market Fund (Face value Rs 100 per unit)	**-**	80,000
2,110,098	1,464,136	MCB Cash Management Optimizer Fund (Face value Rs 100 per unit)	**204,833**	150,000
-	10,348	NAFA Income Opportunity Fund (NAFA Cash Fund)	**-**	97
11,489,366	19,677,458	NAFA Government Security Liquid Fund	**109,556**	200,538
-	1,759	Pakistan Capital Market Fund	**-**	10
735,149	660,213	Pakistan Income Fund (Face value Rs 50 per unit)	**24,711**	24,711
-	1,987	United Growth & Income Fund (Face value Rs 100 per unit)	**-**	188
2,667,601	2,008,881	UBL Liquidity Plus Fund (Face value Rs 100 per unit)	**249,994**	200,638
			880,930	842,076
		Market value as at December 31	**935,218**	854,261

12.6 Impairment

	2012	2011
Opening balance	**7,529**	-
Less: write-off	**(250)**	-
Charge for the year	**17,284**	7,529
Closing balance	**24,563**	7,529

12.7 Mutual funds include Rs 24.7 million (2011: Rs 24.7 million) placed as statutory deposit with the State Bank of Pakistan (market value : Rs 38.3 million [2011: Rs 35.4 million]).

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

(Amounts in Rupees '000)

13. INVESTMENT PROPERTIES

2012

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

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

2011

	Cost			Depreciation				
	As at Jan 1, 2011	Additions/ (disposals)/ adjustments	As at Dec 31, 2011	Accumulated as at Jan 1, 2011	Charge for the year/ (disposals)/ adjustments	Accumulated as at Dec 31, 2011	Written down value as at Dec 31, 2011	Depreciation rate on written down value % per annum
Land	45,032	-	45,032	-	-	-	45,032	-
Building	11,928	-	11,928	1,135	539	1,674	10,254	5
2011	**56,960**	**-**	**56,960**	**1,135**	**539**	**1,674**	**55,286**	

The fair value of the investment properties at December 31, 2011 as per valuation carried out by professional valuers in January 2012 is Rs 99.1 million.

14. PREMIUM DUE BUT UNPAID - unsecured

	Note	2012	2011
Considered good		**561,826**	612,048
Less: write-off		**(3,009)**	-
Considered doubtful		**109,668**	111,000
		668,485	723,048
Provision for doubtful balances	14.1	**109,668**	111,000
		558,817	612,048

14.1 Provision for doubtful balances

	2012	2011
Opening balance	**111,000**	200,000
Less: write-off	**(3,009)**	-
Charge for the year	**1,677**	(89,000)
Closing balance	**109,668**	111,000

15. AMOUNT DUE FROM OTHER INSURERS/REINSURERS

	Note	2012	2011
Considered good		**350,062**	269,516
Considered doubtful		**115,683**	112,000
		465,745	381,516
Provision for doubtful balances	15.1	**115,683**	112,000
		350,062	269,516

Notes to the Financial Statements
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(Amounts in Rupees '000)

		Note	2012	2011
15.1	**Provision for doubtful balances**			
	Opening balance		**112,000**	-
	Charge for the year		**3,683**	112,000
	Closing balance		**115,683**	112,000
16.	**ACCRUED INVESTMENT INCOME**			
	Return on bank deposits		**240**	700
	Dividends receivable		**-**	654
			240	1,354
17.	**PREPAYMENTS**			
	Prepaid premium to insurers / reinsurers		**274,077**	252,392
	Prepaid rent		**209**	140
	Others		**11,329**	9,809
			285,615	262,341
18.	**DEPOSITS & OTHER RECEIVABLES**			
	Deposits	18.1	**25,550**	1,300
	Investment proceeds receivable		**547**	-
	Other receivables		**4,793**	4,429
			30,890	5,729

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

19. FIXED ASSETS

2012

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

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2011

Tangible	Cost: As at Jan 1, 2011	Cost: Additions/ (disposals)/ adjustments	Cost: As at Dec 31, 2011	Depreciation / Amortization: Accumulated as at Jan 1, 2011	Depreciation / Amortization: Charge for the year/ (disposals)/ adjustments	Depreciation / Amortization: Accumulated as at Dec 31, 2011	Written down value as at Dec 31, 2011	Depreciation rate on written down value
								% per annum
Owned								
Land and buildings (Office premises)	154,791	-	154,791	8,627	285	8,912	145,879	5
Computer equipment	9,004	3,867	12,871	6,800	1,224	8,024	4,847	30
Office equipment	10,167	992 (51)	11,108	4,692	598 (21)	5,269	5,839	10
Furniture and fixtures	21,088	2,883	23,971	5,997	1,662	7,659	16,312	10
Motor vehicles	92,922	8,747 (6,708)	94,961	41,530	10,794 (3,934)	48,390	46,571	20
	287,972	16,489 (6,759)	297,702	67,646	14,563 (3,955)	78,254	219,448	
Intangible								
Computer software	5,285	1,723	7,008	3,149	1,029	4,178	2,830	30
2011	293,257	18,212 (6,759)	304,710	70,795	15,592 (3,955)	82,432	222,278	

19.1 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain/ (Loss)	Mode of disposal	Disposal to
Suzuki Cultus	627	517	110	425	315	Tender	Mr Didar Hussain
Suzuki Baleno	774	629	145	532	387	Tender	Mr Noman Ali Siddiqui
Honda City	904	690	214	702	488	Tender	Mr Noman Ali Siddiqui
Honda Civic	1,515	1,008	507	1,500	993	Claim settlement	Century Insurance
Honda Civic	905	840	65	616	551	Tender	Mr Tariq Hussain
Toyota Corolla	1,015	833	182	871	689	Tender	Mr Rehan Mithani
Suzuki Cultus	555	496	59	250	191	Tender	Mr Zahid Ali
Toyota Corolla	682	658	24	300	276	Claim settlement	Premier Insurance
Honda M/Cycle	54	40	14	54	40	Company policy	Mr Muhammad Zakir
Honda M/Cycle	54	40	14	54	40	Company policy	Ms Yasmin Roshan Din
Computer Equipment	49	26	23	33	10	Claim settlement	Century Insurance
Split Airconditioners	50	24	26	11	(15)	Tender	Saad Electrition Refregeration
2012	7,184	5,801	1,383	5,348	3,965		
2011	6,759	3,955	2,804	3,238	434		

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	Note	2012	2011
20. CAPITAL WORK IN PROGRESS			
This represents property acquisition and renovation costs		**36,517**	33,172
21. MANAGEMENT EXPENSES			
Underwriting expenses			
Salaries, wages and benefits		**103,011**	104,638
Rent, taxes etc.		**4,021**	3,627
Communication		**5,195**	5,478
Fuel and power		**20,836**	18,022
Tracking devices		**11,497**	6,955
Insurance		**3,445**	3,117
Printing and stationery		**4,671**	4,164
Travelling and entertainment		**12,143**	10,594
Repairs and maintenance		**8,652**	6,996
Legal and professional		**3,019**	3,604
Advertisement		**5,877**	5,045
Others		**19,574**	15,088
		201,941	187,328
General and administration expenses			
Depreciation and amortization		**15,534**	15,592
Bonus, retirement and other benefits		**9,417**	17,913
Provision for doubtful balances		**5,360**	23,000
Workers welfare fund		**-**	1,837
Donation	21.1	**5,000**	4,834
Others		**620**	665
		35,931	63,841
Total		**237,872**	251,169

21.1 Donations

Charitable donations paid during the year amounted to Rs 4.0 million (2011: Rs 3.5 million) and did not include any donee in which any director or his spouse had any interest except for Rs 2.6 million to the Patient Aid Foundation. Mr Zahid Bashir, Chairman of the Board, is also the Chairman of the Board of Governors of the donee.

22. TAXATION	2012	2011
Current	**6,850**	18,953
Prior year	**(26,509)**	-
	(19,659)	18,953

As at the balance sheet date, the company has aggregate carried forward tax losses of Rs 451.5 million. The deferred tax assets on such losses and other temporary differences between the tax and accounting base of tax and other liabilities amounts to Rs 158.0 million. The company has not recognised such deferred tax assets due to uncertainty regarding the realization of such assets.

Notes to the Financial Statements
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	2012	2011
22.1 Tax charge reconciliation	%	%
Applicable tax rate	**(35.00)**	35.00
Effect of amounts that may not be allowable, net of exemptions / rebates	**59.59**	18.87
Effect of amounts taxed at a different rate	**18.97**	(32.81)
	78.56	(13.94)
Effect of prior year adjustment	**(168.57)**	-
Effective tax rate	**(125.01)**	21.06

22.2 AUDITORS' REMUNERATION

	2012	2011
Audit fee	**288**	288
Fee for review of financial statements	**60**	60
Certification fee	**185**	242
Out of pocket expenses	**77**	69
	610	659

23. EARNINGS PER SHARE

	2012	2011
Profit after tax for the year	**3,934**	71,056
Weighted average number of shares	**60,564,269**	60,564,269
Basic earnings per share of Rs 5 each - Rupees	**0.06**	1.17

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

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Director & Chief Executive		Directors		Executives		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Managerial remuneration	**14,291**	12,992	**7,986**	7,986	**17,766**	14,935	**40,043**	35,913
Retirement benefits	**2,625**	2,480	**-**	-	**1,480**	1,244	**4,105**	3,724
Housing and utilities	**1,616**	1,469	**1,198**	1,198	**10,883**	9,038	**13,697**	11,705
Bonus	**-**	-	**-**	-	**1,809**	4,373	**1,809**	4,373
Meeting fees	**-**	-	**620**	665	**-**	-	**620**	665
Others	**1,113**	258	**2,574**	2,912	**1,744**	884	**5,431**	4,054
	19,645	17,199	**12,378**	12,761	**33,682**	30,474	**65,705**	60,434
Number of persons	**1**	1	**6**	6	**20**	16		

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

Notes to the Financial Statements
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25. SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2012 and December 31, 2011 and estimated information regarding certain assets and liabilities as at December 31, 2012 and December 31, 2011.

	Fire and property		Marine, aviation & transport		Motor		Miscellaneous		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Revenue										
Premium earned	**443,887**	389,820	**145,866**	140,391	**293,131**	231,405	**156,941**	131,629	**1,039,825**	893,245
Segment results	**14,249**	37,545	**10,575**	9,459	**(89,022)**	(41,525)	**3,238**	(530)	**(60,960)**	4,949
Investment income									**72,570**	143,448
Gain on disposal of fixed assets									**3,965**	434
Rental income									**3,330**	2,930
Other income									**1,301**	2,089
General and administration expenses									**(35,931)**	(63,841)
									45,235	85,060
(Loss) / profit before tax									**(15,725)**	90,009
Provision for taxation - net									**19,659**	(18,953)
Profit after tax									**3,934**	71,056
Other information										
Segment assets	**730,948**	734,595	**191,257**	189,093	**305,620**	275,252	**327,314**	296,388	**1,555,139**	1,495,328
Unallocated corporate assets									**1,750,720**	1,806,321
Consolidated total assets									**3,305,859**	3,301,649
Segment liabilities	**466,404**	489,997	**104,073**	107,550	**286,104**	246,576	**239,350**	215,992	**1,095,931**	1,060,115
Unallocated corporate liabilities									**428,549**	403,525
Consolidated total liabilities									**1,524,480**	1,463,640
Capital expenditure	**6,934**	9,425	**2,370**	2,994	**5,087**	5,809	**2,648**	3,084	**17,039**	21,312
Depreciation / Amortization	**6,321**	6,896	**2,161**	2,190	**4,638**	4,250	**2,414**	2,256	**15,534**	15,592

(Amounts in Rupees '000)

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Financial risk management objectives and policies

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

26.1.1 Market risk

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

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

The table below summarizes the company's equity price risk as of December 31, 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 the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase/ (decrease) in shareholder's equity	Hypothetical increase/ (decrease) in profit / (loss) before tax
December 31, 2012	**275,722**	**10% increase**	**303,294**	**27,572**	**27,572**
		10% decrease	**248,150**	**(27,572)**	**(27,572)**
December 31, 2011	253,411	10% increase	278,752	25,341	25,341
		10% decrease	228,070	(25,341)	(25,341)

Notes to the Financial Statements
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26.1.2 Yield / mark-up rate risk

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

2012

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

2011

	Effective yield/mark-up rate %	Exposed to yield/mark-up risk: Maturity upto one year	Exposed to yield/mark-up risk: Maturity after one year	Exposed to yield/mark-up risk: Sub total	Not exposed to yield/mark-up rate risk: Maturity upto one year	Not exposed to yield/mark-up rate risk: Maturity after one year	Not exposed to yield/mark-up rate risk: Sub total	Total
Financial assets								
Cash and bank deposits	5 - 10	186,633	-	186,633	-	-	-	186,633
Loans to employees	6.00	706	294	1,000	-	-	-	1,000
Investments	....	-	-	-	1,290,920	-	1,290,920	1,290,920
Premium due but unpaid	....	-	-	-	612,048	-	612,048	612,048
Amount due from other insurers / reinsurers	....	-	-	-	269,516	-	269,516	269,516
Accrued investment income	....	-	-	-	1,354	-	1,354	1,354
Accrued salvage recoveries	....	-	-	-	8,347	-	8,347	8,347
Reinsurance recoveries	....	-	-	-	278,307	-	278,307	278,307
Deposits & other receivables	....	-	-	-	5,729	-	5,729	5,729
		187,339	294	187,633	2,466,221	-	2,466,221	2,653,854
Financial liabilities								
Provision for outstanding claims	....	-	-	-	430,567	-	430,567	430,567
Amount due to other insurers / reinsurers	....	-	-	-	114,393	-	114,393	114,393
Accrued expenses	....	-	-	-	16,200	-	16,200	16,200
Other creditors and accruals	....	-	-	-	235,359	-	235,359	235,359
Dividend payable	....	-	-	-	10,032	-	10,032	10,032
		-	-	-	806,551	-	806,551	806,551
Total yield / mark-up rate risk sensitivity gap 2011		187,339	294	187,633	1,659,670	-	1,659,670	1,847,303

(Amounts in Rupees '000)

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

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on equity
December 31, 2012	**100**	**5,949**	**1,078**
	(100)	**(5,949)**	**(1,078)**
December 31, 2011	100	3,867	1,092
	(100)	(3,867)	(1,092)

26.1.3 Foreign currency risk

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

26.1.4 Credit risk and concentration of credit risk

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

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

	2012	2011
Bank deposits	**146,280**	186,005
Investments in mutual funds	**880,930**	842,076
Premium due but unpaid - net of provision	**558,817**	612,048
Amount due from other insurers / reinsurers - net of provision	**350,062**	269,516
Accrued investment income	**240**	1,354
Reinsurance recoveries against outstanding claims	**277,899**	278,307
Deposits & Other receivables	**30,890**	5,729

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

	2012	2011
The age analysis of receivables is as follows:		
Upto 1 year	**290,647**	374,532
1 -2 years	**198,425**	109,415
2 - 3 years	**21,312**	27,408
Over 3 years	**158,101**	211,693
	668,485	723,048
Considered impaired	**109,668**	111,000

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

	Rating Short term	Rating Long term	Rating Agency	2012	2011
United Bank Limited	A-1+	AA+	JCR-VIS	**29,507**	26,170
Allied Bank Limited	A-1+	AA+	PACRA	**5,630**	6,556
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	**100,541**	130,679
NIB Bank Limited	A-1+	AA-	PACRA	**8,125**	19,697
Habib Bank Limited	A-1+	AAA	JCR-VIS	**1,747**	1,632
Samba Bank Limited	A-1	AA-	JCR-VIS	**9**	8
MCB Bank Limited	A-1+	AAA	PACRA	**156**	96
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**560**	1,160
Industrial Development Bank of Pakistan				**5**	7
				146,280	186,005

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2012	2011
A or above (including PRCL)	**428,953**	**261,460**	**258,146**	**948,559**	841,723
BBB	**29,624**	**5,442**	**3,508**	**38,574**	36,866
Others	**7,168**	**10,997**	**12,423**	**30,588**	33,626
Total	**465,745**	**277,899**	**274,077**	**1,017,721**	912,215

26.1.5 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting payment obligations when they fall due under normal circumstances. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

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

	2012			
Financial liabilities	Within one year	Over one year to five years	Over five years	Total
Provision for outstanding claims	451,304	-	-	451,304
Staff retirement benefits	-	28,948	-	28,948
Amount due to other insurers / reinsurers	95,074	-	-	95,074
Accrued expense	14,500	-	-	14,500
Other creditors and accruals	279,660	-	-	279,660
Unclaimed dividend	15,726	-	-	15,726
	856,264	**28,948**	**-**	**885,212**

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	2011			
	Within one year	Over one year to five years	Over five years	Total
Financial liabilities				
Provision for outstanding claims	430,567	-	-	430,567
Staff retirement benefits	-	26,472	-	26,472
Amount due to other insurers / reinsurers	114,393	-	-	114,393
Accrued expense	16,200	-	-	16,200
Other creditors and accruals	235,359	-	-	235,359
Unclaimed dividend	10,032	-	-	10,032
	806,551	26,472	-	833,023

26.2 Insurance risk

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

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

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

Frequency and severity of claims

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

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

	2012 Maximum Gross Risk Exposure	2011 Maximum Gross Risk Exposure
Fire and property	**5,280,000**	6,196,747
Marine, aviation and transport	**603,914**	568,062
Motor	**10,000**	18,317
Miscellaneous	**586,500**	356,592

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

Uncertainty in the estimation of future claims payment

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

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

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

Key assumptions

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

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

Class	**Assumed Net Loss Ratio 2012**	Assumed Net Loss Ratio 2011
Fire and property	**19%**	17%
Marine, aviation and transport	**22%**	28%
Motor	**67%**	67%
Miscellaneous	**85%**	81%

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Sensitivity analysis

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

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

	Pre tax profit		Shareholders' equity	
	2012	2011	**2012**	2011
10% increase in loss	**(32,741)**	(21,883)	**(21,282)**	(14,224)
10% decrease in loss	**32,741**	21,883	**21,282**	14,224

Claims development

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

26.3 Reinsurance arrangements

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

The risk by type of contract is summarised below:

	Gross exposure		Net exposure	
	2012	2011	**2012**	2011
Fire and property	**327,805,662**	274,541,047	**82,770,930**	101,607,642
Marine, aviation and transport	**103,502,114**	98,658,095	**51,854,559**	45,274,200
Motor	**13,580,937**	10,551,494	**13,415,250**	9,888,860
Miscellaneous	**38,683,547**	24,783,616	**9,400,102**	5,107,903
	483,572,260	408,534,252	**157,440,841**	161,878,605

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

(Amounts in Rupees '000)

26.4 Geographical concentration of insurance risk

To optimize benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insureds.

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

27. Capital Management

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

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

28. Fair value of financial instruments

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

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

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

(Amounts in Rupees '000)

29. TRANSACTIONS WITH RELATED PARTIES

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

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

	2012	2011
Associated undertakings		
Premium written	**104,926**	92,773
Claims paid	**284,090**	60,436
Commission paid	**6,009**	6,512
Dividend received	**6,775**	2,555
Dividend paid	**7,450**	9,312
Others		
Premium written	**319**	47
Dividend paid	**2,315**	2,894
Meeting fees	**620**	665
Rent received	**1,009**	900
Period-end balances		
Associated undertakings		
Claims outstanding	**16,788**	59,106
Premium receivable	**117,394**	146,201
Others		
Premium receivable	**326**	78
Other payables	**766**	137

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

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

(Amounts in Rupees '000)

30. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 5, 2013 has proposed a cash dividend of 20% (2011: 20%). Which will be distributed out of the unappropriated profit. This distribution will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2012 do not include the effect of the following appropriation which will be accounted for in the financial statements for the year ended December 31, 2013 as follows:

Transfer from unappropriated profit to proposed dividend	60,564

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 5, 2013 by the directors of the company.

32. GENERAL

Figures of the prior year have been rearranged wherever necessary for the purpose of comparison.

All amounts have been rounded to the nearest thousand Rupees.

Zahid Bashir Chairman	Nadeem Maqbool Director	Imran Maqbool Director	Fakhir Rahman Director & Chief Executive

Pattern of Shareholding
As at December 31, 2012

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholders	Number of shares held
i. Associated Companies, Undertakings and Related Parties		
Crescent Cotton Mills Limited	1	363,380
Crescent Fibres Limited	1	84,477
Crescent Powertec Limited	1	4,207,853
Equity Textiles Limited	2	981,134
Jubilee Spininng & Weaving Mills Limited	1	22,670
Muhammad Amin Muhammad Bashir Limited	2	14,047
Shams Textile Mills Limited	1	885,221
Suraj Cotton Mills Limited	1	721,353
The Crescent Textile Mills Limited	1	169,573
Total :	**11**	**7,449,708**
ii. Mutual Funds		
Golden Arrow Selected Stocks Fund Limited	1	3,085,889
Total :	**1**	**3,085,889**
iii. Directors and their spouse(s) and minor children		
Mr Zahid Bashir	2	7,365
Mr Khalid Bashir	1	66,401
Mr Shams Rafi	1	431,576
Mr Nadeem Maqbool	1	573,393
Mr Imran Maqbool	1	593,659
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)	1	24,918
Mrs Tanveer Khalid Bashir (w/o. Mr Khalid Bashir)	1	192,036
Mrs Nazia Maqbool (w/o. Mr Nadeem Maqbool)	1	242,249
Mrs Asma Imran Maqbool (w/o. Mr Imran Maqbool)	1	183,617
Total :	**8**	**2,315,214**
iv. Executives		
Mr Afroz Quraishi	1	100
Mr Jawaid A. Siddiqui	1	100
Ms Shazia Bashir	1	100
Mr Muhammad Athar Saleem Chaudhry	1	100
Mr Fariq M.K. Rohilla	1	3,036
Mr Ghulam Sabir Akbar	1	131
Ms Minail Bashir	1	3,100
Mr Ali Muhammad	1	34
Mr Ayazuddin Alavi	2	4,591
Mr Fakhar-e-Alam	1	396
Mr Kamaluddin	1	10
Mr Kamran Safi Rizvi	1	100
Mr Khalid Rafiq	1	100
Syed Zahid Ali	1	215
Mr Muhammad Yasin Tola	1	100
Total :	**14**	**12,113**
v. Public Sector Companies and Corporations	2	6,557,314
Total :	**2**	**6,557,314**
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	12	1,415,348
Total :	**12**	**1,415,348**
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company		
State Life Insurance Corporation of Pakistan	2	6,557,314
Crescent Powertec Limited	1	4,207,853
Golden Arrow Selected Stocks Fund Limited	1	3,085,889
Total :	**3**	**13,851,056**

Pattern of Shareholding
As at December 31, 2012

Number of Shareholders	Shareholdings From	To	Total Shares Held
668	1	100	16563
481	101	500	127810
299	501	1000	221062
565	1001	5000	1406112
188	5001	10000	1377218
75	10001	15000	927494
53	15001	20000	879872
34	20001	25000	790461
20	25001	30000	540723
29	30001	35000	936908
20	35001	40000	761268
16	40001	45000	694339
12	45001	50000	566694
7	50001	55000	364538
4	55001	60000	229687
8	60001	65000	495871
1	65001	70000	66401
4	70001	75000	288805
5	75001	80000	382832
10	80001	85000	835430
5	85001	90000	437919
5	90001	95000	454625
2	95001	100000	192685
3	100001	105000	310461
2	105001	110000	215347
2	110001	115000	230000
3	115001	120000	347924
2	120001	125000	240484
4	125001	130000	509459
1	135001	140000	135994
2	140001	145000	284570
2	150001	155000	305953
3	155001	160000	475125
2	160001	165000	324050
3	165001	170000	503035
1	170001	175000	171825
6	180001	185000	1100108
2	190001	195000	386461
1	200001	205000	200750
1	205001	210000	206611
1	220001	225000	222663
1	225001	230000	227058
2	230001	235000	464978
1	235001	240000	236765
2	240001	245000	482910
1	245001	250000	246186
2	250001	255000	505173
1	260001	265000	262310
1	265001	270000	269269
1	285001	290000	288662
1	300001	305000	302815
1	305001	310000	305649
1	315001	320000	318994
1	330001	335000	331887
1	345001	350000	347082
1	360001	365000	363380
2	365001	370000	731327
2	375001	380000	756774
3	390001	395000	1177966
1	420001	425000	421006
1	425001	430000	427779
1	430001	435000	431576
1	460001	465000	460474
1	475001	480000	476732
1	495001	500000	500000
1	570001	575000	573393
3	590001	595000	1777686
1	605001	610000	605637
1	630001	635000	631171
1	635001	640000	638825
1	680001	685000	680877
1	720001	725000	721353
1	780001	785000	784407
1	835001	840000	839934
1	885001	890000	885221
1	895001	900000	896379
1	915001	920000	915427
1	1020001	1025000	1020269
1	1090001	1095000	1094835
1	1105001	1110000	1107335
1	1120001	1125000	1121899
1	1415001	1420000	1417003
1	1495001	1500000	1499018
1	3085001	3090000	3085889
1	4205001	4210000	4207853
1	6555001	6560000	6556969
2606			**60,564,269**

Pattern of Shareholding
As at December 31, 2012
Additional Information

Categories of Shareholders		Shares Held	Percentage
Directors, CEO and their spouses & minor children			
Mr. Zahid Bashir	(Director)	7,365	0.01
Mr. Khalid Bashir	(Director)	66,401	0.11
Mr. Shams Rafi	(Director)	431,576	0.71
Mr. Nadeem Maqbool	(Director)	573,393	0.95
Mr. Imran Maqbool	(Director)	593,659	0.98
Mrs Umbreen Zahid Bashir (w/o. Mr Zahid Bashir)		24,918	0.04
Mrs.Tanveer Khalid (w/o. Mr.Khalid Bashir)		192,036	0.32
Mrs.Nazia Maqbool (w/o.Mr.Nadeem Maqbool)		242,249	0.40
Mrs.Asma Imran Maqbool (w/o.Mr.Imran Maqbool)		183,617	0.30
Associated companies, undertakings & related parties			
Crescent Fibres Limited		84,477	0.14
Crescent Powertec Limited		4,207,853	6.95
Crescent Cotton Mills Limited		363,380	0.60
Equity Textiles Limited		981,134	1.62
Jubilee Spinning & Weaving Mills Limited		22,670	0.04
Muhammad Amin Muhammad Bashir Limited		14,047	0.02
Shams Textile Mills Limited		885,221	1.46
Suraj Cotton Mills Limited		721,353	1.19
The Crescent Textile Mills Limited		169,573	0.28
NIT & ICP			
Investment Corporation of Pakistan		1,388	-
Banks, Development Financial Institutions, Non Banking Financial Institutions			
Banks		68,136	0.11
Investment Companies		27,818	0.05
Joint Stock Companies		1,993,016	3.29
Financial Institutions		1,020,269	1.68
Insurance Companies		223,309	0.37
Modarabas & Mutual Funds		3,162,927	5.22
Shareholders holding 10%			
State Life Insurance Corporation of Pakistan		6,557,314	10.83
General Public			
Local		37,088,743	61.22
Others			
Administrator Abandoned Properties, Government of Pakistan		331,887	0.55
Dawood Foundation		24,090	0.04
Trustees Muhammad Amin Wakf Estate		236,765	0.39
Trustees Crescent Steel & Allied Products Limited		15,180	0.03
Trustees Saeeda Amin Wakf		15,525	0.03
Trustees Rashid Latif Jamal Trust		3,036	0.01
Trustees Aziz Latif Jamal Trust		3,036	0.01
Trustees DGKC Employees P.F. Trust		16,000	0.03
Ali Trust		55	-
Islamabad Stock Exchange (G) Limited		10,853	0.02
		60,564,269	**100.00**

Locations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PREMIER INSURANCE LIMITED

PROXY FORM

Annual General Meeting

I/We………………………………………………………………………………………………….…..…
of…………………………………… …………… being a member of Premier Insurance Limited and holder of
……………… …………………Ordinary shares as per Registered Folio No….…………………………….
and/or CDC Participant I.D.No……………………………Sub-Account No.……………………………………
CNIC No……………………..……………………..or Passport No………………………………………….
hereby appoint………………………………………… of ………………………………………………..who
is also a member of the company, Folio No……………………… or failing him/her……………………………
of………………………………………… as my/our Proxy in my/our absence to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on Monday, April 29, 2013 at 2:00 p.m. at the Beach Luxury, Aquarius Hall, Molvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this……………..day of………………….. 2013

1. **Witness:**
   Signature...
   Name ....
   Address..
   ....
   CNIC or Passport No..

2. **Witness:**
   Signature...
   Name ....
   Address..
   ....
   CNIC or Passport No..

Rupees Five
Revenue
Stamp

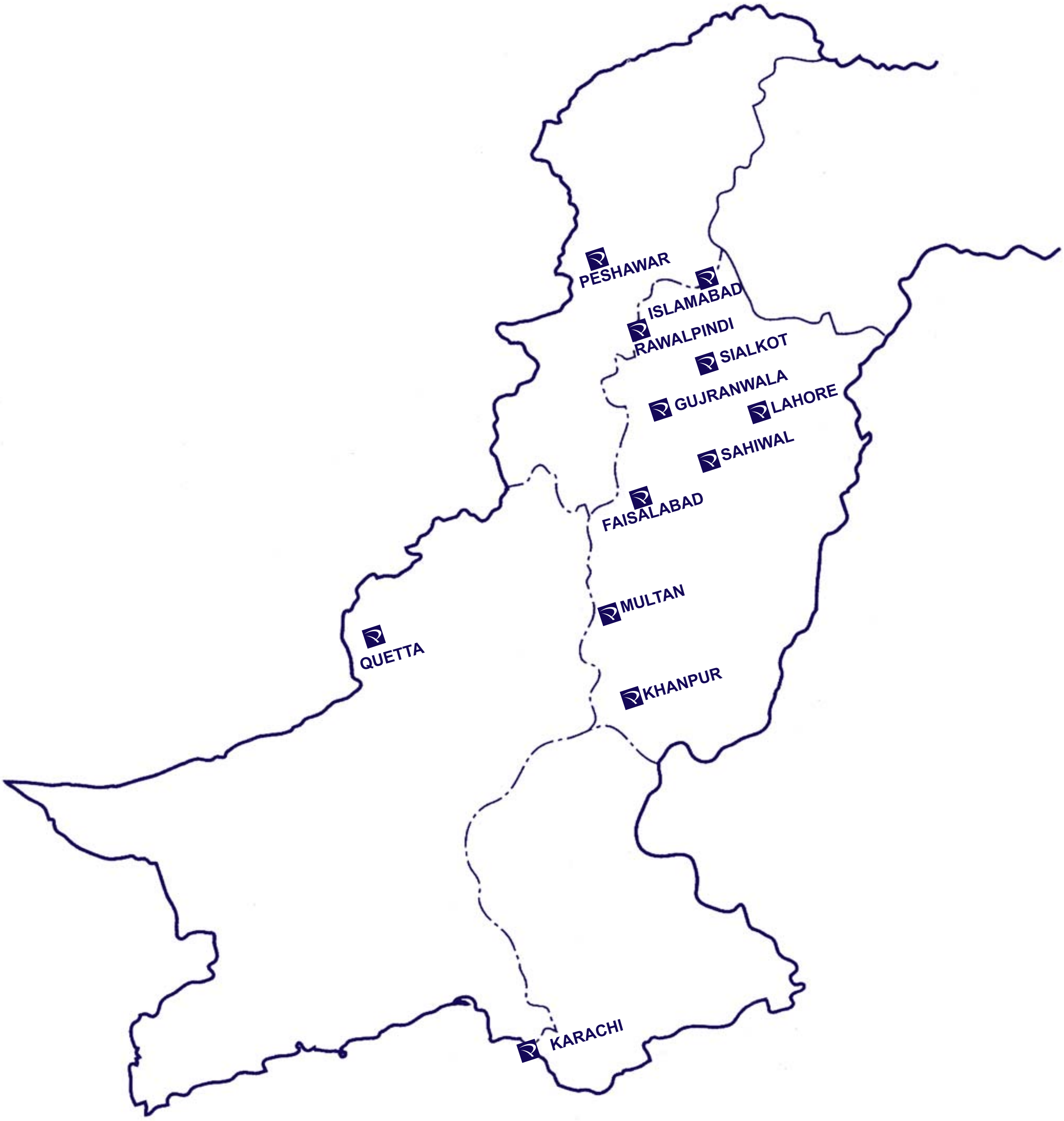
Signature of Shareholder

Note:

1. Proxies in order to be effective must be received at the Registered Office of the company at 5th Floor, State Life Building No. 2-A, Wallace Road, Karachi not later than 48 hour before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.

3. The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Card and CDC account number for verification.


PESHAWAR
ISLAMABAD
RAWALPINDI
SIALKOT
GUJRANWALA
LAHORE
SAHIWAL
FAISALABAD
MULTAN
QUETTA
KHANPUR
KARACHI