2013

PakRe

Annual Report

Simply Secure

Contents

Simply Secure

Vision

To be a leading provider of reinsurance and risk management services in the region

Mission

To provide secure reinsurance capacity and outstanding risk management advice in a profitable manner and to conduct our business in a dependable and professional manner with the highest standards of customer service.

In fulfilling this mission, PRCL is committed to:-

- Providing its clients, and particularly insurance companies in Pakistan, with comprehensive insurance, reinsurance, financial and business services of the highest quality and value.
- Maintaining financial strength and stability through prudent business decisions and sound operations based on state of the art information technology.
- Taking a long-term view of business relationships.
- Practicing the highest standards of integrity and professionalism.
- Investing continuously in knowledge required to support business decisions and long-tem business strategy formulation.
- Achieving consistent, long-term financial growth and profitability for its shareholders.
- Attracting retaining and developing capable and dedicated employees who in turn contribute to the growth of the company and share its success.

Strategy

To remain best provider of reinsurance and risk management services to the insurance industry, to have good business relationship with the insurance industry and to remain professionals who can be of assistance to the industry at all levels.

Objectives

- To provide best services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.
- To develop good business relations with other reinsurers.
- To train its people according to fast changing business market requirements as well as to provide them with the ideal working environment.
- To share risks and preserve resources by providing reinsurance facilities to the insurance companies.
- To assist in the development of the national insurance industry.
- To enhance domestic retention capacity in the country in order to save valuable foreign exchange.

Formerly called the Pakistan Insurance Corporation, Pakistan Reinsurance Company Limited, PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. It is the sole reinsurance organization operating in Pakistan.

PRCL is a public sector company under the administrative control of the Ministry of Commerce. The Company is being headed by a Chairman, supported by a strong team of professionals who manage the business affairs of the Company effectively. The Company is supervised by the Board of Directors. Amongst which seven are nominated by the Federal Government, where as, the other directors are elected by the shareholders who enjoy excellent repute within the business community.

PRCL's prime objective is the development of insurance and reinsurance business in Pakistan. The company provides insurance solutions to departments including Aviation, Marine Cargo, Marine Hull, Engineering, Fire and Accident. The company is a national reinsurer playing its role in the economic development of Pakistan. It provides reinsurance protection to the local insurance industry by way of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

PRCL's Role in Economic Development

PRCL plays a significant role in economic development of Pakistan by providing reinsurance capacity to the local insurance industry. Risk sharing and risk transfer mechanism provides confidence amongst the insurers. The effect trickles down to industry and commerce and business activities takes place with "Peace of Mind" that in case of any fortuitous event there will be a cushion to fall back on fostering economic growth.
A local reinsurance support is also beneficial to the economy as local players can retain larger shares within the country plugging the outflow of valuable foreign reserves.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. Since then it has managed National Insurance Fund (NIF), National Coinsurance Scheme (NCS), War Risks Insurance (WRI) and Export Credit Guarantee Scheme (ECGS) providing help in different forms to the insurance as well as business community.

In the year 2000. Pakistan Insurance Corporation was converted and incorporated as a public limited company into Pakistan Reinsurance Company Limited.

The company was formed with a view to take over all assets and liabilities of Pakistan Insurance Corporation. Accordingly, it took over assets and liabilities of PIC on 15th February 2001 in pursuance of Ministry of Commerce SRO No.98(1)/2000 which was issued under the President ordinance No. XXXVI of 2000 14th February, 2001.

PakRe

PRCL Business

PRCL operates in the following departments to conduct its business:

- **Fire**
- **Marine**
- **Engineering**
- **Accident**
- **Aviation**
- **Treaty & Business Development department**

Services:

It is mandatory for PRCL to accept suitable percentage of reinsurance business from the general insurance companies operating in Pakistan for whom it is obligatory to offer atleast 35% of their surplus to PRCL.

PRCL being a progressive entity, always keeps itself engaged by taking part in major international forums and platforms.

It actively participates in international forums such as Economic Cooperation Organization (ECO) and Federation of Afro-Asian Insurer and Reinsurer (FAIR).

The objective of this collaboration is to reduce the outflow of foreign exchange and improve the standard of insurance and reinsurance services in the Region .

PRCL is also one of the pioneering and founding members of (FAIR).

Fire

This department came into effect in 1953 when the company's foundation was laid. This department constitutes the major portion of its business and is the focal point of the country's insurance industry.

It jointly collaborates in foreign risk sharing pacts. The following functions come under its domain:

- To underwrite all facultative acceptance from the cedants i.e. insurance companies of Pakistan.
- To manage and supervise, treaty portfolios of the insurance industries
- To assess and process claims and if necessary their recovery from the excess of loss reinsures participants
- To guide and assist its clients in complex reinsurance matter.

PakRe

The Fire Department has specialized expertise in the following areas:

- Building
- Building and contents
- Stocks
- Machinery
- And other Insurable interest

The department is managed by vigilant staff members which are headed by an expert manager.

The clients of this department include local insurance companies in Pakistan and also foreign reinsurance i.e M/s Aon insurance Broker, M.S Marsh, Munich Re, Swiss Re and Wills Faber Al Futtaim Dubai. Their Contribution to Pakistan Reinsurance Industry is significant as they are specialized in the provision of reinsurance coverage of high value risks which is not retained in Pakistan.

Marine Department

The Marine Department was established during the initial period of the establishment of the company divided into following categories:

- **Marine Cargo**
- **Marine Hull**

Marine Cargo is concerned with only cargo within the particular vessels whereas Marine Hull deals with reinsurance of machinery/ body of the boat. Both Marine Cargo & Marine Hull departments make primary decision with respect to acceptance of the risks by means of Facultative and Treaty.

The Marine Department specializes in providing reinsurance support in the following areas:

- All types of Cargo (whether by Road, Rail, Air, and by Sea)
- Hull & Machineries
- Freight and Ship Breaking Risks
- Pleasure Boats
- Third Party Liability

Engineering

The Engineering Department is working since the PRCL's establishment. The Engineering Department specializes in reinsurance coverage of the following risks to the local insurance market including M/s. National Insurance Company (NIC) through treaty agreements and facultative placements.

- Property Damage
- Business interruption
- Machinery breakdown/Boiler
- Contractor All Risks (CAR)
- Erection All Risks (EAR)
- Third Party Liability (TPL)

It provides the engineering risks coverage to the following major clients and helps in reconstructing the infrastructure across the country and promoting industrialization.

a) Pakistan Arab Refinery Limited (PARCO)
b) Pak Arab Pipeline Company Limited (PAPCO)
c) Kot Addu Power Company Limited (KAPCO)
d) Oil & Gas Development Company Limited (OGDC)

i. Control of wells
ii. Qadirpur Gas Plant
iii. UCH Gas
iv. Sarhad Hydel Power Project
v. Chashma Nuclear Power Project

Accident Department

The Accident Department originated with the formation of the company. The department specializes in provision of reinsurance coverage to local Insurance companies as well as foreign based companies accommodating the acceptance/retro business.

Accident department of PRCL deals with Motor/Liabilities business and accept all Motor/Non-motor risks ceded by local insurance companies. The motor risks constitute all private and commercial modes of transportation. The Non-motor includes the following areas:

- Workman Compensation
- Burglary
- Fidelity Guarantee
- Cash in safe, cash in transit and cash on counter
- Employers Liability
- Public/product liability
- Professional Indemnity
- Personal Accident
- Health Insurance
- Crop insurance
- Live Stock

There is no retrocession of this acceptance nor does the company have any cover under Non-marine.

Aviation & Aerospace

The aviation department is a part of PRCL since It's origin. It specializes in the aviation reinsurance arrangement to private insurance companies as well as to NICL. It offers expertise for the coverages in the following risk areas;

- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductible
- Cargo
- Hi-jacking and terrorism
- Hull and Spares War
- Loss of License /Additional Loss of License
- Personal Accident to Crew
- Personal Accident to Passenger

For all the above mentioned risks, due covers are arranged in the International Aviation Out of all the accounts maintained in the Aviation & Aerospace Department, PIA Fleet account is the biggest. It comprises 40 aircrafts at present. Among them are 19 Boeings, 12 Airbuses and 7 ATR 42-500 aircrafts. Following risks are covered by five main reinsurance policies for PIA Fleet:-

a) Hull All Risks/Spares/Liabilities
b) Primary Cargo
c) Hull War
d) Hull Deductible
e) AVN 52 E (Extended Coverage endorsement against Hijacking and Terrorism)

Aviation & Aerospace department placed its first step in the space insurance market in 2011 by reinsuring the sole satellite of country i.e. PAKSAT-1R satellite of SUPARCO worth US Doller 190 million

Treaty & Business Development Department

The main function of this department is to provide maximum reinsurance protection to the local insurance companies as highlighted below:-

On receipt of terms, proposals and other required information/data the department analyzes this information for PRC participation in the treaties of the companies. The matter of payment of outstanding dues at the time of treaty renewal is taken up and substantial amount is recovered from the companies before finalizing treaty arrangements. The department recommends acceptance of share in those companies which have generallyl good payment record.

- After finalization of treaty arrangements, this department perused the treaty agreements in depth and picks up the terms, conditions and important information. On the basis of this information, business- wise statements are prepared and transmitted to all underwriting departments. The underwriting departments book the quarterly business on the basis of the information given in "Master Statement". The preparation of Master Statement is very important job of Treaty & Business Development Department which contains all the terms / conditions of the treaties of the companies on the basis of which returns are booked / tallied. The department is therefore called the 'back bone" of the underwriting departments.

- In order to enhance PRC's business and to resolve business related issues, the officers/staff of the department, headed by Executive Director (BD-Re) make frequent visits to insurance companies and hold meetings with their senior officers to sort out problems. As a result of these meetings, PRC's business results 2011 are much better than previous years.

- Another main function of this department is preparation of quarterly business closing schedule according to prescribed dates incorporated in Gazette Notification. All quarterly returns from insurance companies are received in this department and timely delivered to respective underwriting departments for booking on the basis of which accounts are prepared.

- Correspondence with Ministry of Commerce, SECP, IAP, Pakistan Insurance Institute regarding their references/queries relating to insurance/reinsurance is made by this department.

- In addition to this, the department arranges reinsurance training programs on insurance/ reinsurance and other general related matters both for PRC's employees and local insurance industry. The department also shares the latest development of the developed world for betterment of insurance protection to the insured.

- The department imparted/completed 6 months training program in insurance and reinsurance of two batches each batch contains 20 trainees under Benazir Bhutto Shaheed Youth Development Program (BBSYDP) in collaboration of Sports & Youth affairs, Government of Sindh.

Human Resource Department

The forward thinking human resource department at PRCL views employees, as an asset to the enterprise whose value will be enhanced by development. It is devoted to providing effective policies, procedures, and people-friendly guidelines and support within PRCL. Additionally, the human resource function serves to make sure that PRCL's mission, vision, values, and the factors that keep PRCL guided toward success are optimized.

Staffing

The Human Resource Department at PRCL works in collaboration with units seeking to hire staff, with a view to ensuring that new recruits correspond as closely as possible to the profiles required and are available as needed.

PakRe

Performance appraisals

At PRCL we foster an environment that motivates and rewards exemplary performance. This is done through a formal review on a periodic basis known as a performance appraisal or performance evaluation.

The performance appraisals help in rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; and identifying training and development needs in order to improve the individuals performance on the job.

Compensation and benefits

At PRCL we try to ensure that the designed compensation and benefits structure conforms not only to industry norms but also rewards initiative and productivity from our employees.

Training and development

The Human Resource Department's primary focus is on growth and employee development, It emphasizes developing individual potential and skills Thus, the selection, training and development process of the selected individuals is of immense importance to PRCL. Leveraging best practices for the development and training of its employees is PRCL's key to successfully increasing business value.

Finance and Accounts Department

The accounting system used by Pakistan Reinsurance Company Limited is designed to enhance financial strength of the company and ensure the compliance of state insurance rules and regulations. The finance department of PRCL is headed by Chief Financial Officer.

This department comprises three main sections:

Technical Wing

Assist the Manager, Technical Accounts in discharging and fulfilling reinsurance technical accounting functions.

Responsibilities

Facultative technical accounting

- Checking of Premium Closings for Assumed Business;
- Ensure accuracy of the Technical Bookings in the Reinsurance System;
- Ensure timely Monthly and Financial Year end Technical Closing.

Treaty technical accounting

- Checking of Statement of Accounts, Premium and Profit Commission Statements, Sliding Scale Commission Statements.
- Monitor outstanding closings, statements of accounts, premium adjustments, profit commissions. Sliding Scale Commission Statements.

- Ensure accuracy of the Technical Bookings in the Reinsurance System.
- Ensure timely Monthly and Financial Year end Technical Closing.
- Checking of outstanding loss figures provided in treaty statement of accounts.

Financial Wing

- Assist the Manager, Finance to process Finance matters and liaise with Lahore Office counterparts on all Finance issues.
- Responsibilities
- Assist to handle the day-to-day accounting function, including but not limited to preparing payment voucher and processing check payment.
- Improve internal control system.
- Prepare full set of accounts, reconcile bank account and inter-company billing/balances.
- Verify and ensure accurate loading of interface files linked between underwriting system to accounting system.
- Prepare quarterly and annual statutory returns to Insurance Authority.
- Assist in maintaining accounting records and control system.
- Assist in preparing accounting policies and procedures.
- Liaise with IT department for accounting data loading.

Investment department

- Assist the CFO to implement the guidance of Investment Committee about the asset allocation, to ensure Financial liquidity, security and diversification.

Responsibilities

- Assist to utilize funds without draining capital and surplus amount.
- Assist to achieve a consistent high real rate of return, comprising both income and capital growth whilst operating within acceptable risk parameters set by the Board
- Preserve and protect the capital of the Company.
- Place special emphasis in generating a significant portion of its Investment Income from sustainable sources such as interest income and dividends.
- Appropriate risk management practices are adopted with an objective to manage risk arising during the period.
- Analyze performance of all assets classes and total portfolio relative to appropriate benchmark.

Internal Audit Department

The Internal Audit Department provides to the management and the Audit Committee of the Board of Trustees with assurance that the management control systems throughout PRCL are adequate and operating effectively. It also provides an Independent and objective appraisal of activity for management and furnishes them with analyses, recommendations, counsel, and Information concerning the activities reviewed. This includes promoting effective controls at a reasonable cost.

PakRe

The Internal Audit Department provides valuable support in maintaining the publics confidence by performing independent, objective reviews and reporting to the Audit Committee and responsible administrative officers on their findings so that Corrective actions can be taken.

The Internal Audit Department assists the management in achieving PRCL's financial and operating goals by evaluating controls to ensure systems function adequately, by identifying weaknesses, and by providing recommendations. Through complete and unrestricted access to records, property, and personnel. Internal Audit provides PRCL with an additional resource in meeting these goals. With the support of PRCL management and the Audit Committee, the Internal Audit Department provides the highest quality of auditing services, thus enhancing fiscal control at PRCL.

New documents such as Report on Internal Control System & Management System and Internal Audit Plan were developed and Audit Manual was updated by consultant; M/s. Anjurn Asim Shahid & Rehman Company, Chartered Accountants. The Consultant reviewed the work and functions of all departments and assessed the work of Internal Audit Department with the following remarks:

Sub-function	Compliance with Existing Guideline	Effectiveness of Control
Asset Protection		Good
Quality Control	Good	Good
Monitoring & Assessing procedures	Good	Good
Pre audits	Good	Good
Post Audit reports	Good	Good

Data Processing Department

The Data Processing Department has been instilled with the functions of processing data in the most efficient and effective way. It is crafted around various modules and systems which PRCL uses to perform various operations. Some of the projects that Data Processing Department is working on are listed as under:

Implemented Modules/Systems

Implementation, modification and maintenance of the following core business and supporting applications:

- Reinsurance Management System (RMS)
- Acceptance System
- Retrocession system
- Accounting/Cash & Bank System
- Payroll system
- Loan & Advances System
- PRCL Employee Fund/Pension System
- PAKRE Investment Management System (PIMS)

PakRe

Reporting

- Design of customized reporting as required by management

PRCL Website

- Content management (Uploading of accounts, tenders, news, notices etc.)

Internet & Email

- IBM Smart Cloud Notes (hybrid solution) is acquired from IBM that allows email integrationbetween on-premises and cloud server
- DSL connection is upgraded to Fiber

Hardware & Networking

- Preparation of technical and financial analysis for acquisition of hardware/software
- Maintaining inventory of computers (PCs), printers, toners and computer related accessories
- VPN connectivity support (between Head office & Lahore office)

Management of LANand intranet infrastructure of PRCL

- Management of servers (Domain Controller, ISA and Antivirus server, hardware firewall etc.)
- Providing help desk support for hardware & software related problems
- Extending LAN connectivity for new users
- Software license management
- Backup & support for intranet applications

Achievements of 2013

- Documentation of security policies and procedures
- Purchase of scanners
- Installation of access control
- Upgrade of Internet connection
- Upgrade of enterprise antivirus

Future Goals

- Establishing IT disaster recovery & business continuity plan
- Software development of new modules
- Upgrade of database version
- Upgrade of server hardware
- Acquiring latest tools for Business Intelligence
- Revamping of network infrastructure
- Implementation of security controls

BOARD OF DIRECTORS

*	Mr. Rasul Bux Phulpoto	Chairman / CEO
**	Mr. Abdul Kabir Kazi	Director
	Dr. Masuma Hasan	Director
	Mr. Attaullah A. Rasheed	Director
	Mr. Mumtaz Ali Rajper	Director
	Mr. Taufique Habib	Director
	Mr. Sikander Mahmood	Director

ED (HR) / COMPANY SECRETARY

Mr. Shahzad F. Lodhi

AUDIT COMMITTEE

Mr. Sikander Mahmood	Chairman of the Committee
Mr. Abdul Kabir Kazi	Member
Mr. Mumtaz Ali Rajper	Member
Mr. Taufique Habib	Member
Mr. Shahzad F. Lodhi	Secretary of the Committee

UNDERWRITING COMMITTEE

1.	Mr. Rasul Bux Phulpoto	Chairman of the Committee
2.	Mrs. Farzana Munaf, ED (CFO)	Member
3.	Mr. Ayaz Hussain M. Gad, ED (BD)	Member
4.	Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee

REINSURANCE COMMITTEE

1.	Mr. Rasul Bux Phulpoto	Chairman of the Committee
2.	Mr. Abdul Kabir Kazi	Member
3.	Mr. Taufique Habib	Member
4.	Dr. Masuma Hasan	Member
5.	Mr. Ayaz Hussain M. Gad, ED (BD)	Member
6.	Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee

* Mr. Rasul Bux Phulpoto Chairman/CEO PRCL transerred on 05th September, 2013.

** Mr. Abdul Kabir Kazi last attended the Board Committee and Board of Directors meeting on 27th April, 2013.

CLAIM SETTLEMENT COMMITTEE

1.	Mr. Sikander Mahmood	Chairman of the Committee
2.	Mr. Rasul Bux Phulpoto	Member
3.	Mrs. Farzana Munaf ED (CFO)	Member
4.	Mr. Ayaz Hussain M. Gad, ED (BD)	Member
5.	Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee

INVESTMENT COMMITTEE

1.	Mr. Sikander Mahmood	Chairman of the Committee
2.	Mr. Rasul Bux Phulpoto	Member
3.	Mr. Abdul Kabir Kazi	Member
4.	Mr. Mumtaz Ali Rajper	Member
5.	Mr. Taufique Habib	Member
6.	Mrs. Farzana Munaf, ED (CFO)	Member/Secretary of the Committee

HUMAN RESOURCE COMMITTEE

1.	Mr. Abdul Kabir Kazi	Chairman of the Committee
2.	Mr. Rasul Bux Phulpoto	Member
3.	Dr. Masuma Hasan	Member
4.	Mr. Mumtaz Ali Rajper	Member
5.	Mr. Shahzad F. Lodhi, ED (HR) / Company Secretary	Member/Secretary of the Committee

AUDITORS

Mr. Mohammad Shaukat Naseeb,
Senior Partner,
Anjum Asim Shahid Rahman
Chartered Accountant
1st and 3rd Floor, Modern Motors House,
Beaumont Road, Karachi – 75530

BANKERS
National Bank of Pakistan
Bank Al-Habib Limited

SHARE REGISTRAR
Central Depository Company of Pakistan Limited (CDC),
CDC House, 99=B, Block-B, SMCHS,
Main Shahre-e-Faisal, Karachi-74400, Pakistan
Ph: (92-21) 111-111-500

REGISTERED OFFICES
PRC Towers, 32-A, Lalazar Drive, M.T. Khan Road,
P.O. Box: 4777, Karachi-Pakistan
Tel: (29-21)99202908-15
Telex: 20428 Pakre Pk, Telefax
(92-21)99202920-22
E-Mail: Prcl@Pakre.Org.Pk Website: Www.Pakre.Org.Pk

ZONAL OFFICE
State Life Building, 1st Floor, 15-A, Davis Road,
Lahore.

Notice is hereby given that 14th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Friday the 30th May, 2014 at 11:00 a.m. at Beach Luxury Hotel, Lalazar Drive, M. T. Khan Road, Karachi to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting of the company held on 31st December, 2013.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st December, 2013 together with the Directors' and Auditors' Reports thereon.

3. To approve the payment of final cash dividend @ 25% (i.e. Rs.2.50 per share) for the year ended 31st December 2013, as recommended by the Board of Directors.

4. To appoint M/s. BDO Ebrahim & Co, Chartered Accountants as auditors of the company for the year ending December 31, 2014 in place of retiring auditors M/s. Anjum Asim Shahid Rehman (Chartered Accountants), who have completed five years as auditors of the Company as per Clause (xii) of the Code of Corporate Governance,.

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

By Order of the Board

(Shahzad F. Lodhi)
Company Secretary

Place: Karachi.
Dated: 09/05/2014

NOTES:

1. The share transfer books of the company shall remain closed from 23rd May, 2014 to 30th May, 2014 (both days inclusive), no transfer will be accepted for registration during the period.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. A Proxies in order to be effective must be received by the Company at the Registered Office of the Company not less than 48 hours before the meeting and in case of default; form of proxy will not be treated as valid.

3. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

For attending the meeting:

i. Beneficial owners of the physical shares and whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original computerized National Identity Card (CNIC) along with participant's I.D. number and their account/sub-account number in CDC to facilitate identification at the time of the meeting.

ii. In case of proxy, attested copies of proxy's CNIC or passport, account/sub-account and participant's I.D. numbers must be deposited along with the Form of Proxy at the registered office of the Company as per paragraph No. 3 above, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the proxy form and attested photocopies of CNIC or the passport of the beneficial owner.

iii. In case of proxy for corporate members, the Board of Directors' Resolution/ Power of Attorney with specimen signature of the nominee shall be produced at the time of meeting (unless it has been provided earlier to the Shares Registrar).

4. Shareholders are requested to communicate to Company's Share Registrar, M/s CDC Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi in the case of any change in their address and provide the Zakat Declaration/Tax exception certificate (if any) immediately along with contact details.

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Dear Shareholders,

Your Directors are pleased to present the 14th Annual Report of the Company together with the Audited Financial Statements and Auditors' Report thereon for the year ended 31st December, 2013.

Economic Overview

During the year 2013 the country experienced a successful transition of power from one elected government to another. Similarly positive progress has been witnessed in terms of economic growth such as inflation fell to single digit and KSE 100-Index crossed the previous benchmark. The insurance sector continued to face challenges due to low GDP, slow manufacturing activity in the wake of energy shortages and declining investment in physical capital. However, the overall profitability of the sector improved due to improved performance of the stock market.

Company's Performance

PRCL was converted into a company in the year 2001 and is now operating under Insurance Ordinance, 2000, and Companies Ordinance, 1984. The Company is the Sole Re-insurer in the country. A number of steps to run it on commercial lines have already been taken. Authorized Capital has been enhanced from Rs.4 billion (four billion) to Rs.25 billion (twenty five billion) and Paid-up Capital has been enhanced from Rs.540 Million (five hundred forty Million) to Rs.3 billion (three billion), in order to strengthen the equity base as the company has been planning to expand locally as well as abroad. Corporate Culture is being introduced.

Compulsory cession was withdrawn w.e.f. Jan 01, 2005 and as such, this was the ninth year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of the compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2013, PRCL was selective in accepting business under Treaty and Facultative. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced that has contributed positively towards the augmented growth in the reinsurance business.

PRCL has continuously been trying through strategic and concentrated efforts to avoid outflow of foreign exchange from the country and improve the performance of insurance sector in Pakistan. The Company's business strategy would continue to focus on providing prompt service to insurance companies with reference to facultative offers.

PakRe

The salient features of the business operations during the year, 2013 are as under:-

	Dec. 31, 2013	Dec. 31, 2012 (Restated)
	(Rs in Million)	
Gross Premium	8,659	8,153
Retrocession	(3,461)	(4,049)
Net Retention	5,198	4,104
Premium Reserve	(474)	(8)
Net Premium	4,724	4,096
Net Commission	(937)	(868)
Net Claims	(2,831)	(2,217)
Management expenses	(503)	(448)
Underwriting Profit	453	563
Investment Income	1,101	918
Exchange gain, rental & other income	210	117
Gen. & Admn. Expense	(58)	(41)
Profit before tax and Value of available-for sale-investment-write off	1,706	1,537
Value of available-for sale-investment-write off	(0.097)	(20)
Profit before tax	1,706	1,537
Taxation	(385)	(377)
Profit after Tax	1,321	1,160

During the period under review, Company has underwritten Rs 8,659 Million and registered growth of 6% over the corresponding year. The break-up is as follows:

	(Rs. In Million)	
Facultative Premium	**2013**	**2012**
Fire	1,699	1,641
Marine Cargo	56	48
Marine Hull	158	190
Accident and others	159	122
Aviation	1,116	1,311
Engineering	1,336	1,459
	4,494	4,771
Treaty Premium	4,165	3,382
	8,659	8,153

Simply Secure

There was an overall decrease of Rs.277 Million (6%) in Facultative business whereas the overall result of Treaty business increased by Rs.783 Million (23%) over the corresponding period.

During the period under review, the net premium of the Company was Rs.4,724 Million showing an increase of Rs.628 Million (15%) over the corresponding year.

This improvement in overall underwriting result was mainly due to increase in business and PRCL retention as explained below:-

(Rs in Million)

Particulars	2013	2012
Premium Written	8,659	8,153
Reinsurance Ceded	(3,461)	(4,049)
Net Retention	5,198	4,104
Premium Reserve	(474)	(8)
Net Premium	4,724	4,096

The commission expenses of the company during the year ended December 31, 2013 were Rs.937 Million as compared to Rs.868 Million during the year December 31, 2012. The reason for increase was mainly due to increase in business.

Net claims of the company for the year 2013 were Rs.2,831 Million as compared to Rs.2,217 Million in the year ended December 31, 2012 showing an increase of Rs. 614 Million. The increase in Treaty claims is due to partial settlement of two major losses in Marine Cargo department and four major losses in Fire department in one of power generation plant and one electric company.

Investment Income

The investment income in the year 2013 increased to Rs. 1,101 Million as compared to Rs. 918 Million in the year 2012. Investment income mainly comprises of realized capital gain on Available for sale and Held for trading investments, profit on government securities, fixed income securities and dividend income.

Profit after tax

The profit after tax is Rs. 1,321 Million as compared to Rs. 1,160 Million of last year by showing 14% increase.

Appropriations:

	(Rs. in Million)
Profit before tax	1,706
Less: Tax	(385)
Profit after tax	1,321
Add: Unappropriated profit brought forward	1,063
Add: Comprehensive Income	1,199
Less: Final cash dividend 2012 @ 25%	(750)
Unappropriated profit carried forward	1,512

Credit Rating:

M/s. JCR-VIS Credit Rating Company Limited has re-affirmed "AA" rating of Pakistan Reinsurance Company Limited with a stable Outlook. The AA Rating and Stable Outlook denote a very strong capacity of company to meet the future Reinsurance contract obligation.

Information Technology:

Information Technology (IT) benefits the business world by allowing an organization to work more efficiently and maximize its productivity. Faster communication, electronic storage and protection of data are some advantages that IT can have on an enterprise. The company is fully aware of the importance of information technology in business and its supportive components like computer applications, storage of information, data protection, automated processes & communication. Therefore based on the same lines, the company is continuously growing and promoting IT culture in the organization.

PRCL's IT department has achieved various milestones including deployment of a centralized enterprise antivirus solution, acquisition of latest computer hardware & upgrades to networking infrastructure and enhancements in security measures including documentation of various security policies. Reinsurance Management System (RMS) completed 3rd successful year of smooth operation with enhanced features. Training sessions were held for end users to increase their workplace productivity.

Corporate Social Responsibility:

During the Year 2013, PRCL in collaboration with Insurance Association of Pakistan and Insurance Industry conceived the idea of celebrating Insurance Day to promote awareness of Insurance to general public.

Training and development:

1. In collaboration with Pakistan Insurance Institute (PII) and Insurance Industry, PRCL sponsored a workshop on "Risk Assessment Property & Business Interruption", held on January and April 2013, at Karachi.

2. PRCL Sponsored another international seminar on "Renewable Energy- Risk Management & Insurance Solutions" held in Karachi on October 2013.

3. Pakistan Insurance Institute in association with University of Karachi have started a Post Graduate Diploma program, PRCL have provided its full support to this program and nominated 3 employees of PRCL.

Awards

The Company's business strategy continued to focus on providing prompt service to insurance companies to improve the performance of insurance sector in Pakistan. This contribution has been recognized by the community and PRCL has been awarded an "Excellence Certificate" by the Management Association of Pakistan (MAP) in the year 2013 for demonstrating excellence in corporate management in the non-life insurance sector.

Pension, Gratuity and Provident Funds

The value of investment in pension, gratuity and provident fund is as follows:-

	(Rs. in Million)
Gratuity Fund	
Pension and Gratuity Fund	631.759
General Provident Fund/Provident Fund	271.558

Future Prospects:

In order to achieve the company's short and long term objectives, its business strategy will continue to focus on providing prompt service to insurance companies particularly with reference to facultative offers. PRCL with strengthened balance sheet and enhanced equity structure will continue to concentrate on quality treaty and facultative business and profitable treaty cession by gradually increasing its retention capacity and adoption of risk management's measures.

The company will also continue to improve its IT infra-structure by extending IT disaster recovery plan and procedures and up-gradation of net work infra-structure along with planned in-house development of online web based Reinsurance Management System and planned in-house training of end users.

Statement on Corporate and Financial Reporting Frame Work

The Directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Governance for the following:-

a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.

b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.

c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.

d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.

e) The system of internal control is in place and internal audit department is in the process of strengthening.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g). The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges.

Board Meetings and Attendance

In the year 2013, seven meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:-

Sr. No.	Name of Directors	Number of meetings attended
1	Mr. Rasul Bux Phulpoto*	6
2	Mr. Abdul Kabir Kazi	3
3	Dr. Masuma Hasan	6
4	Mr. Mumtaz Ali Rajper	7
5	Mr. Sikandar Mahmood	6
6	Mr. Taufique Habib	7
7	Mr. Shoaib Mir	1
8	Mr. Attaullah A. Rasheed **	3

* Mr. Rasul Bux Phulpoto Chairman PRCL transferred on September 05, 2013 and
** Mr. Attaullah A. Rasheed nominated in place of Mr. Shoaib Mir

The Board places on record its sincere appreciation to the outgoing Chairman, Mr. Rasul Bux Phulpoto and Mr. Shoaib Mir Director, for their services.

Leave of absence was granted to the Directors who could not attend some of the meetings.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

Two Directors of the Company were elected at the Extraordinary General Meeting held on December 31, 2013 for a term of three years expiring on December 31, 2016.

Audit Committee

The Board, in compliance with the Code of Corporate Governance, has constituted an Audit Committee and its terms of reference have been approved. The names of the Committee are given in Corporate Information.

Performance of the company during the last six years

(Rs. In Million)

	2013	2012 (Restated)	2011	2010	2009	2008 (Restated)
Gross Premium	**8,659**	8,153	6,893	6,552	5,839	4,555
Net Premium	**4,724**	4,096	3,535	2,940	2,171	1,896
Net Commission	**(937)**	(867)	(785)	(659)	(553)	(478)
Net Claims	**(2,831)**	(2,217)	(2,018)	(1,688)	(905)	(962)
Management Expenses	**(503)**	(448)	(353)	(302)	(231)	(250)
Underwriting Profit/(Loss)	**453**	563	379	291	482	206
Investment Income	**1,101**	918	891	653	1,099	846
Profit before Tax	**1,706**	1,537	1,257	650	318	1,139
Profit after Tax	**1,321**	1,160	844	526	270	886

Dividend

Your Directors are pleased to declare a cash dividend of 25% for the year 2013.

Earning per share

The earning per share of the Company was Rs. 4.40 for the year 2013 as compared to Rs. 3.87 (restated) in the year 2012.

Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children:

S. No.	Name	No. Of Shares (CDC)
1.	Mr. Taufique Habib, Director	**1,555**
2.	Mr. Sikander Mehmood, Director	**69,055**
3.	Mr. Mumtaz Ali Rajper, Director	**500**
4.	Ms. Farzana Munaf, C.F.O.	**900**

Appointment of Auditors

The Code of Corporate Governance requires all listed companies to change their external auditors after every five years. In light of the Code, the present auditors, M/s. Anjum Asim Shahid Rahman & Co., Chartered Accountants retire and having completed five years as auditors are not eligible for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of M/s. BDO Ebrahim & Co., Chartered Accountants as external auditors of the Company for the year 2014.

Pattern of shareholding

The statement of pattern of shareholding is separately shown in report.

Acknowledgement

In the end, your directors would like to thank all insurance companies and regulators. We also acknowledge the hard work and dedication of our officers and staff for the co-operation extended by them in running the affairs of the Company.

For and on behalf
of the Board of Directors.

Chairman/Director

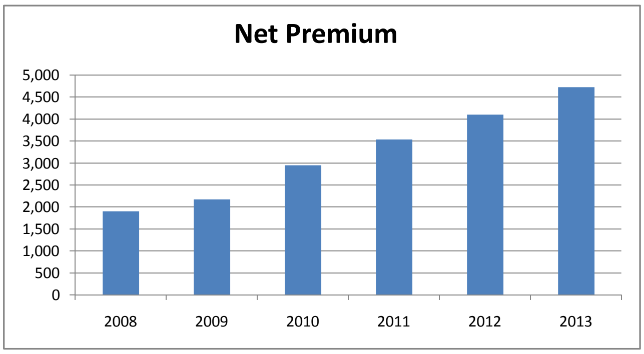
PakRe

(Rupees In Million)

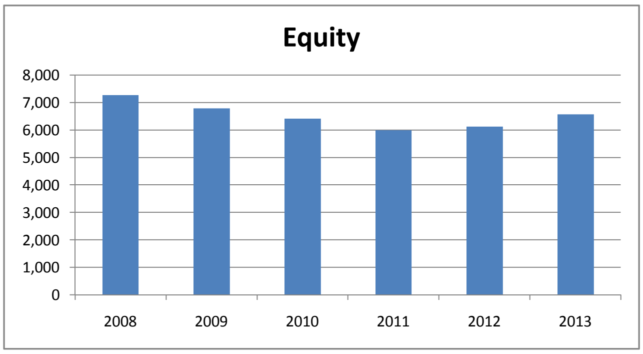
S.No.	PARTICULARS	2013	2012 (Restated)	2011 (Restated)	2010	2009	2008
	FINANCIAL DATA						
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	3,571	3,122	2,982	3,412	3,786	4,266
3	Equity	6,571	6,122	5,982	6,412	6,786	7,266
4	Investment	6,513	6,434	5,793	4,674	5,482	5,459
5	Fixed Assets	56	53	49	47	49	41
6	Cash & Bank Deposits	2,706	2,014	1,597	2,417	1,834	2,836
7	Total Assets	16,306	15,766	14,474	12,535	12,373	12,528
8	Total liabilities	9,734	9,644	8,492	6,123	5,587	5,263
	OPERATING DATA						
1	Gross Premium	8,659	8,153	6,893	6,552	5,839	4,555
2	Net Premium	4,724	4,096	3,535	2,941	2,171	1,895
3	Net Claims	2,831	2,217	2,018	1,688	905	962
4	Net Comission	937	868	785	659	553	478
5	Underwriting Results	453	563	379	291	481	206
6	Total Management Expenses	503	448	353	302	231	250
7	Investment Income	1,101	918	891	653	1,099	846
8	Profit Before Tax	1,706	1,537	1,258	650	318	1,139
9	Profit After Tax	1,321	1,160	845	526	270	886
	SHARE INFORMATION & PAYOUTS						
1	No of shares (In million)	300	300	300	300	300	300
3	Cash dividend %	25	25	30	30	30	25
4	Bonus Shares %	-	-	-	-	-	-
5	Total Dividend %	25	25	30	30	30	25
	FINANCIAL RATIO ANALYSIS						
1	Claims ratio	59.93	54.13	57.09	57.00	41.69	50.77
2	Total Assets Turnover (Times)	0.53	0.52	0.53	0.52	0.47	0.36
3	Total Liabilities / equity (%)	148.14	157.53	102.60	95.49	82.33	72.43
4	Paid up Capital / Total Assets (%)	18.40	19.03	23.30	23.93	24.25	23.95
5	Equity / Total Assets (%)	40.30	38.83	49.36	51.15	54.85	58.00

Simply Secure

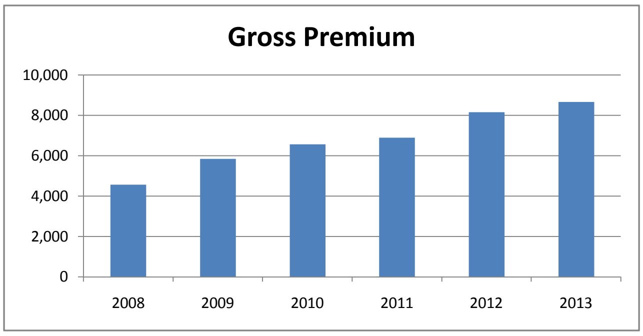
Year	2008	2009	2010	2011	2012	2013
Net Premium	1,895	2,171	2,941	3,535	4,096	4,724



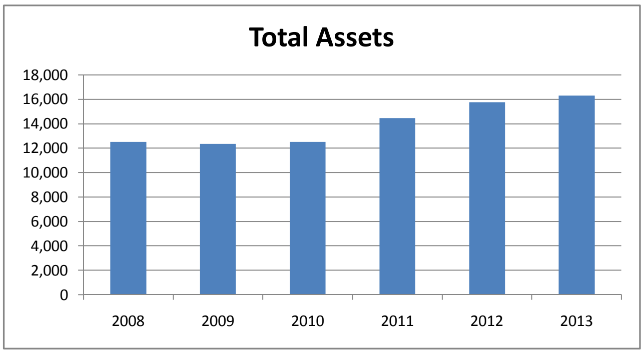
Year	2008	2009	2010	2011	2012	2013
Equity	7,266	6,786	6,412	5,982	6,122	6,571



Year	2008	2009	2010	2011	2012	2013
Gross Premium	4,555	5,839	6,552	6,893	8,153	8,659



Year	2008	2009	2010	2011	2012	2013
Total Assets	12,528	12,373	12,535	14,474	15,766	16,306



PAKISTAN REINSURANCE COMPANY LIMITED
Yar ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchange for the purpose of establishing a framework of good governance by a listed company and additional frameworks by a listed insurance company, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the Code in the following manner.

1. The company encourages representation of independent non-executive directors on its board of directors. At present there are four non-executive directors on PRCL's board including two independent (elected) directors. The casual vacancies on the Board of Directors including CEO were not filled up by the competent authority during the stipulated period.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange. No director or his/her spouse is engaged in the business of stock brokerage.

4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company alongwith its supporting polices and procedures including posting the same on the Company's website.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. However, the Company is in the process of further strengthening its policies and procedures. A complete record of particulars of significant policies along with the dates on which they will be approved or amended will also be maintained.

6. 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/shareholders.

7. Related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and approved by the board of directors.

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

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

10. The financial statements of the company were duly endorsed by CFO before approval of the board.

11. 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.

12. The company has complied with all the corporate and financial reporting requirements of the Code except for matters reported in the statement..

13. The board has formed an Audit Committee. It comprises of board members, all of whom are non-executive directors and the chairman of the committee is an independent director.

14. 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

15. The board has formed an Investment, Human Resource, Underwriting, Claim Settlement and Reinsurance Committee. The meetings of Underwriting, Claim Settlement and Reinsurance Committees were held periodically.

16. There was no fresh appointment of CFO, Company Secretary. The board has set up an effective internal audit function but currently Head of Internal Audit appointed does not meet the qualification requirement as per Code of Corporate Governance although he has got over 5 years experience of working of internal audit. Moreover, the Company has communicated this fact to Ministry of Commerce and requested their approval for appointment of Head of Internal Audit. Apart from this issue personnel appointed are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

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

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

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

21. We confirm that all other material principles enshrined in the Code have been complied with.

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pakistan Reinsurance Company Limited (the Company) for the year ended December 31, 2013 to comply with the requirements of Listing Regulations No 36(xi), 35(xiv) and 35(xi) of the Karachi, Lahore and Islamabad Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code is that of the Board 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As 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 procedure and risk.

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

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

PakRe

Further, we highlight below instances of non-compliance with the requirements of the Code and reflected in the paragraphs 1, 5 and 16, where these are stated in the Statement.

S.no	Reference clause	Description
i	iii	The casual vacancies on the Board of Directors was not filled up by the competent authority during the stipulated time.
ii	xxi	The casual vacancy on chief executive officer was not filled up by the lcompetent authority during the stipulated time.
iii	V (C)	Significant policies was not formulated by the company.
iv	xiv	The Head of internal audit department does not meet the qualification requirement as per Code of Corporate Governance.

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shuakat Naseeb

Karachi
Date:

Independent Auditors' Report to the Members of Pakistan Reinsurance Company Limited

We have audited the annexed financial statements comprising of:

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

of Pakistan Reinsurance Company Limited (the Company) as at December 31, 2013 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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 upon 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 as stated in note 6 to the financial statements, with which we concur;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company`s affairs as at December 31, 2013 and of the 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 deductable 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 that Ordinance.

Karachi
Date:

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

PakRe

Financial Statement

Balance Sheet

As at December 31, 2013

	Note	2013 Rupees	2012 Rupees (Restated)	2011 Rupees (Restated)
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized share capital 2,500,000,000 (2012: 2,500,000,000) Ordinary shares of Rs.10 each		**25,000,000,000**	25,000,000,000	25,000,000,000
Issued subscribed and paid up capital 300,000,000 (2012: 300,000,000) ordinary shares of Rs. 10 each	7	**3,000,000,000**	3,000,000,000	3,000,000,000
Retained earnings		**1,512,977,449**	1,063,734,371	923,434,385
Reserve for exceptional losses	8	**281,000,000**	281,000,000	281,000,000
General reserve		**1,777,419,085**	1,777,419,085	1,777,419,085
		3,571,396,534	3,122,153,456	2,981,853,470
Shareholders' equity		**6,571,396,534**	6,122,153,456	5,981,853,470
LIABILITIES				
Underwriting provisions				
Provision for outstanding claims (including IBNR)	9	**2,564,779,785**	2,424,874,491	2,523,110,475
Provision for unearned premium	10	**4,502,049,279**	4,350,377,846	3,887,859,030
Commission income unearned	11	**75,141,712**	45,017,368	34,803,852
Total underwriting provisions		**7,141,970,776**	6,820,269,705	6,445,773,357
Deferred liability - employee benefits	12	**704,236,000**	536,716,000	370,255,000
Long term deposits	13	**14,367,887**	14,217,257	14,222,217
Creditors and accruals				
Amount due to other insurers and reinsurers	14	**1,357,718,565**	1,623,538,033	1,285,062,959
Premium and claim reserves retained from retrocessionaires	15	**19,063,742**	20,172,734	26,587,143
Other creditors and accruals	16	**34,340,782**	22,155,419	21,309,780
Accrued expenses		**22,030,942**	21,024,648	6,675,968
Taxation - net		**353,889,913**	512,718,420	266,688,886
Retention money payable		**6,821,056**	6,475,833	6,480,973
		1,793,865,000	2,206,085,087	1,612,805,709
Other liabilities				
Unclaimed dividends		**78,809,294**	65,356,783	47,473,992
Surplus profit payable	17	**1,212,602**	1,212,602	1,212,602
		80,021,896	66,569,385	48,686,594
Total liabilities		**9,734,461,559**	9,643,857,434	8,491,742,877
CONTINGENCIES AND COMMITMENTS	18			
TOTAL EQUITY AND LIABILITIES		**16,305,858,093**	15,766,010,890	14,473,596,347

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf	Taufique Habib	Attaullah A. Rasheed
Chief Financial Officer	Director	Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

As at December 31, 2013

	Note	2013 Rupees	2012 Rupees (Restated)	2011 Rupees (Restated)
ASSETS				
Cash and bank deposits				
Cash and other equivalents		**47,825**	85,694	67,433
Current and other accounts		**2,056,331,619**	1,614,359,140	747,195,690
Deposits maturing within 12 months		**650,000,000**	400,000,000	850,000,000
	19	**2,706,379,444**	2,014,444,834	1,597,263,123
Loan to employees - (considered good)	20	**73,156,019**	60,590,650	56,634,060
Investments	21	**6,513,424,268**	6,434,420,531	5,792,680,783
Investment properties	22	**35,751,748**	37,795,867	39,995,715
Current assets - others				
Amount due from other insurers and reinsurers	23	**2,611,797,575**	2,625,332,998	2,541,621,198
Premium and claim reserves retained by cedants	24	**16,841,456**	77,228,148	25,469,400
Accrued investment income	25	**170,654,899**	183,669,885	203,234,134
Reinsurance recoveries against outstanding claims	26	**1,541,433,305**	1,381,646,651	1,769,796,741
Deferred commission expense	27	**495,865,753**	469,849,175	429,568,319
Prepayments	28	**1,991,791,441**	2,315,277,674	1,861,689,863
Sundry receivables	29	**90,926,500**	111,909,137	105,889,138
Stock of stationery		**1,396,718**	962,639	714,126
		6,920,707,647	7,165,876,307	6,937,982,919
Fixed assets				
Tangible				
Land and buildings		**18,107,173**	19,048,405	20,039,175
Furniture, fixtures, books and office equipments		**12,115,884**	13,779,561	14,956,522
Electrical installations, air-conditioning plant and lifts		**13,163,291**	7,746,261	6,582,395
Motor vehicles		**13,052,619**	12,308,474	7,461,655
	30	**56,438,967**	52,882,701	49,039,747
Assets relating to Bangladesh	31	**-**	-	-
TOTAL ASSETS		**16,305,858,093**	15,766,010,890	14,473,596,347

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

Profit & Loss Account

For the year ended December 31, 2013

	Note	Facultative: Fire	Facultative: Marine cargo	Facultative: Marine hull	Facultative: Accident and others	Facultative: Aviation	Facultative: Engineering	Treaty	2013 Aggregate	2012 Aggregate (Restated)
		Rupees								
Net premium		802,534,784	57,879,934	98,676,301	138,311,863	162,429,076	499,200,880	2,965,366,530	**4,724,399,368**	4,096,084,240
less: Net claims		300,319,011	46,902,816	25,684,515	45,527,198	143,101,109	224,625,732	2,044,740,258	**2,830,900,639**	2,217,052,606
less: Other management expenses	32	12,051,177	8,612,728	3,551,532	7,740,683	10,914,426	8,236,277	452,247,102	**503,353,925**	448,291,823
less: Net commission		111,584,374	13,713,668	7,925,549	16,597,768	(752,957)	7,210,262	780,490,628	**936,769,292**	867,392,679
Underwriting results		**378,580,222**	**(11,349,278)**	**61,514,705**	**68,446,214**	**9,166,498**	**259,128,609**	**(312,111,458)**	**453,375,512**	563,347,132
Investment income - net									**1,101,402,174**	918,242,731
Rental income - net	33								**50,476,898**	49,449,654
Exchange gain - net									**156,933,805**	67,497,544
Other income	34								**2,375,047**	790,028
General and administration expenses	35								**(58,562,113)**	(41,476,137)
Value of available-for-sale investments, directly writen-off									**(97,334)**	(20,461,256)
									1,252,528,477	974,042,564
Profit before tax									**1,705,903,989**	1,537,389,696
Income tax expense										
- Current	36								**(384,755,911)**	(399,033,203)
- Prior	36								**-**	21,816,493
									(384,755,911)	(377,216,710)
Profit after tax									**1,321,148,078**	1,160,172,986
Profit and loss appropriation account:										
Balance of unappropriated profit at the commencement of the year									**1,063,734,371**	923,434,385
Total comprehensive income for the year									**1,199,243,078**	1,040,299,986
Final cash dividend for the year 2012 Rs. 2.50 per share (2011: Rs. 3.00 per share)									**(750,000,000)**	(900,000,000)
Balance of unappropriated profit at the end of the year									**1,512,977,449**	1,063,734,371
Earnings per share - basic and diluted, (refer note 37)									**4.40**	3.87

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

For the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees (Restated)
Profit after tax for the year		**1,321,148,078**	1,160,172,986
Other comprehensive income			
Items that will never be reclassified to profit or loss account			
Remeasurement of defined benefit obligations - net	40	**(121,905,000)**	(119,873,000)
Total of items that will never be reclassified to profit or loss account		**(121,905,000)**	(119,873,000)
Total comprehensive income for the year		**1,199,243,078**	1,040,299,986

The annexed notes 1 to 46 form an integral part of these financial statements.

Simply Secure

Farzana Munaf	Taufique Habib	Attaullah A. Rasheed
Chief Financial Officer	**Director**	**Director**

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

PakRe

	Note	2013 Rupees	2012 Rupees (Restated)
Operating cash flows			
Underwriting activities			
Premium received		**8,854,245,680**	8,069,843,009
Reinsurance premium paid		**(3,751,319,269)**	(3,643,031,536)
Claims paid		**(5,287,265,078)**	(3,116,222,263)
Reinsurance and other recoveries received		**2,436,483,079**	1,189,083,761
Commissions paid		**(1,076,393,133)**	(1,028,384,701)
Commissions received		**143,731,607**	130,979,693
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies		**59,277,700**	(58,173,157)
Expenses paid		**(404,357,925)**	(346,458,823)
Net cash inflows from underwriting activities		**974,402,661**	1,197,635,983
Other operating activities			
Income tax paid		**(543,584,418)**	(131,187,176)
General administration expenses paid		**(29,631,450)**	(31,040,642)
Payment unders defined benefit obligations		**(53,381,000)**	(55,245,000)
Loans disbursed - net		**(12,565,369)**	(3,956,590)
Other receipts and payments		**18,199,525**	10,105,558
Net cash outflow from other operating activities		**(620,962,712)**	(211,323,850)
Total cash inflows from all operating activities		**353,439,949**	986,312,133
Investment activities			
Fixed capital expenditure		**(14,197,536)**	(13,839,909)
Proceeds from disposal of fixed assets		**3,446,700**	1,717,667
Acquisition of investments		**(2,983,581,929)**	(4,846,254,508)
Sale proceeds of investments		**2,919,882,490**	4,193,167,965
Rental income received - net of expenses		**48,222,476**	47,726,472
Dividend income received		**481,835,990**	332,963,917
Interest income on bank deposits		**139,991,038**	152,652,645
Other investment income received - net of expenses		**479,442,921**	444,852,538
Total cash inflows from investment activities		**1,075,042,150**	312,986,787
Financing activities			
Dividend paid		**(736,547,489)**	(882,117,209)
Total cash outflow from financing activities		**(736,547,489)**	(882,117,209)
Net cash inflows from all activities		**691,934,610**	417,181,711
Cash and cash equivalents at beginning of the year		**2,014,444,834**	1,597,263,123
Cash and cash equivalents at end of the year	19	**2,706,379,444**	2,014,444,834

Farzana Munaf	**Taufique Habib**	**Attaullah A. Rasheed**
Chief Financial Officer	**Director**	**Director**

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

Statement of Cash Flows

For the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees (Restated)
Operating cash flows		**353,439,949**	986,312,133
Depreciation - fixed assets	35	**(2,044,119)**	(2,199,848)
Depreciation - investment properties	35	**(8,778,797)**	(8,235,647)
Gain on disposal of fixed assets		**1,584,226**	9,758
Exchange gain		**156,933,805**	67,497,544
Rental income - net		**50,476,898**	49,449,654
Charge for deferred liability - employee benefits		**(98,996,000)**	(101,833,000)
Provision for doubtful debts		**(18,107,747)**	-
Investment income		**1,101,402,174**	918,242,731
Value of available-for-sale investments, directly writen-off		**(97,334)**	(20,461,256)
Provision for outstanding claims		**(139,905,294)**	98,235,984
Reinsurance recoveries against outstanding claims		**159,786,654**	(388,150,090)
Provision for unearned premium		**(151,671,433)**	(462,518,816)
Prepaid reinsurance premium ceded		**(322,205,850)**	454,052,400
Increase in operating assets other than cash		**(39,061,362)**	185,511,917
Decrease / (increase) in operating liabilities		**66,182,801**	(424,955,944)
		1,108,938,571	1,350,957,520
Other adjustments			
Income tax paid		**543,584,418**	131,187,176
Deferred liability - employee benefits paid		**53,381,000**	55,245,000
Profit before taxation		**1,705,903,989**	1,537,389,696
Provision for taxation		**(384,755,911)**	(377,216,710)
Profit after taxation		**1,321,148,078**	1,160,172,986

Definition of cash

Cash comprises of cash in hand, policy stamps, postage stamps, revenue stamp, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

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

	2013	2012
Cash and cash equivalents		
Cash and other equivalents	**47,825**	85,694
Current and other accounts	**2,056,331,619**	1,614,359,140
Deposits maturing within 12 months	**650,000,000**	400,000,000
	2,706,379,444	2,014,444,834

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf	**Taufique Habib**	**Attaullah A. Rasheed**
Chief Financial Officer	**Director**	**Director**

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

Simply Secure

Statement of Changes in Equity

For the year ended December 31, 2013

	Share capital		Reserves			Share holders Equity
	Issued subscribed and paid-up	Reserve for exceptional losses	Revenue reserves			
			Retained earnings	General reserve	Total reserves	
	Rupees					
Balance as at January 01, 2012 - Previously stated	3,000,000,000	281,000,000	1,298,302,385	1,777,419,085	3,075,721,470	6,356,721,470
Effect of retrospective application of change in an accounting policy referred in note 6.2,	-	-	(374,868,000)	-	(374,868,000)	(374,868,000)
Balance as at January 01, 2012 - Restated	**3,000,000,000**	**281,000,000**	**923,434,385**	**1,777,419,085**	**2,700,853,470**	**5,981,853,470**
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year 2011 at Rs. 3.00 per share	-	-	(900,000,000)	-	(900,000,000)	(900,000,000)
Comprehensive income for the year						
Total comprehensive income for the year ended December 31, 2012 - Restated	-	-	1,040,299,986	-	1,040,299,986	1,040,299,986
Balance as at December 31, 2012 - Restated	**3,000,000,000**	**281,000,000**	**1,063,734,371**	**1,777,419,085**	**2,841,153,456**	**6,122,153,456**
Balance as at January 01, 2013	**3,000,000,000**	**281,000,000**	**1,063,734,371**	**1,777,419,085**	**2,841,153,456**	**6,122,153,456**
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year 2012 at Rs. 2.50 per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
Comprehensive income for the year						
Total comprehensive income for the year ended December 31, 2013	-	-	1,199,243,078	-	1,199,243,078	1,199,243,078
Balance as at December 31, 2013	**3,000,000,000**	**281,000,000**	**1,512,977,449**	**1,777,419,085**	**3,290,396,534**	**6,571,396,534**

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf	Taufique Habib	Attaullah A. Rasheed
Chief Financial Officer	Director	Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

Statement of Premiums

For the year ended December 31, 2013

Class	Premium				Reinsurance				Net premium revenue	
	Premiums written (A)	Unearned premium reserve Opening (B)	Unearned premium reserve Closing (C)	Premiums earned (D=A+B-C)	Reinsurance ceded (E)	Reinsurance premium ceded (prepaid) Opening (F)	Reinsurance premium ceded (prepaid) Closing (G)	Reinsurance expense (H=E+F-G)	2013 (I=D-H)	2012
Note		(10)	(10)			(28)	(28)			
	Rupees									
Business underwritten inside Pakistan										
Facultative										
Fire	1,668,901,749	865,588,124	836,819,945	1,697,669,928	908,983,525	373,956,699	387,805,080	895,135,144	**802,534,784**	759,078,641
Marine cargo	56,056,884	11,863,604	10,040,554	57,879,934	-	-	-	-	**57,879,934**	40,253,095
Marine hull	158,380,879	94,781,038	71,360,408	181,801,509	85,357,720	35,342,981	37,575,493	83,125,208	**98,676,301**	91,287,240
Accident and others	159,057,722	57,969,539	78,715,398	138,311,863	-	-	-	-	**138,311,863**	89,291,455
Aviation	1,116,074,904	1,072,596,887	910,779,804	1,277,891,987	977,794,204	939,037,888	801,369,181	1,115,462,911	**162,429,076**	174,950,275
Engineering	1,335,697,807	821,774,856	721,563,721	1,435,908,942	879,745,059	568,614,891	511,651,888	936,708,062	**499,200,880**	407,650,879
Total	4,494,169,945	2,924,574,048	2,629,279,830	4,789,464,163	2,851,880,508	1,916,952,459	1,738,401,642	3,030,431,325	**1,759,032,838**	1,562,511,585
Treaty	4,165,328,226	1,425,803,798	1,872,769,449	3,718,362,575	609,341,012	391,243,899	247,588,866	752,996,045	**2,965,366,530**	2,533,572,655
Grand total	8,659,498,171	4,350,377,846	4,502,049,279	8,507,826,738	3,461,221,520	2,308,196,358	1,985,990,508	3,783,427,370	**4,724,399,368**	4,096,084,240

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

Statement of Claims

For the year ended December 31, 2013

Class	Claims				Reinsurance				Net claims expense	
	Claims paid (A)	Provision for outstanding claims Opening (B)	Provision for outstanding claims Closing (C)	Claims expenses (D=A+C-B)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims Opening (F)	Reinsurance and other recoveries in respect of outstanding claims Closing (G)	Reinsurance and other recoveries revenue (H=E+G-F)	2013 (I=D-H)	2012
Note		(9)	(9)			(26)	(26)			
	Rupees									
Business underwritten inside Pakistan										
Facultative										
Fire	1,041,892,575	377,061,951	476,137,341	1,140,967,965	773,148,954	68,968,099	136,468,099	840,648,954	**300,319,011**	290,762,148
Marine cargo	23,681,451	15,852,773	39,074,138	46,902,816	-	-	-	-	**46,902,816**	28,607,633
Marine hull	1,454,699	22,726,812	61,811,334	40,539,221	412,119	-	14,442,587	14,854,706	**25,684,515**	7,223,754
Accident and others	11,089,838	76,203,668	110,641,028	45,527,198	-	-	-	-	**45,527,198**	121,776,203
Aviation	1,563,167,195	101,702,342	61,809,888	1,523,274,741	1,407,829,010	86,712,257	59,056,879	1,380,173,632	**143,101,109**	78,673,879
Engineering	157,389,029	234,416,994	222,710,921	145,682,956	(5,320,817)	196,309,775	122,687,816	(78,942,776)	**224,625,732**	242,304,389
Total	2,798,674,787	827,964,540	972,184,650	2,942,894,897	2,176,069,266	351,990,131	332,655,381	2,156,734,516	**786,160,381**	769,348,006
Treaty	2,488,590,291	1,601,861,951	1,597,547,135	2,484,275,475	260,413,813	1,029,656,520	1,208,777,924	439,535,217	**2,044,740,258**	1,447,704,600
Grand total	5,287,265,078	2,429,826,491	2,569,731,785	5,427,170,372	2,436,483,079	1,381,646,651	1,541,433,305	2,596,269,733	**2,830,900,639**	2,217,052,606

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

For the year ended December 31, 2013

Class	Commission expenses				Other management expenses(E)	Underwriting expenses (F=D+E)	Commission retrocession				Net underwriting expense	
	Commission paid or payable (A)	Deferred Commission Opening (B)	Deferred Commission Closing (C)	Commission expenses (D=A+B-C)			Commission from reinsurers (G)	Commission income unearned Opening (H)	Commission income unearned Closing (I)	Commission retrocession (J=G+H-I)	2013 (K=F-J)	2012 (Restated)
Note		(27)	(27)		(32)			(11)	(11)			
	Rupees											
Business underwritten inside Pakistan												
Facultative												
Fire	173,686,594	108,512,564	95,306,645	186,892,513	12,051,177	198,943,690	79,868,677	36,764,600	41,325,138	75,308,139	**123,635,551**	153,312,166
Marine cargo	12,831,880	3,145,933	2,264,145	13,713,668	8,612,728	22,326,396	-	-	-	-	**22,326,396**	14,595,168
Marine hull	17,875,865	12,232,634	8,065,439	22,043,060	3,551,532	25,594,592	15,230,874	5,872,510	6,985,873	14,117,511	**11,477,081**	14,488,303
Accident and others	19,235,544	6,669,445	9,307,221	16,597,768	7,740,683	24,338,451	-	-	-	-	**24,338,451**	15,891,974
Aviation	1,874,935	1,527,264	716,978	2,685,221	10,914,426	13,599,647	1,782,996	2,364,067	708,885	3,438,178	**10,161,469**	7,298,990
Engineering	59,028,843	22,995,731	27,308,699	54,715,875	8,236,277	62,952,152	45,705,758	27,746,227	25,946,372	47,505,613	**15,446,539**	4,926,805
Total	284,533,661	155,083,571	142,969,127	296,648,105	51,106,823	347,754,928	142,588,305	72,747,404	74,966,268	140,369,441	**207,385,487**	210,513,406
Treaty	791,859,472	314,765,604	352,896,626	753,728,450	452,247,102	1,205,975,552	1,143,302	(27,730,036)	175,444	(26,762,178)	**1,232,737,730**	1,105,171,096
Grand total	1,076,393,133	469,849,175	495,865,753	1,050,376,555	503,353,925	1,553,730,480	143,731,607	45,017,368	75,141,712	113,607,263	**1,440,123,217**	1,315,684,502

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

For the year ended December 31, 2013

	Note	2013 Rupees	2012 Rupees
Income from trading investments			
Gain on disposal of held-for-trading investments		**3,828,995**	1,117,019
Dividend income from held-for-trading investments		**5,585,452**	5,517,490
		9,414,447	6,634,509
Income from non-trading investments			
Held-to-maturity			
Return on government securities		**350,523,195**	273,483,093
Return on other fixed income securities and deposits		**142,001,095**	131,365,214
Income on Treasury Bills		**92,282,681**	142,607,534
Amortization of discount on Pakistan Investment Bonds		**3,946,732**	8,996,816
		588,753,703	556,452,657
Available-for-sale			
Gain on disposal of available-for-sale investments		**7,625,908**	9,450,532
Dividend income of available-for-sale investments		**476,250,538**	327,446,427
		483,876,446	336,896,959
Gain on revaluation of investments			
Held-for-trading	21.6	**26,177,636**	23,072,038
		1,108,222,232	923,056,163
Less: Investment related expenses		**(6,820,058)**	(4,813,432)
Net investment income		**1,101,402,174**	918,242,731

The annexed notes 1 to 46 form an integral part of these financial statements.

Farzana Munaf	**Taufique Habib**	**Attaullah A. Rasheed**
Chief Financial Officer	**Director**	**Director**

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

1 STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan on March 30, 2000 as public limited company under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is engaged in providing of reinsurance, insurance and other insurance based firms of risk transfer. The Company's registered office is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation, which was established in 1952 under PIC Act 1952, into Pakistan Reinsurance Company Limited. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the Company.

2 BASIS OF PREPARATION

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.

2.1 Statement of compliance

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 available-for-sale (AFS) investments. Accordingly, the requirements of IAS - 39, to the extend allowed by the SECP have not been considered in preparation of these financial statements. Subsequent valuation to the initial recognition at cost, of available for sale investments is done accordance with SECP directive as mentioned in note 5.2.

In November 2012, the SECP vide its notifications SRO No. 1383/2012 and SRO No. 1384 / 2012 published revised draft of insurance accounting regulations and draft amendments in SEC (Insurance) Rules, 2002 respectively. These regulations and amendments are not yet effective.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

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

3 APPLICATION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that are not yet effective

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:

Standard or Interpretation	Effective date (annual periods beginning on and after)
IAS 32 - Offsetting Financial Assets and Financial liabilities (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
IFRS 12 - Disclosure of interest in other entities	January 01, 2014
IFRIC 21 - Levies	January 01, 2014
IFAS 3 - Profit and Loss Sharing on Deposits	January 01, 2014

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

3.2 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:

Standard or Interpretation	Effective date (annual periods beginning on and after) as per IASB
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

3.3 Application of IFRS 2 - Share based payment

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this Scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price of listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP. The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the

50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for the payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the repurchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of the State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their Letter Number CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs. 51.828 million (2012: Rs. 86.191 million), profit after taxation and unappropriated profit would have been lower by Rs. 51.828 million (2012: Rs. 86.191 million), earnings per share would have been lower by Re. 0.17 (2012: Re. 0.29) per share and reserves would have been higher by Rs. 51.828 million (2012: Rs. 86.191 million).

The Privatisation Commission has not paid any claims to unit holders since June 2011. The management believes that GoP is considering changes to the Scheme, and impact of any such changes cannot be determined as of 30 June 2013.

4 USE OF ESTIMATES AND JUDGMENTS

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the management to use assumptions, estimates or judgment in application of accounting policies in these financial statements are as follows:

		Note
-	classification of investments	4.2.1
-	impairment of assets	4.2.2
-	useful lives of assets and methods of depreciation	4.3.6
-	recoveries from reinsurers	5.4.3
-	provision for commission income unearned	5.4.5
-	deferred commission expense	5.4.5
-	provision for outstanding claims including claims incurred but not reported	5.4.6
-	provision for unearned premiums	5.4.7
-	premium deficiency reserves	5.4.8
-	staff retirement benefits	5.5
-	provision for income taxes	5.6

4.2 Judgments

In process of applying the Company's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

4.2.1 *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, held-for-trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular the Company has the intention and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held-for-trading.

As the Company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

4.2.2 *Impairment of investments*

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

4.3 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.3.1 *Provision for outstanding claims*

Considerable judgment by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and possible significant degrees of judgment and uncertainly and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions, for reported claims and claims incurred but not reported, on a quarterly basis.

4.3.2 *Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

4.3.3 *Unearned premium reserve*

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan.

4.3.4 *Premium deficiency reserve*

The Company is required to estimate a provision for premium deficiency reserve for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance recoveries, and other supplementary expenses expected to be incurred after the balance sheet date in respect of unexpired polices in that class at the balance sheet date.

4.3.5 *Impairment of accounts receivable*

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

4.3.6 *Useful life of property and equipment*

The Company's estimate of useful economic lives of its property and equipment takes into account the renovation frequency of the asset and the future plans of the Company.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New, revised and amended standards and interpretations

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

- IAS 1 – Presentation of financial statements – presentation of items of other comprehensive income (Amendment)
- IFRS 7 – Financial instruments: Disclosures – (Amendments)
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC 20 – Stripping costs in the production phase of a surface mine

Improvements to Accounting Standards Issued by the IASB

- IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
- IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
- IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in preparation of the published financial statements for the year ended December 31, 2013 except stated otherwise.

5.2 Investments

5.2.1 *Recognition*

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

- Investment at fair value through profit or loss - Held-for-trading
- Held-to-maturity
- Available-for-sale

5.2.2 *Measurement*

(a) Investment at fair value through profit or loss - held for trading.

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on investments on remeasurement of these investments are recognized in profit and loss account.

Simply Secure

(b) Held-to-maturity

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

Subsequent to initial recognition, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest method.

(c) Available-for-sale

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

5.2.3 *Quoted*

Subsequent to initial recognition, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. Moreover, section 16(a) of the Securities and Exchange (Insurance) Rules, 2002 for available for sale - fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2013 would have been higher by Rs. 2,468 million (2012: higher by Rs. 1,018 million), and the net equity would have been higher by Rs. 2,468 million (2012: higher by Rs. 1,018 million).

5.2.4 *Unquoted*

Unquoted investments are recorded at cost less impairment (if any).

5.2.5 *Date of recognition*

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

5.3 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

Freehold land and building are considered as investment property only when they are being held to earn rentals or capital appreciation or both.

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

Depreciation policy, subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income in the period of derecognition.

5.4 Insurance contracts

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

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

5.4.1 Premium due but unpaid

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

5.4.2 Liability adequacy test

At each end of the reporting period the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the profit and loss account.

5.4.3 Reinsurance

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

Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balance due from reinsurance companies. Amount 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 insurance contract.

Reinsurance assets are not offset against related insurance liabilities. Incomes or expenses from reinsurance contract are not offset against expenses or incomes from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

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

5.4.4 Claims expense

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

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.

5.4.5 Commission expense, other acquisition costs and commission income

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

5.4.6 Provision for outstanding claims

A liability is recognized for outstanding claims incurred up to the balance sheet date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company up to the balance sheet date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs.

5.4.7 Provision for unearned 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.

5.4.8 Premium deficiency reserve

Where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses expected to be incurred after the balance sheet date in respect of policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

5.4.9 Prepaid reinsurance ceded

Reinsurance premium is recognized as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

5.5 Staff retirement benefits

5.5.1 Defined benefits plan

5.5.1.1 Post employment benefits - Retirements benefits and Other post-employment benefits

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2013 using the Projected Unit Credit Method based on the significant assumptions stated in note 40.1.9 for valuation of the funds as at December 31, 2013.

The Company also operates post retirement medical benefit plan and recognizes liability for post retirement medical facilities in respect of its eligible employees in accordance with requirements of IAS - 19 (Revised).

5.5.1.2 Other long term employment benefits - Compensated absences

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation.

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

5.5.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary.

5.6 Taxation

5.6.1 *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.

5.6.2 *Deferred*

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

5.7 Fixed assets - tangibles

Owned

Fixed assets except leasehold lands (other than land of PRC House and PRC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment losses thereon. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 30.5 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to use whereas no depreciation is charged from the month in which the asset is disposed off. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any. are retired.

Gains and losses on disposal of fixed assets, if any, arc included in current income.

5.8 Revenue recognition

5.8.1 *Premium*

Premium received / receivable under a policy are recognized evenly over the period of underlying policies or in accordance with the pattern of reinsurance service provided. Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an income in accordance with the pattern of incidence of risk.

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and (ii) adjusted for provision for unearned premium.

Premium recognition in case of coinsurance or pool arrangements is restricted to the Company's share only.

5.8.2 *Investments*

Gain / loss on sale of investments is taken to the profit and loss account in the year of sale.

Profit / interest income on investments securities are recognized on effective interest method.

Profit on bank accounts are accounted for on accrual basis.

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

5.8.3 *Rental income*

Rentals from investment properties are recognized as income on time proportion basis.

5.9 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

5.10 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.11 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in note 38.7. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. Non-monetary assets and liabilities are translated into Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently.

5.12 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

5.13 Cash and cash equivalents

Cash and cash equivalents comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months as per the format prescribed by the SEC (Insurance) Rules, 2002 vide S.R.O dated December 12, 2002.

5.14 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet 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.

5.15 Segment reporting

For management purposes, the Company is organized into six departments which deal with specific type of insurance policies. These departments are business segments for financial reporting purposes. Moreover, there are 'treaty arrangement' under each department and is treated as a separate segment. Thus the Company has seven segment - fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprises investment in securities and in properties. The Company operates in Pakistan only. There are no transactions between segments.

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

5.16 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5.17 Provision for doubtful debts

Provision, as considered adequate by the management, is made to cover doubtful debts.

5.18 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, amounts due from / to other insurers / reinsurers, premium and claim reserves retained from / by retrocessionaires/cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets, and in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

5.19 Dividend and other appropriations

Dividend and appropriation to reserves are recognised as liability in the Company's financial statements in the year in which these are approved.

5.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2013.

5.21 Corresponding figures

Corresponding figures have been restated and / or reclassified, wherever necessary. No significant restatements / reclassifications were made during the current year except as disclosed in note 6.2, 9.2 and 12.1.

5.22 General

All figures have been rounded off to the nearest rupee unless otherwise stated.

6 CHANGES IN ACCOUNTING POLICIES

6.1 Amendment to IAS 1 'Presentation of Financial statements' regarding 'other comprehensive income'

The primary change resulting from this amendment is that the Company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

6.2 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, the net cumulative actuarial gains / losses at each balance sheet date were recognized equally over the expected remaining average working lives of employees. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This treatment, however, has no impact on these financial statements as the discount rate now applied to assets is equal to the expected return on assets. Further, there is a new term 'remeasurements', which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

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

		2012	2011
		Rupees in million ('000,000)	
6.2.1	**Impact on balance sheet reported as at December 31,**		
	Increase / (decrease) in:		
	Deferred liability - employee benefits		
	Post employment benefits		
	Retirements benefits		
	- Employees' pension fund / (asset)	216.309	172.206
	- Officers' pension fund / (asset)	152.198	133.335
	- Gratuity fund	(0.234)	0.571
	Other post-employment benefits		
	- Post retirement medical benefits	70.162	68.756
	Decrease in retained earnings	(438.435)	(374.868)
6.2.2	**Impact on profit and loss account reported for the year ended December 31,**		
	Decrease in expenses - net of reversals	54.645	27.031
	Decrease in profit before tax	54.645	27.031
	Decrease in profit after tax	36.066	17.570
6.2.3	**Impact on statement of comprehensive income reported for the year ended December 31,**		
	Decrease in other comprehensive income before tax	(119.873)	(158.551)

		2012	2011
		Rupees	
6.2.4	**Impact on earning per share**		
	Increase in earning per share	0.12	0.06

7 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013 Number of shares	2012 Number of shares		2013 Rupees	2012 Rupees
8	8	Ordinary shares of Rs. 10 each fully paid in cash	**80**	80
5,000,000	5,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	**50,000,000**	50,000,000
294,999,992	294,999,992	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**2,949,999,920**	2,949,999,920
300,000,000	300,000,000		**3,000,000,000**	3,000,000,000

	2013 Rupees	2012 Rupees
8 RESERVE FOR EXCEPTIONAL LOSSES	**281,000,000**	281,000,000

The reserve for exceptional losses was set aside prior to 1979 and was charged to income with the provisions of Income Tax Act of 1922 (repealed). The Company has ceased to set aside such reserve.

	Note	2013 Rupees	2012 Rupees (Restated)
9 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)			
Facultative business			
Fire		**476,137,341**	377,061,951
Marine cargo		**39,074,138**	15,852,773
Marine hull		**61,811,334**	22,726,812
Accident and others		**110,641,028**	76,203,668
Aviation		**61,809,888**	101,702,342
Engineering		**222,710,921**	234,416,994
		972,184,650	827,964,540
Treaty		**1,597,547,135**	1,601,861,951
		2,569,731,785	2,429,826,491
Claims related to Bangladesh, adjusted in note 31	9.1	**(4,952,000)**	(4,952,000)
	9.2	**2,564,779,785**	2,424,874,491

9.1 Claims related to Bangladesh

	2013 Rupees	2012 Rupees
Facultative business		
Fire	**2,382,000**	2,382,000
Marine	**1,470,000**	1,470,000
Miscellaneous	**1,100,000**	1,100,000
	4,952,000	4,952,000

9.2 The Company has separately presented, in note 26, amounts for "Reinsurance recoveries against outstanding claims" in these financial statements, consequently, the Company has reclassified comparative amounts for better presentation.

Increase in 'Provision for outstanding claims including IBNR' (refer note 9) and decrease in 'Reinsurance recoveries against outstanding claims' (refer note 26) in the financial statements for the year 2012 have been summarized below:

	Rupees
Facultative business	
Fire	68,968,099
Aviation	86,712,257
Engineering	196,309,775
	351,990,131
Treaty business	1,029,656,520
	1,857,621,060

9.3 The above amounts represents estimated liabilities in respect of outstanding claims incurred up to the balance sheet date as intimated by the ceding companies to the Company.

The Company, generally computes such liabilities, in respect of treaty business on the basis of various forms received from the ceding companies including forms "S5","S6". In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

		Note	2013 Rupees	2012 Rupees
10	**PROVISION FOR UNEARNED PREMIUM**			
	Facultative business			
	Fire		**836,819,945**	865,588,124
	Marine cargo		**10,040,554**	11,863,604
	Marine hull		**71,360,408**	94,781,038
	Accident and others		**78,715,398**	57,969,539
	Aviation		**910,779,804**	1,072,596,887
	Engineering		**721,563,721**	821,774,856
			2,629,279,830	2,924,574,048
	Treaty		**1,872,769,449**	1,425,803,798
			4,502,049,279	4,350,377,846
11	**COMMISSION INCOME UNEARNED**			
	Facultative business			
	Fire		**41,325,138**	36,764,600
	Marine hull		**6,985,873**	5,872,510
	Aviation		**708,885**	2,364,067
	Engineering		**25,946,372**	27,746,227
			74,966,268	72,747,404
	Treaty		**175,444**	(27,730,036)
			75,141,712	45,017,368

		Note	2013 Rupees	2012 Rupees (Restated)
12	**DEFERRED LIABILITY - EMPLOYEE BENEFITS**			
	Defined benefit obligations			
	Post employment benefits			
	Retirements benefits			
	- Employees' pension fund	40	**101,324,000**	35,998,000
	- Officers' pension fund	40	**286,187,000**	206,974,000
	- Gratuity fund	40	**5,928,000**	3,803,000
	Other post-employment benefits			
	- Post retirement medical benefits	40	**251,164,000**	241,786,000
	Other long term employment benefits			
	- Compensated absences	40	**59,633,000**	48,155,000
		12.1	**704,236,000**	536,716,000

12.1 The Company has reclassified comparative amounts consequent to the retrospective application of requirements of IAS 19, (Revised) 'Employee Benefits', as explained in note 6.2, and for better presentation. The effect of reclassification on the financial statements for the year 2012 have been summarised below:

Increase / (decrease) in:	Other creditors and accruals (refer note 16) Rupees	Sundry receivables (refer note 29) Rupees
Officers' pension fund	152,198,000	-
Gratuity fund	(234,000)	-
Employees' pension fund	-	(216,309,333)

		Note	2013 Rupees	2012 Rupees
13	**LONG TERM DEPOSITS**		**14,367,887**	14,217,257

This represents deposits received from tenants in connection with letting of PRC Towers.

		2013	2012
14	**AMOUNT DUE TO OTHER INSURERS AND REINSURERS**		
	Amount due to other insurers	**300,614,635**	178,114,270
	Amount due to other reinsurers	**1,057,103,930**	1,445,423,763
		1,357,718,565	1,623,538,033
15	**PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES**		
	Premium reserve	**230,627**	230,941
	Losses reserve	**17,190,994**	17,243,465
	Cash losses received from retrocessionaires	**1,642,121**	2,698,328
		19,063,742	20,172,734

15.1 This represents the Company's retention of deposits withheld against the total amount retroceded to other companies.

		Note	2013 Rupees	2012 Rupees (Restated)
16	**OTHER CREDITORS AND ACCRUALS**			
	Provision for litigation		**16,075,253**	16,075,253
	Employees' welfare fund payable		**-**	111,865
	Employees' general provident fund payable		**148,740**	-
	Government provident fund payable		**85,538**	-
	Advance rent		**702,996**	44,898
	Others		**17,328,255**	5,923,403
		12.1	**34,340,782**	22,155,419

		2013 Rupees	2012 Rupees
17	**SURPLUS PROFIT PAYABLE**	**1,212,602**	1,212,602

This represents the amount set aside for the share holders in accordance with the requirements of PIC Act, 1952 (repealed).

18 CONTINGENCIES AND COMMITMENTS

18.1 The Company has certain disputes with National Construction Company Limited (NCC) and other consultants, over the certification of final bills in relation to the construction of the PRC Towers. The Company filed a claim against the NCC amounting to Rs. 105.9 million for breach of the contract. The NCC has filed a counter claim of Rs. 133.6 million against the Company for financial loss and loss of goodwill. In relation to the dispute with the consultants / contractors, the total work as certified by the Company's consultants amounted to Rs. 200.76 million against the total contract price of Rs. 208.94 million and the asset capitalized amounted to Rs. 191.92 million. There has been no further proceeding in the case since last year.

18.2 Decree had been awarded to National Bank of Pakistan against the Company in a case amounting to Rs. 36.55 (2012: Rs. 36.55) million, pertaining to the default of Adamjee Insurance Company Limited for the advance payment guaranteed by the Company. The decree holder has not filed execution application within the prescribed limitation period, the management therefore considers it as time barred and the Company is in strong position in this case.

18.3 The Company has disputed the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged as payable in this regard as at December 31, 2013 amounted to Rs. 3.351 million.

Currently, stay is operating in favour of the Company and the matter is pending before the Honourable Court of Senior Judge - Karachi, West, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honourable High Court of Sindh and there has been no further proceedings in this case since last year.

18.4 The Company has received a notice from Sindh Revenue Board (SRB) relating to non filing of Sales Tax return on services provided by them to Insurance Companies. The Company contested the notice; however the decision was made against the Company giving rise to Sales Tax Liability amounting to Rs. 495.5 million. The Company filed an appeal with Commission of appeals, Sindh Revenue Board, however, it was rejected. The Company has filed an appeal with the Appellant Tribunal, Sindh Revenue Board which is pending for hearing due to its disfunctionality, for that reason, the Honorable High Court of Sindh has granted a interim stay order in the favor of the Company. The management and the tax advisor are confident that good grounds exist to contest the case. They believe that eventual outcome will come in favor of the Company. Hence no provision has been made in these financial statements.

18.5 Contingencies related to income tax are presented in note 36.

18.6 There is no commitment as on the balance sheet date (2012: Nil).

	Note	**2013 Rupees**	2012 Rupees
19 CASH AND BANK DEPOSITS			
Cash and other equivalents		**47,825**	85,694
Current and other accounts	19.1	**2,056,331,619**	1,614,359,140
Deposits maturing within 12 months	19.2	**650,000,000**	400,000,000
		2,706,379,444	2,014,444,834

19.1 This include Rs. 1,029.238 million (2012: Rs. 640.207 million) in local currency savings/daily product accounts carrying mark-up rates ranging from 5.00% to 10.00% (2012: 5% to 11.15%) per annum.

19.2 This represents Term Deposit Receipts (TDRs) in local currency carrying effective interest rates of 10% per annum (2012: 9.75% per annum). These deposits are due to mature within 12 months of the year end.

		Note	2013 Rupees	2012 Rupees
20	**LOANS TO EMPLOYEES (considered good)**			
	- Secured		**73,156,019**	59,114,060
	- Unsecured		**-**	1,476,590
		20.1	**73,156,019**	60,590,650
	Long term portion of the loan		**12,595,700**	26,989,836
	Current portion of the loan		**60,560,319**	33,600,814
			73,156,019	60,590,650

20.1 No loan has been advanced to the directors of the Company. Details of loans to Chief Executive and Executives of the Company is as under:

	2013	2012
Balance as the beginning of the year		
Chief Executive	**54,364**	-
Executives	**1,555,864**	1,633,347
	1,610,228	1,633,347
Disbursements during the year		
Chief Executive	**-**	70,000
Executives	**1,160,720**	1,063,348
	1,160,720	1,133,348
Repayments / adjustments during the year		
Chief Executive	**(54,364)**	(15,636)
Executives	**(1,363,989)**	(1,140,831)
	(1,418,353)	(1,156,467)
Balance as the end of the year		
Chief Executive	**-**	54,364
Executives	**1,352,595**	1,555,864
	1,352,595	1,610,228

20.2 Loans to employees represent mark-up free loans except motor car loans, and are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given. Motor car loans carry mark-up at a rate of 10% (2012: 10%) per annum. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.

20.3 The maximum month-end amount of these loan during the year has been Rs. 91,159,267 (2012: Rs. 66,757,049).

		Note	2013 Rupees	2012 Rupees
21	**INVESTMENTS**			
	Available-for-sale			
	Ordinary shares - listed	21.2	**421,028,207**	428,362,644
	Mutual funds	21.3	**1,957,007,894**	1,957,007,894
	Ordinary shares - unlisted	21.4	**617,613**	617,613
			2,378,653,714	2,385,988,151
	Held-to-maturity - secured			
	Pakistan Investment Bonds	21.5	**3,170,704,754**	2,468,358,440
	Treasury Bills	21.5	**880,405,000**	1,509,129,600
			4,051,109,754	3,977,488,040
	Held-for-trading			
	Ordinary shares - listed	21.6	**83,660,800**	70,944,340
			6,513,424,268	6,434,420,531

21.1 Investments in related parties

21.1.1 Available for sale

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Listed						
National Bank of Pakistan	6,359,119	6,824,793	369,210,449	5,529,669	6,824,793	273,110,352
National Refinery Limited	502,363	28,312,467	108,269,274	502,363	28,312,467	106,350,247
Pakistan State Oil Company Limited	7,389	371,225	2,454,774	6,158	371,225	1,429,949
Pakistan Petroleum Limited	396,000	27,388,953	84,728,160	330,000	27,388,953	58,340,700
Sui Southern Gas Company Limited	12,694,227	36,461,488	305,423,102	12,694,227	36,461,488	260,358,596
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	185,271,724	7,907,458	17,110,611	183,848,398
	28,657,301	116,469,537	1,055,357,483	26,969,875	116,469,537	883,438,242
Unlisted						
State Bank of Pakistan	4,900	517,615	-	4,900	517,615	-
National Investment Trust Limited	79,200	100,000	-	79,200	100,000	-
	84,100	617,615	-	84,100	617,615	-
	28,741,401	117,087,152	1,055,357,483	27,053,975	117,087,152	883,438,242

21.1.2 Held to maturity

	2013 Book value Rupees	2012 Book value Rupees
Pakistan investment bonds	3,170,704,754	2,468,358,440
Treasury bills	880,405,000	1,509,129,600
	4,051,109,754	3,977,488,040

21.1.3 Held for trading

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Listed						
National Bank of Pakistan	399,266	17,147,615	23,181,384	347,188	12,956,406	17,147,615

21.2 Investment in listed companies - available-for-sale

	Note	2013 Rupees	2012 Rupees
Cost of investment in listed companies	21.2.1	434,090,770	441,425,207
Less: Provision for diminution in value			
Balance brought forward from last year		(13,062,563)	(13,062,563)
Provision made during the year		-	-
		(13,062,563)	(13,062,563)
		421,028,207	428,362,644

21.2.1 Book values and market values of investment in listed companies classified as available-for-sale are:

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Financial Services						
Escort Investment Bank	16,846	25,269	54,076	16,846	25,269	69,069
	16,846	25,269	54,076	16,846	25,269	69,069
Banks						
Askari Bank Limited	7,276	101,906	101,864	43,570	609,297	750,275
Bank Al-Falah Limited	9,232	147,079	249,633	5,994	82,538	100,819
Faysal Bank Limited	60,909	391,273	693,754	54,142	391,273	576,612
MCB Bank Limited	336,757	55,357,113	94,685,966	306,143	55,357,113	64,216,556
National Bank of Pakistan	6,359,119	6,824,793	369,210,449	5,529,669	6,824,793	273,110,352
N.I.B Bank Limited	28,420,050	56,828,787	66,502,917	28,420,050	56,828,787	74,744,732
Silk Bank Limited	24,656	51,778	51,778	24,656	62,380	56,216
The Bank of Punjab Limited	30,080	175,667	331,482	30,080	175,667	321,856
United Bank Limited	1,024	4,350	135,731	1,024	4,350	85,678
	35,249,103	119,882,746	531,963,574	34,415,328	120,336,198	413,963,096
Balance carried forward	35,265,949	119,908,015	532,017,650	34,432,174	120,361,467	414,032,165

Name of company	2013			2012		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	**35,265,949**	**119,908,015**	**532,017,650**	34,432,174	120,361,467	414,032,165
Insurance						
Adamjee Insurance Company Limited	**1,398,536**	**32,124,622**	**52,263,290**	494,301	32,124,622	33,681,670
Asia Insurance Company Limited	**24,480**	**244,800**	**489,600**	24,480	244,800	491,558
Crescent Star Insurance Company Limited	**604,491**	**1,208,982**	**4,715,030**	604,491	1,208,982	2,417,964
Habib Insurance Company Limited	**10,160**	**1,724**	**153,924**	10,160	1,724	128,422
Pakistan Guarantee Insurance Company Limited	**22,029**	**-**	**-**	22,029	-	-
PICIC Insurance Company Limited	**855,790**	**4,450,108**	**7,702,110**	855,790	4,450,108	5,990,530
Sterling Insurance Company Limited	**23,250**	**-**	**-**	23,250	-	-
Union Insurance Company of Pakistan Limited	**56,227**	**-**	**-**	56,227	-	-
United Insurance Company of Pakistan Limited	**303,402**	**166,165**	**4,308,308**	246,669	166,165	3,206,697
	3,298,365	**38,196,401**	**69,632,262**	2,337,397	38,196,401	45,916,841
Personal Goods						
Brothers Textile Mills Limited	**353**	**229**	**2,178**	353	229	1,271
Khurshid Spinning Mills Limited	**7,600**	**-**	**-**	7,600	5,700	60,800
Sahrish Textile Mills Limited	**13,510**	**-**	**-**	13,510	-	-
Yousaf Weaving Mills Limited	**-**	**-**	**-**	227	272	1,033
Pakistan Synthetics Limited	**2,846**	**21,252**	**49,236**	2,846	21,252	56,892
Crescent Jute Products Limited	**157,314**	**64,498**	**396,431**	157,314	64,499	284,738
Usman Textile Mills Limited	**300**	**-**	**-**	300	-	-
Colony Mills Limited	**149,762**	**149,762**	**849,151**	149,762	149,762	450,784
Kohinoor Industries Limited	**11,681**	**10,513**	**55,134**	11,681	10,513	59,456
Muhammad Farooq Textile Mills Limited	**4,100**	**2,255**	**18,860**	4,100	2,255	12,300
Taj Textile Mills Limited	**5,600**	**-**	**-**	5,600	2,072	-
Crescent Sugar Mills Limited	**-**	**-**	**-**	137,386	807,573	4,279,574
	353,066	**248,509**	**1,370,990**	490,679	1,064,127	5,206,848
General Industries						
Packages Limited	**821,714**	**90,388,540**	**224,023,888**	821,714	90,388,540	124,210,288
Hashmi Can Company Limited	**5,250**	**-**	**-**	5,250	31,500	-
	826,964	**90,388,540**	**224,023,888**	826,964	90,420,040	124,210,288
Household Goods						
Hussain Industries Limited	**15,820**	**-**	**-**	15,820	47,460	102,672
Towellers Limited	**315,759**	**2,551,333**	**4,736,385**	315,759	2,551,333	2,605,012
	331,579	**2,551,333**	**4,736,385**	331,579	2,598,793	2,707,684
Food Producers						
Colony Sugar Mills Limited	**39,924**	**71,863**	**435,571**	39,924	71,863	244,335
Kohinoor Sugar Mills Limited	**26,451**	**92,579**	**308,419**	26,451	92,579	145,481
Pangrio Sugar Mills Limited	**100,000**	**277,000**	**296,000**	100,000	277,000	340,000
Sakrand Sugar Mills Limited	**11,900**	**10,948**	**36,057**	11,900	10,948	57,120
Shahtaj Sugar Mills Limited	**397**	**2,974**	**34,142**	397	2,974	31,804
Sind Abadgar Sugar Mills Limited	**98,500**	**492,500**	**1,083,500**	98,500	492,500	837,250
Universal Oil Mills Limited	**30,000**	**-**	**-**	30,000	-	-
	307,172	**947,864**	**2,193,689**	307,172	947,864	1,655,990
Construction and Materials						
Akzo Nobel Pakistan Limited	**154,518**	**17,899,449**	**19,266,849**	154,518	17,899,449	13,367,352
Dada Bhoy Cement Industries Limited	**17,300**	**27,853**	**111,758**	17,300	27,853	43,596
Fauji Cement Company Limited	**5,238**	**17,286**	**83,546**	5,238	17,286	34,257
Javedan Cement Limited	**118**	**1,126**	**7,679**	118	1,126	11,216
D.G Khan Cement Limited	**12,000**	**228,360**	**1,028,760**	12,000	228,360	645,960
Zeal Pak Cement Factory Limited	**39,130**	**-**	**-**	39,130	-	-
	228,304	**18,174,074**	**20,498,592**	228,304	18,174,074	14,102,381
Tobacco						
Philip Morris (Pakistan) Limited (formerly Lakson Tobacco Company Limited)	**21,206**	**36,893**	**8,376,370**	21,206	36,893	2,650,750
Pakistan Tobacco Company Limited	**70,140**	**234,209**	**39,467,077**	70,140	234,209	4,738,658
	91,346	**271,102**	**47,843,447**	91,346	271,102	7,389,408
Balance carried forward	**40,702,745**	**270,685,838**	**902,316,903**	39,045,615	272,033,868	615,221,605

Simply Secure

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Balance brought forward	**40,702,745**	**270,685,838**	**902,316,903**	39,045,615	272,033,868	615,221,605
Oil and Gas						
National Refinery Limited	**502,363**	**28,312,467**	**108,269,274**	502,363	28,312,467	106,350,247
Pakistan State Oil Company Limited	**7,389**	**371,225**	**2,454,774**	6,158	371,225	1,429,949
Pakistan Petroleum Limited	**396,000**	**27,388,953**	**84,728,160**	330,000	27,388,953	58,340,700
	905,752	**56,072,645**	**195,452,208**	838,521	56,072,645	166,120,896
Electricity						
The Hubpower Company Limited	**582,085**	**10,773,636**	**35,344,201**	582,085	10,773,636	26,333,525
K-Electric Limited (formerly Karachi Electric Supply Company Limited)	**385,548**	**863,418**	**2,178,346**	385,548	863,418	2,220,756
Kot Addu Power Company Limited	**30,000**	**1,481,678**	**1,852,500**	30,000	1,481,678	1,481,700
Southern Electric Power Company Limited	**13,963**	**9,774**	**37,281**	13,963	9,774	32,953
	1,011,596	**13,128,506**	**39,412,328**	1,011,596	13,128,506	30,068,934
Gas Water and Multiutilities						
Sui Southern Gas Company Limited	**12,694,227**	**36,461,488**	**305,423,102**	12,694,227	36,461,488	260,358,596
Sui Northern Gas Pipelines Limited *	**8,698,203**	**17,110,611**	**185,271,724**	7,907,458	17,110,611	183,848,398
	21,392,430	**53,572,099**	**490,694,826**	20,601,685	53,572,099	444,206,994
Engineering						
Ghandhara Industries Limited	**-**	**-**	**-**	-	-	-
Dewan Automotive Engineering Limited	**52,333**	**39,249**	**155,952**	52,333	39,249	183,165
Pakistan Engineering Company Limited	**43,776**	**364,738**	**2,145,024**	43,776	364,738	2,407,680
	96,109	**403,987**	**2,300,976**	96,109	403,987	2,590,845
Travel and Leisure						
Pakistan International Airlines Corporation - "A" Class Shares	**-**	**-**	**-**	2,293,278	5,985,456	9,241,910
	-	**-**	**-**	2,293,278	5,985,456	9,241,910
Fixed Line Telecommunication						
Worldcall Telecom Limited	**3,672**	**3,672**	**9,107**	3,672	3,672	9,290
	3,672	**3,672**	**9,107**	3,672	3,672	9,290
Forestry and Paper						
Security Papers Limited	**773,908**	**195,915**	**54,405,732**	644,924	195,915	33,097,500
	773,908	**195,915**	**54,405,732**	644,924	195,915	33,097,500
Chemicals						
Fauji Fertilizer Bin Qasim Limited	**20,035**	**452,878**	**877,733**	20,035	452,878	773,151
ICI Pakistan Limited	**307,281**	**35,595,431**	**77,748,239**	307,281	35,595,431	53,433,093
Lotte Chemical Pakistan Limited (Formerly: Lotte Pakistan PTA Limited)	**1,206,602**	**3,874,321**	**8,856,459**	1,206,602	3,874,321	8,868,525
Linde Pakistan Limited (Formerly: BOC Pakistan Limited)	**1,100**	**105,478**	**196,746**	1,100	105,479	168,839
Sardar Chemical Industries Limited	**-**	**-**	**-**	500	950	4,300
Lotte Pakistan PTA Limited	**1,535,018**	**40,028,108**	**87,679,177**	1,535,518	40,029,059	63,247,908
Total	**66,421,230**	**434,090,770**	**1,772,271,257**	66,070,918	441,425,207	1,363,805,882

* **Frozen shares**

This represents 8,698,203 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

21.3 Book values and market values of investment in certificates and units of mutual funds classified as available-for-sale are:

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Open-End Mutual Funds						
Pakistan Capital Market Fund	16,244	79,326	123,130	14,100	79,326	120,696
National Investment Trust	46,328,425	1,455,639,114	2,304,375,860	46,328,425	1,455,639,114	1,537,640,426
JS Value Fund Limited *	34,620	2,267,483	6,121,508	346,204	2,267,483	3,115,836
JS Growth Fund *	2,834	140,039	447,205	28,348	140,039	247,478
	46,382,123	1,458,125,962	2,311,067,703	46,717,077	1,458,125,962	1,541,124,436
Close-End Mutual Funds						
Pakistan Premier Fund Limited	18,712	111,336	182,442	18,712	111,336	182,442
PICIC Growth Fund	30,406,721	498,670,224	762,600,563	30,406,721	498,670,224	498,670,224
PICIC Investment Fund	17,246	100,372	196,087	17,246	100,372	121,929
	30,442,679	498,881,932	762,979,092	30,442,679	498,881,932	498,974,595
	76,824,802	1,957,007,894	3,074,046,795	77,159,756	1,957,007,894	2,040,099,031

21.3.1 The Company holds 46,328,425 NIT units (2012: 46,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 (2012: Rs. 53.95 to Rs. 54.50) per unit. The units repurchase price as at year end was Rs. 49.74 (2012: Rs. 33.19) per unit.

21.3.2 Market value of quoted available-for-sale investments (listed shares and NIT units) is Rs. 1,773 million (2012: Rs. 1,364 million).

* The decrease in number of the units is attributable to the conversion of these funds to 'open-end scheme'.

	Note	2013 Rupees	2012 Rupees
21.4 Investment in unlisted companies			
Cost of investment in unlisted companies	21.4.1	2,608,105	2,608,105
Less: Provision for diminution in value			
Balance brought forward from last year		(1,990,492)	(1,990,492)
Provision made during the year		-	-
		(1,990,492)	(1,990,492)
		617,613	617,613

21.4.1 Cost of investment in unlisted companies

Name of company	2013 Number of shares / certificates	2013 Book Value (Rupees)	2012 Number of shares / certificates	2012 Book Value (Rupees)
Banks				
State Bank of Pakistan (Break-up value is Rs. 592,220 per share based on financial statements for the year ended June 30, 2013) Governor: Yaseen Anwar	4,900	517,614	4,900	517,614
Industrial Development Bank of Pakistan * / ** (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2012) Chairman/Managing Director: Jamal Nasim	6,213	618,227	6,213	618,227
	11,113	1,135,841	11,113	1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 22,519 per share based on financial statements for the year ended June 30, 2013) Managing Director & Chairman: Mr. Wazir Ali Khoja	79,200	100,000	79,200	100,000
Insurance				
Indus Assurance Limited *	25,000	250,000	25,000	250,000
Cotton and Textile				
Afsar Textile Mills Limited *	1,000	9,950	1,000	9,950
Kohinoor Cotton Mill Limited *	22,397	219,801	22,397	219,801
	23,397	229,751	23,397	229,751
Chemical				
Synthetic Chemical Limited *	20,000	200,000	20,000	200,000
Vanaspati and Allied Industries				
Burma Oil Limited *	861	6,470	861	6,470
Burma Soap Limited *	64	640	64	640
	925	7,110	925	7,110
Miscellaneous				
Arag Industries Limited *	133,333	685,403	133,333	685,403
	292,968	2,608,105	292,968	2,608,105

* Financial statements of these companies are not available, therefore, the break-up value and the name of the Chief Executive Officer is not presented.

** Industrial Development Bank of Pakistan (IDBP) has been dissolved and all assets and liabilities are vested in the Industrial Development Bank Limited (IDBL) vide Government of Pakistan (GoP)'s Finance division's S.R.O. (1)/2012 dated November 13, 2012.

		2013	2012	**2013**	2012
		Treasury bills		**Pakistan Investment Bonds**	
		Rupees	Rupees	**Rupees**	Rupees
21.5	**Held-to-maturity - secured**	**880,405,000**	1,509,129,600	**3,170,704,754**	2,468,358,440
	Tenure	3 months	3 months to 1 year	3 years to 10 years	3 years to 10 years
	Face value - Rupees in million	900	1,600	3,825	2,525
	Market value - Rupees in million	888	1,548	3,276	2,478
	Maturity dates	January 2014 to March 2014	January 2013 to October 2013	April 2014 to July 2022	April 2014 to July 2022
	Profit repayment - frequency	On maturity	On maturity	Semi-annually	Semi-annually
	Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
	Effective interest rate / coupon rate - per annum	8.58% to 9.17%	9.23% to 11.92%	8% to 12%	8% to 12%

21.5.1 The amount of Pakistan Investment bonds include Rs. 300 millions (2012: Rs. 300 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

		Note	2013 Rupees	2012 Rupees
21.6	**Investment in listed companies - held-for-trading**			
	Cost of investment in listed companies	21.6.1	**57,483,164**	47,872,302
	Gain on revaluation of investments		**26,177,636**	23,072,038
			83,660,800	70,944,340

21.6.1 Book values and market values of investment in listed companies classified as held-for-trading are:

Name of company	2013 Number of shares / certificates / units	2013 Book value (Rupees)	2013 Market value (Rupees)	2012 Number of shares / certificates / units	2012 Book value (Rupees)	2012 Market value (Rupees)
Cement						
Attock Cement Limited	**57,500**	**4,990,500**	**8,201,225**	184,868	8,198,505	18,451,675
Commercial Banks						
National Bank of Pakistan	**399,266**	**17,147,615**	**23,181,565**	347,188	12,956,406	17,147,615
Refinery						
The Hubpower Company Limited	**100,004**	**4,524,181**	**6,072,243**	100,004	3,420,137	4,524,181
Technology and Communication						
Pakistan Telecommunication Company Limited	**319,500**	**5,543,325**	**9,086,580**	319,500	3,319,605	5,543,325
Chemicals						
Fauji Fertilizer Company Limited	**60,000**	**7,028,400**	**6,717,600**	60,000	5,981,779	7,028,400
Engro Corporation	**170,786**	**15,719,143**	**27,049,087**	170,786	12,178,370	15,719,143
Engro Polymer and Chemicals Limited	**250,000**	**2,530,000**	**3,352,500**	250,000	1,817,500	2,530,000
	480,786	**25,277,543**	**37,119,187**	480,786	19,977,649	25,277,543
	1,357,056	**57,483,164**	**83,660,800**	1,432,346	47,872,302	70,944,339

22 **INVESTMENT PROPERTIES**

2013	**PRC Building, Karachi**	**Lease hold land**	**PRC Towers, Karachi**	**Electrical installation**	**Air conditioning plant**	**Lift**	**Total**
	Rupees						
As at January 01, 2013							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(64,809)	-	(53,232,992)	(18,649,848)	(26,065,372)	(20,702,866)	(118,715,887)
Book value	**85,493**	**572,406**	**35,918,331**	**345,220**	**491,458**	**382,959**	**37,795,867**
December 31, 2013							
Opening net book amount	85,493	572,406	35,918,331	345,220	491,458	382,959	37,795,867
Additions	-	-	-	-	-	-	-
Deprecation charge for the year	(4,275)	-	(1,795,916)	(69,044)	(98,292)	(76,592)	(2,044,119)
Book value	**81,218**	**572,406**	**34,122,415**	**276,176**	**393,166**	**306,367**	**35,751,748**
As at December 31, 2013							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(69,084)	-	(55,028,908)	(18,718,892)	(26,163,664)	(20,779,458)	(120,760,006)
Book value	**81,218**	**572,406**	**34,122,415**	**276,176**	**393,166**	**306,367**	**35,751,748**
Depreciation rate - percentage	**5%**	**0%**	**5%**	**20%**	**20%**	**20%**	

2012	PRC Building, Karachi	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
				Rupees			
As at January 01, 2011							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(60,309)	-	(51,342,554)	(18,563,544)	(25,942,507)	(20,607,125)	(116,516,039)
Book value	**89,993**	**572,406**	**37,808,769**	**431,524**	**614,323**	**478,700**	**39,995,715**
December 31, 2012							
Opening net book amount	89,993	572,406	37,808,769	431,524	614,323	478,700	39,995,715
Additions	-	-	-	-	-	-	-
Deprecation charge for the year	(4,500)	-	(1,890,438)	(86,304)	(122,865)	(95,741)	(2,199,848)
Book value	**85,493**	**572,406**	**35,918,331**	**345,220**	**491,458**	**382,959**	**37,795,867**
As at December 31, 2012							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(64,809)	-	(53,232,992)	(18,649,848)	(26,065,372)	(20,702,866)	(118,715,887)
Book value	**85,493**	**572,406**	**35,918,331**	**345,220**	**491,458**	**382,959**	**37,795,867**
Depreciation rate - percentage	**5%**	**0%**	**5%**	**20%**	**20%**	**20%**	

Buildings and related lease hold lands are held by the Company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use (refer note - 30, fixed assets) on the basis of floor space occupied for respective purposes.

The book value of the PRC Building, Karachi and PRC Towers, Karachi including portion attributable as owner-occupied property and all installations therein and excluding lease hold land is Rs. 64.771 million (2012: Rs. 62.262 million). The market value of the same amounted to Rs. 1,038 million (2012: Rs. 1,018) million. The valuation at both the year end have been carried out by M/s. M.J. Surveyors (Private) Limited, an independent valuer.

		Note	2013 Rupees	2012 Rupees
23	**AMOUNT DUE FROM OTHER INSURERS AND REINSURERS**			
	Un-secured			
	Amount due from other insurers		**2,696,184,075**	2,768,431,219
	Amount due from other reinsurers		**301,613,500**	242,901,779
		23.1	**2,997,797,575**	3,011,332,998
	Less: Provision for doubtful balances			
	Balance brought forward from last year		**(386,000,000)**	(386,000,000)
	Provision made during the year		**-**	-
			(386,000,000)	(386,000,000)
			2,611,797,575	2,625,332,998

23.1 This includes gross amount of Rs. 1,110,357,000 (2012: Rs. 1,444,398,000) due from related parties. The age analysis of amount due from related parties is as follows:

	2013	2012
	Rupees in thousand (000)'	
Upto 3 months	**755,043**	986,111
Over 3 months and upto twelve months	**355,314**	458,287
	1,110,357	**1,444,398**

		2013 Rupees	2012 Rupees
24	**PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS**		
	Premium reserve	**3,020,877**	8,782,257
	Losses reserve	**28,775,268**	32,945,125
	Cash losses paid to ceding companies	**2,045,311**	52,500,766
	Provision for doubtful deposits	**(17,000,000)**	(17,000,000)
		16,841,456	77,228,148

24.1 This represents the retention of deposits by the ceding companies from the total amount ceded by them to the Company.

		2013	2012
25	**ACCRUED INVESTMENT INCOME**		
	Dividend receivable	**1,997,534**	1,997,534
	Interest on held-to-maturity investments	**125,313,189**	142,592,654
	Interest on deposits maturing within 12 months	**3,682,267**	1,672,210
	Rentals receivable	**41,659,443**	39,405,021
		172,652,433	185,667,419
	Provision for dividend receivable	**(1,997,534)**	(1,997,534)
		170,654,899	183,669,885

	Note	2013 Rupees	2012 Rupees (Restated)
26 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS			
Facultative business			
Fire		**136,468,099**	68,968,099
Marine cargo		**-**	-
Marine hull		**14,442,587**	-
Accident and others		**-**	-
Aviation		**59,056,879**	86,712,257
Engineering		**122,687,816**	196,309,775
		332,655,381	351,990,131
Treaty business		**1,208,777,924**	1,029,656,520
	9.2	**1,541,433,305**	1,381,646,651

	2013 Rupees	2012 Rupees
27 DEFERRED COMMISSION EXPENSE		
Facultative business		
Fire	**95,306,645**	108,512,564
Marine cargo	**2,264,145**	3,145,933
Marine hull	**8,065,439**	12,232,634
Accident and others	**9,307,221**	6,669,445
Aviation	**716,978**	1,527,264
Engineering	**27,308,699**	22,995,731
	142,969,127	155,083,571
Treaty business	**352,896,626**	314,765,604
	495,865,753	469,849,175
28 PREPAYMENTS		
Prepaid reinsurance ceded - Facultative business		
Fire	**387,805,080**	373,956,699
Marine hull	**37,575,493**	35,342,981
Aviation	**801,369,181**	939,037,888
Engineering	**511,651,888**	568,614,891
	1,738,401,642	1,916,952,459
Prepaid reinsurance ceded - Treaty business	**247,588,866**	391,243,899
	1,985,990,508	2,308,196,358
Others prepayments	**5,800,933**	7,081,316
	1,991,791,441	2,315,277,674

	Note	2013 Rupees	2012 Rupees (Restated)
29 SUNDRY RECEIVABLES			
Government Provident Fund		**-**	31,270
Employees General Provident Fund		**-**	973,697
Employees' welfare fund receivables		**888,135**	-
Export Credit Guarantee Schemes	29.1	**56,142,435**	56,142,435
Receivable against National Co-insurance Scheme		**4,939,471**	4,939,471
Receivable from War Risk Insurance - Karachi	29.2	**7,724,303**	7,724,303
Receivable from War Risk Insurance - Lahore	29.2	**10,541,524**	10,541,524
Receivable from Economic Cooperation Organization (ECO) Reinsurance Pool	29.3	**36,215,493**	36,215,493
Receivable from Investment Corporation of Pakistan	29.4	**4,565,000**	4,565,000
Receivable against sale of shares		**-**	62,777
Advances		**5,026,310**	7,224,154
Security deposits		**3,349,514**	3,349,514
Others		**4,263,938**	4,761,375
		133,656,123	136,531,013
Less: Provision for doubtful debts			
Balance brought forward from last year		**(24,621,876)**	(24,621,876)
Provision made during the year		**(18,107,747)**	-
		(42,729,623)	(24,621,876)
	12.1	**90,926,500**	111,909,137

29.1 This represents the total amount of income tax deposited by the company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS) managed by the company on behalf of the Government. The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the company's income. The company's appeal in this respect which was pending before High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan. The company had filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the company against the judgment of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

The ADRC therefore concluded that they would refer the matter to the FBR for providing a legal expert to the ADRC or to re-constitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the Article 165A of the Constitution of Pakistan in this case.

The ADRC therefore concluded that they would refer matter to the FBR for providing a legal expert to the ADRC or to reconstitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the aforesaid Article. FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefor the Company needs to pursue its case with the Supreme Court of Pakistan which has been already granted a leave to appeal against order of High Court.

No provision has been made in this respect as management is confident that this amount will be recovered in due course.

29.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Company (defunct). The Department was set up for insurance of losses which could have occurred due to war.

29.3 The amount represents the management fee receivable from Economic Cooperation Organization (ECO) in respect of arrangements of meetings in Pakistan in relation to ECO Reinsurance pool.

29.4 Investment Corporation of Pakistan (ICP) was amalgamated with and into Industrial Development Bank of Pakistan in terms of Scheme of Amalgamation-2006. All the shareholders of ICP (Defunct) were converted into creditors. The said amount represents receivable from ICP in this regard.

29.5 Contingencies related to tax are presented in note 36.

		2013 Rupees	2012 Rupees
30	**FIXED ASSETS**		
30.1	Land and Building		
	- PRC House	**1,455,290**	1,531,884
	- Lift	**146**	146
	- PRC Towers - leasehold land	**223,622**	223,622
	- PRC Towers - building	**16,428,115**	17,292,753
		18,107,173	19,048,405
30.2	Furniture, fixture, books and office equipment		
	- Furniture and fixture	**1,421,032**	1,419,572
	- Office equipment	**1,928,311**	2,107,160
	- Books	**337,295**	305,491
	- Computers	**8,429,246**	9,947,338
		12,115,884	13,779,561
30.3	Electrical installation, air-conditioning and lift		
	- Electrical installation	**3,497,272**	3,501,341
	- Air-conditioning	**8,836,877**	3,208,492
	- Lift	**829,142**	1,036,428
		13,163,291	7,746,261
30.4	Motor vehicles	**13,052,619**	12,308,475
		56,438,967	52,882,702

30.5 2013

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total
	PRC House	Lift	PRC Towers leasehold land	PRC Towers Building	Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift		
	Rupees												
As at January 01, 2013													
Cost	2,693,186	146	223,622	38,663,647	10,892,662	4,496,089	454,716	21,090,727	11,835,113	15,693,157	9,505,592	23,141,400	138,690,057
Accumulated depreciation	(1,161,302)	-	-	(21,370,894)	(9,473,090)	(2,388,929)	(149,225)	(11,143,389)	(8,333,772)	(12,484,665)	(8,469,164)	(10,832,925)	(85,807,355)
Book value	**1,531,884**	**146**	**223,622**	**17,292,753**	**1,419,572**	**2,107,160**	**305,491**	**9,947,338**	**3,501,341**	**3,208,492**	**1,036,428**	**12,308,475**	**52,882,702**
December 31, 2013													
Opening net book amount	1,531,884	146	223,622	17,292,753	1,419,572	2,107,160	305,491	9,947,338	3,501,341	3,208,492	1,036,428	12,308,475	52,882,702
Additions	-	-	-	-	163,300	206,595	65,370	626,171	824,600	7,154,500	-	5,157,000	14,197,536
Disposals / transfers													
Cost	-	-	-	-	-	-	-	-	-	-	-	(5,479,000)	(5,479,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	3,616,526	3,616,526
	-	-	-	-	-	-	-	-	-	-	-	(1,862,474)	(1,862,474)
Deprecation charge for the year	(76,594)	-	-	(864,638)	(161,840)	(385,444)	(33,566)	(2,144,263)	(828,669)	(1,526,115)	(207,286)	(2,550,382)	(8,778,797)
Book value	**1,455,290**	**146**	**223,622**	**16,428,115**	**1,421,032**	**1,928,311**	**337,295**	**8,429,246**	**3,497,272**	**8,836,877**	**829,142**	**13,052,619**	**56,438,967**
As at December 31, 2013													
Cost	2,693,186	146	223,622	38,663,647	11,055,962	4,702,684	520,086	21,716,898	12,659,713	22,847,657	9,505,592	22,819,400	147,408,593
Accumulated depreciation	(1,237,896)	-	-	(22,235,532)	(9,634,930)	(2,774,373)	(182,791)	(13,287,652)	(9,162,441)	(14,010,780)	(8,676,450)	(9,766,781)	(90,969,626)
Book value	**1,455,290**	**146**	**223,622**	**16,428,115**	**1,421,032**	**1,928,311**	**337,295**	**8,429,246**	**3,497,272**	**8,836,877**	**829,142**	**13,052,619**	**56,438,967**
Depreciation rate - percentage	**5%**	**20%**	**0%**	**5%**	**10%**	**15%**	**10%**	**20%**	**20%**	**20%**	**20%**	**20%**	

30.6 2012

2012	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total
	PRC House	Lift	PRC Towers leasehold land	PRC Towers Building	Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift		
	Rupees												
As at January 01, 2012													
Cost	2,693,186	146	223,622	38,663,647	10,714,662	4,049,787	372,981	20,064,075	9,040,293	15,693,157	9,465,592	17,138,080	128,119,228
Accumulated depreciation	(1,080,677)	-	-	(20,460,749)	(9,320,737)	(2,067,117)	(120,732)	(8,736,396)	(7,719,881)	(11,682,542)	(8,214,223)	(9,676,425)	(79,079,479)
Book value	**1,612,509**	**146**	**223,622**	**18,202,898**	**1,393,925**	**1,982,670**	**252,249**	**11,327,679**	**1,320,412**	**4,010,615**	**1,251,369**	**7,461,655**	**49,039,749**
December 31, 2012													
Opening net book amount	1,612,509	146	223,622	18,202,898	1,393,925	1,982,670	252,249	11,327,679	1,320,412	4,010,615	1,251,369	7,461,655	49,039,749
Additions	-	-	-	-	196,400	481,302	81,735	1,026,652	2,794,820	-	40,000	9,219,000	13,839,909
Disposals / transfers													
Cost	-	-	-	-	(18,400)	(35,000)	-	-	-	-	-	(3,215,680)	(3,269,080)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	1,507,771	1,507,771
	-	-	-	-	(18,400)	(35,000)	-	-	-	-	-	(1,707,909)	(1,761,309)
Deprecation charge for the year	(80,625)	-	-	(910,145)	(152,353)	(321,812)	(28,493)	(2,406,993)	(613,891)	(802,123)	(254,941)	(2,664,271)	(8,235,647)
Book value	**1,531,884**	**146**	**223,622**	**17,292,753**	**1,419,572**	**2,107,160**	**305,491**	**9,947,338**	**3,501,341**	**3,208,492**	**1,036,428**	**12,308,475**	**52,882,702**
As at December 31, 2012													
Cost	2,693,186	146	223,622	38,663,647	10,892,662	4,496,089	454,716	21,090,727	11,835,113	15,693,157	9,505,592	23,141,400	138,690,057
Accumulated depreciation	(1,161,302)	-	-	(21,370,894)	(9,473,090)	(2,388,929)	(149,225)	(11,143,389)	(8,333,772)	(12,484,665)	(8,469,164)	(10,832,925)	(85,807,355)
Book value	**1,531,884**	**146**	**223,622**	**17,292,753**	**1,419,572**	**2,107,160**	**305,491**	**9,947,338**	**3,501,341**	**3,208,492**	**1,036,428**	**12,308,475**	**52,882,702**
Depreciation rate - percentage	**5%**	**20%**	**0%**	**5%**	**10%**	**15%**	**10%**	**20%**	**20%**	**20%**	**20%**	**20%**	

30.7 Disposal/transfer of fixed assets

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain on disposal	Mode of Disposal	Particular of purchaser
	Rupees						
During the year ended December 31, 2013							
Vehicles							
Suzuki Baleno - GA 9515	834,000	(725,763)	108,237	360,000	251,763	Auction	Abdul Razzak
Suzuki Cultus - GA 9554	585,000	(523,015)	61,985	314,000	252,015	Auction	Wajid Surjan
Suzuki Cultus - AXB 639	990,000	(289,300)	700,700	700,700	-	Company policy	Anzarul Hassan Hashmi
Suzuki Baleno - GA 9514	834,000	(725,763)	108,237	381,000	272,763	Auction	Syed Miraj Maqbool
Suzuki Baleno - GA 9494	834,000	(725,763)	108,237	421,000	312,763		
Toyota Corolla - GP 5811	1,269,000	(600,322)	668,678	1,150,000	481,322	Recoveries under insurance claim	National Insurance Company Limited
Honda Motor Cycle - KFR 515	66,500	(13,300)	53,200	60,000	6,800		
Honda Motor Cycle - KFR 532	66,500	(13,300)	53,200	60,000	6,800		
Total	**5,479,000**	**(3,616,526)**	**1,862,474**	**3,446,700**	**1,584,226**		
During the year ended December 31, 2012							
Vehicles							
Toyota Corolla - GP 5814	1,283,890	(571,600)	712,290	712,290	-	Company policy	Asghar Imam
Honda Civic - GP 5900	1,903,290	(907,913)	995,377	995,377	-	Company policy	Ex - chairman
Honda Motor Cycle - KCA 513	28,500	(28,258)	242	10,000	9,758	Auction	M. Nazir Zaka
Total	**3,215,680**	**(1,507,771)**	**1,707,909**	**1,717,667**	**9,758**		

	Note	2013 Rupees	2012 Rupees
31 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN) - net			
Assets relating to Bangladesh comprise of fixed assets and investments are as follows:			
Fixed assets			
Land and building		**8,608,000**	8,608,000
Furniture and fixtures		**4,000**	4,000
		8,612,000	8,612,000
Investments			
Stock and shares		**7,112,000**	7,112,000
Debentures		**250,000**	250,000
		7,362,000	7,362,000
		15,974,000	15,974,000
Liabilities			
Outstanding claims	9.1	**(4,952,000)**	(4,952,000)
Other liabilities		**(809,000)**	(809,000)
		(5,761,000)	(5,761,000)
		10,213,000	10,213,000
Provision for loss on assets in Bangladesh		**(10,213,000)**	(10,213,000)
		-	-

31.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in note 9.

	Note	2013 Rupees	2012 Rupees (Restated)
32 OTHER MANAGEMENT EXPENSES			
Salaries, wages and benefits		**333,051,065**	262,358,095
Employee benefits			
- officers' pension		**32,754,000**	31,646,000
- employees' pension		**11,079,000**	16,862,000
- post retirement medical benefits		**34,221,000**	38,004,000
- gratuity fund		**1,198,000**	1,203,000
- compensated absences		**19,744,000**	14,118,000
	40	**98,996,000**	101,833,000
Travelling and conveyance		**13,378,140**	12,911,186
Entertainment		**6,903,803**	4,445,797
Subscription and membership		**789,030**	908,285
Legal fees		**589,500**	904,325
Communication		**671,337**	289,992
Insurance		**4,222,123**	8,940,422
Utilities		**24,547,478**	24,367,793
Printing and stationery		**1,684,436**	1,578,943
Repairs and renewal		**1,625,683**	1,966,646
Medical		**17,911,480**	13,627,589
Rent, rates, and taxes		**5,586,960**	14,421,247
Computer related expenses		**1,729,808**	2,010,264
Carried forward		**511,686,843**	450,563,584

	Note	2013 Rupees	2012 Rupees (Restated)
Brought forward		**511,686,843**	450,563,584
Consultancy/ professional service charges		**1,137,545**	2,465,543
Newspapers and periodicals		**4,888,192**	3,820,080
Others		**1,371,782**	2,049,439
		519,084,362	458,898,646
Expense allocated to rental income	33	**(8,910,379)**	(5,793,391)
Expense allocated to investment income		**(6,820,058)**	(4,813,432)
		503,353,925	448,291,823

32.1 General Provident Fund

	2013	2012
Size of the fund	**135,450,361**	125,368,246
Cost of investments made	**94,472,274**	91,672,274
Fair value of investments	**131,529,949**	112,306,748
Number of members	**245**	251
Composition of fund;		
National Savings Scheme	**-**	6,570,000
Special accounts in scheduled bank(s)	**71,850**	1,327,592
Government securities	**71,840,242**	69,470,242
NIT units	**15,632,032**	15,632,032
Term deposits receipts (TDRs)	**7,000,000**	-
	94,544,124	92,999,866

	2013 Percentage	2012 Percentage
Percentage of investments made in;		
National Savings Scheme	**0%**	7%
Special accounts in scheduled bank(s)	**0%**	1%
Government securities	**76%**	75%
NIT units	**17%**	17%
Listed securities	**7%**	0%
	100%	100%

The investments out of provident fund have been made in accordance with provisions of section 227 of the Companies Ordinance, 1984.

32.1.1 The audit of the financial statements for the current year, of the fund have not been finalized.

33 RENTAL INCOME - net

	Note	2013 Rupees	2012 Rupees
Rental income		**59,387,277**	55,243,045
Investment property related expenditures	32	**(8,910,379)**	(5,793,391)
		50,476,898	49,449,654

33.1 The rental income represents income from letting out of PRC Towers.

		Note	2013 Rupees	2012 Rupees
34	**OTHER INCOME**			
	Income from financial assets			
	Interest on deposits		**609,042**	726,274
	Interest on loans		**10,720**	23,348
	Income from non-financial assets			
	Miscellaneous income		**171,059**	30,648
	Gain on disposal of fixed assets		**1,584,226**	9,758
			2,375,047	790,028
35	**GENERAL AND ADMINISTRATION EXPENSES**			
	Depreciation - fixed assets	30	**8,778,797**	8,235,647
	Depreciation - investment properties	22	**2,044,119**	2,199,848
	Directors' meetings		**5,882,907**	6,308,412
	Advertisement and business promotion		**3,463,066**	4,079,578
	Training and research		**2,988,458**	256,050
	Mark-up / interest		**13,540**	19,774
	Repairs and maintenance		**10,100,263**	13,126,684
	Shares transaction costs		**30,731**	5,394
	Auditors' remuneration	35.1	**660,000**	2,060,000
	Donations	35.2	**-**	2,123,940
	Provision for doubtful debts		**18,107,747**	-
	Others		**6,492,485**	3,060,810
			58,562,113	41,476,137
35.1	**Auditors' remuneration**			
	Audit fee		**528,000**	528,000
	Interim review		**132,000**	132,000
	Other certifications		**-**	1,400,000
			660,000	2,060,000

35.2 None of the directors or their spouses had any interest in the donees.

		2013 Rupees	2012 Rupees
36	**INCOME TAX EXPENSE**		
36.1	**Provision for taxation**		
	Current	**384,755,911**	399,033,203
	Prior year	**-**	(21,816,493)
		384,755,911	377,216,710

36.2 The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of income under Export Credit Guarantee Schemes (ECGS). The Company had filed appeal against this in Income Tax Appellate Tribunal (ITAT), however, the ITAT concluded the appeals against the Company for the assessment years 1984-85 to 1994-95. The Company had filed an appeal in the Honourable High Court against the add backs relating to assessment years 1984-89, however the judgment was made against the Company by the Honourable High Court. The Company has now filed an appeal in the Honourable Supreme Court of Pakistan against the said judgement of the Honourable High Court, the Honourable Supreme Court of Pakistan vide order dated August 21, 2007 has granted leave to file an appeal against the said judgment.

The Company had filed an appeal in the Honourable High Court against the add backs relating to assessment years 1995-96 to 2001-02 , the cases are pending for finalization before the Honourable High Court.

The total amount of income tax deposited by the company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS) is now recorded as a receivable from the Ministry of Finance, Government of Pakistan. The matter is contested by the Ministry and is now before Alternate Dispute Resolution Committee (ADRC) as further explained in note 29.1.

36.3 The Assistant Commissioner of Inland Revenue (ACIR) has also issued a show cause notice under section 161/205(3) of the Income Tax Ordinance, 2001 for the tax year 2009 for non deduction of tax on payment of insurance / reinsurance premium under section 152(1AA) of the Ordinance. The Company has made submission in this regard, and had not received any further notice in this regard.

36.4 The Assistant Commissioner of Inland Revenue (ACIR) has also issued a show cause notice under section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2012 for non deduction of tax on commission paid to foreign reinsurance companies. The Company has, in respect of this issue, received a demand notice of Rs. 148,318,431 under order dated February 28, 2014. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) contesting the ACIR's stand on the basis that the Company do not pay any such amount but such amounts are adjusted and the net amount of premium is received by the Company and it is in accordance with current industry practice. The Company has not made provision in this regard as it is confident that the case will be decided in the Company's favour.

36.5 Notice has been issued by the authority for tax year 2003, however, assessment proceedings are pending before the Honourable High Court. Further, a relief of Rs. 41,567,000 was allowed to the Company by the Commissioner Inland Revenue (Appeal) for tax year 2004, which was also confirmed the Income Tax Appellate Tribunal (ITAT). The Income Tax department has filed an ITRA against the said relief. The said ITRA is considered doubtful as it relates to miscellaneous application for rectification and has not challenged the main order.

36.6 Management believes that the provision made by it for the liability against various disallowance made by the tax authorities, is adequate.

	2013	2012
	Rupees	Rupees
36.6 Relationship between tax expenses and accounting profit		
Profit before tax	**1,705,903,989**	1,537,389,696
Tax at the applicable rate of 34% (2012: 35%)	**580,007,356**	518,379,410
Tax effect of exempt capital gain	**(3,894,667)**	(3,307,686)
Tax effect of dividend income taxed at lower rate	**(115,640,638)**	(71,694,837)
Tax effect of property income being taxed separately	**(12,149,455)**	(6,485,643)
Tax effect of (income) / loss that are deductible in determining the taxable profit	**(63,566,685)**	(23,624,140)
Minimum tax at the rate of 0.5% of turnover	-	(20,480,421)
Prior year reversal	-	(21,816,493)
Others	-	6,246,520
Charge for the year	**384,755,911**	377,216,710

Simply Secure

		2013	2012
37	**EARNINGS PER SHARE - basic and diluted**		
	Profit after tax for the year - Rupees	**1,321,148,078**	1,160,172,986
	Weighted average number of ordinary shares	**300,000,000**	300,000,000
	Earnings per share - Rupees	**4.40**	3.87

37.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which when exercised would have an impact on earnings per share, i.e. there were no convertible dilutive potential shares outstanding on December 31, 2013.

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Financial risk management objectives and policies

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

38.2 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.

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

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

	Note	2013 Rupees	2012 Rupees
Bank deposits	19	**2,706,331,619**	2,014,359,140
Loans to employees - unsecured	20	**-**	1,476,590
Investments	21	**2,462,314,514**	2,456,932,491
Amount due from other insurers and reinsurers	23	**2,611,797,575**	2,625,332,998
Premium and claim reserves retained by cedants	24	**16,841,456**	77,228,148
Accrued investment income	25	**170,654,899**	183,669,885
Reinsurance recoveries against outstanding claims	26	**1,541,433,305**	1,381,646,651
Sundry receivables	29	**90,926,500**	111,909,137
		9,600,299,868	8,852,555,040

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the company's policy. The impairment provision is written off when the company expects that it cannot recover the balance due.

The age analysis of receivables comprising 'amount due from other insurers' and 'amount due from other reinsurers' is as follows:

	2013	2012
	Rupees in thousand (000)'	
Upto three months	**1,417,468**	1,410,280
Over three months but upto one year	**814,713**	843,678
Over one year but upto two year	**335,230**	322,176
Over two year but upto three year	**155,488**	135,793
Over three year	**274,899**	299,406
	2,997,798	3,011,333

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

	Rating				
	Short term	Long term	Rating agency	2013	2012
				Rupees in thousand ('000)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	**42,194**	401,993
Bank Al-Habib Limited	A1+	AA+	PACRA	**979,935**	1,600,317
United National Bank Limited, London	A1+	AA+	PACRA	**3,899**	5,238
Summit Bank Limited	A-3	A-	JCR-VIS	**7,199**	6,811
Bank Al-Habib Limited	A1+	AA+	PACRA	**1,023,243**	-
Allied Bank Limited	A1+	AA+	PACRA	**220,000**	-
Faysal Bank Limited	A1+	AA+	PACRA	**215,000**	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**215,000**	-
				2,706,470	2,014,359

38.3 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. 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.

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

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
	Rupees in thousand ('000)			
December 31, 2013				
Provision for outstanding claims	**2,564,780**	**2,564,780**	**2,564,780**	**-**
Long term deposits	**14,368**	**14,368**	**-**	**14,368**
Amount due to other insurers / reinsurers	**1,357,719**	**1,357,719**	**1,357,719**	**-**
Premium and claim reserves retained from retrocessionaires	**19,064**	**19,064**	**-**	**19,064**
Other creditors and accruals	**34,341**	**34,341**	**34,341**	**-**
Accrued expenses	**22,031**	**22,031**	**22,031**	**-**
Retention money payable	**6,821**	**6,821**	**6,821**	**-**
Unclaimed dividend	**78,809**	**78,809**	**78,809**	**-**
Surplus profit payable	**1,213**	**1,213**	**1,213**	**-**
	4,099,146	**4,099,146**	**4,065,714**	**33,432**
December 31, 2012				
Provision for outstanding claims	2,424,874	2,424,874	2,424,874	-
Long term deposits	14,217	14,217	-	14,217
Amount due to other insurers / reinsurers	1,623,538	1,623,538	1,623,538	-
Premium and claim reserves retained from retrocessionaires	20,173	20,173	2,698	17,475
Other creditors and accruals	22,155	22,155	22,155	-
Accrued expenses	21,025	21,025	21,025	-
Retention money payable	6,476	6,476	6,476	-
Unclaimed dividend	65,357	65,357	65,357	-
Surplus profit payable	1,213	1,213	1,213	-
	4,199,028	4,199,028	4,167,336	31,692

38.4 Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investments. The company has invested its funds in government securities, ordinary shares, National Investment Trust Units and close ended mutual funds resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The company minimize such risk by having a diversified investments portfolio. In addition, the company actively monitors the key factors that affect investment market.

Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2013 and 2012 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected 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	Estimated fair value after change in prices	Increase / (decrease) in Shareholders' equity	Increase / (decrease) in Profit / before tax
	Rupees in thousands ('000)			
December 31, 2013				
10% increase	**3,157,708**	**3,473,479**	**208,409**	**315,771**
10% decrease		**2,841,937**	**(208,409)**	**(315,771)**
December 31, 2012				
10% increase	2,111,043	2,322,147	137,218	211,104
10% decrease		1,899,939	(137,218)	(211,104)

38.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

38.6 Interest/ Mark-up rate risk

The company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:

2013	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments: Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	Total
		Rupees in thousand ('000)					
Financial assets							
Cash and bank deposits	**5.00 to 10.00**	**1,679,643**	**-**	**-**	**1,679,643**	**1,026,736**	**2,706,379**
Loans to employees	**10**	**38**	**-**	**-**	**38**	**73,118**	**73,156**
Investment	**8.58 to 12**	**1,449,505**	**1,734,610**	**866,994**	**4,051,109**	**2,462,315**	**6,513,424**
Amount due from other insurers / reinsurers	**-**	**-**	**-**	**-**	**-**	**2,611,798**	**2,611,798**
Premium and claim reserves retained by cedants	**-**	**-**	**-**	**-**	**-**	**16,841**	**16,841**
Accrued investment income	**-**	**-**	**-**	**-**	**-**	**170,655**	**170,655**
Reinsurance recoveries against outstanding claims	**-**	**-**	**-**	**-**	**-**	**1,541,433**	**1,541,433**
Sundry receivables	**-**	**-**	**-**	**-**	**-**	**90,927**	**90,927**
Total		**3,129,186**	**1,734,610**	**866,994**	**5,730,790**	**7,993,823**	**13,724,613**
Financial liabilities							
Provision for outstanding claims	**-**	**-**	**-**	**-**	**-**	**2,564,780**	**2,564,780**
Deferred liability - employee benefits	**-**	**-**	**-**	**-**	**-**	**704,236**	**704,236**
Long term deposits	**-**	**-**	**-**	**-**	**-**	**14,368**	**14,368**
Amount due to other insurers / reinsurers	**-**	**-**	**-**	**-**	**-**	**1,357,719**	**1,357,719**
Premium and claim reserves retained from retrocessionaires	**-**	**-**	**-**	**-**	**-**	**19,064**	**19,064**
Other creditors and accruals	**-**	**-**	**-**	**-**	**-**	**34,341**	**34,341**
Accrued expenses	**-**	**-**	**-**	**-**	**-**	**22,031**	**22,031**
Retention money payable	**-**	**-**	**-**	**-**	**-**	**6,821**	**6,821**
Unclaimed dividend	**-**	**-**	**-**	**-**	**-**	**78,809**	**78,809**
Surplus profit payable	**-**	**-**	**-**	**-**	**-**	**1,213**	**1,213**
Total		**-**	**-**	**-**	**-**	**-**	**4,803,382**
Interest risk sensitivity gap		**3,129,186**	**1,734,610**	**866,994**	**5,730,790**		
Cumulative interest risk sensitivity gap		**3,129,186**	**4,863,796**	**5,730,790**			

Simply Secure

	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
		Rupees in thousand ('000)					
Financial assets							
Cash and bank deposits	5 to 11.15	1,040,533	-	-	1,040,533	973,912	2,014,445
Loans to employees	10	60	-	-	60	60,531	60,591
Investment	8 to 12	1,509,130	1,298,526	1,169,832	3,977,488	2,456,932	6,434,420
Amount due from other insurers / reinsurers	-	-	-	-	-	2,625,333	2,625,333
Premium and claim reserves retained by cedants	-	-	-	-	-	77,228	77,228
Reinsurance recoveries against outstanding claims	-	-	-	-	-	4,264	4,264
Accrued investment income	-	-	-	-	-	219,170	219,170
Sundry receivables	-	-	-	-	-	111,909	111,909
Total		2,549,723	1,298,526	1,169,832	5,018,081	6,529,279	11,547,360
Financial liabilities							
Provision for outstanding claims - net	-	-	-	-	-	2,424,874	2,424,874
Deferred liability - employee benefits	-	-	-	-	-	536,716	536,716
Long term deposits	-	-	-	-	-	14,217	14,217
Amount due from other insurers / reinsurers	-	-	-	-	-	1,623,538	1,623,538
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	20,173	20,173
Other creditors and accruals	-	-	-	-	-	80,968	80,968
Accrued expenses	-	-	-	-	-	21,025	21,025
Retention money payable	-	-	-	-	-	6,476	6,476
Unclaimed dividend	-	-	-	-	-	65,357	65,357
Surplus profit payable	-	-	-	-	-	1,213	1,213
Total		-	-	-	-	4,794,557	4,794,557
Interest risk sensitivity gap		2,549,723	1,298,526	1,169,832	5,018,081		
Cumulative interest risk sensitivity gap		2,549,723	3,848,249	5,018,081			

Sensitivity analysis

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a change of 100 basis points in interest rates at the reporting date would have decreased /(increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2013		2012	
	Increase	Decrease	Increase	Decrease
	in profit / (loss) upon change of 100 bps		in profit / (loss) upon change of 100 bps	
	Rupees in thousand ('000)			
Cash flow sensitivity - Variable Rate Financial Liabilities	**-**	**-**	**-**	**-**
Cash flow sensitivity - Variable Rate Financial Assets	**57,308**	**(57,308)**	**712,000**	**(712,000)**

38.7 **Foreign currency risk**

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee. and its exposure to foreign exchange risk arises primarily with respect to US $ and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 1,026.686 million (2012: Rs. 973.826 million) and Rs. 0.455 million (2012: Rs. 0.412 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2013	2012	2013	2012
	Rupees per US Dollars		Rupees per UK Pound	
	Rupees	Rupees	Rupees	Rupees
Average rate	**106.49**	93.04	**172.43**	147.49
Reporting date rate	**105.00**	96.90	**173.03**	156.58

38.8 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'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 class wise major risk exposure is as follows:

	2013	2012
	Gross sum insured	
	Rupees in thousand ('000)	
Fire	**2,716,330**	6,796,508
Marine cargo	**1,142,445**	942,299
Marine hull	**1,559,948**	1,000,000
Accident and others	**1,351,160**	267,000
Aviation	**101,513,263**	98,994,983
Engineering	**17,726,000**	15,891,000
	126,009,146	123,891,790

The reinsurance arrangements against major risk exposure 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	2013	2012
	Assumed net loss ratio	
	Percentage	
Fire	**37%**	87%
Marine cargo	**81%**	80%
Marine hull	**26%**	53%
Accident and others	**33%**	114%
Aviation	**88%**	59%
Engineering	**45%**	74%

Sensitivity analysis

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

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

	Profit before tax		Shareholders' equity	
	2013	2012	**2013**	2012
	Rupees in '000		Rupees in '000	
10% increase in loss	**283,090**	221,705	**186,839**	144,108
10% decrease in loss	**(283,090)**	(221,705)	**(186,839)**	(144,108)

38.9 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.

38.10 Reinsurance and retrocession arrangements

The company in the normal course of business, undertakes reinsurance business from local insurance companies and controls its exposure to potential losses from large risk, by retrocession to various foreign companies. Its significant portion of reinsurance and retrocession is effected under treaty pact and excess of loss contracts.

The company further evaluates the financial condition of ceding companies as well as it reinsures to minimize its exposures to significant losses from reinsurance insolvencies.

The company continues to be remain under obligation of the ceding companies during the validity of the contract and as a result it remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under their agreements.

An analysis of gross amount due from other insurers and reinsurers recognized by the rating of the entity from which it is due are as follows:

	2013	2012
	Rupees in thousand ('000)	
A or above	2,416,868	2,298,400
BBB	26,727	29,983
Others	554,203	682,950
Total	2,997,798	3,011,333

39 Capital management

Capital management objectives and requirements related to regulatory, solvency and paid up capital requirements are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These objectives and requirements are put in place to ensure sufficient solvency margins. Further, objective are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support business objectives, maximize shareholders value and provide returns for benefits for other stakeholders.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company complies the externally imposed capital requirements during the reported financial year and no change were made to it's objectives, policies and procedures from the previous year.

40 **EMPLOYEE BENEFITS**

40.1 **Defined benefit plans**

	Note	2013						2012 (restated)						2011 (restated)
		Post employment benefits				Other long term employment benefits	Total	Post employment benefits				Other long term employment benefits	Total	
		Retirement benefits			Other post-employment benefits			Retirement benefits			Other post-employment benefits			
		Pension		Gratuity	Medical	Compensated absences		Pension		Gratuity	Medical	Compensated absences		
		Officer	Employees					Officer	Employees					
		Rupees in millions ('000,000)												
40.1.1 Payable to / (receivable) from defined benefit plan														
Present value of defined benefit obligation	40.1.3	740.236	359.941	7.360	251.164	59.633	1,418.334	572.802	271.735	4.727	241.786	48.155	1,139.205	905.888
Fair value of plan assets	40.1.4	(454.049)	(258.617)	(1.432)	-	-	(714.098)	(365.828)	(235.737)	(0.924)	-	-	(602.489)	(535.633)
	40.1.2	286.187	101.324	5.928	251.164	59.633	704.236	206.974	35.998	3.803	241.786	48.155	536.716	370.255
40.1.2 Movement in payable to / (receivable) from defined benefit plan														
Opening balance		206.974	35.998	3.803	241.786	48.155	536.716	118.753	12.651	3.268	193.998	41.585	370.255	194.955
Expenses recognized (refer note - 32)														
Current service cost		6.882	6.579	0.723	1.960	9.443	25.587	9.215	10.133	0.792	1.942	5.607	27.689	19.302
Past service cost		-	-	-	4.983	-	4.983	-	-	-	12.317	-	12.317	3.208
Interest cost		25.872	4.500	0.475	27.278	6.019	64.144	22.431	6.729	0.411	23.745	4.726	58.042	25.322
Actuarial (gains) / losses *		-	-	-	-	4.282	4.282	-	-	-	-	3.785	3.785	(2.923)
		32.754	11.079	1.198	34.221	19.744	98.996	31.646	16.862	1.203	38.004	14.118	101.833	44.909
Other comprehensive income														
Actuarial (gain) / loss on defined benefit obligations arising from changes:														
- demographic assumptions		9.256	(37.750)	(0.002)	4.570	-	(23.926)	-	-	-	1.125	-	1.125	1.171
- financial assumptions		(85.318)	5.680	-	-	-	(79.638)	54.425	33.550	0.087	29.099	-	117.161	121.907
- experience (gains) / losses		190.075	111.584	1.644	(20.245)	-	283.058	28.753	12.260	(0.176)	(12.366)	-	28.471	29.625
		114.013	79.514	1.642	(15.675)	-	179.494	83.178	45.810	(0.089)	17.858	-	146.757	152.703
Actuarial (gain) / loss on plan assets		(34.484)	(22.390)	(0.715)	-	-	(57.589)	3.612	(29.917)	(0.579)	-	-	(26.884)	5.848
		79.529	57.124	0.927	(15.675)	-	121.905	86.790	15.893	(0.668)	17.858	-	119.873	158.551
Liability transferred from 'Employees' Pension' fund		-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to the Fund		-	-	-	-	-	-	-	-	-	-	-	-	-
Payment made on behalf of fund		(33.070)	(2.877)	-	-	-	(35.947)	(30.215)	(9.408)	-	-	-	(39.623)	(12.711)
Benefits paid - net		-	-	-	(9.168)	(8.266)	(17.434)	-	-	-	(8.074)	(7.548)	(15.622)	(15.449)
Closing balance	40.1.1	286.187	101.324	5.928	251.164	59.633	704.236	206.974	35.998	3.803	241.786	48.155	536.716	370.255

* This represent actuarial losses / (gains) on 'other long term benefits', i.e. compensated absences and are required to be recognized as expense / (income) in profit and loss account.

	Note	2013						2012 (restated)						2011 (restated)
		Post employment benefits				Other long term employment benefits	Total	Post employment benefits				Other long term employment benefits	Total	
		Retirement benefits			Other post-employment benefits			Retirement benefits			Other post-employment benefits			
		Pension		Gratuity	Medical	Compensated absences		Pension		Gratuity	Medical	Compensated absences		
		Officer	Employees					Officer	Employees					
		Rupees in millions ('000,000)												
40.1.3 Present value of the defined benefit obligations														
Present value of obligation at the beginning of the period		572.802	271.735	4.727	241.786	48.155	1,139.205	423.603	243.125	3.577	193.998	41.585	905.888	675.411
Current service cost		6.882	6.579	0.723	1.960	9.443	25.587	9.215	10.133	0.792	1.942	5.607	27.689	19.302
Past service cost		-	-		4.983	-	4.983	-	-	-	12.317	-	12.317	3.208
Interest cost		68.779	33.440	0.572	27.278	6.019	136.088	56.674	31.265	0.447	23.745	4.726	116.857	92.178
Benefits paid		(45.138)	(8.429)	(0.304)	(9.168)	(8.266)	(71.305)	(44.383)	(14.083)	-	(8.074)	(7.548)	(74.088)	(33.991)
Liability transferred from 'Employees' Pension' fund		22.898	(22.898)	-	-	-	-	44.515	(44.515)	-	-	-	-	-
Actuarial (gain) or loss on obligation - balancing figure		114.013	79.514	1.642	(15.675)	4.282	183.776	83.178	45.810	(0.089)	17.858	3.785	150.542	149.780
Present value of obligation at the end of the period	40.1.1	740.236	359.941	7.360	251.164	59.633	1,418.334	572.802	271.735	4.727	241.786	48.155	1,139.205	905.888
40.1.4 Fair value of plan assets														
Fair value at the beginning of the year		365.828	235.737	0.924	-	-	602.489	304.850	230.474	0.309	-	-	535.633	480.456
Expected return on plan assets		42.907	28.940	0.097	-	-	71.944	34.243	24.536	0.036	-	-	58.815	66.856
Contributions to the Fund		-	-	-	-	-	-	-	-	-	-	-	-	-
Payment made on behalf of fund		33.070	2.877	-	-	-	35.947	30.215	9.408	-	-	-	39.623	12.711
Benefits paid		(45.138)	(8.429)	(0.304)	-	-	(53.871)	(44.383)	(14.083)	-	-	-	(58.466)	(18.542)
Liability transferred from 'Employees' Pension' fund		22.898	(22.898)	-	-	-	-	44.515	(44.515)	-	-	-	-	-
Assets transferred from Employees' Pension Fund		-	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain / (loss) on plan assets		34.484	22.390	0.715	-	-	57.589	(3.612)	29.917	0.579	-	-	26.884	(5.848)
Fair value at the end of the year	40.1.1	454.049	258.617	1.432	-	-	714.098	365.828	235.737	0.924	-	-	602.489	535.633
40.1.5 Actual return on plan assets		77.391	51.330	0.812	-	-	129.533	30.631	54.453	0.615	-	-	85.699	61.008

Simply Secure

40.1.6 Composition of fair value of plan assets

	2013						2012					
	Pension - officers'		Pension - employees'		Gratuity		Pension - officers'		Pension - employees'		Gratuity	
	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage
Assets with an active market												
Open ended mutual funds units	84,318,896	18.57%	97,303,469	37.62%	93,164,874	96.72%	56,365,833	15.41%	65,045,041	22.69%	62,278,489	97.77%
Term Finance certificates	-	0.00%	-	0.00%	-	0.00%	-	0.00%		0.00%	-	0.00%
Assets with no active market												
Term deposit receipts	-	0.00%	115,363,432	44.61%	-	0.00%	-	0.00%		0.00%	-	0.00%
Others (including cash and bank balances)	369,730,307	81.43%	45,950,184	17.77%	3,163,811	3.28%	309,461,744	84.59%	221,642,698	77.31%	1,421,786	2.23%
Liabilities	-		-		(94,896,685)		-		(50,950,367)		(62,776,275)	
	454,049,203	100.00%	258,617,085	100.00%	1,432,000	100.00%	365,827,577	100.00%	235,737,372	100.00%	924,000	100.00%

40.1.7 The Funds have no holding in the Company's equity instruments as plan assets. Moreover, the Funds have no property or other assets, as its plan assets, occupied or used by the Company.

	2013				
	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
	Rupees in million ('000,000)				
40.1.8 Expected charge to the Funds for the year ending December 31, 2014	49.375	27.384	2.112	33.535	10.799

40.1.9 Actuarial valuation assumptions

	2013					2012				
	Pension		Gratuity	Medical	Compensated absences	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees				Officer	Employees			
Valuation discount rate	13.00%	13.00%	13.00%	13.00%	13.00%	11.50%	11.50%	11.50%	11.50%	11.50%
Expected return in plan assets	13.00%	13.00%	13.00%	-	-	11.50%	11.50%	11.50%	-	-
Salary increase rate	12.00%	12.00%	12.00%	-	12.00%	10.50%	10.50%	10.50%	-	10.50%
Indexation in pension	8.00%	8.00%	-	-	-	8.00%	8.00%	-	-	-
Exposure inflation rate	-	-	-	3.00%	-	-	-	-	3.00%	-
Medical inflation rate	-	-	-	9.50%	-	-	-	-	8.00%	-

40.1.10 The effect of one percentage movement in the assumptions (rates) would have following effects:

	Original	1% Increase	1% Decrease
	Rupees in millions ('000,000)		
Valuation discount rate			
Present value of obligation - other than medical	1,167.170	1,060.119	1,279.211
Financial impact on present value of obligation		(107.051)	112.041
Valuation discount rate	13.00%	14.00%	12.00%
Salary increase rate			
Present value of obligation - other than medical	1,167.170	1,186.999	1,154.893
Financial impact on present value of obligation		19.829	(12.277)
Salary increase rate	12.00%	13.00%	11.00%
Medical inflation rate			
Present value of obligation - medical	251.164	287.304	221.186
Financial impact on present value of obligation		36.140	(29.978)
Medical inflation rate	9.50%	10.50%	8.50%
Life expectancy			
Present value of obligation	1,418.334	1,405.061	1,431.666
Financial impact on present value of obligation		(13.273)	13.332

40.2 Defined contribution plan - Provident Fund

The Company has two provident funds - 'provident fund' and 'general provident fund'. In case of 'provident fund', equal monthly contributions are made both by the Company and the employees to the contributory provident fund at the rate of 10% of the basic salary. In case of 'general provident fund' the contribution is made by the employees at the minimum rate of 10% of the basic salary. Information about 'general provident fund' is presented in note 32.1. Where as information about 'provident fund' is not presented as the fund is opted by only one employee and related amounts are immaterial.

41 SEGMENT REPORTING

41.1 Segment by class of business

	2013							
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	Total
	Rupees in thousand ('000)							
Segment result								
Net premium	802,535	57,880	98,676	138,312	162,429	499,201	2,965,367	4,724,400
Net claims	(300,319)	(46,903)	(25,685)	(45,527)	(143,101)	(224,626)	(2,044,740)	(2,830,901)
Management expenses	(12,051)	(8,613)	(3,552)	(7,741)	(10,914)	(8,236)	(452,247)	(503,354)
Net commission	(111,584)	(13,714)	(7,926)	(16,598)	753	(7,210)	(780,491)	(936,770)
Underwriting result	378,581	(11,350)	61,513	68,446	9,167	259,129	(312,111)	453,375
Segment assets								
Prepaid reinsurance ceded	387,805	-	37,575	-	801,369	511,652	247,589	1,985,990
Deferred commission expense	95,307	2,264	8,065	9,307	717	27,309	352,897	495,866
	483,112	2,264	45,640	9,307	802,086	538,961	600,486	2,481,856
Unallocated corporate assets								13,824,002
Total assets								16,305,858
Segment liabilities								
Provision for unearned premium	836,820	10,041	71,360	78,715	910,780	721,564	1,872,769	4,502,049
Commission income unearned	41,325	-	6,986	-	709	25,946	175	75,141
Provision for outstanding claims	476,137	39,074	61,811	110,641	61,810	222,711	1,597,547	2,569,731
	1,354,282	49,115	140,157	189,356	973,299	970,221	3,470,491	7,146,921
Un-allocated corporate liabilities								2,587,541
Total liabilities								9,734,462

	2012							
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	Total
	Rupees in thousand ('000)							
Segment result								
Net premium	759,079	40,253	91,287	89,291	174,950	407,651	2,533,573	4,096,084
Net claims	(290,762)	(28,608)	(7,224)	(121,776)	(78,674)	(242,304)	(1,447,705)	(2,217,053)
Management expenses	(8,119)	(5,624)	(2,219)	(5,226)	(6,678)	(5,471)	(415,009)	(448,346)
Net commission	(145,193)	(8,971)	(12,269)	(10,666)	(621)	544	(690,162)	(867,338)
Underwriting result	315,005	(2,950)	69,575	(48,377)	88,977	160,420	(19,303)	563,347
Segment assets								
Prepaid reinsurance ceded	373,957	-	35,343	-	939,038	568,615	391,244	2,308,197
Deferred commission expense	108,513	3,146	12,233	6,669	1,527	22,996	314,766	469,850
	482,470	3,146	47,576	6,669	940,565	591,611	706,010	2,778,047
Unallocated corporate assets								12,987,964
Total assets								15,766,011
Segment liabilities								
Provision for unearned premium	865,588	11,864	94,781	57,970	1,072,597	821,775	1,425,804	4,350,379
Commission income unearned	36,765	-	5,873	-	2,364	27,746	(27,730)	45,018
Provision for outstanding claims	377,062	15,853	22,727	76,204	101,702	234,417	1,601,862	2,429,827
	1,279,415	27,717	123,381	134,174	1,176,663	1,083,938	2,999,936	6,825,224
Un-allocated corporate liabilities								2,818,633
Total liabilities								9,643,857

41.2 Segment by geographical location

Although the operations of the company are based primarily on business segments, the company also operates in geographical area. The following table shows the distribution of the company's revenue, total assets and total liabilities by geographical segments:

	2013		2012	
Locations	Lahore	Karachi	Lahore	Karachi
	Rupees in thousand ('000)			
Premium	1,029,518	3,694,882	819,670	3,276,414
Total assets	743.290	16,305,114.710	679.620	15,765,331.380
Total liabilities	514,250.000	9,220,212.000	259,776.000	9,384,081.000

41.3 Information about major customer

The following table presents premium written from transactions with external customer where such amounts equals and / or exceed ten per cent of the total premium written by the Company.

	2013	2012
	Rupees in thousand ('000)	
National Insurance Company Limited		
Facultative business		
Fire	463,102	498,432
Marine cargo	-	-
Marine hull	132,907	112,383
Accident and others	-	-
Aviation	1,109,537	1,289,456
Engineering	1,135,376	1,334,541
	2,840,922	3,234,812
Treaty business	505,929	435,818
	3,346,851	3,670,630
Reliance on customer - percentage of total premium written	39%	45%

42 TRANSACTIONS WITH RELATED PARTIES

Government of Pakistan through Ministry of Commerce owns 51% (2012: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 43 of these financial statements, are as follows:

	Note	2013	2012
		Rupees	
Major shareholder			
Government of Pakistan (GoP) through Ministry of Commerce			
Dividend paid for the preceding year		336,599,463	403,919,355
State Life Insurance Corporation of Pakistan			
Dividend paid for the preceding year		183,080,503	219,696,603
Related parties by virtue of GoP's holdings			
State Bank of Pakistan			
Purchase of investment (Pakistan Investment Bonds)		698,399,582	820,339,563
Purchase of investment (Treasury Bills)		2,250,005,000	3,871,276,341
Dividend received during the year		49,000	49,000
Sui Northern Gas Pipelines Limited			
Dividend received during the year		19,768,645	-
Sui Southern Gas Company Limited			
Dividend received during the year		28,562,011	-
Pakistan State Oil Company Limited			
Dividend received during the year		33,868	28,226
National Investment Trust Limited			
Dividend received during the year		35,640,000	27,720,000
National Insurance Company Limited			
Premium due but unpaid		1,444,397,543	1,249,740,829
Insurance premium written during the period		3,462,765,386	3,670,629,533
Premium received		(3,796,805,464)	(3,475,972,819)
Balance at the end of year		1,110,357,465	1,444,397,543
		1,110,357	1,444,398
Insurance commission paid		55,768,501	474,436,253
Insurance claims paid		2,489,569,798	65,122,607
Other related parties			
Contribution to staff benefit funds			
Employees' pension fund		-	-
Officers' pension fund		-	-
Gratuity fund		-	-
Remuneration including benefits and perquisites of key management personnel	43	37,277,158	29,752,479

Simply Secure

43 REMUNERATION INCLUDING BENEFITS AND PERQUISITES OF KEY MANAGEMENT PERSONNEL

	Managerial remuneration including bonus	Retirement benefits	House rent and other benefits	Utilities and others	Total
			Rupees		
December 31, 2013					
Chief Executive	**1,861,865**	**179,898**	**652,612**	**796,500**	**3,490,875**
Executives	**22,194,380**	**113,050**	**11,059,246**	**419,607**	**33,786,283**
	24,056,245	**292,948**	**11,711,858**	**1,216,107**	**37,277,158**
December 31, 2012					
Chief Executive	3,057,084	222,392	2,771,934	925,140	6,976,550
Executives	16,102,855	135,660	6,118,120	419,294	22,775,929
	19,159,939	358,052	8,890,054	1,344,434	29,752,479

No remuneration was paid to non-executive directors except meeting fees.

	2013	2012
	Number of person(s)	
Chief Executive	**2**	2
Director		
- executive director	**0**	0
- non-executive director	**6**	7
Executives	**17**	13

The Company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to the Chief Executive, and certain Executives of the Company and they are also entitled to free medical facilities including hospitalization and club subscription as per company policy.

Executive means any employee who satisfies the definition / criteria as mentioned in the fourth schedule to the Companies Ordina

44 EMPLOYEES

	2013	2012
	Number of person(s)	
Number of employees at the year end		
Permanent	**245**	251
Others	**17**	20
Average number of employees during the year		
Permanent	**248**	228
Others	**19**	29

45 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on April 30, 2014 have recommended a final cash dividend of Rs.2.50 per share (2012: Rs. 2.5 per share) and a bonus issue of Rs.Nil per share (2012: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on May 30, 2014.

These financial statements for the year ended December 31, 2013 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2014.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 30, 2014 by the Board of Directors of the company.

Farzana Munaf	**Taufique Habib**	**Attaullah A. Rasheed**
Chief Financial Officer	**Director**	**Director**

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directos and the Chief Financial Officer.

PakRe

PAKISTAN REINSURANCE COMPANY LIMITED
Pattern of Shareholding
As of December 31, 2013

# Of Shareholders	Shareholdings'Slab			Total Shares Held
611	1	to	100	29,539
887	101	to	500	335,151
839	501	to	1000	744,167
1184	1001	to	5000	3,167,946
394	5001	to	10000	3,099,891
119	10001	to	15000	1,491,363
89	15001	to	20000	1,632,151
55	20001	to	25000	1,296,744
33	25001	to	30000	938,661
23	30001	to	35000	758,836
20	35001	to	40000	779,882
16	40001	to	45000	694,129
17	45001	to	50000	846,666
15	50001	to	55000	798,347
10	55001	to	60000	587,487
6	60001	to	65000	378,088
7	65001	to	70000	479,431
10	70001	to	75000	743,147
7	75001	to	80000	542,187
3	80001	to	85000	247,060
2	85001	to	90000	176,399
8	95001	to	100000	793,376
3	100001	to	105000	312,100
2	105001	to	110000	216,200
3	110001	to	115000	336,221
3	115001	to	120000	357,999
2	120001	to	125000	250,000
2	130001	to	135000	265,198
1	135001	to	140000	136,846
2	140001	to	145000	284,500
7	145001	to	150000	1,036,962
1	150001	to	155000	152,400
3	155001	to	160000	473,999
1	160001	to	165000	161,500
1	165001	to	170000	170,000
1	175001	to	180000	177,777
1	180001	to	185000	182,888
4	195001	to	200000	796,421
1	200001	to	205000	203,500
1	205001	to	210000	209,999
2	210001	to	215000	427,000
1	215001	to	220000	219,000
1	220001	to	225000	222,599

PAKISTAN REINSURANCE COMPANY LIMITED
Pattern of Shareholding
As of December 31, 2013

# Of Shareholders	Shareholdings'Slab			Total Shares Held
1	260001	to	265000	265,000
1	270001	to	275000	274,799
2	285001	to	290000	576,086
1	295001	to	300000	299,999
1	310001	to	315000	312,799
1	315001	to	320000	319,199
1	345001	to	350000	350,000
1	350001	to	355000	351,000
1	380001	to	385000	383,999
1	395001	to	400000	395,999
1	435001	to	440000	435,137
1	450001	to	455000	452,000
1	460001	to	465000	461,999
1	485001	to	490000	489,525
1	600001	to	605000	605,000
1	635001	to	640000	640,000
1	755001	to	760000	758,000
1	775001	to	780000	779,998
1	900001	to	905000	903,100
1	2725001	to	2730000	2,728,995
1	3745001	to	3750000	3,747,882
1	4495001	to	4500000	4,500,000
1	6495001	to	6500000	6,500,000
1	7995001	to	8000000	8,000,000
1	12080001	to	12085000	12,083,770
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
4427				**300,000,000**

Simply Secure

PakRe

PAKISTAN REINSURANCE COMPANY LIMITED
Pattern of Shareholding
As of December 31, 2013

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE	1	134,639,785	44.88
PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
		152,999,756	51.00
Associated Companies, undertakings and related parties			
Mutual Funds	7	2,546,051	0.85
Directors and their spouse(s) and minor children			
MUMTAZ ALI RAJPER	2	555	0.00
TAUFIQUE HABIB	2	1,555	0.00
ATTAULLAH A. RASHEED	1	55	0.00
ABDUL KABIR KAZI	1	55	0.00
DR. MASUMA HASAN	1	55	0.00
RASUL BUX PHULPOTO	1	55	0.00
Executives			
Public Sector Companies and Corporations	4	85,711,971	28.57
Banks, development finance institutions, non-banking fincance companies, insurance companies, takaful and modarabas	12	15,470,236	5.16
General Public			
a. Local	4312	33,533,822	11.18
b. Foreign	3	1,300	0.00
Foreign Companies	2	8,061,189	2.69
Others	77	1,673,345	0.56
Total	**4427**	**300,000,000**	**100.00**

Shareholders holding 5% or more	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE	134,639,785	44.88
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	73,232,201	24.41
PRCL EMPLOYEES EMPOWERMENT TRUST*	18,359,971	6.12

* GOP transfer 12% shares to PRCL Employees Empowerment Trust under BESOS Scheme

PakRe

Proxy Form

I/We ________________________________ of ________________________________ being a member of **Pakistan Reinsurance Company Limited** hereby appoint Mr. ________________________________ of ________________________________ or failing him ________________________________ of ________________________________ as my / our proxy in my absence to attend and vote for me/ us and on my /our behalf at the 14th Annual General Meeting of the Company to be held on Friday the 30th May, 2014 at 11:00 a.m and at any adjournment thereof.

Signed this ______________________ day of May 2014.

Affix Rupees Five Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. ______________________
and/ or CDC
Participant I D. No. ______________________
and Sub Account No. ______________________

WITNESSES:

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

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

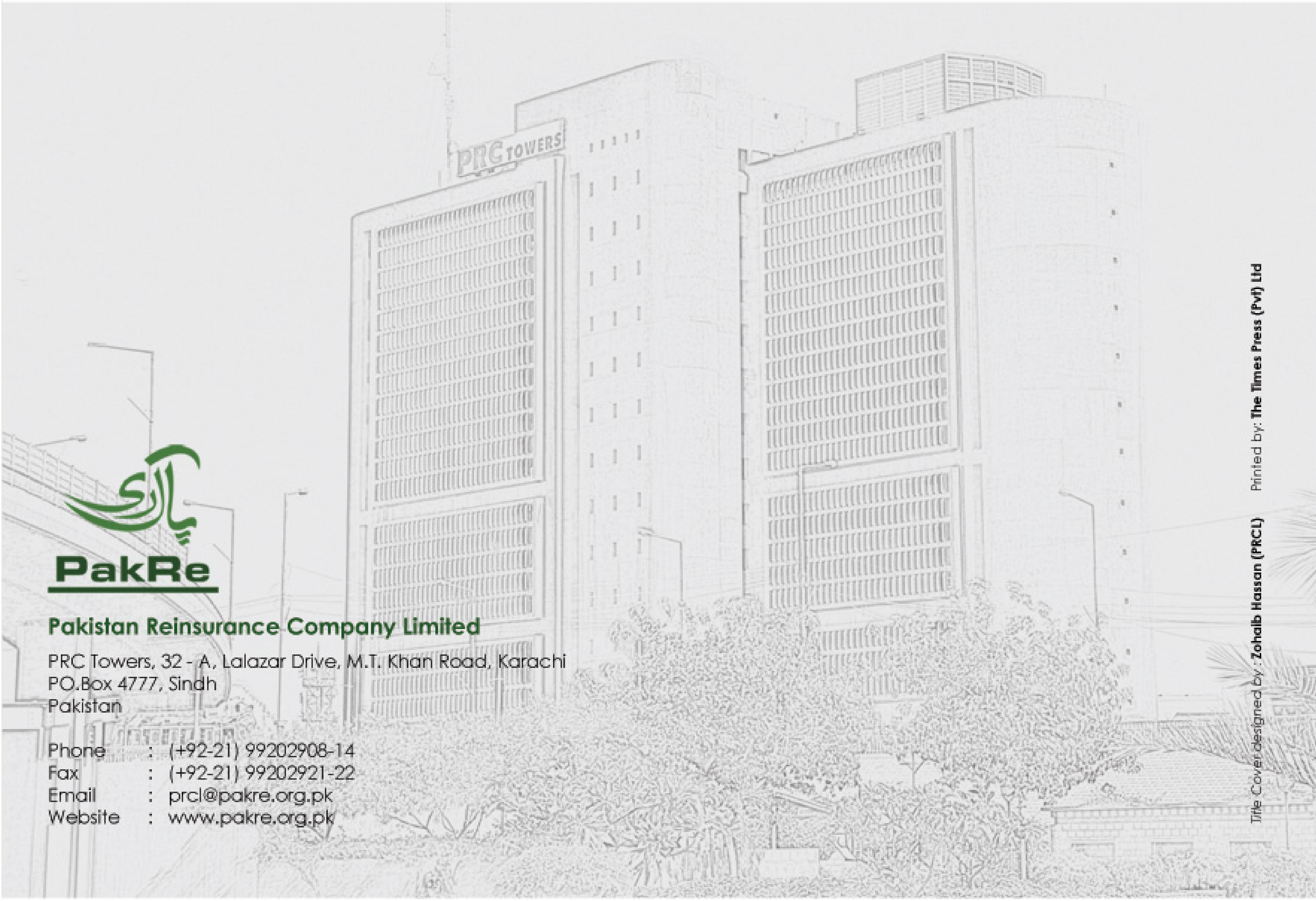
IMPORTANT:

1. No person shall be appointed a proxy who is not a shareholder of the company and qualified to vote, save that a company being member of the company may appoint as its proxy any officer of such company whether a member of the company or not.
2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the company not less than 48 hours before the date of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must confirm to the specimen signature filed with the Company.
5. CDC Shareholders and their proxies are each requested to attach attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company,
6. CDC Shareholders or their proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Simply Secure

The Company Secretary
PAKISTAN REINSURANCE COMPANY LIMITED
PRC Towers. 32-A, Lalazar Drive,
M.T. Khan Road,
Karachi, PO Box 4777, Sindh,
Pakistan

Simply Secure



PakRe

Pakistan Reinsurance Company Limited

PRC Towers, 32 - A, Lalazar Drive, M.T. Khan Road, Karachi
P.O.Box 4777, Sindh
Pakistan

Phone : (+92-21) 99202908-14
Fax : (+92-21) 99202921-22
Email : prcl@pakre.org.pk
Website : www.pakre.org.pk

Title Cover designed by : Zohaib Hassan (PRCL) Printed by: The Times Press (Pvt) Ltd